

Legislative Tracking

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Clarifications from government bodies

Russian Ministry of Finance clarifies application of DTT between Russia and Switzerland upon Russian organisations' dividend payments in favour of Swiss organisations

Russian Ministry of Finance Letter No. 03-08-05/57388 of 3 October 2016 clarifies certain issues related to the application of the Double Tax Treaty between Russia and Switzerland upon the payment of dividends by Russian organisations in favour of Swiss organisations, in particular:

- Foreign investors' expenses on the acquisition of shares during initial public offerings and subsequent offerings can be considered capital invested in a Russian company for the purposes of applying a reduced tax rate;
- The amount of an investment is determined at the moment of its actual execution and is not subject to subsequent revaluation due to exchange rate fluctuations;
- The at-source tax rates envisaged under item 2, Article 10 of the Double Tax Treaty between Russia and Switzerland in relation to income in the form of dividends apply if the conditions established under item 1, Article 312 of the Russian Tax Code are met.

Please note that in accordance with item 2, Article 10 of the DTT in question, the reduced tax rate on dividends (5 percent) applies if the beneficial owner of the dividends is a company (other than a partnership) that directly owns at least 20 percent of the charter capital of the company distributing the dividends and the foreign capital invested in said company exceeds 200 thousand Swiss francs or the equivalent in any other currency at the moment of the distribution of the dividends.

The Letter suggests that the taxpayer also requested a clarification of taxation in the case of a debt swap towards a parent company in exchange for equity in the subsidiary.

However, the Russian Ministry of Finance did not respond to this request, stating that further information would be required for the case to be considered.

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Media review

Development trends in automotive sector published

The Russian Ministry of Economic Development published the development trends in the automotive sector for 2014-2016 and the medium-term growth prospects for the sector.

[Official Ministry of Economic Development website](#)

We hope you will find the information in this edition interesting and helpful. Our specialists are ready to answer any questions you may have on the issues covered in this edition.

Sincerely,

Deloitte CIS partners

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