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Changes in the Personal Income Tax in 2020

On 31 July 2020, on the official web portal of legal information <http://www.pravo.gov.ru>, the federal law No 265-FZ 'On Amendments to Part Two of the Tax Code of the Russian Federation' was published and constituted.

By sub-clause 2 of Article 1 of the law 265-FZ, Article 207 of the Tax Code is supplemented with sub-clause 2.2. Despite the fact that the law 265-FZ was put into force on 31 July 2020, the provisions of clause 2.2 of Article 207 of the Tax Code of the Russian Federation apply to legal relations that arose from 1 January 2020.

In accordance with the new sub-clause of article 207 of the Tax Code, the tax residence of the Russian Federation for the personal income tax settlements of individuals with the budget is determined according to new rules. An individual, who has actually stayed in the Russian Federation from 90 to 182 calendar days a year, has been recognised as a tax resident of the Russian Federation since 2020. Previously, the period of stay in the territory of the Russian Federation to obtain resident status for the purpose of determining the personal income tax rate was 183 days or more. In order to become a resident of the Russian Federation subject to the new conditions, a taxpayer shall submit to the Federal Tax Service Inspectorate at the place of residence (at the place of stay, if an individual does not have a place of residence in the territory of the Russian Federation, at the place of registration - for an individual, who is not an individual entrepreneur and is not having a letter of application in the territory of the Russian Federation of residence (place of stay) before 30 April 2021. This application shall necessarily contain the surname, name, patronymic (if any) and taxpayer identification number.

The new development will in no way affect the work of the accounting services of companies because accountants assess the personal income tax according to the old rules. Employees will charge back overpayments from the budget on their own.

In his address 'To the Citizens of Russia' on 23 June 2020, Vladimir Putin proposed new measures that should contribute to economic recovery after the coronavirus epidemic and provide new sources of funding for social programmes aimed at treating children with severe, rare diseases, and purchasing expensive medicines, equipment and treatment facilities for high-tech operations. One of the proposals was to change from 1 January 2021, the personal income tax rate from 13% to 15% for those who earn over 5 million roubles a year. Only that part of income exceeding the specified limit will be taxed at the increased rate.

At the moment, the president's proposal has not been enshrined in law.

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