TAXAND

RUSSIA

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1. INTRODUCTION

a. Forms of Legal Entity

Generally, foreign investors may carry out business in Russia directly through a branch or the incorporation of a company in Russia. In the latter scenario, a company incorporated in Russia may be fully owned by a foreign company. There are several types of corporate structures available in Russia: limited liability company, joint stock company, partnership, state and municipal entities, production cooperatives. The most commonly used are LLC ("OOO" in Russian) and JSC ("AO" in Russian).

It is also possible to establish a non-commercial company to carry out non-commercial activities. Non-commercial companies are subject to corporate income tax under the general rule, but at the same time funds received by that company as a charity in order to maintain the statutory activities are not taken into account when determining the tax base for the purposes of corporate income tax.

Tax peculiarities of different types of companies depend rather on the tax regime applied than on the corporate structure. For information about special tax regimes, please, see below.

b. Taxes, Tax Rates

The general tax rate for VAT is 20% (as of 1 January 2019, earlier the rate was 18%). Reduced VAT rate of 10% applies to special categories of goods (foodstuffs, children suppliers etc.). Zero VAT rate applies mostly to export transaction. Furthermore, there are transactions which are exempt from VAT.

The general rate of corporate income tax is 20%, and for personal income tax is 13%. The corporate income tax could be partly lowered if such benefits are provided by the regional authorities and legislation (for investment activity under special investment contract, investment activity in special economic zones etc.).

In Russia there is no separate tax established for capital gains. Such gains arisen from the disposal of capital assets are regulated under ordinary corporate or personal income tax rules. Gains from the sale are subject to the 20 % CIT rate, and the 13% personal income tax rate for residents and 30% for non-residents.

Dividend distributions are levied at a withholding tax ("WHT") rate of 15%. Interest and royalties are both subject to a 20% WHT tax charge, unless there are special treatment established by Double Tax Treaty ("DTT").

Social security contribution: The maximum rate for all social contributions is 30%, including pension security contribution–22%; social security contribution – 2.9%; and health care contribution – 5.1 %.

Property tax is imposed on fixed assets and paid at the maximum rate of 2.2 % (the exact rates are established by the regional authorities) of the average net book value of the taxpayer's fixed assets or of the cadastral value (established by local government).

c. Common divergences between income shown on tax returns and local financial statements

Statutory accounting rules and tax rules do have divergences, especially with regard to the recording of the profit. When statutory accounting rules are focused on reporting of every transaction of the entity in order to assess more accurately the financial position of the firm, the aim of tax accounting is the fairest taxation of income.

Tax accounting implies stricter rules of cost recording based on the analysis of economic and business reasons. As a result, many expenses reflected in statutory accounting in full, can be restricted in the tax accounting (e.g. costs on payment of interest under controlled transactions, economically unjustified costs or expenses which were not aimed at gaining profit for the company).

Also, there could be different rules of recording established by law in statutory and tax accounting with regard to the same processes (e.g. different methods of amortisation/depreciation, methods of revenue recognition etc.).

2. RECENT DEVELOPMENTS

Russian tax legislation and court practice has been developed regarding the tax consequences of M&A structures. The structures including debt push-down from a tax perspective were regarded by competent authorities as a strategy aimed exclusively at tax avoidance. The negative aspects in court practice have also arisen in respect of debt financing, since in some cases interest were reclassified into dividends by analysing the substance of the debt transaction even if formal thin capitalisation rules were not applicable. Rules regarding the capital gains on shares in companies with significant real estate assets were modified.

The VAT rate has been increased from 18% to 20%.

3. SHARE ACQUISITION

a. General Comments

In share deals the purchaser achieves not only the participation in the equity, but also a control over the company, and consequently the credit liabilities as well as tax liabilities are "inherited" by the buyer. Capital gains on share deals are subject to Russian CIT at the rate of 20% for both types of seller (i.e the Russian company of the foreign company PE, unless an exemption is applicable). The taxable base from sale of shares is calculated as the difference between the sale price under the transaction and the acquisition historical costs incurred (acquisition price plus additional expenses as legal/finance consulting services).

