

# LT in Focus

## Draft law on implementation of CRS and CbC reporting submitted to Russian State Duma

The [draft law](#) "On introducing amendments to the Russian Tax Code (as part of implementation of the international automatic exchange of financial accounts and MNE information)" was submitted to the Russian State Duma on 20 July 2017. The draft regulates the fulfillment of CRS requirements for the Russian financial institutions and CbC reporting and MNE participation notification requirements.

### Overview of amendments to the draft law on country-by-country reporting and automatic exchange of financial account information

- [Amendments to CRS provisions](#)
- [Amendments to CbC provisions](#)

The first version of the draft was updated after a public discussion and released on the federal regulations portal (for more details, please refer to [LT of 7 March 2017](#)). The draft received a negative expert feedback following the assessment of its regulatory impact (for more details, please refer to [LT of 5 April 2017](#)). Read on for an overview of key amendments introduced to the draft.

### Amendments to CRS provisions

The changes that the draft law proposes with respect to the automatic exchange of financial accounts information are not substantial:

- Certain concepts and terms defining the persons that have a direct or indirect control over individual clients of financial institutions have been refined
- As regards contract termination over a client's failure to provide complete/reliable information (or if a financial institution identifies discrepancies between the information provided by the client and the data held by the institution), the draft sets forth that a financial service contract can be deemed terminated either from the date set forth in the agreement or 60 days after a termination notice is provided to the client
- The five-day limit for reversing the decision to terminate the contract if a client provided the required information has been changed: a financial institution may recall its decision at any time thereafter
- The draft sets forth that the regulation governing the implementation of the CRS obligations by financial institutions will be further adopted by the Russian Government
- Certain amendments have been introduced to ensure a terminological consistency with the Russian Tax Code

The draft is expected to enter into force on 1 January 2018, however, it does not specify a starting date for identification of pre-existing account holders or the deadlines for filing the reports with the competent authorities. According to the comments from the Russian authorities, the first information exchange is expected to take place in 2018 (for the information related to 2017).

### Amendments to CbC provisions

In the earlier issues of LT In Focus, we outlined the key provisions of the draft (see LT of 7 September 2016) and amendments introduced (see LT of 7 March 2017).

CbC provisions of the current draft have undergone certain changes:

- Master files can now be requested not earlier than 12 months and no later than 36 months of expiration of the last fiscal year, specified in the request (or the date for which the consolidated financial statements would have been prepared). The master file shall be submitted during three months of receiving a request from the tax authorities.

- Failure to submit master file/local files will result in a penalty of RUB 100,000 per file.
- The current version of the draft offers a different definition of multinational enterprise (MNE). In particular, the provision stating that a group of companies that does not prepare consolidated financial statements, but would have prepared it if required so by a stock exchange as a listing prerequisite, is considered a MNE, was excluded. The provision implies that CbC reports shall be filed only by MNEs that prepare consolidated financial statements. However, certain wording throughout the text suggests that CbC reports must be also submitted by MNEs that do not prepare consolidated financial statements (e.g. the provisions specifying the timeline for requesting CbC reports and

master file: "...or no later than the last day of a period for which the consolidated financial statements would have been prepared in accordance with the stock exchange requirements"). It is not yet clear if the reporting requirements will apply to the groups that are not required to file consolidated financial statements, but meet other MNE criteria.

The draft is expected to enter into force on 1 January 2018, but its allowed to submit CbC reports and notification voluntary for the earlier periods.

Tax penalties will not be imposed for violations related to non-provision of CbC reports for the fiscal years 2018 - 2020.

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We hope that you will find this newsletter interesting and informative. Please feel free to contact us for more information on the topics covered.

Best regards,

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## TaxSmart app



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