

November 26 2021

Government approves second set of measures to support IT industry

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In September 2021, the government approved the second set of measures to support the national IT industry. The first set of measures that provided IT companies with significant tax preferences was adopted in 2020 (for further details please see "[New tax relief for IT industry](#)").

This new set of measures includes 62 items, 20 of which are aimed at levelling the conditions for doing business in Russia for foreign and Russian IT companies. The measures will stimulate import substitution and promote Russian IT solutions in foreign markets.

The most significant changes to tax legislation provided for by the second set of measures will be:

- the introduction of a coefficient of 3 for the depreciation rate of the Russian programs apparatus complexes (PACs);
- the possibility of including the costs of implementing Russian programs and PACs in the investment deduction for income tax; and
- the introduction of a coefficient of 1.5 to income tax expenses for the purchase and implementation of domestic programs and PACs.

Russian programs and PACs must be registered both in the Unified Register of Russian Computer Programs and Databases, in addition to the Unified Register of Russian Electronic Products, in order to take advantage of these new preferences.

However, in addition to preferences, the second set of measures also implies some restrictions. For example, there is a planned prohibition on including the costs of advertising on foreign websites in the income tax expenses incurred by Russian taxpayers.

It is assumed that the law introducing the above amendments to the tax code will be adopted in November 2021 and enter into force on 1 January 2022.

In addition, the government intends to develop a law by the end of 2021 that will establish the procedure for taxing income that foreign companies earn from Russian citizens. Value-added tax on the income of foreign internet companies that provide their services to Russian consumers has already been levied for over four years; corporate income tax will now do the same.

The rest of the second set of measures are focused on stimulating the development and implementation of Russian developments in certain segments of the economy, such as:

- data processing and cloud services;
- electronic educational services;
- digital medical services;
- office software and operating systems;
- solutions in the field of artificial intelligence;
- big data and the Internet of things;
- computer games industry; and
- the production of professional video content and information security.

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