

## Application of the Key Rate of the Bank of Russia Starting from 1 January 2016

Newsletter

14 December 2015

The Government of the Russian Federation has decreed that starting from 1 January 2016 all matters regulated by the acts of the Government will be subject to the key rate of the Bank of Russia instead of the refinancing rate, unless the federal laws provide otherwise (*Resolution of the Government of the Russian Federation No. 1340 dated 8 December 2015*).

This will entail, for instance, an increase of the penalties under contracts made within the contract system (*FZ-44*) and the compensations under loans extended in the priority economic sectors.

### 1. THE ESSENCE OF THE AMENDMENTS

Most acts of the Russian Government use the term “the refinancing rate”. At the same time, the Bank of Russia has not amended the parameters of the refinancing rate since September 2012. It has equalled 8.25% *per annum* since 14 September 2012.

The Bank of Russia introduced the key rate on 13 September 2013 as the principal indicator of the monetary policy. On 11 December 2015, it was resolved to keep the key rate approved in August 2015 at 11% *per annum*. The next meeting of the Bank of Russia’s Board of Directors to review the issue of the key rate level is scheduled for 29 January 2016.

### 2. MATTERS TO BE AFFECTED BY THE AMENDMENTS

The change in the interest rate is likely to affect the following situations:

- penalties under contracts made within the contract system (*FZ-44*);
- compensation of interest under loans extended to enterprises engaged in the priority economic sectors, including agriculture, defense and industrial sector, aviation industry;
- compensation of interest under loans received by legal entities for the performance of investment projects in the sphere of social services;
- when calculating the amounts of various subsidies allocated from the State budget;
- in tariff setting, for instance, when accounting for credit costs in the power sector;
- in other cases stipulated in the acts of the Russian Government.

### 3. SUBSTITUTION OF THE REFINANCING RATE WITH THE KEY RATE IN TAXATION MATTERS

According to some sources, it is planned to introduce a draft law amending the Tax Code of the Russian Federation to substitute the refinancing rate with the key rate of the Bank of Russia, in particular, for the purposes of calculating fines and interest, starting from 1 January 2016.

However, the text of the draft law has not appeared at the official website (<http://www.regulation.gov.ru>); nor is there any information on the introduction of the draft law into the State Duma of the Russian Federation.

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