

Russia notifies Luxembourg and Malta of tax treaty changes

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The Russian Finance Ministry has sent letters to the finance ministries of Luxembourg and Malta regarding proposed changes to the current tax rates provided for in the double taxation treaties with those countries, according to an official announcement from the Finance Ministry's press service. These measures have been taken in line with the President's instruction for "dividends and interest transferred to foreign accounts" to be taxed at 15%.¹

Under the current versions of the tax treaties with Luxembourg and Malta:

- ▶ In the case of dividends, the domestic withholding tax rate (15%) may be reduced to 5% if certain conditions are met.
- ▶ In the case of interest, the domestic withholding tax rate (20%) may be reduced to 5% for interest paid to residents of Malta, and no tax need be withheld on interest paid to residents of Luxembourg.

Under the proposed changes, the respective income would be taxed at 15%.

Earlier in April, a similar notification was received by the Cypriot Finance Ministry.

The Russian Finance Ministry states that "... the changes will not affect interest income paid on Eurobond loans, bonded loans of Russian companies and loans made by foreign banks." The taxation of these types of income will be governed by Russian tax law.

The Ministry has until 24 April 2020 to produce a list of tax treaties to which such amendments are to be made. The expected changes would come into force from 1 January 2021.

The President has instructed that, where agreement cannot be reached with a tax treaty partner over the proposed new tax rates for dividend and interest payments, the tax treaties in question are to be unilaterally terminated.

Endnote

1. For background, see EY Global Tax Alert, [Russian President announces significant changes to taxation of dividends and interest](#), dated 27 March 2020.

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