

Newsletter

Updated list of countries that automatically exchange information with Russia

13 October 2022

Dear Ladies and Gentlemen!

On 5 October 2022, the Russian Federal Tax Service published the draft [Order "On the Approval of the List of States \(Territories\) That Automatically Exchange Financial Information"](#) (the "**Draft Order**").

The existing list of countries and territories that exchange such information is to be extended to include Kazakhstan, Maldives and Oman.

At the same time, a proposal has been made to exclude the Cayman Islands and Switzerland, which previously announced it would suspend all forms of tax information exchanges with Russia, including automatic exchange under the CRS standard.

The Draft Order is under public discussion, which will last until 19 October 2022. If the document is adopted, it will come into force 10 days after the date of its official publication.

The explanatory note to the Draft Order indicates that 96 countries and territories have declared their willingness to exchange information with Russia.

What will change?

Given that many of Russia's HNWI actively use Swiss accounts for portfolio investments and other transactions, the adoption of the Draft Order would require significant changes in the structure of transactions performed using such accounts.

The absence of automatic exchange with a particular country significantly limits the list of transactions that can be performed by currency residents with accounts opened at banks in such a jurisdiction.

In particular, holders of the accounts opened in Switzerland, which has traditionally been used for portfolio investments, would be prohibited from crediting funds in the form of dividends or interest on securities, as well as

proceeds from sell/redemption of securities and other financial assets.

Transferring funds between personal accounts, crediting interest on the balance of funds deposited in an account, crediting funds received from non-residents under employment contracts for work outside of Russia and certain other transactions would be allowed.

What strategies are available?

Holders of the Swiss private bank accounts may be advised to:

- Review transactions that are planned to be executed via such accounts
- Assess the feasibility of selling existing financial assets before the new list of exchanging countries takes effect
- Transfer funds/investment portfolios to their accounts in countries that will continue to automatically exchange information with Russia
- Assess the possibility of transferring funds/investment portfolios to controlled foreign companies (taking into account restrictions imposed by the counter-sanctions)
- Redirect cash flows associated with crediting funds (e.g., under lease agreements) to other jurisdictions.

What's next?

The refusal of Switzerland and other countries to cooperate with Russia on tax issues may lead to changes in another list – the list of countries that do not exchange tax information with Russia.

In particular, depending on whether a specific country is on this list, CFC owners determine whether an audit is required of CFC financial statements that should be submitted to the Russian tax authorities together with the annual notification on controlled foreign companies, as well as assess the possibility of

applying certain exemptions from the taxation of CFC profits (e.g., based on the effective tax rate criterion).

If a country is included in the list of non-exchanging countries, CFC owners may, for example, incur additional costs for auditing financial statements, and may have to declare CFC profits and claim an offset of foreign tax

instead of claiming the exemption of such profits from taxation.

ALRUD experts are monitoring developments and will be glad to analyse your situation and develop an action plan that takes into account the latest legal requirements and helps to meet your needs.

We hope you have found this information helpful. If any of your colleagues would also like to receive our newsletters, please send us their email address in response to this message. If you would like to learn more about our **Tax Practice**, please let us know in a reply email. We will be glad to send you our materials.

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