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## *New rules for using cash register equipment*

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### **Summary**

Amended Federal Law No. 54-FZ “On the Application of Cash Register Equipment in Settlements in Cash and/or via Electronic Means of Payment” has been in effect since 15 July 2016. It establishes new rules for using cash register equipment (the “CRE”) by entities and individual entrepreneurs, and a new procedure for interaction between taxpayers and tax authorities on the use of CRE.

The Law provides for transition periods to ensure a smooth move to new CRE models:

- ❖ Since 15 July 2016, it has been allowed to voluntarily register new CRE models or upgraded CRE that complies with the new law.
- ❖ From 1 February 2017, tax authorities shall register only new CRE models (it will no longer be possible to register old CRE models, however, it will still be allowed to use earlier registered CRE).
- ❖ From 1 July 2017, taxpayers shall use new CRE models (except for taxpayers who apply SIIT (single imputed income tax) and PBSTS (patent based simplified tax system) tax regimes, provide services to the general public and trade through vending machines).
- ❖ From 1 July 2018, taxpayers who apply SIIT and PBSTS tax regimes, provide services to the general public and carry out trade through vending machines shall be obligated to use new CRE models.

The taxpayers who are located far away from the telecommunication network may use new CRE models that have no functionality to file fiscal documents with tax authorities via a fiscal data operator.

The taxpayers who are located in hard-to-reach areas as well as the taxpayers who conduct certain activities listed in the law are allowed not to use CRE.

The FTS requires that taxpayers who conduct e-commerce in goods and services should use new CRE models and provide a buyer with a fiscal cash receipt (a strict reporting form – for service providers) in the form of an electronic document.

Below are the most significant changes, in our opinion.

- ❖ Under the law, taxpayers are required to file all fiscal documents, including fiscal cash receipts and strict reporting forms (the “SRF”), with the FTS via Internet. New CRE models have a functionality enabling taxpayers to transmit fiscal data on-line.
- ❖ The law introduces a new subject into the interaction between taxpayers and tax authorities – a fiscal data operator. The fiscal data operator gathers fiscal data from CRE and then transmits it to tax authorities in due time. The execution of a contract with a fiscal data operator is mandatory condition for the usage of new CRE models.
- ❖ The law introduces a CRE user’s account at the FTS website as a new way of registering CRE and interaction between taxpayers and tax authorities.
- ❖ Under the law, a taxpayer shall, at a buyer’s request, send an electronic copy of a fiscal cash receipt (a SRF) at the user’s email address or subscriber number.
- ❖ The law introduces new mandatory details of a fiscal cash receipt (description of a settlement item, VAT rate, payment method, QR-code, etc.).
- ❖ Under the law, a fiscal cash receipt (SRF) must bear a printed QR-code containing encoded details of a fiscal cash receipt for verification purposes. Buyers shall verify a fiscal cash receipt (SRF) using a mobile application developed by tax authorities. Thus, there will be a civil control over the use of CRE.

The above changes will concern all entities and individual entrepreneurs who make settlements in Russia (retailers, cafes, restaurants, pharmacies, petrol stations, legal firms and other entities that provide services to the general public).

Tax authorities expect that the new rules for using CRE will enable them:

- ❖ To monitor the use of CRE on-line.
- ❖ To build a competitive market by ensuring that violations are detected.
- ❖ To minimise the number of inspections by making them selective.
- ❖ To shorten CRE registration and re-registration time by introducing on-line service via user's account at the FTS website (without visiting a tax authority and physically submitting CRE).
- ❖ To engage buyers into civil control.

## ***Detailed overview***

Amended Federal Law No. 54-FZ "On the Application of Cash Register Equipment in Settlements in Cash and/or via Electronic Means of Payment" provides for:

### 1. A new procedure for registering CRE with tax authorities

Tax authorities will maintain a register of CRE models and a register of CRE units produced. Manufacturers will design a new CRE model, certify it at an expert organisation that is licensed by the FTS, and seek a report from the Federal Security Service (the FSS) concluding that CRE models do not affect performance of fiscal data storage drives in terms of compliance with the requirements for encryption tools designed to protect fiscal data. Certified CRE models will be entered in the respective register and after that manufacturers would be able to produce such models in units.

All CRE units shall be entered into the respective register. When registering a CRE unit, a CRE user (taxpayer) shall specify its production serial number, thereby verifying whether the latter matches the production serial number recorded in the register of CRE units. The mechanism rules out the registration of CRE that does not comply with the new law and could result in violations of the procedure for using CRE.

### 2. The new procedure for registering CRE and interaction with CRE users

The new registration procedure will enable CRE users to register its unit with tax authorities via Internet at their CRE personal accounts (legal entity's user account and individual entrepreneur's user account at the FTS website).

