

Russian Tax Amnesty

There are many different reporting and notification requirements in Russia. The Russian Tax Amnesty will provide individuals with an opportunity to report previously undeclared transactions and assets.



Background to the measure

- With the Common Reporting Standard and other information exchange measures now widely adopted across the globe, a number of countries are providing taxpayers with a final opportunity to report undeclared foreign assets and income.
- Russia implemented an amnesty programme for the declaration of foreign assets, the first stage of which ended on 30 June 2016, but fewer than 7,000 declarations were filed.
- The second stage of the programme was recently launched with a deadline of **28 February 2019**, providing those who wanted to declare their foreign assets but failed to do so a second chance.

Pre 1 January 2018

Period to review

Now

Review/disclosure

28 February 2019

Second stage of amnesty ends

Key facts

1. What assets are reportable?

The amnesty, as before, will allow individuals to inform the Russian tax authorities of their foreign and Russian assets and foreign bank accounts/deposits (including closed accounts).

The list of reportable assets includes certain real estate, land and other immovable property, transport vehicles, securities, participation in Russian/foreign companies (units in charter capital) and controlled foreign companies ('CFCs').

2. Who does the amnesty apply to?

The amnesty is relevant to individuals irrespective of their citizenship and tax/currency control residency status although the amnesty would typically be relevant for those who have links to Russia e.g. citizenship, residency or assets.

3. When does action need to be taken by?

Declarations can be filed with tax authorities **until 28 February 2019**.

4. What guarantees are provided?

The authorities will not ask about the source of the money used to buy the assets declared and will not impose any tax, administrative or criminal liability on the declarant. Other economic crimes mentioned in the Russian Criminal Code (e.g. fraud) are not covered by the amnesty.

The amnesty will also be 'free of charge', meaning no taxes will be levied on the declared assets except for tax on profits realised by CFCs.

When filing an amnesty declaration, applicants may submit a notification of their participation in a foreign entity, CFC or the opening/closing of a foreign bank account, without penalty for late filing.

Declarants will not have to repatriate their assets to Russia.

Breaches of law committed after 1 January 2018 will not be covered by such guarantees, except for breaches of currency control, which are covered until the date of filing the amnesty declaration.

It is not clear to what extent the assets owned by legal entities within multi-level ownership chains will benefit from such guarantees.

5. I declared some of my assets in the first stage of the amnesty. Can I participate in the second stage?

Participants in the first stage of the amnesty can also take part in the second stage, provided that they file only one respective declaration for each stage. If several declarations are filed during one stage, only the earliest filed declaration will be treated as final.

6. Does the capital amnesty apply to domestic transactions and assets?

Details about Russian situs property (real estate, vehicles, securities, including shares, as well as participatory interests and units in the charter capital of Russian and foreign entities) should be disclosed in a special declaration. The laws do not set any 'geographical' limits on such property.

Guarantees can potentially be extended to domestic transactions connected with the acquisition, use and disposal of the declared property. However, other limits set by the laws should be taken into account.

7. Who are the nominee owners to whom the guarantees will apply?

A nominee is an individual or entity legally owning the asset for the benefit of another person under a nominal holding agreement (e.g. simple trust deed) governed by the laws of foreign jurisdictions. There are no requirements for the nominee owner to be a foreign person.

The guarantees are provided not only to the declarant, but also to the person disclosed in the amnesty declaration, e.g. a nominee.

8. Do the guarantees apply to legal entities?

The guarantees do not apply to offences committed by legal entities in the structure declared under the amnesty. For instance, they do not apply to the use of reduced withholding tax rates for cross-border dividend payments. However, the laws provide for certain guarantees for individuals who performed organisational and regulatory functions, or administrative and housekeeping functions, in the entities indicated in the special amnesty declaration.

What steps should be taken?

1. Any individual with a link to Russia (e.g. citizenship, tax residency or assets) should review their affairs to ensure that they have fulfilled all reporting requirements in Russia.
2. Where errors are identified, individuals should assess whether such errors could avail of the amnesty guarantees:
 - If so, the individual should analyse relevant disclosures to be made to the Russian tax authorities.
 - Otherwise, the individual should consider alternative actions.
3. File the amnesty declaration no later than 28 February 2019.

How can PwC help?

- We can carry out reviews of historic tax and reporting compliance and complete a 'health check' to highlight where potential issues could arise.
- In the event a disclosure is advisable, we have a team with extensive expertise in dealing with the Russian tax authorities.
- Our global tax network has technical specialists covering all major jurisdictions to provide local support where necessary.

How to make a disclosure

1. A pro-forma of the amnesty declaration is publically available¹. Two copies of the declaration should be filled, either electronically or by hand. Each page should be signed by the declarant and numbered. Two copies of the notifications should be filed together with the amnesty declaration, if any.
2. If the declarant wishes to attach supporting documents to the declaration, such documents should be translated into Russian and notarised. Please note that in some cases attachment of the documents is necessary for application of the guarantees.
3. The declaration should be submitted to any local tax inspectorate or to the Federal Tax Service, as preferred by the declarant.
4. Each copy of the declaration will then be stamped by the tax authorities. One copy is returned to the declarant and the other is stored in the Federal Tax Service's safe.

¹ <https://www.nalog.ru/rn77/taxation/specdecl/>

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