

## LT in focus



# Liquidation of foreign companies and structures. Draft law on important tax relief.

### *For the attention of individuals*

Draft law on amendments to parts one and two of the Russian Tax Code has been published on the [web portal](#) of the Russian State Duma, which is designed to harmonise the provisions of the Federal Law *On voluntary declaration of property and accounts (deposits) with banks by individuals* ('Voluntary Declaration Law') with the Russian Tax Code in terms of the guarantees provided to the declarant and elimination of the possibility to collect the tax from them.

In addition, the draft law **grants an important and long awaited relief** to individuals, allowing them to liquidate foreign companies and structures without personal tax implications in Russia. Notably, the relief makes it possible to dispose of foreign companies and structures and transfer assets in the name of an individual without tax consequences. The relief may be used even if the taxpayer did not notify the tax authorities of participation in foreign companies or structures and did not disclose his/her assets under the Voluntary Declaration Law. The law does not make the relief conditional on anything else, other than the requirement to complete the liquidation by 1 January 2017 (with certain exceptions). To apply for the relief, a taxpayer, along with the tax return, will have to submit an application for exemption of income received from liquidation and documents with information on the value of property based on accounting data of the liquidated foreign entity (a foreign structure without the formation of a legal entity) as at the date of liquidation.

The legislator has provided that the relief will not extend to the transfer of cash on liquidation. This may be due to the fact that for the purposes of the Voluntary Declaration Law cash is also not included in the definition of property subject to declaration.

The draft law also provides an individual with a possibility to reduce their income from subsequent sale of the property received on liquidation. The deduction may be equal to the value of property based on the accounting data of the liquidated entity as at the date of liquidation, specified in the documents attached to the taxpayer's application, but not higher than the market value of such property.

The State Duma is scheduled to consider this draft law in its first reading on 20 May. When deciding on how to restructure your business, you should take into account that this draft law may be passed during the spring session. We anticipate that the ultimate result will become known within the next two or three weeks.



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