THE REVIEW OF REGULATORY DOCUMENTS ON TAXATION ISSUES IN OCTOBER–NOVEMBER 2015

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In the period under review (October–November 2015), the main line of activity in the field of economy was consideration of the 2016 draft budget at committees and commissions of the Federal Assembly of the Russian Federation. As was expected, no substantial amendments as regards cuts in expenditures were proposed, that is, the legislators virtually agreed to approve the proposed draft budget and the volume and sources of the budget deficit financing at the expense of sovereign funds (the Reserve Fund and the National Wealth Fund).

The 2016 budget is being formed amid the following serious factors: Russia's participation in settlement of the Syrian conflict, unstable situation with power supply to Crimea, a crisis situation in the Russian economy and extension of international sanctions. It is to be noted that resources of sovereign funds fell dramatically[1]. Though the Federal Tax Service of Russia declared that in 2015 there was growth of Rb 1 trillion or 7.5% of the federal budget currency[2] in federal budget revenues as compared to 2014, the above can be explained by depreciation of the ruble, that is, the mechanism of automatic protection of the budget against an inflationary shock (through VAT and excises volumes) came into action. On the contrary, the Accounts Chamber points to the fact that there was growth of Rb 100bn in profit, regional and local tax arrears in 2015. The above factor is evidence of the worsening situation of taxpayers – tax amounts on profit and property are determined on the basis of accrual method, while the source of such payments is cash (actual) funds credited to manufacturers' accounts.

The Minister of Finance pointed out that unless the expenditures were cut, a tax burden would be increased in 2-3 years[3]. The experience of charging higher rates of insurance payments to state social extra-budgetary funds, efforts to introduce a sales tax nationwide and introduction of a fare for heavyweight cargo carriage on federal roads and penalties show that it would be quite a complicated task to find new sources of budget revenues[4].

1 According to the data of the Ministry of Finance of the Russian Federation, as of 1 November 2015 the aggregate volume of the Reserve Fund amounted to Rb 4,229.98 trillion ($65.71bn), while the National Welfare Fund, to Rb 4,728.39 trillion ($73.45bn); in 2015 Rb 2.63 trillion out of the Reserve Fund and the National Welfare Fund will be spent on financing the deficit of the federal budget (Rb 2,133 trillion or 2.9% of GDP), while in 2016 Rb 1.97 trillion is to be used for those purposes (the deficit of Rb 2.18 trillion or 2.8% of GDP). See: vedomosti.ru/economics/news/2015/10/27/614487-minfin-rezervnii

2 Plus trillion. The Federal Tax Service held a jubilee board. The Web-site of kommersant.ru/doc/2859692 of 24.11.2015. According to the data of the Accounts Chamber, as of 1 November 2015 tax payable rose by Rb 95bn, while tax arrears, by Rb 108.8bn, including Rb 17bn of profit rax arrears, Rb 59bn of regional tax arrears and Rb 27bn of local tax arrears.

3 *E. Berezina*. The Ministry of Finance does not exclude increase in taxes // rg.ru/2015/11/24/nalogi-site.html от 24.11.2015.

4 Draft Federal Law No.929341-6 (Web-site asozd2.duma.gov.ru/main.nsf/(Spravka)?OpenAgent&RN=929341-6), was introduced to the State Duma on 16 November 2015; it was commented on in the KonsultantPlus system: "If no damage is caused to federal general purpose

It is to be reminded that the decision to introduce a fare for heavyweight cargo carriage (trucks weighing over 12 tons) on federal roads was legalized as early as 2013. The actual implementation of that norm at the end of 2015 gave rise to a huge social reaction. The Russian authorities faced large-scale protests of long-distance truck drivers in the countries' 24 regions. To prevent delivery failures, including those in supply of short-lived commodities in the midst of winter, the authorities postponed introduction of penalties for a failure to pay mandatory payments in all regions, except for the Moscow Region and reduced for six months the sum of the fare per 1 km from Rb 3.73 to Rb 1.53[1].

