

# Activation of reserves and preferences for tax burden optimization for business

## Why is it useful for your business?

During the COVID-19 pandemic, the pressure on businesses is increasing. The search for reserves and preferences to reduce the tax burden becomes a particularly urgent issue in times of recession.

The current legislation provides a variety of mechanisms for optimizing the tax burden, which allows to reduce the amount of tax payments or postpone the payment of taxes. However, many companies do not use possible tax saving mechanisms in full extent.

## How the ALTHAUS Tax Practice can help you?

ALTHAUS team will be delighted to provide you with comprehensive support in finding business tax reserves and obtaining tax preferences. The corporate tax team has more than 10 years of experience in tax consulting. In the Russian Federation the ALTHAUS Tax Practice is an exclusive partner of WTS Global, which is a leading international network for tax services. We are ready to share with you our wide experience in taxation and interaction with tax authorities of the Russian Federation. Our practice is also supported by the knowledge gained during the 2008 and 2014 economic crises.

## Our services

### 1. Activation of tax reserves

- Analysis of the current tax burden of business and proposal of recommendations on using possible tax reserves and preferences during the crisis
- Analysis of tax assets (accumulated and current tax losses, the balance of VAT that could be deducted, overpayment of taxes, non-deductible expenses), preparation of documents for applying current tax benefits
- Preparation of an anti-crisis step-by-step plan for the use of possible reserves and preferences of the Company (road-map), including recommendations on creation of future tax reserves
- Claiming rights to receive tax benefits (application of federal and regional tax benefits, obtaining the status of participant «Skolkovo», redomiciliations in special administrative regions (SAR, etc.), preparation of a package of documents on tax benefits.

### 2. Restructuring of business in accordance with amendments to DTT's

On March 25, 2020 the President of the Russian Federation announced the amendments to the agreements on avoidance of double taxation (DTT) of Russia with a group of foreign countries. Such types of income, as dividends and interest, were mentioned. These measures will primarily affect «transit» countries (letters on the revision and amendments to the DTT's were sent to Cyprus, Malta and Luxembourg).

We understand that such measures may lead to an increase in the tax burden for our Clients. Despite the fact that at the moment no changes have been made to the international agreements, we recommend you to prepare the variants of problem solving in advance:

- To estimate the level of additional tax burden that may arise in the short-term perspective.
- To determine the parties to the tax obligations on whom the tax burden will be imposed.
- To evaluate various options for restructuring the holding structure:
  - To analyze a «look-through» approach. For this purpose, it is necessary to analyze the entire structure of passive income payments (in each jurisdiction through which the corresponding flows). To assess historical and current tax risks

- To consider the possibility of restructuring and facilitation of holding structures
- To review the possibility of transferring the holding/financial structure to the Russian Federation (Russian tax residence or redomiciliation to special administrative regions («SAR»)).

We continue to observe the current situation and would be very pleased to assist in analyzing the situation and developing action plans, both at this stage and beyond, when the steps of the implementation of the announced measures become more detailed.

### 3. Options for tax optimization based on government support of business

In the existing market environment, **the absence of tax inspections**, as well as the possibility to **adjust the terms of payment of taxes, fees**, insurance premiums, as well as penalties and fines is one of the ways to support Russian business.

We are ready to provide you with comprehensive support in the process of coordinating changes in the terms of payment of taxes, fees and insurance premiums, including:

- Assessment of **the possibility of applying** a specific mechanism for restructuring budget debt. Assistance in **preparing the justification** for the receipt of a deferral, installment or investment tax credit and its documentary support.
- Definition of liabilities to the budget for which the date of payment can be changed and specific terms by which they **can be postponed**.
- Preparation of the required **set of documents** or verification of documents prepared by the company. Support in the process of **negotiations with tax authorities** in approving the terms and timing of debt restructuring to the budget.

### Examples of realized projects

Selection of the most optimal group structure for Russian and international groups of companies (in terms of tax and juridical issues)

Analysis of sufficiency of economic substance and documentary support of accumulated tax losses

Complex support in applying the Skolkovo and Dubna Special Economic Zone (SEZ) membership procedure for a number of Russian IT companies

Organization of work of company's tax departments and their interaction with business units, analysis of internal control of business system, regulation of business units' activity for the largest Russian metallurgical and infrastructure holdings

Comprehensive analysis of the rightfulness of tax benefits for the participants of territories with advanced socio-economic development (TOSER), regional investment projects (RIP), especially significant investments project (ESIP)

### Why ALTHAUS? Our advantages

The ALTHAUS team will be glad to provide you with comprehensive support for the use of tax reserves and preferences on a turnkey basis.

Please note that we practice an individual approach to each Client and are ready to offer you flexible «anti-crisis» pricing conditions within the framework of cooperation.

### Your contact at ALTHAUS



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