Furthermore, tax authorities intend to use a CRE user's account to send notices of violations of CRE use. Due to the introduction of the CRE on-line registration, there will be no need for CRE users to bring a CRE unit to tax authorities and execute an agreement with a maintenance centre. Along with the on-line registration, the law allows a paper-based application for CRE registration with tax authorities.

### 3. New responsibilities for filing fiscal documents with tax authorities through a fiscal data operator

Taxpayer's CRE will send fiscal documents to a fiscal data operator and the latter will transmit the received fiscal data to tax authorities. In order to perform the responsibility for reporting fiscal data, a taxpayer must have a contract with a fiscal data operator. Fiscal data operator's facilities shall be certified by expert organisations that must have licences issued by the FTS and the FSS. Certified fiscal data operators will be entered into the register of fiscal data operators. The mechanism rules out the possibility of fiscal data submission by taxpayers through a non-certified operator, as well as the possibility of taxpayer's fiscal data misrepresentation through facilities of a fiscal data operator.

### 4. New obligations for providing a buyer with a fiscal cash receipt or SRF

CRE users must provide a buyer with a fiscal cash receipt (SRF) in the form of a paper document and, upon request, send its electronic copy or details of the payments made at the buyer's e-mail address or subscriber number. A buyer may verify whether a fiscal cash receipt (SRF) is correct by using a mobile application developed by the FTS.

### 5. New characteristics of administering the use of new models of CRE

Tax authorities expect buyers to exercise civil control over the use of new models of CRE. Civil control will be a part of administering the use of CRE. With a special mobile application, a buyer is able to inform the FTS about a violation of the rules for the CRE use. Thus, the FTS can become aware of the following violations: a buyer has not been provided with a paper/electronic copy of a fiscal cash receipt (SRF); an amount or other details of a fiscal cash receipt are incorrect; CRE has been used at the location other than the place of registration, etc. Based on the information received from buyers, the FTS suggests that the taxpayer should voluntarily recognise alleged violations, remedy them and pay a penalty amounting to one third of the minimum administrative fine for a respective violation.

#### 6. New details of a fiscal cash receipt (SRF)

The Federal law establishes a set of requirements for details of a fiscal cash receipt (SRF). An updated fiscal cash receipt (SRF) must bear the following details:

- ❖ Description of goods (work, services) and their quantity;
- ❖ Price per unit of goods (work, service), including discounts and mark-ups;
- ❖ VAT rate and amount for each settlement item;
- ❖ Payment amount based on the fiscal cash receipt, including discounts and mark-ups, and VAT amounts;
- ❖ Payment method (100% or partial advance payment before the handover of a settlement item; advance payment; payment in full, including the advance payment (upfront payment) at the moment of handover of a settlement item; partial payment for the settlement item at the moment of its handover and subsequent credit payment; handover of the settlement item without payment at the moment of its handover and subsequent credit payment; payment for the settlement item after its handover and subsequent credit payment)
- ❖ and other payment details.

The Law provides for a transition period during which some categories of taxpayers may move to new CRE models.

The table below presents the dates of the transition period.

Taxpayer category	From 15 July 2016	From 1 February 2017	From 1 July 2017	From 1 July 2018
Entities and individual entrepreneurs with the general taxation treatment and simplified taxation regime	May use both new CRE models and old CRE models.	May use old CRE models that were used till 1 February 2017 or new CRE models.	Must use only new CRE models.	Must use only new CRE models.
Individual entrepreneurs with the patent taxation regime	Allowed not to use CRE or to use new CRE models			
Taxpayers with the SIIT regime				
Entities and individual entrepreneurs who use a strict reporting form (provide services to the general public)				
Entities and individual entrepreneurs who carry out trade through vending machines (vending)				

For more information about a new procedure for using CRE, please visit the FTS website at: [https://www.nalog.ru/rn77/taxation/reference\\_work/newkkt/](https://www.nalog.ru/rn77/taxation/reference_work/newkkt/).

### ***What does this mean for you?***

The Law strengthens control over the use of CRE. In the way of the introduction of the new rules, entities may face the following tasks:

- ❖ Analysing methodological matters related to the implementation of new CRE models (development of methodological positions on complicated issues or issues that were insufficiently elaborated by the FTS, such as: what point in time shall be considered the moment of settlement for the sale of goods through Internet; how an electronic fiscal cash receipt shall be provided to a buyer; how pre-payments and post-payments shall be received to comply with the law; who shall bear responsibility for providing a buyer with a fiscal cash receipt where delivery and postal services are engaged; how goods shall be sold if the agency scheme is used, etc.);

- ❖ Improving the information system functionality for transmitting the relevant data to cash register software (accounting, billing, logistical and other data);
- ❖ Developing a functionality to monitor the use of CRE and developing monitoring reports to reconcile the data reported to tax authorities with the entities' tax accounting data and data used to produce profit and VAT tax returns;
- ❖ Analysing risks associated with the amended law and improving internal controls.

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We would be happy to answer your questions.

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