

11 June 2014



On 5 June 2014 a Draft Law was introduced to the RF State Duma in order to ratify¹ the OECD Convention on mutual administrative assistance in tax matters as in the edition of the Protocol of 27 May 2010 (“the **Convention**”), which was signed by the Russian Federation in November 2011 at the G20 Summit.

The main goals of the Convention are to organise and regulate co-operation between tax authorities and enhance the coordination of activities aimed at preventing tax avoidance.

Once ratified, the Federal Tax Service of Russia will gain access to tax information and be allowed to claim administrative assistance from the tax authorities of 64 signatory jurisdictions. The exchange of information was previously impossible with jurisdictions, with which Russia has not signed Double Tax Treaties (e.g. Belize, the Bermuda Islands, the British Virgin Islands, the Cayman Islands, the Isle of Man, Gibraltar, Jersey, Guernsey, etc.).

Moreover, the Convention makes it possible to request the assistance of foreign tax authorities in tax collection. The taxation of the profits of foreign companies accumulated as a result of the sale of shares (participation) in companies, more than 50% of the value of the assets of which derives from real estate located in Russia may serve as an example of this co-operation.

The list of signatories to the Convention is published on the official website of the OECD and may be accessed via the following link:

http://www.oecd.org/ctp/exchange-of-tax-information/Status_of_convention.pdf

The Convention will come into effect on the first day of the month following three months after the date on which the ratification document is deposited in one of the depositaries. Based on our understanding, the Federal Tax Service of Russia may begin to access tax information from 1 January 2015 or potentially earlier (depending on the date on which the Convention comes into effect in each of the signatory jurisdictions).

The Convention regulates and governs the following procedures of international cooperation and administrative assistance:

- **Information exchange:** While Double Tax Treaties concluded between Russia and foreign countries provide for the possibility of information exchange only upon request of the competent authorities of signatories, the Convention introduces automatic information exchange about taxpayers (companies and individuals) that can be later used as evidence in court in those countries.

¹
[http://asozd2.duma.gov.ru/main.nsf/\(Spravka\)?OpenAgent&RN=540271-6&02](http://asozd2.duma.gov.ru/main.nsf/(Spravka)?OpenAgent&RN=540271-6&02)

At the same time, in addition to taxes covered by the majority of Double Tax Treaties involving Russia, the Convention also covers excise duties, transportation tax, mineral production tax and several other taxes.

It should be taken into account that automatic exchange of information (“AEI”) on an international level requires the development of a specific instrument to organise the related procedures (a draft multilateral agreement is currently under development with the OECD). Following this logic, the ratification of the Convention may be an important step for Russia towards accession to the multilateral agreement on AEI.

- **Carrying out simultaneous tax audits and participation in tax audits abroad:** As an additional form of information exchange, the Convention offers the possibility for two or more signatory states to carry out simultaneous tax audits (each on its own territory) of taxpayers considered to be in the mutual interest of the states. Moreover, upon separate request, competent authorities of the requesting state may be allowed to participate in the relevant part of the tax audit in the requested state.

The possibility of tax authorities of a foreign state to participate in in-house (field) audits in Russia is prescribed by the Draft Federal Law “On introducing changes to Article 87, Part I of the RF Tax Code” (yet to be introduced to the RF State Duma).

- **Assistance in withholding taxes and tax liabilities, including protective measures:** When providing documents prescribed by the Convention, a member state should take the necessary actions to withhold tax pursuant to claims from the requesting state as if those claims were its own, as well as provide protective measures aimed at collecting taxes.
- **Provision of documents,** including those relating to court decisions and taxes that are covered by the Convention.

The Convention also prescribes certain standards of confidentiality and protection of data obtained by the tax authorities as a result of the forms of cooperation mentioned above.

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