

**01.09.2022**

## VAT ON E-SERVICES – CHANGES

### Dear customers and partners!

We would like to draw your attention to the recent changes in tax legislation introducing new rules for charging and paying VAT.

Currently, and until September 30, 2022, there is a procedure for paying VAT on electronic services provided by foreign suppliers, in which the foreign supplier must independently register with the Federal Tax Service of the Russian Federation, obtain a TIN, submit a VAT return and pay it. From 01.10.2022 the Federal Tax Service and the Ministry of Finance [presented](#) the former (used until 2019) procedure for the payment of VAT from electronic services. [In a letter](#) dated 08.08.2022, the Federal Tax Service also explained the changes to be introduced.

This means that VAT is paid and recovered by the Russian organization receiving the services as a tax agent. At the same time, if a registered foreign provider of electronic services also provides non-electronic services, there is no tax agent liability for Russian buyers. However, the buyer has the right to pay VAT on such services himself (Letter of the Federal Tax Service of the Russian Federation dated [24.04.2019](#) №СД-4-3/7937). In practice, it is easier and more convenient for a Russian organization buying any services from a foreign supplier to transfer VAT to the Russian budget as a tax agent.

For all payments made to a foreign counterparty before 1 October 2022 under the old rules, the buyer is entitled to reimburse the VAT paid to the foreign seller.

However, these changes do not exempt foreign service providers from having to register with the FTS. The procedure for this action has also undergone changes; now a foreign organization can get registered by opening a bank account. The principle is set out in Articles [83-84](#) of the Tax Code as amended by Federal Law No. 120-FZ of 1 May 2022.

The application for registration is completed, certified with an Enhanced Qualified Electronic Signature by an authorized person of the Russian bank and sent to the Federal Tax Service. Once the foreign organization has been registered, the certificate of registration is also sent electronically to the bank.

Banks have been obliged to check the registration status of a foreign client in the [Open and Publicly Available Information of the Unified State Register of Foreign Entities](#) and, if no information is available in the register, to send an application for registration.

As a reminder, tax registration and tax payment are different processes. As the regulators have not yet provided any other explanations, we recommend to maintain a conservative stance and continue to file zero VAT returns for foreign entities registered with the FTS, even considering the transition to the tax payment procedure via a tax agent.

We will be happy to answer your questions!

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