To prevent the economic downturn, it is important to reduce the burden on manufacturers – that is, cuts in and more effect utilization of state spending – rather than increase it. The Ministry of Finance is well aware of it and its stance was made public at the Financial University's Forum –- *In Search of Lost Growth* –- on 24–26 November 2015: Russia's GDP growth is hindered by enormous public spending (40% of GDP), budget deficit (3% of GDP), natural monopolies' high tariffs and state-owned companies' inefficient projects[2].

Work is carried on to form the regulatory base which promotes development and consolidates the market basis of the Russian economy. In the period under review, judicial authorities kept developing harmonized comprehensive solutions as regards protection of the rights of owners of all categories due to release of the new edition of the Civil Code (CC RF), explanations of legal guidelines for determination of the base of imputation and payment of individual income tax (IIT) and other.

1. It is worth mentioning the technical substantiation of the decision taken by the Arbitration Court of the Moscow Region as regards case No. A40-213882/14 (the resolution of 30 October 2015). An action was filed by the general director of the OOO Gorodskaya Bulochnaya (the Town Bakery) for recovering of the losses sustained by the company from the former general director due to non-payment of rentals by a tenant who was a spouse of the former general director of the company.

From among obviously positive aspects of the resolution in question, it is worth pointing out the following: 1) the court recognized as the subject of action the short-received profit; 2) the general director's acting in bad faith is recognized as proved in case of a conflict between personal interests of the company's general director (the interests of the general director's affiliated persons) and the interests of the legal entity represented by the general director, except for the instance where the information on the conflict of interests was disclosed in advance and the general director's activities were approved in accordance with the procedure set by the law (the above condition was explained in Cl. 2 of Resolution No.62 of 30 July 2013 of the Supreme

motorways, the penalty will amount to only Rb 10,000 and not Rb 450,000. Owners will be brought to responsibility only in case the violation was registered by automatic special-purpose device (on photo, video). A fine can be imposed only once a day even if several violations were registered by the device during that period".

1 Resolution No.1191 of 03 November 2015 of the Government of the Russian Federation on Some Issues Related to Charging of a Fare Against Compensation for Damage Caused to Federal General Purpose Motorways by Transport Vehicles with the Permitted Maximum Weight of Over 12 Tons envisages application of reduction factors (0.41) till 1 March 2016.

2 *S. Okun.* In Search of the Lost Finances. The Ministry of Finance and the Central Bank of Russia explained why Russia did not need expanded emission // the Web-site of kommersant.ru/doc/2861537 of 25 November 2015.

Court of Arbitration); 3) for a plaintiff's claim to recover losses on deals, recognition of those deals as legal or illegal is not required.

2. Explanations prepared by the Supreme Court of the Russian Federation (SC RF) of complicated issues of the legislation on the individual income tax were published in the Judicial Practice Review in respect of cases related to application of Chapter 23 of the Tax Code of the RF (TC RF) (the Review was approved by the Presidium of the Supreme Court of the Russian Federation on 21 October 2015).

The Review includes legal explanations of the following conclusions:

- The funds received by an individual as a loan are not recognized as his/her taxable income as they do not constitute an economic benefit (such funds are subject to repayment);
- The benefit received as interest saving arises on the individual's debt obligations to a specific group of people comprehensively listed in Article 210.1.1 of the TC RF: Legal Entities and Individual Entrepreneurs. Individuals who do not engage in business activities are not mentioned in the above Article, so in relations with them no tax base in the form of interest saving arises with a loan recipient;
- Benefits in the form of goods (jobs and services) and proprietary rights paid for the individual are not taxable if provision of such benefits is justified primarily by the interests of the person who delivers (pays for) them and not the interests of the person who receives them (the subject of dispute: payment by a legal entity of rentals for a non-resident worker. Renting of the apartment at the expense of the employer was provided for in the labor contract);
- Compensation payments carried out on the basis of calculation of the expected or actual costs related to fulfillment by the worker of his/her employment duties are not taxable (the subject of dispute: payment by the company of public transport fares for its employees. Public transport fares are paid by the company for its employees as the latter use public transport for fulfillment of their employment duties and not in their personal interests);
- The benefit received in kind is subject to taxation unless it is depersonalized and can be determined in respect of any person who is a payer of the tax (the subject of dispute: payment for participation of employees in festivities, order of food products for a self-service buffet and visiting of a show of performing artists. It was a depersonalized benefit with no chance of personification. So, the legal entity was not able to carry out the function of a tax agent);
- In case of transferring real property by way of gift between individuals, calculation of the individual income tax is carried out on the basis of the cadastre (inventory) value of the property received by the individual;
- The income received from sale of the real property under the contract of exchange is determined on the basis of the cost of the received property with the taxpayer having the right to apply a property tax deduction;
- Payments of penalties and fines in favor of individuals due to violation of their rights as consumers are not exempted from taxation. On the contrary, cash compensation paid to the individual for moral injury is not taxable;
- Writing-off of the debt may serve as evidence of the fact that the individual has received income, but only in case the individual was actu-

