

The Deloitte logo, consisting of the word "Deloitte" in a bold, blue, sans-serif font, followed by a small green dot.

## Business Breakfast

Information on assets – hide impossible  
to declare

Private client services



# Key decision making factors

## Changes

- **Controlled foreign company rules**
  - Notification of participation
  - Notification of a CFC
  - CFC profit taxation
- **Trends in tax information exchange**
  - Ratification of the Convention on mutual administrative assistance in tax matters
  - Joining the automatic tax information exchange from 2018
  - Draft law on the disclosure of accounts directly or indirectly controlled by Russian nationals to the Russian Federal Tax Service by foreign financial organisations
- **Reporting of cash movements in foreign accounts by individuals**

## Opportunities

- **Voluntary declaration**
  - Guarantees of release from criminal, administrative and tax liability
  - Relief from tax collection
  - Guarantees of release from liability for currency law breaches with respect to foreign bank accounts
- **Non-taxable asset localisation**
  - Non-taxable transfer of property from nominal holders
  - Non-taxable liquidation of foreign organisations and entities

# Key facts about voluntary declaration

The Law signed by Russian president and published on	8 June 2015
Timing for the special declaration	1 July – 31 December 2015
The declaration may include	<ul style="list-style-type: none"><li>• Plots of land and other immovable property</li><li>• Vehicles</li><li>• Securities (of Russian and foreign organisations)</li><li>• Controlled foreign organisations/entities</li><li>• Foreign bank accounts (deposits)</li></ul>
Guarantees are available	<ul style="list-style-type: none"><li>• For breaches committed before 1 January 2015</li><li>• If the declarant is the owner or the actual (beneficiary) holder of property (accounts) at the date of the declaration</li></ul>
Guarantees provided	Release from criminal, administrative and tax liability for breaches of tax and customs legislation
	Tax not paid earlier is not collected for certain transactions performed by the declarant and other persons
	Special features of currency regulation and control

Goal - to create a **legal mechanism** for voluntary declaration

Property to be declared does not include **cash, objects of art and most property rights**

The declaration is not subject to **tax audits**



# Repatriation of property

“ The granting of guarantees under this Federal Law is not conditional on the return of property reported on the declaration to Russia, except where, at the date of the declaration, the respective movable property is located:

1. in a country (territory) included in the FATF list;
2. in a country (territory) which does not exchange information with Russia for tax purposes.

”

## Countries which do not exchange information with Russia

- The list has not yet been approved by the Ministry of Finance

## Countries in the FATF list\*

- Iran
- DPRK
- Algeria
- Ecuador
- Myanmar

\* FATF Public Statement, 27 February 2015

# Case study - 1



- An individual trades in foreign securities and credits income received to his foreign bank account. Let's consider two situations - (a) the individual has timely informed the tax authorities of the account and paid tax on income from securities transactions in Russia; (b) the individual has not notified and has not paid the tax on securities transactions.
- How may the voluntary declaration law be used in the first and second cases?

(a) and (b)

**Inappropriate currency transactions**

(b)

**Notification on opening an account**

(b)

**Payment of tax**



## Case study - 2



- An individual trades in securities through a foreign company owned by the individual.
- Is it worth retaining the company and continuing to trade through it or is it better and feasible to transfer the securities to the individual?



## Case study - 3



- An individual owns real property outside Russia. The property was purchased with borrowed money received by the individual from a foreign bank at low interest.
- Should the real estate be declared?



# Case study - 4



- An individual owns shares in a foreign company (directly or through a nominal holder). The assets of the foreign company include only cash.
- Which is the most effective way for the individual to transfer money to themselves?





# What are the next steps?





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