



## **ProsperoScope** Prospects, comments, solutions

Personal taxable income from sale (redemption) of Russian sovereign Eurobonds will be calculated net of exchange differences

A bill that introduces amendments to Articles 210 and 214.1 of the Russian Tax Code<sup>1</sup> was signed into law by the President of the Russian Federation and released on 19 July 2018.

According to the explanatory note, the changes are introduced to promote **investment in Russian sovereign Eurobonds** and foster the repatriation of personal foreign assets.

<sup>1</sup> Federal Law No. 200-FZ of 19 July 2018 'On amendments to Articles 210 and 214.1 of Part II of the Russian Tax Code (regarding the calculation of tax base for personal income from sale (redemption) of bonds (the Law)'

According to the current tax legislation, taxpayers must convert their FX-denominated income and deductible expenses from transactions with securities (other financial instruments) into roubles at the Central Bank of Russia's (CBR) exchange rate as at the date when such income was actually received/expenses incurred.

**Due to this requirement, the rouble exchange rate fluctuations may have a significant upward or downward impact on the tax base.**

**The Law requires that**, effective 1 January 2019, the documented expenses incurred to purchase Russian sovereign Eurobonds be converted into roubles at the official CBR's rate applicable as at the date of receiving income from the sale (redemption) **of such bonds**.

Information on sovereign bond issues can be found on [the official website of the Russian Ministry of Finance](#).

If, according to the bond issue terms, all settlements must be made in roubles, the purchase expenses will be calculated as follows:

- 1) the purchase price of these bonds in a foreign currency is converted into roubles at the CBR's exchange rate as at the date of the purchase
- 2) the sale (redemption) proceeds are converted back into roubles at the CBR's exchange rate as at the date of receipt.

The Law does not set any requirements as to the bond holding period or the purchase dates.

These changes will minimize the impact of exchange differences on the taxation of personal income from this type of bonds.

As a reminder, only the documented expenses can be deducted for tax purposes.

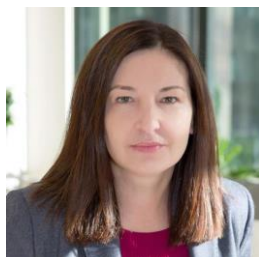
Please note that the new rules will apply after 1 January 2019.

# Contacts

We hope you will find this information interesting and useful. Please do not hesitate to contact us if you have any questions.



**Gennady  
Kamyshnikov**  
Managing Partner  
Government Relations  
+7 (495) 787 06 00



**Svetlana  
Meyer**  
Managing Partner  
Tax & Legal  
Deloitte CIS



**Elena  
Solovyova**  
Partner  
International taxation  
+7 (495) 787 06 00



**Pavel  
Balashov**  
Partner  
Business Process Solutions  
+7 (495) 787 06 00



**Anton  
Zykov**  
Partner  
Tax Dispute Resolution  
+7 (495) 787 06 00



**Svetlana  
Borisova**  
Partner  
Head of Deloitte Private  
+7 (495) 787 06 00



**Yulia  
Krylova**  
Director  
International Tax  
+7 (495) 787 06 00



**Oleg  
Troshin**  
Director  
International Tax  
+7 (495) 787 06 00



**Leonid  
Pechernicov**  
Senior Manager  
Private Client Services  
+7 (495) 787 06 00

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5 Lesnaya Street  
Moscow, 125047 Russia