Since transactions on the sale of shares are not subject to Russian VAT, in some cases, the tax authorities try to requalify share deals into sales of assets, and charge VAT on such sale. In court practice, there are many cases when the assets were contributed to the equity capital of the legal entity, which was created shortly before the deal of sale of 100% share in that company. Tax authorities qualified such transactions artificial with the only aim of VAT avoidance. The courts support them, however, only when there is a clear evidence that the real intention of the parties was to sell the assets and not the shares (the courts take into account the time of creation of the company just before the sale of shares; absence of business activity of the newly incorporated legal entity etc.).

b. Tax Attributes

Generally, there are no specific restrictions in the tax legislation with respect to the share deals. Apart from tax matters, there also could be other restrictions on appliance of share deal, e.g. corporate restrictions (restrain on sale of shares to the third parties or other restrictions specified in the Chapter of the entity), anti-monopoly restrictions etc.

c. Tax Grouping

In Russia the legislation provides an opportunity to create a consolidated taxpayer group ("CTG"). CTG is a formation based on a consolidation agreement for at least two years. Creation of such group is subject to registration with the tax authorities. A CTG is available only for big holdings since the minimum limits on consolidated revenues/ paid taxes/ assets are sufficiently high (not less than RUB 100 bn/ 10 bn/ 300 bn respectively). Members of the CTG are the legal entities holding, directly or indirectly, at least 90% in each of the other group member. CTG could be used only for calculating, paying and filing in reporting forms for corporate income tax with the consolidated tax rate of 20% (other taxes are paid independently by each of the group member). Members of the CTG cannot be in the process of liquidation or bankruptcy. Non-Russian companies cannot be members of the group.

d. Tax Free Reorganisation

The process of reorganisation is tax-neutral in Russia, no additional tax arises during this process. The tax rights and liabilities of the organised company are not affected by the reorganisation. The tax authorities may not charge penalties to the surviving company that were not presented to the company that ceased to exist.

e. Purchase Agreement

Warranty and indemnity clauses are generally included in SPAs while structuring the M&A deals in Russia. However, in Russian legislation this protection mechanism was introduced only by the amendments made to the Civil Code in 2015. Before the amendments entered into force, in large M&A deals, parties typically preferred to choose English law to govern M&A transactions. Since the Russian law permitted the inclusion of warranties and indemnities in SPAs, such mechanism of protection has become very popular in M&A deals under Russian law. The court practice is also very positive regarding the application of these provisions.

f. Transfer taxes on share transfers (including mechanisms for disclosure and collection)

No transfer taxes on share transfers exist except for capital gains taxation. Transfer of shares is also VAT exempt.

g. "Purchase accounting" applicable to share acquisitions

For the purposes of the statutory accounting, the acquisition of shares in other companies are treated as financial investments. For this reason, the acquisition of shares is recorded in the statutory accounts at their initial value (purchase price plus other acquisition costs). In certain situations, the initial value of financial investments can be changed (e.g. in case the market price of the financial investment can be determined).

h. Share Purchase Advantages

- Share deals are VAT exempt;
- Participation exemption for corporate income tax is applicable;
- No depreciation rules for goodwill are established; and
- If there are tax losses accrued by the target company prior to the acquisition they can be used to reduce the taxable base after the share deal.

i. Share Purchase Disadvantages

- Acquisition costs for the share deal could reduce the tax base, but only at the moment of the disposal of shares and not at the moment of the acquisition. For this reason, the following costs can be recorded: the acquisition price of those shares and the amount of expenses associated with the acquisition.
- Credit and tax negative history, which "follow" the target company in the share acquisition.

