

## Russia removes 10 Jurisdictions from Tax Service's Offshore Blacklist

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On 8 February 2019, a Federal Tax Service order approving the list of states that do not have tax information exchange arrangements with the Russian Federation (the List) was published on the official online legal information portal. The new document, which entered into force on 19 February, will replace the corresponding order that has been in effect since 2018.

The following states and territories are excluded from the List under the new order: Belize, Brazil, Guernsey, the Isle of Man, Liechtenstein, Monaco, Saint Kitts and Nevis, the Seychelles, Uganda and the United Arab Emirates (UAE). The updated List includes 100 states and 18 territories.

The List is designed to support the application of Russia's controlled foreign company (CFC) rules. In particular, where a CFC's jurisdiction is included in the List:

- ▶ The CFC's profit cannot be exempted from taxation in Russia on a number of the grounds specified in Article 25.13-1 of the Tax Code
- ▶ An auditor's report not containing an adverse opinion or a disclaimer of opinion is needed for the CFC's profit to be calculated based on financial statement data

For the majority of countries mentioned, their exclusion from the list will not affect the applicability of relevant exemptions or the method of calculation of profits (losses) of CFCs situated therein, given that, besides not being on the List,

there must also be a current tax treaty with the jurisdiction concerned. Of the countries that have been excluded, only Brazil and the UAE have tax treaties with Russia.

The removals from the List may signify that the Federal Tax Service has now made satisfactory tax information exchange arrangements with the 10 states and territories in question. A year ago, the British Virgin Islands (BVI) and the Republic of Korea were excluded from the List.

The reduction in the number of jurisdictions “blacklisted” by the Federal Tax Service reflects a general trend towards the increased exchange of tax information among states.

Taxpayers should regularly monitor changes in the list of countries that do not have tax exchange information arrangements with Russia. Future Alerts will continue to report developments in this area.

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