

Newsletter

The third wave of voluntary disclosure in Russia and recent changes in tax legislation

May 31, 2019

Dear Ladies and Gentlemen,

Starting June 1, 2019 individuals once more receive the right to participate in the updated voluntary disclosure program ('amnesty'), which provide guarantees of exemption from some types of liability related to use of foreign bank accounts and foreign companies.

Declarants may submit the special declaration until February 29, 2020. It is permitted to participate in the amnesty both for the first time and in case of provision of the special declaration within the first and/or the second waves.

Although the main idea of the voluntary disclosure has been retained, the conditions of participation in the program were significantly amended.

In particular, those who plan to apply for the guarantees should consider the following:

- Funds, placed with foreign banks, must be transferred to Russia. The special declaration containing information on the bank account should be supported by (i) a confirmation from a Russian bank on the said transfer, and (ii) Report on cash movements via the foreign account for the period from January 1, 2019 until the date within 15 calendar days prior to the date of the submission or until the date of the account closure.
- Foreign companies must be redomiciled into the Special Administrative Regions in Russia (located in the Islands Russkiy and Oktyabrskiy) under the legislation related to the 'International Companies' adopted in 2018.

Practically, we expect that the conditions of the new stage of the disclosure may significantly limit the number of potential declarants.

In particular, the possibility to use the amnesty for disclosure of foreign controlled companies (CFCs) may be complicated or even blocked by the requirements to be met for obtaining the status of the International Company in Russia.

Meanwhile, the voluntary disclosure may be still relevant for those individuals who own personal foreign bank accounts opened before January 1, 2019 and:

- Have not previously declared such accounts with the Russian tax authorities, but consider an opportunity to become compliant to reduce possible risks; or
- Reported the bank accounts to the controlling authorities in Russia earlier, but have risks of bringing to liability for violation of the tax and/or currency control regulations due to transactions performed through such accounts.

Notwithstanding the above, we recommend detailed analysis of each situation to decide on the feasibility of submission the special declaration in particular case.

In addition, some amendments were introduced into the tax legislation.

In accordance with the new provisions of the Russian Tax Code, profit of the controlled foreign companies for the 2018 financial year that should be included by the individual, being the Russian tax resident in 2019, into the tax return for 2019 tax period may be exempted from taxation in Russia in case such individual had no Russian tax residency status in 2018.

We believe that this amendment provide additional benefit for those individuals who consider moving to Russia.

ALRUD law firm has extensive experience in supporting clients within the voluntary disclosure process, providing tax and currency control

advice and comprehensive support to clients in tax and currency issues. ALRUD lawyers will be glad to answer any additional questions.

We hope that the information provided herein will be useful for you. If any of your colleagues would also like to receive our newsletters, please let us know by sending us his/her email address in response to this message. If you would like to learn more about our **Tax Practice**, please let us know in reply to this email. We will be glad to provide you with our materials.

Note: Please be aware that all information provided in this letter was taken from open sources. Neither ALRUD Law Firm, nor the author of this letter bear any liability for consequences of any decisions made in reliance upon this information.

If you have any questions, please, do not hesitate to contact Senior Partner of ALRUD Law Firm



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