4. ASSET ACQUISITION

a. General Comments

In an asset deal the purchaser acquires certain assets in the company, as a result only assets and risks related to them are transferred and not the risks related to the company itself. Capital gains on the sale of assets are taxable at the general CIT rate of 20%. For asset deal the tax base is equal to the difference between the sale price and their net book value (after amortisation costs).

b. Purchase Price Allocation

In Russia the application of the mechanism of purchase price allocation is only required by IFRS, consequently, the purchase price allocation can be reflected only in financial reports prepared in accordance with international standards ("IFRS"). Russian legislation (statutory accounting rules or the tax rules) does not contain any rules or requirements with respect to the purchase price allocation. According to Russian rules, in asset deals, the cost of the asset is determined as a purchase price under the agreement and correspondent acquisition costs. This value is used by the buyer for the purposes of tax depreciation and amortisation.

Under the general tax rules, goodwill is not regarded as intangible and it cannot be subject to amortisation or be treated as deductible for tax purposes. However, special rules are applied in case an enterprise is sold as a property complex.

Under these special rules, the value of the assets, which constitute the property complex, is determined based on the company's balance sheet during the transfer process. Thus, no price allocation can be made in the tax accounting. With respect to goodwill, according to Russian tax rules when the entity is acquired as a property complex, the difference between the purchase price of an enterprise and the value of its net assets is recognised as an expense/income of a buyer. The positive difference can be deducted in equal parts over five years. Any negative difference is recognised as an income in the month when the transfer of assets is registered.

c. Tax Attributes

A foreign organisation (foreign structure without forming a legal entity) which has a real estate in Russia (taxable for the property tax purposes), along with the tax return for property tax has to disclose information about participants of this foreign organisation, including the disclosure of indirect of physical person or public company if the share of their direct and or indirect participation exceeds 5%.

d. Tax Free Reorganisation

Acquisition of asset is not subject to corporate income tax, since the capital gain is taxable only at the moment of the disposal of asset.

Asset deals are subject to VAT, unless the exemption is applied (e.g. sale of land plots).

e. Purchase Agreement

General civil rules are applied to the asset purchase agreement. According to Russian rules the transfer of ownership must be subject to official registration in the competent authority, for this reason the purchase agreement should be submitted to the authority.

f. Depreciation and Amortisation

According to the Russian tax legislation goodwill is not qualified as an intangible asset. For tax purposes only the following assets could be regarded as intangibles: 1) patents on inventions/ industrial samples/ working models/ selective achievements; 2) know-how; 3) trademark/ tradename/ company name; 4) copyrights on computer programs or databases/ topologies of integrated microcircuits/ audiovisual works. Such assets in order to be recognised as intangibles must generate income for the company and be justified by necessary documents. An Intangible asset is subject to amortisation only if its initial value is not less than RUB 100,000 (approx. USD 1,600) and the period of use is more than 12 months. Amortisation of assets is deductible for profits tax purposes in Russia. Amortisation rates depend on the assets' useful life. Goodwill is recognised in statutory accounting as the difference between the purchase price of an enterprise as a property complex and the net book value of its assets. The amortisation of goodwill is calculated only in statutory accounting.

g. Transfer Taxes, VAT

An asset deal is generally subject to VAT at the rate of 20%. The sale of land plots is always exempt from VAT. No other transfer taxes are established.

h. Asset Purchase Advantages

- Purchase cost reduces the tax base for corporate income tax in the form of depreciation;
- No historical tax liabilities are inherited (exempt for special cases, which are described in clause i.)

i. Asset Purchase Disadvantages

- Asset deals are VAT taxable transaction.
- In some cases the registration procedure is more complicated for assets deals than for a share deals.

In general, historical tax liabilities are not transferred to the company, purchasing the assets. But, in some situations tax authorities could attach tax liabilities to the buyer. In court practice there are many cases, when the company sells all assets to the related company in order to avoid paying great tax arrears as compared to budget, once the tax authorities have made their control assessments.

This tax avoidance "scheme" is constantly monitored by authorities and successfully challenged in courts. The related company would be liable for all historical tax arrears.

The revaluation of the assets could be done. In case the decision for revaluation is made, It is also important to be aware that in the future such fixed assets should be revalued on a regular basis, but not more often than once a year (at the end of the reporting period).

The revaluation of fixed assets has an impact on the amount of property tax: an increase in the market value of fixed assets leads to an increase of the tax base for the purpose of property tax.

