

BEPS Actions implementation by country

Russia

On 5 October 2015, the G20/OECD published 13 final reports and an explanatory statement outlining consensus actions under the base erosion and profit shifting (BEPS) project. The output under each of the BEPS actions is intended to form a complete and cohesive approach covering domestic law recommendations and international principles under the OECD model tax treaty and transfer pricing guidelines. The G20/OECD output broadly falls into the following categories:

OECD categorisation	Definition
Minimum standard	All G20/OECD members are committed to consistent implementation
Revision of existing standard	
Common approach	Common approaches to facilitate convergence of national practices
Best practice	Guidance drawing on best practices

It is now for governments to digest and introduce the necessary legislation. The table below sets out a summary of the expected local country implementation and timing in Russia.



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Action	OECD categorisation	Notes on local country implementation	Expected timing
VAT on business to customers digital services (Action 1)	Common approach	Nonresident suppliers of electronic services are required to register for VAT and charge Russian VAT on services provided to Russian individual customers.	1 January 2017
Hybrids (Action 2)	Common approach	Not yet known.	Not yet known
CFCs (Action 3)	Best practice	Legislation aimed at ensuring the “de-offshorisation” of the Russian economy already applies and is being updated with respect to the taxation of CFCs.	1 January 2015
		The list of states and territories that do not exchange tax information with Russia has been updated.	1 January 2017
Interest deductions (Action 4)	Common approach	Russia already has provisions to address interest deductions (e.g. thin capitalisation, transfer pricing rules). No further changes are expected.	N/A
Harmful tax practices (Action 5)	Minimum standard	Russia does not have a patent box and is not expected to have any rulings to exchange with other tax authorities.	N/A
Prevent treaty abuse (Action 6)	Minimum standard	Russia has opted for the simplified LOB provision set out in the multilateral instrument (MLI) (see action 15 below). The concept of a “beneficial recipient” has been introduced into the tax law for the purposes of applying reduced withholding tax rates on dividends, interest and royalties paid to nonresidents. The tax authorities have started to apply the concept more broadly, i.e. to any kind of income	

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paid to foreign contractors.

Permanent establishment status (Action 7)	Revision of existing standard	The PE concept is already defined in Russian law. Russia has opted for option A under Article 13(1) of the MLI and has reserved the right for Article 14 not to apply in relation to the exploration and exploitation of natural resources.	
Transfer pricing (Actions 8-10)	Revision of existing standard	New transfer pricing guidelines are being developed and the Russian tax authorities are considering the application of certain recommendations arising from the BEPS project.	Not yet known
Disclosure of aggressive tax planning (Action 12)	Best practice	The government ratified the mutual assistance convention in 2014, which will facilitate the automatic exchange of tax information on financial operations with foreign jurisdictions.	Planned for 2018
Transfer pricing documentation (Action 13)	Common approach	Guidelines are under development.	Expected to be introduced by 2018
CbC reporting (Action 13)	Minimum standard	The government supports the concept of CbC reporting. A relevant bill recently was submitted to the State Duma.	Planned for 2018
Dispute resolution (Action 14)	Minimum standard Complemented by best practice	Not yet known.	Not yet known
Multilateral Instrument (Action 15)	Applicable across all four categories	Russia signed the MLI on the 7 June 2017. This will come into force after its ratification.	Subject to ratification of the MLI (application of the new and/or amended rules as from 1 January 2019 possible)

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Unilateral BEPS Actions

Although Russia has not taken any unilateral actions, the de-offshorisation measures have certain elements of the BEPS initiatives. There is reference to the BEPS action plan in Russia's tax policy plans for 2017-2019.

Other Tax Developments

The concept of "unjustified tax benefit" will be incorporated into the tax code in August 2017. The concept currently is formulated in a ruling of the Supreme Arbitration Court, and is aimed at determining whether there is any reasonable economic/ business purpose for a taxpayer's actions.



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