ally liable to repay it. The subject of dispute: writing-off of the debt on bank commissions specified in the loan agreement is not a taxable income as such provisions on commissions are in conflict with the legislation on consumer lending and point to the fact that the individual had no liabilities as regards payment of commissions from the very entering into such an agreement;

- Income from sale of real property under the contract of exchange is determined on the basis of the cost of property received by the individual from the other party to the agreement. Legal relations related to alienation of the property owned by the taxpayer (on the basis of the contract of exchange or purchase-and-sale agreement) cannot have different tax implications;
- The very fact of recognition of the agreement as invalid does not relieve the person from payment of the tax on actual income received from such a deal;
- Income received by a person as a result of mandatory buyout of his/her equities by another shareholder is subject to taxation in conformity with the general procedure for securities operations;
- Granting to the entrepreneur of a 20% fixed professional tax deduction does not exclude the need of determining of arrears on the basis of an accrual method providing availability of documents certifying the costs;
- Due to a change in the status of bankruptcy commissioners from 1 January 2011, compensation for carrying out of professional activities regulated by the Law on Bankruptcy is not regarded as income received from entrepreneurial activities, nor can a single tax be charged within the frameworks of the simplified taxation system (STS). Such income is subject to the individual income tax which is paid to the budget by a bankruptcy commissioner individually as a person engaging in private practice;
- The amount of a standard tax deduction granted to a taxpayer who has a disabled child is determined by totaling of amounts specified in Article 218.1.4.8-11 of the TC RF (for example, a standard tax deduction for the first (and second) child is equal to Rb 1,400, while that per disabled child, to Rb 3000. As a result, the total deduction per disabled child amounts to at least Rb 4,400 a month);
- A property tax deduction received within several tax periods will not be regarded as a repeated one if it is granted in connection with accomplishing of building (finishing) of a real property unit which was unaccomplished (without finishing) as of the day of buying. A tax deduction declared in respect of one property unit, but applied to various costs which were included in actual expenses related to purchasing of the property is not regarded as a repeated one;
- The costs related to purchasing (building) of real property at the expense of the spouses' common property can be accounted for by one of the spouses in taxation of his/her income to the extent those costs were not accounted for when a tax deduction was granted to the other spouse;
- In case of individual's buying the real-estate in co-ownership, the size of a property tax deduction is determined on the basis of the expenditures on purchasing of that individual's share in the co-owned property (that is, the share in the property title) and other.

3. For the purpose of reduction of the number of litigations and upgrading of transparency of tax schemes, it would be expedient to adjust once in a while the positions of judicial and tax authorities on complicated issues of taxation.

In Letter No. 03-03-06/1/60050 of 20 October 2015 of the Ministry of Finance of the Russian Federation, the position of the above ministry is set out as regards non-acceptance of debiting of debt amounts bought under an agreement of assignment of debt claims against bad loan provisions.

