Tax Agenda Russia

January 2022

No.	Fact	Action
1	**Double tax treaty developments** Starting from 1 January 2022 the Russia-Netherlands tax treaty has been terminated and the amendments to the Russia-Luxembourg treaty (15% withholding tax (WHT) on dividends and interest) have taken effect. Similar negotiations are underway with Switzerland, and the Finance Ministry has signalled plans to approach Hong Kong and Singapore with amendment proposals	Assessing the potential impact of the termination or amendment of tax treaties.
2	**Multilateral Instrument (MLI) status** The MLI is now effective for 41 Russian double tax treaties as 7 additional agreements were modified with effect from 1 January 2022. More treaties will follow.	Attention needs to be paid to treaty relief matters, including documentation requirements. Pure holding or finance companies and such like may not be eligible for treaty benefits. Permanent establishment-related risks may need to be reconsidered.
3	**Interest WHT for permanent establishments** Article 309 of the Tax Code has been amended to make it clear that interest paid abroad by a foreign entity's permanent establishment in Russia is subject to WHT (20%) if the underlying debt pertains to the permanent establishment's activities.	Loan arrangements and interest cash flows need to be reviewed to assess potential exposures and future arrangements.
4	**Russian "landing" for the IT sector** Effective from 1 January 2022, certain foreign website / software owners and providers operating in Russia must set up branches, representative offices or subsidiaries to enable communication between the foreign entity and Russian customers and state authorities and representation in judicial proceedings.	Evaluating whether the new legal requirements trigger Russian permanent establishment or other tax risks for multinationals with a web presence in Russia, facilitating Russian tax compliance for new branches/offices/subsidiaries.

JAN: 1 2 3 4 7 — FEB: 5 6 8 — MAR: 9

DEC — 2021/2022 — JAN — FEB — MAR

Compliance — *Risk management* — *Cash-flow / ETR impact*

No.	Fact	Action
5	**BEPS 2.0** Russia is an active participant in the OECD's BEPS 2.0 work, including the Pillar II Model Rules and Global Anti-Base Erosion (GloBE) Implementation Framework. Based on current indications, Russia may implement the global tax reform package, including the introduction of a domestic top-up tax.	Assessment of the potential impact of the reform, and particularly Pillar II, on a group's operations and effective tax position with reference to Russia and all other countries in which the group has a presence; impact assessment, analysis and preparation for the new rules.
6	**Budget subsidies limited for certain multinationals** Starting from 2023, certain Russian subsidiaries of foreign entities located in "offshore holding" jurisdictions will be barred from obtaining state subsidies. Included in the current draft of the "offshore" list are Cyprus, Switzerland, Ireland, Malta, Hong Kong, Singapore, and the UAE.	Analyzing whether the changes may affect the group.
7	**Case law developments** Case law on beneficial ownership in the context of claims for tax treaty relief continues to evolve. Cross-border intragroup charges can be challenged by the tax authorities and may be reclassified as passive income distributions. Case law is emerging involving customs authorities challenging the value of imported goods traded by subsidiaries and seeking the addition of dividends.	Monitoring case law and assessing cash flow/corporate structures to manage compliance with the prevailing requirements.
8	**Controlled Foreign Companies (CFC) reporting** The 2020 CFC reporting deadlines are approaching: CFC notifications and supporting documents are due by 20 March (for corporate controlling persons) and 30 April (for individuals). Fines for non-compliance have been increased and additional fines have been introduced for non-submission of documents supporting CFC profit/loss amounts and other documents requested by the tax authorities.	Reviewing reporting requirements and internal compliance status/processes.
9	**Tax loss carry-forward** The limitation on tax loss carry-forward for Russian profits tax purposes, whereby losses may not reduce the current year tax base by more than 50%, has been extended up to 31 December 2024.	Ensuring continued compliance with the profits tax base calculation rules to facilitate the correct payment of tax.

Contacts:

Vladimir Zheltonogov
Partner
Ernst & Young Valuation and Advisory Services LLC (Russia), Moscow

Vladimir.Zheltonogov@ru.ey.com

Oleg Lvov
Director
Ernst & Young Valuation and Advisory Services LLC (Russia), Moscow

Oleg.Lvov@ru.ey.com

Irina Isakova
Manager
Ernst & Young Valuation and Advisory Services LLC (Russia), Moscow

Irina.Isakova@ru.ey.com

Natalia Averina
Assistant Manager
Ernst & Young Valuation and Advisory Services LLC (Russia), Moscow

Nataliya.Averina@ru.ey.com

EY | Building a better working world

EY exists to build a better working world, helping create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

EYG no. 000510-22Gbl
© 2022 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal, or other professional advice. Please refer to your advisors for specific advice.