

## LT in focus

# Form of notification on participation in foreign organisations



### ***For the attention of individuals and companies***

The Federal Tax Service of Russia has published the form of notification on participation in foreign organisations (on the establishment of foreign entities without legal personality) (hereinafter - the Notification), guidelines on completing the form and the procedure for submitting the Notification to the tax authorities in electronic form. The corresponding Federal Tax Service Order No. MMV-7-14/177@ of 24 April 2015 was made available on the website of the FTS. The Russian Ministry of Justice registered the Order on 13 May.

The aforesaid Order and Notification form stipulate that individuals who are liable to inform the tax authorities of their participation in foreign entities with or without a legal entity status are obliged to disclose the following:

- taxpayer information, including personal data;
- foreign legal organisation information, including the type of participation, dates of participation commencement and termination and size of share;
- information on a foreign entity without legal personality, including organisation form, name, details of constitutional documents, date and country of registration;
- information on the participant in a foreign entity without legal personality, including the grounds for such participation, participation status definition, type of participation, participation share, dates of participation commencement and termination;
- order of the taxpayer's participation in foreign organisation when the participation is indirect, including the disclosure of all participants in the order of their participation and the shares of their direct and indirect participation.

The order and particular requirements for submitting the Notification are specified in Article 25.14 of the Tax Code of the Russian Federation. Notifications are submitted to the tax authorities electronically. As an exception, individual taxpayers are entitled to submit the Notification in hard copy. Software that is required to produce electronic Notifications and their hard copies can be downloaded from the website of the Federal Tax Service.

It should be noted that neither the Tax Code of the Russian Federation nor the guidelines on completing the Notification form contain direct instructions that supporting documents must be attached to the Notification, with the exception of the power of attorney for official representation (when the Notification is filed by the taxpayer's authorized representative). However, we believe that the tax authorities may request additional information/documents in accordance with the tax control procedure at their own discretion.

### **Next steps**

Notifications of participation in foreign organisations (on the establishment of foreign entities without legal personality) as at 15 May 2015 must be submitted no later than 15 June 2015. No notification is required if the participation in a foreign organisation was terminated or a foreign entity without legal personality was liquidated before 14 June 2015 inclusive (Item 4 of Article 4 of Federal Law No. 376-FZ of 24.11.2014, version dated 06.04.2015).

According to Article 129.6 of the Tax Code of the Russian Federation, in the event of unlawful failure to submit the Notification to the tax authorities within the established time frame or in the event of an incorrect submission, a fine will be imposed on the tax payer in the amount of RUB 50,000 for each foreign entity with regard to which the notification was not submitted or an incorrect notification was submitted.

The procedure of compliance with the legal requirements towards the preparation of Notifications of participation in foreign entities includes the following phases:

- information collection;
- completion of an electronic or hard-copy Notification form;
- submission of the Notification to the tax authorities of the Russian Federation.

We will be glad to assist you in any of these phases, including information collection and the preparation of Notifications.



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