5. ACQUISITION VEHICLE

a. General Comments

According to the Russian corporate and tax legislation there are no restrictions regarding creation of acquisition vehicles and the form of such vehicles. All corporate forms presented below are available in Russia.

b. Domestic Acquisition Vehicle

Domestic acquisition vehicle could be created as a local holding company for M&A transactions. There are some benefits established for the domestic companies with regard to the taxation of dividends. The exemption from taxation of dividends applies to dividends received by Russian companies which holds on the date on which entitlement to the dividends is determined at least 50% shares (or depositary receipts) in the equity capital of the company paying dividends within the period of 365 days. The 0% rate applies if the company paying dividends on the date of the distribution of dividends was not regarded as an offshore company.

A participation exemption from taxation for corporate tax purposes is applicable for the sale of shares in Russian entities. It is available if the taxpayer held shares for 5 years prior to the date of sale and shares were acquired after 1 January 2011. Exemption is also applicable for the shares in Russian joint stock companies, if the shares are not listed if the shares are referred to the high-tech/innovation sector of economy or for the shares if less than 50% of the assets of a company directly or indirectly consist of real estate.

Since 1 January 2019 in Russia new rules regarding the international holding companies have come into force. According to these rules, the international holding companies are foreign companies redomiciled to the Russian legislation and incorporated on the territory of the special administrative regions in Russia. International holding companies have corporate income tax benefits in Russia. The law establishes a list or requirements for the holding companies (sufficient amount of investments in Russia etc.). Participation exemption is also applicable for international holding companies: the exemption applies to dividends received by international holding companies which holds on the date on which entitlement to the dividends is determined at least 15% shares in the equity capital of the company paying dividends within the period of 365 days.

c. Foreign Acquisition Vehicle

Sale of shares between two foreign companies is exempt from taxation, unless there are shares in a “real property-rich” companies (if more than 50% of the assets of a target company directly or indirectly consist of immovable property located in Russia). So, from this point of view the foreign holding company is preferable.

Income received by the foreign company from Russian subsidiaries in the form of dividends/interest/royalties are taxed under the tax rates of 15%, 20%, 20% respectively.

Dividends received from the participation in the international holding companies are taxed at the rate of 5% at source in Russia.

The tax rate could be reduced if the special clauses of DTT are applied. With respect to the taxation of income transferred it should be noted, that the tax authority could apply the concept of the beneficial owner and additionally assess the tax on income paid.

d. Partnerships and Joint Ventures

Foreign investors also can apply the corporate structures of partnerships and joint ventures. However, in some cases, tax benefits established are not applicable for partnerships or joint ventures, e.g. benefits provided by several DTT concluded.

e. Strategic vs Private Equity Buyers

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6. ACQUISITION FINANCING

a. General Comments

Nowadays there are no administrative or other restriction for investing in Russia. There are many opportunities for foreign investors to do business in Russia, especially from the tax point of view. There are lots of special economic zones/territories with the beneficial taxation regime for investors (0% rate for corporate, property, land taxes). In other regions, where there are no special economic zones, the tax benefits for corporate income tax could still be granted by local administration based on special investment contracts or local legislation.

However, there are some limits for the activity of foreign investors to participate in companies, which has a strategic value to Russia ("strategic companies") in several economic sectors, such as extraction of mineral resources, military related activities, use of nuclear and radiation-emitting materials etc.

However, limitations have been established in the participation of Russian companies for US & EU residents by US and EU economic sanctions; sanctions are applicable for certain Russian holdings, special economic sectors etc.

b. Equity

According to Russian law, equity financing is exempt from taxation. Contributions to equity could be made in the form of money/ tangible or intangibles assets/ securities etc. Under general rules a contribution to equity capital is not regarded as a sale of goods or services. Neither such contribution could be regarded as a donation of asset, since the equity-financing is accompanied by a transfer of a company's share to the contributor of assets provided. As a result, the contribution itself is exempt from VAT, whilst the contributing entity has to restore VAT on the book value of the assets. Such VAT may be deducted by the subsidiary in which these assets are contributed. Such contribution for the receiving company cannot be regarded as an income for the CIT purposes; for the contributor the amount of the contribution will not reduce the tax base.

