



# Russian Federal Tax Service gives recommendations on paying VAT on electronic services

11 April 2022

As we previously [reported](#), foreign providers of electronic services may face practical difficulties with paying VAT to the Russian budget.

As a solution to this problem, in its Letter No. [SD-4-3/3807@\\*](#) dated 30 March 2022 the Federal Tax Service of Russia (the "FTS") gave a number of recommendations on paying VAT for electronic services provided by foreign entities.

The FTS recommends that Russian customers of electronic services calculate, withhold and pay VAT themselves as tax agents. It is also recommended that Russian customers (i.e. legal entities and self-employed entrepreneurs) inform foreign service providers that they act as tax agents and pay VAT to the Russian budget.

It is clarified that in such a case, Russian tax authorities will have no grounds to require that the foreign entity repeatedly pay VAT to the budget and recognise the relevant transactions in its VAT tax returns. By voluntarily withholding VAT, Russian customers retain the right to deduct the input VAT. This position is in line with the standard approach previously set out by the FTS in its Letter No. [SD-4-3/7937@\\*](#) dated 24 April 2019.

At the same time, this recommendation of the FTS seems to be more relevant for future payments for electronic services to foreign service providers and does not resolve the problem with paying VAT for the first quarter of 2022, if the customer failed to voluntarily pay VAT to the budget due from payments made to the foreign service provider.

Furthermore, this recommendation will not apply to foreign service providers if electronic services are provided to customers who are individuals.

Finally, in its new letter the FTS does not clarify whether provisions regarding the voluntary payment of VAT to the budget and the eligibility of Russian customers for VAT deduction apply if the foreign provider of electronic services is not registered with Russian tax authorities. According to the literal interpretation of Article 171 (2.1) of the Russian Tax Code, VAT deduction is possible only subject to supporting documents showing the identification details of a foreign e-services provider as being tax-registered in Russia.

Thus, the new clarifications provided by the FTS demonstrate the commitment of Russian tax authorities to addressing the problems that foreign businesses currently face. However, they do not solve all challenges in paying VAT to the Russian budget, including for the first quarter of 2022. Given the above, foreign providers of electronic services should discuss with their foreign banks in advance whether it is possible to pay VAT to the Russian budget, and to consider alternative payment options (e.g. via intermediaries).

We will continue to monitor the situation and keep you informed of any further changes.

\* *In Russian*

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## Upcoming events

**14.04.2022**  
Thursday  
10:00 - 11:30  
Moscow time

**Meeting with the Federal Tax Service of Russia**  
Language: Russian  
RSVP offline >>

**15.04.2022**  
Friday  
10:00 - 11:30  
Moscow time

**Relocation of companies and employees: tax, legal and migration aspects. Spotlight: Armenia**  
Language: Russian  
RSVP offline >>  
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We have launched the **Tax and Talk** Telegram channel <https://t.me/taxandtalk> to keep you up to date with the tax measures recently taken by the Russian government to support businesses. Join our channel.



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