

Moscow, October 25, 2016

Russia

The new law on transition to cash register equipment allows the tax authorities to track cash payments online

Dear Business Partners,

The law on transition to new cash register equipment, conveying online information about cash payments to the tax authorities, came into force on **July 15, 2016** (hereinafter – the law). **From February 1, 2017** cash register equipment registration should be made in compliance with the new rules. The main aim of the law is to optimize state control and regulation in this field.

New operation principle

According to the new rules, when customers make payments the organization or the individual entrepreneur (hereinafter - IE) must create an electronic cash receipt and send its fiscal data to the tax authorities through the fiscal data operator. In accordance with the established procedure, the electronic receipt should also be sent to the customer, and if the customer requests so, the receipt should also be printed in paper form. The law also stipulates that the receipt can be forwarded to the customer through the fiscal data operator. The use of cash register equipment with data transmission capabilities will require the organizations and IEs to enter into an agreement with the fiscal data operator.

Field of application

The law provides that cash register equipment should be used in the Russian Federation on a mandatory basis by all organizations and IEs when exercising cash payments. Organizations and IEs can execute cash payments without the use of cash registers for the following activities: sale of security forms and craftworks, leasing of housing units belonging to the IE.

Organizations and IEs who are in remote or inaccessible areas which are listed and approved by the Russian government may carry out cash payments and (or) calculations with the use of accountable forms without the use of cash registers.

Requirements for cash register equipment and fiscal storage units and their registration

Under the new rules, cash register equipment should be certified and included in the register on the website of the Federal Tax Service of the Russian Federation. There should be a device number, timekeeping device and a receipt printing device on the body of every cash register. The fiscal memory products should receive, decrypt and validate data from cash register equipment of all types.

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The law provides a special procedure for registration or re-registration of cash register equipment. First and foremost, the organization and the EI must remove the existing cash register from the tax authorities' register. After that, the new or modernized cash register is to be registered with the tax authorities by filling in a paper application. The law introduces a new mode of cash register equipment registration through a personal cabinet on the website of the Federal Tax Services of the Russian Federation. The tax authorities then verify the given information and fiscal memory products, and on this basis the organization is granted with a cash register equipment registration.

Registers of cash register equipment and fiscal storage units

The new law provides for the maintenance of registers of cash register equipment on the website of the Federal Tax Services of the Russian Federation: https://www.nalog.ru/rn77/taxation/reference_work/newkkt/. The basic objective of such registers is to obligate producers of cash register equipment and fiscal memory products to provide information on each produced good. Upon registration (re-registration) of the cash register equipment, the specified information will be checked in accordance with the data registry.

Phased transition to the use of cash register equipment

The law provides for a phased transition to the use of cash register equipment, transmitting information on the calculations performed with the use of cash and electronic payment facilities through the fiscal data operator to the tax authorities in electronic form:

- from July 15, 2016 – voluntary transition
- from February 1, 2017 – cash register equipment registration in compliance with the new rules
- from July 1, 2017 – mandatory implementation of the new procedure for those groups of persons for whom the use of cash register equipment is currently mandatory
- from January 1, 2018 – termination of mandatory paper cash receipts printing, only at the customer's request
- from July 1, 2018 – transition to the new regime for service industries, owners of vending machines, as well as IEs using patent and having single tax on imputed income

Penalty

In order to provide for an effective functioning of the cash registry system, changes were made in the Russian Federation Administrative Offence Code. For non-use of cash registry equipment while trading goods, conducting operations and providing services, the law provides a penalty based on a multiplication of the amount of funds received during the period in which such cash registry equipment was not used.

Breach of Duty	Penalty or punishment	
	For officials ¹	For organizations and IEs
The company did not use a cash register	From 25% to 50% of the settlement amount out of cash register (10,000 RUR minimum)	From 75% to 100% of the settlement amount out of cash register (30,000 RUR minimum)
The company did not use a cash register (repeated violation) and the settlement amount exceeds 1 million rubles.	Disqualification for one to two years	Suspension of activity for up to 90 days
The company used non-eligible cash register equipment. Violation of cash register equipment registration, terms and conditions of its re-registration and its application procedure	Warning or penalty of 1,500 – 3,000 RUR.	Warning or penalty of 5,000 – 10,000 RUR.
Failure to provide information and documents upon request of the tax authorities. Untimely delivery of these documents	Warning or penalty of 1,500 – 3,000 RUR.	Warning or penalty of 5,000 – 10,000 RUR.
Failure to provide an electronic cash receipt to the client; failure to provide the customer with these documents in hard copy.	Warning or penalty of 2,000 RUR.	Warning or penalty of 10,000 RUR.

Penalties are also imposed on the fiscal data operator.

Persons who voluntarily declare to the tax authorities their non-use of cash register equipment can be exempted from administrative liability under certain conditions.

We also remind you that the statute of limitation for a cash handling policy violation has increased from two months to one year.

¹ According to the Code of the Administrative Offences of the Russian Federation, the official person is defined as a chief executive or another employee performing organizational, administrative and economic functions in the organization.

Further steps

Despite the fact that the law provides for a gradual transition to the use of online cash register equipment, we recommend to take a closer look at this as soon as possible. In this relation, the following actions are necessary:

- Check the cash register equipment that you are currently using to make sure it complies with the requirements as indicated on the website of the Federal Tax Service of the Russian Federation
- Purchase new equipment in case yours does not comply. When purchasing, ensure that the new equipment fully complies with all requirements indicated on the website of the Federal Tax Service of the Russian Federation. If your equipment has been purchased recently (1 - 2 years ago), it will be necessary to conduct a respective upgrade
- Choose a fiscal data operator and conclude a contract on the transfer of records to the Federal Tax Service of the Russian Federation
- Remove outdated cash register equipment from the register of the tax authorities
- Register new or updated cash register equipment through the usual procedure of registration or by the use of your personal cabinet, and obtain your cash register equipment registration

Our service

SCHNEIDER GROUP provides consulting and support services in the following fields:

- Issues surrounding new legislation enforcement
- Technical issues in the transition to the new cash register system

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