

Tax Flash by Technologies of Trust experts

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Double deduction of expenses for Russian software

In brief

The lawmakers actively promote the development of IT technologies in Russia. In addition to preferences granted to IT companies (such as reduced corporate income tax (CIT) rates and insurance contributions etc.), they implement and broaden exemptions for their customers, thereby maintaining demand for solutions and digital products offered by IT businesses.

Last year, a tax reform resulted in significant tax amendments, including those for users of Russia-made software:

- Firstly, the multiplying ratio applicable to expenses on Russian software and databases (provided these are put on the official register of Russian software) as well as expenses on certain types of hi-tech equipment was increased from 1.5 to 2.
- Secondly, the use of artificial intelligence (AI) no longer serves as a prerequisite to apply the multiplying ratio to software and databases. Therefore, double deduction now may apply to expenses incurred for the creation and use of a much wider range of software applications.

Certainly, taxpayers are happy to greet this change. At the same time, practical questions arise regarding the new ratio application.

In this survey, we summarise and comment on respective clarifications issued by the Russian Ministry of Finance (MinFin).

We also provide information on planned changes and modifications.

In detail

Benefits that are currently in place

Starting 2025, certain expenses on computer programmes (software), databases as well as software and hardware complexes (SHC) may be claimed for deduction for tax purposes using the multiplying ratio of 2 (a double multiplier), namely:

- When forming the historical cost of a fixed asset included in the Unified Register of Russian Radio-and-Electronic Products, pertaining to the sphere of artificial intelligence, included in the Unified Register of Russian Software and Databases (“Register”) or put on the List of Russian High-Technology Equipment (Article 257 of the Russian Tax Code (RTC));
- When forming the historical cost of intangible assets in the form of an exclusive right to the software and databases included in the Register (Article 257 of the RTC);
- Expenses pertaining to the acquisition of rights to use software, databases and SHC included in the Register (Article 264 of the RTC).

We recall that some software items and databases put on the Register as well as depreciable fixed assets that were included in the Unified Register of Russian Radio-and-Electronic Products on their commissioning date may be subject to accelerated depreciation using a ratio of 3 (Article 259.3 of the RTC). At the same time such accelerated depreciation ratio may not apply to the software and databases whose useful life is determined by taxpayers at their own discretion (which is common practice).

1. Which date serves as reference for putting items on the Register?

- **Acquiring rights to software**

The MinFin stated that, as far as expenses on acquiring rights to use software, databases and SHC are concerned, the ratio of 2 will apply if respective software, databases and SHC were put on the Register **at the date when the right to use them was acquired**.

Enabling instrument: MinFin Letters No. 03-03-06/1/43242 of 29 April 2025; No. 03-03-08/41151 of 23 April 2025; [No. 03-03-06/1/122830 of 5 December 2024](#); No. 03-03-06/1/96344 of 4 October 2024

Comments. According to the Ministry’s position, if a taxpayer signs a license agreement before the owner includes the software, database or SHC in the Register, the benefit will not apply.

- **Creation of software**

The double multiplier will apply when forming the historical value of software and databases if such software/databases were put on the Register **at the date of their commissioning into operation**.

Enabling instrument: MinFin Letters No. 03-03-06/1/71207 of 23 July 2025; No. 03-03-06/1/14834 of 18 February 2025; No. 03-03-06/1/14817 of 18 February 2025; No. 03-03-06/3/131284 of 25 December 2024; No. 03-03-06/1/126137 of 13 December 2024

Comments. Previously, there were practical issues in meeting this condition. In particular, the Guidelines issued by the Ministry of Digital Development stated that, for the purposes of putting software on the Register, the right of the software’s in-house development can be confirmed by certain documents, including **the commissioning certificate and intangible asset stock record card**. These documents should be drawn up **when the software is commissioned into operation to confirm that the historical value of the software has been formed**, and such historical value may be adjusted only in case of a modernisation. So, there was a question on whether it was practically possible to apply the double multiplier to the historical value of software.

In January 2025, the Ministry of Digital Development updated their [Guidelines](#). Now, taxpayers may confirm their exclusive right to software for the purposes of putting it on the Register not only by the commissioning certificate, **but also using a schedule plan setting the arrangements for commissioning the software into operation and the planned deadline for the commencement of its operation**; not only by filing the intangible asset stock record card, but also by presenting **an accounting card on recognising capital investments in the intangible asset**.

This means that the uncertainty was eliminated by clarifying the registration rules. It is now possible to put software on the Register before it has been commissioned into operation. This means that the software may be registered before its commissioning, and the condition for applying tax benefits can be met.

2. Software enhancement

- **Adaptation and modification**

The MinFin recalled that, starting 1 January 2025, expenses on adaptation and modification of software and databases will be recognised as other expenses related to production and sale. The double multiplier will not apply to them.

Enabling instrument: [MinFin Letter No. 03-03-06/122830 of 5 December 2024](#)

Comments. The Ministry's position is in line with the law. Expenses on adaptation and modification of software and databases are expressly stipulated in the List of Deductible Expenses since 2025 (sub-item 26, item 1, Article 264 of the RTC). Previously, these expenses were deductible as other justified expenses. At the same time, they are not mentioned in the part of sub-item 26, item 1, Article 264 of the RTC to which double multiplier applies. This means that they cannot be doubled for deduction purposes (as opposed to expenses on acquiring rights to software use).

In practice, this significantly reduces tax savings. Many developers launch the so-termed MVP (minimum viable products) to be first in the market and win over consumers with their novelty ideas. Then, they start enhancing the program throughout its life cycle. Resulting from this, the adaptation and modification expenses are many times higher than the initial development costs. The multiplying ratio cannot apply to such expenses if there are no grounds for creating a new intangible asset. This issue can be solved only through legislative amendments.