Tax exemption for equity-financing is applied only if the contributor acts as an investor expecting to gain a profit in the future (for example, in the form of dividends) and does not use this type of financing only to avoid taxes. Otherwise the tax authority will challenge the tax exemption and requalify the transaction.

Also, a contribution to the assets of the company can be realized from the corporate point of view (e.g. to increase the net assets of the company without increasing of the equity capital). According to the Russian tax law such contribution is not subject to corporate income tax.

c. Debt

i Limitations on use of debt

From a legal point of view there are not any restrictions on using debt financing. Limitations on use of debt could be related with the financial position of the entity and relationship with the creditors.

ii Limitations on interest deductions

Deductibility of interest expense is limited by thin capitalisation rules in Russia. Thin capitalisation rules are applied to interest on loans granted/secured by a foreign company (legal entities, individuals) holding directly/ indirectly more than 25% of the debtor capital or more than 50% in each next company in the chain; or by the company (foreign or Russian) considered as an affiliated to the said foreign company (co-called loans from the "sister" companies). Interest expenses are deductible provided the amount of debt does not exceed the debt/ equity 3:1 ratio (12,5:1 for banks and leasing companies). "Excess" amounts of interest are deemed to be dividends which are not deductible from the tax base and are subject to WHT at the rate of 15% (lower rates could be applied under the DTT).

In recent times the court practice has been developed on this matter. Despite the fact that under the law only fixed-ratio approach is established the tax authorities have started challenging the deductibility of interest even if the formal criteria is not met–courts support such approach and treat the debt as capital investments or equity financing if the real intention of the parties is to avoid taxes by disguising the distribution of profit through artificial debt transactions.

However, in a recent tax case (issued in 2020) the Supreme Court declared another approach for the interpretation of the thin capitalisation rules, according to which the compliance with the formal criteria is not enough for the application of the thin capitalisation rules. Based on the position of the Supreme Court, thin capitalisation rules should be applied in cases, when the actual tax avoidance takes place and not in every case, when the formal criteria is met. This approach is new in the Russian court practice, although at this moment there is no clear understanding of how it will be implemented in practice and interpreted by other courts in the future.

iii Debt Pushdown

Under general corporate and tax rules "debt-pushdown" strategies are not directly prohibited, so companies are allowed to reorganise their assets in every possible legal manner. However, the real court practice on this matter has been developed since recently two cases on "debt-pushdowns" have been regarded in courts. Both cases ended unsuccessfully for the taxpayers, so nowadays the application of "debt-pushdowns" from a tax perspective, cannot be implemented with certainty.

Under the "debt-pushdown" strategy the acquisition of a target company is financed by debt provided from the foreign parent company. After the acquisition the buyer and the target company merge, so the interest accrued by the buyer are deducted from the target company income for profit tax purposes. Courts determine such kind of M&A transactions as artificial and economically "unjustified", since they cause additional expenses to arise for the target company, which were not associated with profit generating activities. As a result, the deductibility of the entire amount of interest was refused and "excess" interest paid to the foreign company were requalified into dividends.

The worst case scenario could be if the court does not recognise not only the deductibility of interest, but also the entire debt transaction, which could cause the requalification of the entire amount of interest and the amount of loan paid to the foreign company into dividends. The situations described took place in recent cases, so there is a strong possibility that in the near future the tax authority will challenge the use of such structures.

d. Hybrid Instrument

Nowadays there are not any court cases or legislation regarding hybrid instruments. In practice, they also are not frequently used in transactions. But even without special rules regarding hybrid instrument, the tax authority could challenge the deduction of interest based on the GAAR and requalified the payments into the distribution of profit and consequently levied them as dividends.

e. Other Instrument

This section is left intentionally blank.

f. Earn-out

No court practice has been regarded on this matter. Additionally, there are no restrictions in the corporate legislation to perform the deal in such a manner. But it should be clear from the details of the deal, that earn-out payments are the payment under the share deal, they constitute the "purchase price" and they are not the payments of different nature (services fee and etc.). Since in Russia the share deals are taxed at the moment of the disposal and the tax base calculated as difference between the sale price and acquisition costs, the tax authority may refuse to recognise the earn-outs payments as such costs.

