

Potential challenges in paying VAT on electronic services

29 March 2022

Dear colleagues,

In the current economic and political environment, and taking into account the limitations now imposed by many foreign banks with respect to the transfer of funds to Russia, we expect that foreign providers of electronic services may face practical difficulties with paying VAT to the Russian budget for the first quarter of 2022. According to the applicable legislation, the tax is due to be paid on or before 25 April 2022.

According to the information at our disposal, Interregional tax inspection No. 7 in charge of the electronic services' agenda is collecting information from taxpayers on expected problems with payments with a view to providing technical solutions.

That being said, foreign providers of electronic services in Russia should confirm with their foreign banks in advance whether it is possible to pay VAT to the Russian budget in due time. Any problems identified may be reported to the Interregional tax inspection No.7 via the feedback form in the taxpayer's online account.

Foreign providers of electronic services may also discuss with their Russian customers the VAT payment mechanism for the flows. For example, the Russian customer may choose to voluntarily withhold the VAT due from the payment made to the foreign provider, using the mechanism provided in the <u>letter</u>* of the Federal Tax service dated 24.04.2019 No. CД-4-3/7937@. However, this approach may be applied only in respect of future payments to the foreign providers.

* In Russian

Our <u>tax team</u> will be pleased to provide any necessary assistance to your business in this regard.

We have launched the **Tax and Talk** Telegram channel <u>https://t.me/taxandtalk</u> 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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