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A bill has been introduced in the State Duma that provides for compensation for lost funds received by landlords

The current tax legislation provides various forms of support for organizations whose activities are aimed at developing infrastructure, supporting cultural institutions, social non-profit organizations, etc. One form is the application of an investment tax deduction.

Due to the difficult economic situation in 2020, associated with the spread of a new coronavirus infection, many areas of business have suffered serious losses, including landlords who were forced to reduce rental rates.

The new draft law submitted to the state Duma provides for amendments to expand the list of grounds for applying investment tax deduction when calculating corporate income tax.

What does this mean? It is proposed to attribute the lost funds of landlords in connection with the reduction of the rental rate in accordance with the concluded lease agreements for the period from January 1, 2020 to December 31, 2020, to the amounts subject to refund under the investment tax deduction.

However, this bill did not find support from the Russian Government. In their opinion, the extension of the investment tax deduction for corporate income tax to compensate for the taxpayer's lost income does not correspond to the General concept of investment tax deduction.

In addition, the conclusion of the Government of the Russian Federation indicates that in accordance with the Decree of the Government of the Russian Federation dated 16.05.2020 No. 699, landlords are granted the right to receive a deferred tax payment if they were granted a deferred payment of rent under lease agreements for commercial real estate objects.

Thus, on the one hand, this bill will allow landlords to compensate for losses incurred in connection with the forced reduction of the amount of rent by obtaining a tax deduction. On the other hand, landlords are still obliged to pay taxes at their own expense during the period of deferred rent payment, despite the risks, which significantly worsens their financial situation.

We, in turn, will monitor developments. To get advice, you can contact us in any way convenient for You.

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