7. DIVESTITURES

a. Tax Free

According to Russian tax rules certain transactions can be treated as tax free:

- Sale of shares/assets, in case the financial result of the transaction (the difference between the sale price and historical acquisition costs/net book value) is negative or equal to zero. In that case, no profit has been earned as a result of the sale, thus, no tax on capital gain will arise. In addition, capital losses can be deductible for corporate tax purposes.
- Sale of shares in Russian entities where the participation exemption is applicable, as noted in the section above, 5.b. Domestic Acquisition Vehicles. It is available if the taxpayer held shares for 5 years prior to the date of sale and shares were acquired after 1 January 2011. Exemption is also applicable for the shares in Russian joint stock companies, if the shares are not listed if the shares are referred to the high-tech/innovation sector of economy or for the shares if less than 50% of the assets of a company directly or indirectly consist of real estate (for more information regarding the participation exemption, please see Section 5.b.).
- Certain transactions can be only VAT-exempt (sale of land plots, sale of shares).

b. Taxable

Where there is a sale of shares or assets and the sale price exceeds the historical acquisition costs/net book value, the gain will be subject to corporate income tax. In general transactions, which cannot meet the tax exemption requirements are subject to tax.

c. Cross Border

Sales of shares which comply with the participation exemption are tax free. Sale of shares between two foreign companies is also tax free unless they are shares in a "real property-rich" company.

Sale of shares or assets are taxed as capital gains. In case the sale price is less than the acquisition costs (for share deal) or net book value (for asset deal) the gain will be subject to tax.

The sale of immovable property located in the territory of Russian Federation and sale of shares in "property-rich" companies (when more than 50% of the assets of a company directly or indirectly consist of real estate) are subject to withholding tax in Russia where the income is received by a foreign company from Russian sources.

8. FOREIGN OPERATIONS OF A DOMESTIC TARGET

a. Worldwide or territorial tax system

Russian companies are taxed according to worldwide tax principles on their worldwide income. As a general rule Russia applies a credit tax system. As a double taxation relief Russia applies a credit method both domestically and under double tax treaties.

b. CFC Regime

CFC rules state that a foreign company may constitute a CFC if an individual or legal entity owns (directly and/or indirectly) more than 25% of a foreign organisation and/or an individual or legal entity owns (directly and/or indirectly) more than 10% of a foreign organisation and if the combined participation of all Russian tax residents in the organisation is greater than 50%. If the Russian owner does not receive dividends from the controlled foreign company, they should recognise the portion of the profit of such legal entity as a taxable income in Russia.

Control over a foreign entity could be performed by the possibility to influence on decisions made by such a foreign organisation with regard to the distribution of profits (income) after taxation.

According to the Ministry of Finance of Russia, it is necessary to take into account any particular relations that can influence on decisions on the distribution of profits after tax, regardless of the participation share of such a person in the organisation. There is a list of certain cases when the income of the CFC is not taxed in Russia; for instance, if the CFC is an operational company.

Since 1 January 2019 the list of companies which could be qualified as controlling companies of CFC has become narrower. According to new rules the following companies are not regarded as controlling companies: if the participation in a foreign company is made through direct or indirect participation in one or several Russian public companies, and if the participation in a foreign company is made through direct or indirect participation in one or several foreign public companies, whose shares are traded on stock exchanges in OECD countries.

c. Foreign branches and partnership

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d. Cash Repatriation

According to Russian tax rules the dividends paid from Russian subsidiaries to foreign parent companies are subject to withholding tax in Russia at the rate of 15%, unless the beneficial tax rates are applicable under the relevant double tax treaty ("DTT"). Income received by the foreign shareholder as a result of a distribution of profit or property (in case of withdrawal from the company or liquidation of the company) is also subject to withholding tax in Russia, in case such income exceeds the initial contribution made to the equity capital (the share value paid).

