



## ProsperoScope

Prospects, comments, solutions

### Controlled transactions executed through undeclared foreign bank accounts

The Russian Federal Tax Service has recently published comments<sup>1</sup> on foreign currency transactions executed by Russian currency control residents through foreign bank accounts, which were not duly disclosed to the Russian tax authorities.

In particular, the Federal Tax Service underlines that **foreign currency transactions using funds held on currency control residents' undeclared accounts (deposits) with banks located outside of Russia will be considered as not permitted foreign currency transactions.**

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Thus, even if a foreign currency transaction is explicitly listed as a permitted transaction in the Russian currency control regulation but is being executed by a Russian currency control resident through an undeclared foreign bank account, it can still be considered as not permitted. Such operations may include receipt of dividend or interest income derived from foreign securities on accounts with banks located in OECD or FATF member states.

Please note that according to the clause 1 of Article 15.25 of the Code of Administrative Offences of the Russian Federation, execution of not permitted foreign currency transactions may result in administrative sanctions entailing **a fine of 75–100% of such transaction’s value.**

<sup>1</sup> Federal Tax Service of Russia Letter No. ZN-3-17/5523@ of 16 July 2017

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

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