

Russia notifies OECD of entry into effect of the MLI for 27 of its tax treaties from 1 January 2021

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On 30 April 2020, Russia officially submitted to the Organisation for Economic Co-operation and Development (OECD) Depository a notification¹ of the completion of its internal procedures for the entry into effect of the provisions of the *Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting* (the MLI) with respect to 27 double taxation treaties with the following jurisdictions:

Australia	Ireland	Poland
Austria	Israel	Qatar
Belgium	Latvia	Serbia
Canada	Lithuania	Singapore
Denmark	Luxembourg	Slovakia
Finland	Malta	Slovenia
France	Netherlands	Ukraine
Iceland	New Zealand	United Arab Emirates
India	Norway	United Kingdom

Subject to the reservations made by Russia pursuant to Articles 35(7)(a)(i) and 35(7)(b), the MLI will take effect for the respective tax treaties from 1 January 2021 (for both withholding tax and other taxes).

Russia ratified the MLI in May 2019,² with reference to 71 covered jurisdictions. The information published by the OECD does not specify why Russia's notification of the entry into effect of the MLI only covers 27 jurisdictions. No official comments have yet been received from the Russian fiscal authorities.

The MLI was developed by the OECD to combat abuses of double taxation treaties whereby profits are artificially moved from one state to another to make use of lower tax rates or tax exemptions available in other states.

The MLI supplements and modifies some of the provisions of existing tax treaties. In particular, the MLI introduces the principal purpose test (PPT), which allows tax authorities to disallow the application of treaty benefits if obtaining those benefits was the principal purpose or one of the principal purposes of an arrangement or transaction. The PPT will be applied alongside the beneficial ownership concept, which is already incorporated in tax treaties.

Endnotes

1. <http://www.oecd.org/tax/treaties/beps-mli-notification-article-35-7-b-russian-federation.pdf>.
2. Federal Law No. 79-FZ of 1 May 2019 "On Ratification of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting."

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