



## ProsperoScope

Prospects,  
comments,  
solutions

Changes in the Russian Currency Legislation<sup>1</sup> came into effect on 1 January 2018 after a respective law<sup>2</sup> was published on 29 December 2017.

We would like to remind you that the law refines currency regulation and control procedures for individuals. The key amendments introduced<sup>3</sup> affected the procedure for determining residency of individuals for currency control purposes.

In this issue we have summarized the most relevant changes.

<sup>1</sup> Federal Law No. 173-FZ *On Currency Regulation and Currency Control* of 10 December 2003 (hereinafter, the "Russian Currency Legislation")

<sup>2</sup> Federal Law No. 427-FZ *On Amendments to the Federal Law On Currency Regulation and Currency Control* of 28 December 2017 (hereinafter, the "Law").

<sup>3</sup> Refer to [ProsperoScope dated 20 October 2017](#)

### **1. All Russian citizens considered as residents for Russian currency control purposes.**

According to the previous version of the Russian Currency Legislation, certain categories of Russian citizens, permanently residing or temporarily staying in a foreign state, could be considered non-residents for Russian currency control purposes.

### **2. Russian citizens staying outside Russia for over 183 days in a calendar year are released from certain currency control-related obligations.**

This category of citizens is released from the following obligations:

- Notify the tax authorities upon opening/closing/changing details of an account (deposit) held with a foreign bank;
- File cash flow reports on such accounts (deposits);
- Follow requirements to the procedure of conducting currency transactions an account (deposit) held with a foreign bank.

Individuals staying in Russia for at least 183 days in a calendar year are obliged to notify tax authorities on opening/closing/changing details of accounts (deposits) held with foreign banks in respect to which no notifications were submitted earlier. The notification has to be filed by 1 June of the year, following the year during which a Russian citizen spent at least 183 days in Russia.

Such individuals must also file to the tax authorities cash flow reports in relation to their foreign accounts in a due manner and course. However, the Law does not set any specific reporting deadlines.

Please note that foreign currency transactions between foreign accounts of residents<sup>4</sup> are only permitted if such residents stay outside Russia for over 183 days during a calendar year.

The abovementioned law ruling extends its retrospective effect to those Russian citizens who stayed outside Russia for over 183 days during 2017.

### **3. The determination of a local tax authority inspectorate for a resident is simplified.**

The Law eliminated the existed earlier uncertainty in determination of a tax authority inspectorate where an individual without domicile in Russia shall report on his/her foreign accounts.

Introduced amendments allow to determine the respective tax authority inspectorate by:

- his/her permanent place of residence in Russia, failing which by
- his/her temporary place of residence in Russia, failing which by
- the location of the real estate owned (if there are several properties, the resident is free to choose any of them), failing which
- reports are filed with the local tax authority, determined by the Russian Federal Tax Service ruling (since at this moment such local tax authority is not determined, the application for the relevant clarifications shall be filled to the Russian Federal Tax Service).

### **4. The requirement for submission of notification on opening a foreign bank account of resident which was previously filed to the Russian tax authorities (with receipt acknowledged) in order to execute initial cash transfer to such account from his/her Russian bank account is eliminated.**

### **5. The list of allowed transactions when funds are being transferred from bank accounts of non-residents<sup>5</sup> directly to foreign bank accounts of individuals – residents is expanded to include:**

- crediting refunds of taxes to individuals by competent authorities of states of their stay;
- crediting proceeds received from sale of cars located abroad and owned by the Russian citizens to non-residents (in relation to foreign bank accounts opened in banks located in one of the OECD or FATCA member states);
- crediting proceeds received from sale of real estate property to non-residents, provided all listed conditions are met:
  - such real estate is located in one of the OECD or FATCA member states; and
  - such state is a member of the Multilateral Agreement on Automatic Exchange of Financial Account Information or has a bilateral financial account information exchange treaty with Russia; and
  - account of such individual is held with a bank located in one of the OECD or FATF member states.

<sup>4</sup> Hereinafter the term "resident" is used in the meaning of the Russian Currency Legislation

<sup>5</sup> Hereinafter the term "non-resident" is used in the meaning of the Russian Currency Legislation

Also we would like to draw your attention that the amendments expanding the list of permitted transactions for crediting funds to foreign accounts of residents held with a bank located in one of the OECD or FATCA member states come into effect.

Starting from 1 of January 2018, crediting of proceeds received from the sale of foreign securities listed on a Russian stock exchange or on one of the foreign stock exchanges named in Clause 4, Article 27.5-3 of Federal Law No. 39-FZ *On Securities Market* of 22 April 1996 on foreign bank account is considered to be a permitted foreign currency transaction. Currently there 21 foreign stock exchanges are in the list, including the New York, London, and SIX Swiss stock exchanges.

In general, these amendments result in liberalization of the requirements of the Russian Currency Legislation in relation to citizens who spent less than 183 days in Russia during a calendar year. In particular, this category of citizens was granted the opportunity to credit proceeds received from transactions with foreign securities and other financial instruments to their foreign accounts.

However, the Law left a number of open questions. One of them is the timeframe within which a Russian citizen who came back to Russia after a long-term stay abroad is obliged to submit a cash flow report on his/her foreign account to the Russian tax authorities.

At the same time, limitations imposed on foreign currency transactions between residents, where at least one of them spent at least 183 days in a calendar year in Russia, remain unchanged.

# Contacts

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



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