The position of the Ministry of Finance of the Russian Federation set out in the letter is different from that of the Presidium of the Supreme Arbitration Court of the Russian Federation set out in Resolution No.4580/14 of 17 June 2014. The RF Ministry of Finance proceeds from the fact that in respect of taxpayers which determine the composition of income in calculation of the profit tax on the basis of accrual method, income is recognized in that accounting (tax) period in which it took place regardless of the actual receipt of cash funds, other property (jobs and services) and/or proprietary rights. Accordingly, expenses are accrued and attributed to reduction of the tax base as of the date of recognition of the income. So, in buying the debt under the agreement of assignment of debt claims the person which buys the debt expects to receive income from the deal of repayment, recovery or subsequent sale of the debt to a third person. The Ministry of Finance concludes that in such a situation attributing them to reduction of the bad debt profit in excess of the amount of bad loan provisions (formed in accordance with Article 266 of the TC RF) is feasible only in cases of direct sale of goods (jobs and services). Limitation of the size of bad debt provisions to 10% of the revenues is envisaged only in respect of Article 266 of the TC RF. Losses above the bad debt provisions are attributed to reduction of the taxable profit.

Accepting the above approach in respect of sale of goods (jobs and services) and referring to Article 265.2.2 of the TC RF, the Presidium of the Supreme Arbitration Court of the Russian Federation believes at the same time that if a bad debt did not originate in sale of goods (jobs and services) it can be accounted for in full in the composition of non-sale expenses in calculating of the profit tax. So, there are no profit tax arrears under the agreement of assignment of debt claims (as a 10% limitation is not applied), nor are penalties accrued.

The position of the Ministry of Finance of the Russian Federation and the Federal Tax Service of Russia is clear: utilization of mechanisms of assignment of claims to attribute costs related to purchasing of some else's open contracts without any volume limitations to the Russian taxpayer's losses can give rise to formation of unlimited channels of tax evasion, including transborder ones. In our view, the position of the Ministry of Finance is quite correct if purchasing of some else's debt is qualified as investment (it should be applied to banks, credit and financial institutions, too). Such investments should be accounted for separately and made at the expense of own profit of the taxpayer-purchaser of the debt (that is out of after-tax profit). It is believed that in order to prevent unchecked budget losses it is important to take measures for the position of the Ministry of Finance to be implemented more clearly both in the tax legislation and legal proceedings.

4. To upgrade the efficiency of taxation, it is necessary to make tax administration simpler and less expensive. For that purpose, the Federal Tax Service

of Russia established the system of remote monitoring over deals on the basis of electronic tax returns, electronic invoices and other. At the same time, it is inadmissible to make tax administration less expensive by way of shifting onto taxpayers some obligations which tax authorities have to fulfil. So, for taxpayers' expenditures to be accounted for in calculation of some tax bases (for example, VAT and profit tax), tax authorities obligate taxpayers to "use caution" in selection of counterparties[1]. Such a requirement is specified in Letter No.ED4-2/17621 of 9 October 2015. Thus, taxpayers are entrusted with an additional responsibility (by way of refusal by tax authorities to accept for deduction taxpayers' transaction-related costs) to carry out free of charge collection of the data, supervision in selection of counterparties and provision of relevant documents to tax authorities. The Federal Tax Service of Russia gives advice as regards what taxpayers should be guided by in collection of such documents[2]. The above additional obligations imposed on taxpayers result in economically unjustified growth in market entities' expenditures.

Though the conclusion –- made in above-stated Letter No.ED4-2/17621 of 9 October 2015 –- regarding the right of tax authorities to request "documents certifying the fact that the taxpayer has used proper caution and care in selection of the counterparty and entering into the contract" includes reference to Resolution No. 53 of 12 October 2015 of the Plenum of the Supreme Arbitration Court of the Russian Federation on Assessment by Arbitration Courts of Justification of Receipt by the Taxpayer of a Tax Benefit, it is not underpinned directly altogether by the text of the above Resolution which deals only with the right of courts (not tax authorities) to recognize that "the taxpayer's business activities are carried without proper caution and care". It is believed that to prevent excess of its rights as regards setting of additional requirements to taxpayers, that is, request of documents "certifying use by the taxpayer of proper caution and care in selection of the counterparty and entering into a contract" (Letter No.ED-4-2/17621 of 9 October 2015 of the Federal Tax Service of Russia, the last paragraph), the Federal Tax Service of Russia should not interpret at its own discretion the legal position of the Plenum of the Supreme Arbitration Court of the Russian Federation. In our opinion, the authorities of the Federal Tax Service of Russia in the above situation are to be verified by the supreme judicial authority.

