



1 October 2020

Dear users,

Concerns : change in scope of Russian VAT on electronic services

We refer to our previous communication regarding the impact of the Russian Electronically Supplied Services (ESS) regulation on SWIFT' products and services¹. As you know SWIFT has registered for Russian VAT since the new law being implemented per 1 January 2019 and has charged Russian VAT on its invoices, where deemed applicable.

New Bill coming into force 1 January 2021

Federal law No. 265-FZ made amendments to part II of the Tax Code of the Russian Federation. The law was officially published on 31 July 2020 and inserted the changes proposed in the new Bill No. 990337-7.

The amendments in respect of the ESS regulation consist in putting restrictive conditions as to the VAT exemption applicable to the provision of the transfer of rights to use software and databases (category 1).

As from 1 January 2021, the VAT exemption will be limited to the transfer of exclusive rights to software and databases recorded in the Russian register of software. With respect to software and databases not included in the register, VAT will be charged at 20% rate.

Foreign developers of software and databases, like SWIFT, will not be eligible for the exemption any longer since only Russian developed software products can be recorded in the Register.

Application to SWIFT's products and services

Following the change in legislation, SWIFT will start to apply 20% VAT on SWIFT products on which previously a VAT exemption for software was applied.

More concrete, this implies that for services rendered and invoices issued as from 1 January 2021, 20% Russian VAT will be charged on the following products:

- SWIFTNet Link
- SWIFTAlliance Access / Swift Alliance Entry / Gateway
- Alliance Messaging Hub
- RMA Service fee
- SWIFT Translator

For a recapitulative overview of the Russian ESS VAT treatment of SWIFT products and services, we refer to annex 1.

¹ Last communication July 2019

We are ready to address any questions with respect to the above.

Kind regards,



Anna Agafonova

CFO SWIFT

Annex 1

Please see below an overview of the applicability of RU VAT on ESS services as from 1 January 2021. This includes the changes in the Russian VAT treatment following the abolishment of the VAT exemption on specific software.

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)	Yes*
SWIFTAlliance Access/Entry/Gateway, Alliance Messaging Hub	Yes	Yes (def 1)	Yes*
Alliance Warehouse	Yes	Yes (def 1)	Yes*
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)	Yes*

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)
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MyStandards

	Deemed supplied in Russia?	Classified as ESS?	VAT on SWIFT invoice?
MyStandards, Base libraries, Readiness Portal, standard release portal	Yes	Yes (def6)	Yes
SWIFT Translator	Yes	Yes (def1)	Yes*

gpi

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

SWIFTSmart

	Deemed supplied in Russia?	Classified as ESS?	VAT on SWIFT invoice?
SWIFTSmart subscription	Yes	Yes (def11)	Yes
Customized trainings (professional services; on site)	Yes	No	Yes

Other SWIFT products

	Deemed supplied in Russia?	Classified as ESS?	VAT on SWIFT invoice?
User Handbook	Yes	Yes (def11)	Yes
Watch products	Yes	Yes (def14)	Yes
Partner fees, membership fees, corporate membership fees, shareholding fees, termination fees, administration fees, penalties	No	No	Not applicable
Professional services	Yes	No	Yes
Advanced support (remote)	No	No	Not applicable
Care services (on site)	Yes	No	Yes

(* applicable as from 1 January 2021)