

Russian Ministry of Finance clarifies rules of property tax base determination for financial lease arrangements

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On 14 December 2021, the Russian Ministry of Finance issued [Letter No. 03-05-05-01/101642*](#), explaining the mechanism of the property tax base determination for leased items taxed at their average annual value.

According to the Letter, taxpayers should define the residual value of a leased property as the net value of the investments in a lease minus the lease payments that are actually received. In turn, the net value of investments in a lease under the financial lease arrangements is defined based on the nominal value of the lease payments due and corresponding costs, which is further increased by the interest accrued and decreased by the amount of the lease payments received.

The Letter is also a reminder that starting from 1 January 2022, leased assets must always be taxed at the level of the lessor, irrespective of whether such assets are booked by the lessor as fixed assets or otherwise.

The Letter attempts to resolve the lack of clarity resulting from recent changes to property taxation rules (reported on previously in this [eAlert](#)) by linking the mechanism of the average annual value determination for property tax purposes with the applicable accounting rules for financial lease arrangements that govern the way assets are booked by the lessor.

We believe that Russian tax authorities hastily prepared the Letter at the end of last year to allow taxpayers to properly determine their property tax obligations under the new rules in force from 2022. As a result, further changes to the law along the lines of the Letter may be expected and our tax experts will closely monitor any such changes.

For further information, please email the authors or your usual contact at CMS Russia.

** In Russian*

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