- **Modernisation**

The MinFin stated that the ratio of 2 does not apply to expenses on software modernisation.

Enabling instrument: [MinFin Letters No. 03-03-06/1/14227 of 17 February 2025](#); [No. 03-03-06/1/20323 of 3 March 2025](#); [No. 03-03-06/1/13090 of 13 February 2025](#); [No. 03-03-06/1/7617 of 29 January 2025](#)

Comments. The Ministry's position is based on literal interpretation of the RTC. The ratio of 2 applies to expenses recognised when **forming** the historical value of an intangible asset. Such forming, according to the MinFin, happens when an asset is created or acquired. The RTC allows to **change** the historical value of an intangible asset, but this process, as it follows from the letter, **does not constitute the "forming" of value already.**

3. Transitional period: before and after 1 January 2025

Many questions arise regarding the application of the double multiplier to ongoing contracts. In 2025, following the amendments, the ratio will start to apply to the software that previously was not eligible for the use of multiplying ratio. This happens because the AI criterion has been excluded. Often, software use agreements are long-term and may exceed one year.

The MinFin stated that if the taxpayer **incurred** expenses pertaining to the acquisition of the right to use software and databases:

- **Before 1 January 2025**, they may apply the ratio of 1.5 to the software and databases put on the Register, provided these pertain to AI (**even if such expenses were recognised for tax purposes after 1 January 2025**). This approach follows the rules that were in effect before 2025;
- After 1 January 2025, taxpayers may apply the ratio of 2 to the software and databases put on the Register.

Enabling instrument: [MinFin Letters No. 03-03-06/1/122830 of 5 December 2024](#); [No. 03-03-06/1/96344 of 4 October 2024](#)

Comments. In order to determine which ratio can be applied and define the terms for its application, the MinFin refers to the period when the expenses were "incurred". For the expenses incurred before 1 January 2025 and recognised,

among other things, after 1 January 2025, the ratio of 1.5 will apply (together with the conditions that were in effect before 2025).

The MinFin Letter provides excerpts from Article 272 of the RTC stating that expenses arise based on terms and conditions of a transaction and may be accounted for on a straight-line basis throughout the contract term. That said, the Ministry does not expressly specify the date to be considered as the date of “incurring” those expenses and the date when the expenses were recognised (for the purposes of making a conclusion on how to apply the ratio).

According to the Ministry’s position, **the double multiplier is impossible to apply** when the contract was concluded and the documents for the full settlement were filed in 2024 or earlier, even if the taxpayer decided to recognise the expenses in equal parts throughout the whole term of the contract.

The letter does not expressly address the question on applying the multiplying ratio in cases when, e.g., a contract that was made in 2024 or earlier establishes periodical payments and stipulates issuing of settlement documents, while expenses have been recognised on a quarterly basis starting 2024 and onwards.

4. Sub-licences

In their clarifications, the MinFin allows to apply the ratio of 2 to the software the rights to which were obtained under sub-license agreements. Nevertheless, please note that the RTC provisions may yet modify (please see below), which may render the clarifications void.

Enabling instrument: *MinFin Letters No. 03-03-06/1/14224 of 17 February 2025; No. 03-03-06/1/7262 of 28 January 2025*

Changes coming in 2026

[The amendments to the RTC](#) prepared by the MinFin impose a restriction on repeated use of the double multiplier. The provision on its application is complemented with a clause stating that the application of the double multiplier is possible if contracts (agreements) with holders of rights **do not allow the taxpayer to transfer** the right to use software, databases and SHC included in the unified Register to other persons.

Therefore, **the double deduction will be granted only to those who purchase software for their own use** and do not transfer it further.

The idea of the lawmakers is clear: the tax benefit aims to provide an incentive only to those who actually use Russia-made software in their business. The tool prevents taxpayers from artificially “bloating” their expenses through multiple transfer of rights to software. At the same time, practical questions may arise. For example, when transferring rights to use a part of licenses, may the taxpayer apply the ratio of 2 to the part they do not transfer and keep for themselves?

Also, the procedure for including software in the Registry is also under pending discussion. For example, the lawmakers may propose that software should be compatible with at least two Russian operating systems. We provided more details about the planned amendments in [TaxPro](#). If these amendments successfully pass, a smaller number of software applications will be entitled to the tax benefits.

We would be happy to answer any questions you may have



**Ekaterina
Ryabova**

Partner, Tax Services
Leader



**Natalia
Vozianova**

Partner, Tax Services,
Communications,
Technology, Entertainment
and Media



**Karina
Khudenko**

Partner, International
Assignment Services and
People & Organisation
Consulting Services



**Natalia
Kozlova**

Partner, Head of Transfer
Pricing



**Galina
Naumenko**

Partner, Tax Services,
Metals, Mining and
Chemical



**Ekaterina
Levon**

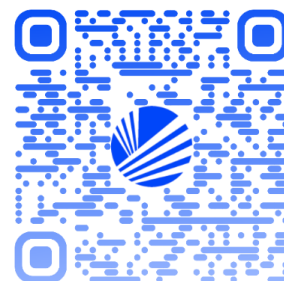
Partner, Corporate Tax



**Anna
Modyanova**

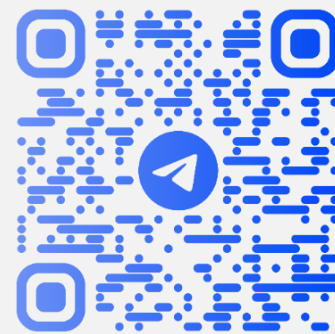
Partner, International Tax
Structuring

tedo.ru/tax-consulting-services
+7 (495) 967 6000
info@tedo.ru



t.me/TedoTaxPro

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