



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

### **Capital amnesty 3.0: seizing the opportunities**

Individuals are granted another chance to voluntarily declare their controlled foreign companies, foreign bank accounts and other assets without facing tax or currency penalties.

The third round of capital amnesty will run from 1 June 2019 to 29 February 2020.

The guarantees provided under the amnesty remained the same, but to qualify for them now declared assets (controlled foreign companies and foreign bank account) must, in particular, be repatriated to Russia.

## What can be declared?

Similar to the previous rounds, individuals may declare:



foreign bank accounts and accounts (deposits) the declarant is the beneficiary of



controlled foreign corporations (CFC) and unincorporated entities (e.g. trusts)



land, other real estate, vehicles, securities (including shares), shareholdings in Russian and foreign companies.

## Amnesty requirements

To qualify for the guarantees in the third round, repatriation of assets is required.



All foreign bank account balances must be transferred into Russian bank accounts. The special declaration must be accompanied by a cash flow report for the period from 1 January 2019 to the account's closing date (or to a date within 15 days of declaration filing), as well as account statements to confirm depositing of funds to Russian accounts. Yet, there are no requirements to close the declared foreign account or as to how long the funds must remain in the Russian bank account.



The CFC guarantees are conditional on redomiciliation to Russia (registration of the company as an international company under Federal Law No. 290-FZ "On International Companies" of 3 August 2018)\*.



To remind, a foreign company can be redomiciled as an international company to Russia if it has business operations in multiple jurisdictions (including Russia) and is incorporated in a state that is a Financial Action Task Force (FATF) member or observer and/or MONEYVAL member and permits redomiciliation into Russia.

**Check if your company can be redomiciled as an international company \***

*\*available in Russian only*



**Check**

Read more about international companies in our newsletters (available in Russian only. English version will be prepared shortly)

<https://www2.deloitte.com/content/dam/Deloitte/ru/Documents/tax/lt-in-focus/russian/2019/15-02-2019.pdf> and <https://www2.deloitte.com/content/dam/Deloitte/ru/Documents/tax/lt-in-focus/russian/2018/29-08.pdf>

## Guarantees

The amnesty guarantees remain the same\*:

- declarants will benefit from the guarantee that certain unsettled taxes are not collected. This covers taxes arising before 1 January 2019 from:
  - 1) the acquisition, use or disposal of declared assets and controlled foreign corporations
  - 2) the opening and (or) receipt of funds into bank accounts (deposits), disclosed in the special declaration.

Please note that the tax authorities may continue assessing taxes, but will not be able to enforce their collection.

Tax exemption guarantees do not apply to CFCs' profit and property taxes.

- with respect to foreign accounts (deposits) opened before 1 January 2019 (including those closed as at the date of declaration filing):
  - 1) currency transactions involving the disclosed accounts that were made prior to the declaration filing will not be deemed to be breaching the currency laws, i.e. will be exempt from the penalty of 75 to 100 percent of the banned currency transaction's value
  - 2) delayed notifications (before 1 January 2019) of opening/closing accounts or changing their details will not be penalised.

The guarantees will not apply if the accounts were closed by 1 January 2019, but the funds from them were not repatriated.

- Declarants will not be facing criminal, administrative, or tax sanctions for certain violations committed before 1 January 2019.

\* For more details, see

<https://www2.deloitte.com/content/dam/Deloitte/ru/Documents/tax/ProsperoScope/English/26-03-2018.pdf>

## Other benefits

- Assets can still be transferred from a nominal holder to the beneficial owner with no tax consequences, provided such assets and the nominal holder are disclosed in the special declaration.
- The proceeds from the sale of assets by a declarant who is their beneficial owner can be reduced by the verified value of such assets as per the seller's accounting records as at the date of the sale (but not higher than its market value), subject to the disclosure of such assets and nominal holders.
- Individuals that did not have Russian tax residency in 2018, but acquired it in 2019, will also be entitled to the benefits in the form of a tax exemption for their CFCs' profit in 2019.
- Tax-free liquidation benefits were not extended.

**Deloitte's team will be happy to advise you on declaring your assets and restructuring your asset ownership, as well as prepare the declaration package.**

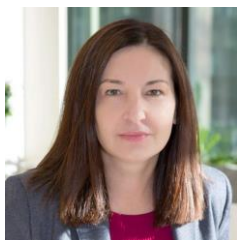
# Contacts

We hope that you have found this issue of ProsperoScope to be both informative and useful. Please feel free to contact us should you have any questions.

+7 (495) 787 06 00



**Gennady Kamyshnikov**  
Managing Partner  
Personal and Corporate Tax



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



**Elena Solovyova**  
Partner  
International tax



**Pavel Balashov**  
Partner  
Business Process Solutions



**Anton Zykov**  
Partner  
Tax Dispute Resolution



**Svetlana Borisova**  
Partner  
Deloitte Private CIS Leader



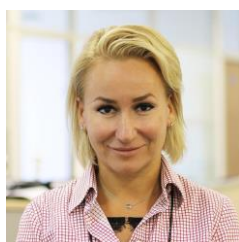
**Yulia Krylova**  
Director  
International tax



**Oleg Troshin**  
Director  
International tax



**Leonid Pechernicov**  
Senior Manager  
Deloitte Private



**Anna Kostyra**  
Managing Partner  
Deloitte Legal CIS



**Ekaterina Portman**  
Director  
Deloitte Legal CIS



**Elina Koskina**  
Senior Lawyer  
Deloitte Legal CIS



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5 Lesnaya Street  
Moscow, 125047 Russia

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