5. The scheme –- specified in Letter No.GD-4-8/18401@ of 21 October 2015 of the Federal Tax Service of Russia –- of networking of the tax authori-

1 See Letter No.ED-4-2/17621 of 9 October 2015 of the Federal Tax Service, the last paragraph: "…within the frameworks of a field tax audit the tax authorities have the right to request documents certifying actual fulfilment of jobs (services) … as well as documents certifying use by the taxpayer of proper caution and care in selection of the counterparty and entering into contracts" (italics added by the author).

2 Letter No. 03-02-07/1/59422 of 16 October 2015 of the Ministry of Finance of the Russian Federation and the Federal Tax Service of Russia explains that use of proper caution in selection of the provider should not be limited only to a search of information on the counterparty in the single state register of legal entities. For the purpose of assessing risks individually, the Federal Tax Service of Russia advised taxpayers to be guided by the criteria set out in Order No. MM-3-06/333@ of 30 May 2007 of the Federal Tax Service of Russia (see Cl.4 of the Concept of the System of Planning of Field Tax Audits). According to the Federal Tax Service of Russia, the above criteria are generally available and utilized by tax authorities as well in selection of entities for field tax audits to be carried out (for example, it is done if the level of a tax burden on a specific taxpayer is below the average across the sector, financial accounts and tax reporting show losses for several years running, expenditures grew at a higher rate than revenues and other).

ties with the source of payment of income to the non-payer as regards that non-payer's tax obligations which arose from relations which are not related to the source of income requires further legal analysis. The above scheme is used by analogy with that set out in Letter No.GD-4-8/18402@ of 21 October 2015 of the Federal Tax Service of Russia and regulating the procedure for networking between the source of the non-payer's income and the tax authorities as regards collection of debts from the non-payer's property (cash funds and revenues) on the basis of a court enforcement order.

If there are no objections to the methods of collection of debts at the expense of the non-payer's property, which methods are based on compliance with the requirements of the Federal Law on Court Enforcement Action (Letter No.GD-4-8/18402@ of 21 October 2015 of the Federal Tax Service of Russia), the methods envisaged by another letter stated above (that is, methods which are not based on the Federal Law on Court Enforcement Action) are questionable (Letter No. GD-4-8/18401@ of 21 October 2015 of the Federal Tax Service of Russia).

It is to be noted that Cl.6 of Letter No. GD-4-8/18401@ of 21 October 2015 of the Federal Tax Service of Russia reads as follows: "upon expiry of the period of fulfilment of the payment request[1] (payment of tax – *the author's note*), but not later than a month from the day of expiry of that period the tax authorities inform the employer (provided that the tax authorities have such information) of employees who have outstanding liabilities as regards mandatory payments to the budget system of the Russian Federation with provisions of Federal Law No.152-FZ of 27 July 2006 on Personal Data observed. Notification of employers –- by way of providing them with the list of employees in which individuals' surnames and initials (with no names and patronymics stated), existence of the debt (without specification of the item of taxation) as well as contact details of the tax authority are specified – is carried out in writing at least once a year".

We regret to state that application of the above methods "by analogy" with those based on the norms of the legislation on court enforcement action, but without a judicial decision and court enforcement order violates constitutional equality of public and private ownership rights. Enforcement of business entities (independent legal entities) to fulfil free of charge functions –- which are alien to them – in respect of their employees (collection of the information on their employees' property) is not based on the norms of the Law and in our opinion can be qualified both as excess of power by officials of the Federal Taxation Service of Russia and departure from the Constitution.

