



Selling Services Abroad? New Procedure for VAT Payment

As of July 1, 2019, the procedure for payment of incoming VAT for Russian companies selling services abroad will change. This will particularly affect the sale of marketing, advertising, and consulting services. This amendment was made to the Russian Tax Code regarding VAT on services where the place of sale is not the Russian Federation. Services provided by a Russian company to foreign companies are still not subject to VAT.

What has changed?

The changes occurred in terms of accounting for incoming VAT, i.e. when purchasing services. Starting from the 3rd quarter, instead of taking into account the amounts of input VAT in the profit tax expenses, it will be possible to accept them for deduction. In cases with large volumes of these service purchases, it can be profitable and worth the additional attention to the documentation.

How will this affect your company?

These changes are likely to lead to more thorough checks from the tax authorities. They will scrutinize the application of the provisions of Article 148 of the Tax Code regarding the availability and quality of contracts and documents confirming the provision of services. An example of these documents are acts and reports on rendered services.

In this regard, we recommend analyzing the sufficiency of documentation, as well as preparing for desk audits, which are almost a certainty for VAT refunds in practice.

How can SCHNEIDER GROUP help?

In case you have any doubts regarding the sufficiency of the documentation of VAT-exempt services, you can contact SCHNEIDER GROUP specialists for advice and analysis of the supporting documents. SCHNEIDER GROUP also can support you during tax audits and represent your interests to the tax authorities.