



New VAT law in Russia

Products analysis

SWIFT

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Confidentiality: Public

Table of contents

1	Context.....	2
2	Definition of ESS as per the Russian law.....	2
3	Applicability on SWIFT's products and services.....	3
	End of document	4

1 Context

As from 1st January 2019, a new Russian VAT law has been introduced, whereby foreign suppliers providing Electronically Supplied Services (ESS) in Russia shall be directly liable to register to Russian VAT and apply VAT on their invoice.

Before this law was introduced, SWIFT's customers were considered as tax agents in Russia, and were allowed to apply a reverse charge mechanism for those services provided by SWIFT and deemed supplied in Russia as per the Russian VAT law. This will no longer be the case for ESS as from now on, SWIFT will have to directly apply Russian VAT on its invoices, collect the VAT from the customers, declare and pay this VAT towards the Russian administration.

2 Definition of ESS as per the Russian law

The Russian VAT law provides a **broad definition** of ESS as being “services delivered over the internet or similar electronic networks that are automated and rely on information technologies”.

It also provides a **detailed list** of services that are to be considered as ESS:

1. Provision of the right to use software and databases through the internet, incl. updates to them and additional functions;
2. Provision of advertising services on the Internet, including services provided with use of software for electronic computing machines and databases via the Internet; provision of advertising space on the Internet for placement of advertising;
3. Provision of the services on placement of offers for acquisition (sale) of goods (works, services), property rights on the Internet;
4. Provision through the Internet of technical, organizational, informational and other capabilities for establishing the contacts and conclusion of transactions between buyers and sellers (including provision of trading platform operating on the Internet in real-time, where potential buyers offer their price through an automated procedure and the parties are notified on the transaction by the automatically generated messages);
5. Provision and (or) maintenance of commercial or personal presence on the Internet, support of users' electronic resources (including web-sites and web-pages), provision of access to such electronic resources for other users, provision of the possibility to modify them;
6. Storage and processing of information (data), provided a person that provided such data, has an access to it through the Internet;
7. Provision of the computing capacity for placement of information in informational system in real-time;
8. Provision of domain names, provision of hosting services;
9. Provision of remote system administration and support of information systems and websites through the Internet;
10. Provision of services performed automatically through the Internet when the buyer enters specific data; automated searches of data, data selection and sorting, provision of sorted data to users through information and telecommunication networks (in particular, reports of the stock market in real time, provision of automated translation in real-time);
11. Provision of rights to uses e-books and other electronic publications, informational (educational) materials, graphic images, musical compositions with or without text, audiovisual content through the Internet, inter alia, through provision of remote access to them for the purposes of viewing and listening through the Internet;
12. Services aimed at the search and (or) provision of information [to the purchaser] about potential customers;
13. Provision of access to Internet search engines;
14. Web-based statistics management.

3 Applicability on SWIFT's products and services

Messaging, connectivity and security:

	Deemed supplied in Russia?	Classified as ESS?	VAT on SWIFT invoice?
Messaging services	No	No	Not applicable
SWIFT Connection	No	No	Not applicable
Alliance Connect: Bronze/Silver/Gold backbone fee	No	No	Not applicable
Alliance Connect: VPN boxes: hardware and one time	N/A	No	No (import VAT)
Alliance Connect: VPN boxes maintenance	No	No	Not applicable
PKI: Business/Lite certificates, personal certificates	No	No	Not applicable
Tokens, HSM boxes, 3SKey: hardware and one-time fees	N/A	No	No (import VAT)
HSM boxes, 3SKey: maintenance fees	No	No	Not applicable

SWIFTAlliance:

	Deemed supplied in Russia?	Classified as ESS?	VAT on SWIFT invoice?
SWIFTNet Link	Yes	Yes (def 1)	Exempted
SWIFTAlliance Access/Entry/Gateway, Alliance Messaging Hub	Yes	Yes (def 1)	Exempted
Alliance Kits (one time)	N/A	No	No (import)
Alliance kits (recurring)	Yes	Yes (def 1)	Yes
Alliance Lite 2, Alliance Remote Gateway, Alliance lifeline	Yes	Yes (def 1)	Yes
SIL and Autoclient	Yes	Yes (def 1)	Yes

Financial Crime Compliance:

	Deemed supplied in Russia?	Classified as ESS?	VAT on SWIFT invoice?
Compliance Analytics, Payment Data Quality, Correspondent monitoring	Yes	Yes (def 14)	Yes
Sanctions Screening	Yes	Yes (def 10)	Yes
Name Screening	Yes	Yes (def 10)	Yes
Sanctions Testing	Yes	Yes (def 10)	Yes
Daily Validation Reports	Yes	Yes (def 10)	Yes
Payment Control	Yes	Yes (def 10)	Yes
KYC Registry	Yes	Yes (def 11)	Yes
Sanctions List Distribution	Yes	Yes (def 11)	Yes
RMA service fee	Yes	Yes (def 1)	Exempted

SWIFTRef services

	Deemed supplied in Russia?	Classified as ESS?	VAT on SWIFT invoice?
SWIFTRef services (excluding paper BICs)	Yes	Yes (def 11)	Yes
Paper BIC directories	N/A	No	No (import)

MyStandards

	Deemed supplied in Russia?	Classified as ESS?	VAT on SWIFT invoice?
MyStandards, Base libraries, Readiness Portal, standard release portal	Yes	Yes (def 6)	Yes
SWIFT Translator	Yes	Yes (def 1)	Exempted

gpi

	Deemed supplied in Russia?	Classified as ESS?	VAT on SWIFT invoice?
SWIFT gpi	No	No	Not applicable
Gpi connector	No	No	Not applicable

SWIFTSmart

	Deemed supplied in Russia?	Classified as ESS?	VAT on SWIFT invoice?
SWIFTSmart subscription	Yes	Yes (def 11)	Yes
Customized trainings (professional services; on site)	Yes	no	No

Other SWIFT products

	Deemed supplied in Russia?	Classified as ESS?	VAT on SWIFT invoice?
User Handbook	Yes	Yes (def 11)	Yes
Watch products	Yes	Yes (def 14)	Yes
Partner fees, membership fees, corporate membership fees, shareholding fees, termination fees, administration fees, penalties	No	No	Not applicable
Professional services	Yes	No	No
Advanced support (remote)	No	No	Not applicable
Care services (on site)	Yes	No	No

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