6. It is to be noted that despite above-stated doubts as regards some positions of the Federal Tax Service of Russia and the Ministry of Finance of the Russian Federation it is believed that explanations of the above agencies are crucially important and needed as they permit to upgrade efficiency of development of judicially correct decisions on complicated topical issues and utilize the potential of the judicial system to explain provisions of regulatory acts, thus preventing large-scale litigations and costs which may be incurred both by the state and taxpayers in connection with such litigations.

1 Mandatory payments to the budget system, in particular, property tax (see Cl.3 of the Letter).

An example of the way how the judicial system corrects discrepancies in explanations of the Ministry of Finance of the Russian Federation and the Federal Tax Service of Russia or, on the contrary, justifies correctness of their positions is the Law Enforcement Practice Review for Q3 2015 as regards disputes on recognition as invalid regulatory statutory acts, non-regulatory acts and illegal decisions and actions (inaction) of the Ministry of Finance of the Russian Federation (on the basis of judicial acts which became effective).

7. As in present-day conditions globalization of business takes place, adequate mechanisms ensuring reasonable distribution of taxable income from trans-border deals between budgets of different countries should be developed. Within the frameworks of that process, the Central Bank of Russia has prepared explanations as regards networking of Russian financial market entities (FME) with foreign tax authorities (FTA) in provision of the information on accounts of non-residents with FME and deals carried out by non-residents through those accounts.

In Letter No.12-4-5/2568 of 2 November 2015 of the Central Bank of Russia, explanations are provided as regards application of provisions of Federal Law No.173-FZ of 28 June 2014 on the Specifics of Carrying Out Financial Operations with Foreign Nationals and Legal Entities, Amendment of the Code of the Russian Federation on Administrative Offences and Recognition of Individual Provisions of Statutory Acts of the Russian Federation as Void.

The Central Bank of Russia explained that under the federal law FME were not obligated to be registered with FTA. Decision on expedience of such registration for the purpose of providing FTA with information on accounts opened by non-resident taxpayers with FME and the period of registration is taken by FME individually.

In case of registration of FME with FTA, the former is to notify authorized agencies. If FME provides financial reporting to FTA, it (financial reporting) should be initially sent to the address of authorized agencies (they include the Central Bank of the Russian Federation, the Federal Tax Service of Russia and the Rosfinmonitoring). The Rosfinmonitoring may ban provision of the information on the customer to FTA. For the purpose of application of the above law, micro-financial entities and retail credit unions are not attributed to FME.

The criteria of attribution of customers to the foreign taxpayer-customer category are determined by FME at its own discretion and placed on the official internet site of FME. If a foreign customer does not approve disclosure of the information to FTA, FNE may terminate unilaterally the agreement on rendering of financial services (including a bank account agreement).

8. Work is being carried on to specify the rates of natural loss in calculation of the profit tax base. In Letter No. 05-1870 of 10 November 2015 of the Ministry of Energy of the Russian Federation, it is explained that Resolution No.814 of 12 November 2002 of the Government of the Russian Federation established the procedure for approval of the rates of natural loss in storage and transportation of business inventories. In conformity with the above procedure, the Ministry of Energy of the Russian Federation approved by its Order No.364 of 13 August 2009 the rates of natural loss of oil and petrochemicals in storage.

By Joint Order No.527 of 1 November 2010 of the Ministry of Energy of the Russian Federation and Order No.236 of the Ministry of Transportation of the Russian Federation, the rates of natural loss of oil and petrochemi-

cals in transportation by rail, motor and water, as well as combined rail and water service were approved. The specified rates of natural loss were determined as ultimate ones and are applied only in case of actual cargo shortage occurred as a result of transportation.

One should make the difference between the rates of natural loss and in-process loss. Losses of petrochemicals in the process of intake or release by transportation means are not justified by natural conditions and, consequently, cannot be attributed to natural losses. In other cases, Resolution No.40 of 26 March 1986 of the Gossnab of the USSR on Approval of the Rates of Natural Loss is still applied in the territory of the Russian Federation.

9. On a point of clarification of the scheme of interdepartmental interaction between the banking sector and the tax authorities, Letter No.01-40-5/9410 of the Central Bank of Russia and Letter No.MMB-20-2/101@ of 30 October 2015 the Federal Tax Service of Russia on the Procedure for Provision of Information as per Cl5 of Annex 1 to the Agreement on Information Networking Between the Central Bank of Russia and the Federal Tax Service (Agreement No. 01-15/3182/MMB-27-2/5@ of 29 June 2010) were published. What is meant here is the receipt by the Central Bank of Russia from the Federal Tax Service of the information which confirms or denies compliance of accounting statements and tax accounts provided by borrowers of credit institutions and founders (participants) of credit institutions to the Central Bank of Russia and credit institutions with reporting statements supplied by the same borrowers to the tax authorities.

10. By Federal Law No.301-FZ of 3 November 2015 on the 2016 Federal Budget, amendments were introduced to the Budget Code of the Russian Federation and individual statutory acts of the Russian Federation.

Provisions of the Budget Code of the RF to the effect that laws amending both the legislation on taxes and duties and laws regulating budget relations that become effective next financial year are to be approved not later than a month before the day of submission to the State Duma of the draft federal budget for the next financial year (under regional laws or municipal statutory acts – prior to introduction of respective draft law on the budget of the constituent entity or draft regulatory act on local budget for the next financial year) were suspended till 1 January 2016.

Provisions of the Budget Code of the Russian Federation to the effect that the federal budget balances as of the beginning of the current financial year can be used for reduction of debt obligations (borrowings) were suspended till 1 January 2017.

Provisions of the Budget Code of the Russian Federation to the effect that additional oil and gas revenues (received from price-rises on hydrocarbons) are directed first to formation of the Reserve Fund and the national Welfare Fund were suspended from 1 February.2016 till 1 February 2017.

In case of a failure by autonomous and/or budget-funded entities to achieve the indices of the state (municipal) assignment, balances of subsidies allocated for those purposes are subject to return to the relevant budget.

Budget balances, except for additional oil and gas revenues of the federal budget are directed to implementation of additional measures aimed at support of different sectors of the economy and social support in the amount of up to Rb 150bn; support of budgets of constituent entities of the Russian Federation; implementation of decisions of the President of the Russian

Federation and the Government of the Russian Federation in the area of national defense, security, space research and law enforcement.

11. Due to introduction of the property tax and expected coming into force (from 1 January 2017) of Federal Law No.218-FZ of 13 July 2015 on State Registration of Real Property providing for establishment of the Unified State Register of Real Property (USRRP) which is to include reliable systematized information on registered real property, the work – related to the methods of resolution of disputes in determination of the owner, division of property boundaries and other –- of the Ministry of Economic Development of the Russian Federation represented by the Federal State Service of Registration, Cadaster and Cartography has become much more complicated.

In particular, in merging of the databases of the Rosreestr and the BTI (OTI) the data on earlier registered properties and titles to them in the BTI (OTI) system get automatically into the USRRP, so discrepancies may occur in the USRRP data as they were received from two different sources.

In Letter No. 09-out/15309-GE/15 of 26 October 2015, the Rosreestr proposes the ways of resolving the above problem and ensuring the accuracy of the USRRP data.

12. By Federal Law No.306-FZ of 3 November 2015, amendments were introduced to Federal Law No.294-FZ of 26 December 2008 on Protection of the Rights of Legal Entities and Individual Entrepreneurs in Carrying Out of State and Municipal Control (Supervision) .

It is established by the Law that in organization and carrying out of audits supervising authorities request and receive on a free of charge basis in accordance with the procedure for interdepartmental networking, including in electronic form, documents and (or) data included in the list approved by the Government of the Russian Federation from other state or local government authorities which have those documents at their disposal. So, entities subjected to audit are exempted from the need to provide documents included in the abovementioned list.

Auditors are obligated to acquaint the manager of the legal entity or an individual entrepreneur subjected to the audit with documents received within the frameworks of interdepartmental networking.