Cash repatriation can also be done in the form of interest/royalties, which are subject to 20% withholding tax in Russia (relevant DTT can provide an exemption from WHT or lower tax rates).

9. OTHER GENERAL INTERNATIONAL TAX CONSIDERATION

a. Special Rules for Real Property, including Shares of "Real Property-Rich" Corporations

In 2015 an important amendment was introduced regarding the tax consequences of sale of shares by foreign entities in companies with significant real estate assets located in Russia. According to this amendment capital gains is arisen for the foreign company from the sale of shares if more than 50 percent of the assets of a target company directly or indirectly consist of immovable property located in Russia. As a result, since 2015 the "indirect" sale of Russian immovable property without taxation has been restricted.

Nowadays this amendment is applicable only if the buyer of the target company is a Russian resident. The sale of shares in a target company (even with significant real estate assets) between two foreign companies is still tax-exempt. But we cannot exclude the possibility that in the near future the legislation on this matter will develop.

b. CbC and Other Reporting Regimes

In 2017, new rules regarding the three-tiered approach to international group documentation were implemented. The requirements are mandatory from FY 2017 onwards.

These rules are applied if the revenue of the multinational enterprises group ("MNE group") for the previous fiscal year was at least RUB 50 billion (approximately EUR 717 million) if the parent company is the resident of Russia (or the applicable amount established in country of residence of the parent company).

The three-tiered documentation consists of the following documents:

- Notification of the participation in a MNE Group
- Master and Local file
- CbCR

Notification of the participation must be filed by all Russian taxpayers belonging to the multinational group. In some cases, one member of the group (generally the parent company or an authorised member) can present the notification on behalf of other members–Russian tax residents. The official form of this notification is specified by the FTS.

Master file and Local file are presented by a Russian taxpayer belonging to a multinational group at request of the competent tax authority. No specific forms for these documents are established in law.

The Tax Code describes the content of such a Master file as the economic substance of each transaction, the price applied and the transfer pricing method used, the structure of participation within the MNE Group including the description of the market where this MNE Group carries out its main business activity (in the form of schemes), business activity of the MNE Group, intangible assets, financial activity and other information (description of advanced pricing agreements concluded, consolidated financial reports, etc.).

The local file should provide information with regard to specific controlled intercompany transactions taking place between a local country affiliate (in Russia) and an associated enterprise(s) in foreign country(-ies).

There are special guidelines issued by the tax authorities which describe in more detail the contents of the transfer pricing documentation.

CbCR rules become effective in 2018 and are applicable to the FY 2017. Voluntarily taxpayers can provide CbCR for FY 2016.

CbCR must contain information relating to the allocation of income, the taxes paid, and indicators of economic activity (e.g. the number of people employed, amount of tangible assets). The report also requires information about other members of the MNE group, including the tax jurisdiction of incorporation, tax jurisdiction of residence and the main business activities carried out by these members.

Based on the law, the CbCR should be filed electronically within 12 months after the end of the relevant period according in the form established by the competent authority.

Under general rules, the report is presented by the parent company or by an authorised member of the group, if they are Russian tax residents. Alternatively, the CbCR could be presented by a member of the group (Russian taxpayer) at request of the competent tax authority. CbCR should be prepared in the Russian language, but in some cases (e.g. if the parent company is not a Russian tax resident) the report is allowed to be prepared in a foreign language.

10. TRANSFER PRICING

There are no general transfer pricing guidelines. The Ministry of Finance and the FTS have issued a significant number of clarifying letters regarding transfer pricing issues on particular matters. However, such clarifications are binding on lower level tax authorities, and not necessarily on taxpayers. Despite the fact that the transfer pricing law has been operating for 6 years, there are still difficulties in appreciating the consequences and risks of the rules. During 2017, the FTS issued several letters clarifying the current transfer pricing legislation; however, many of the rules have still not been clarified by the tax authorities. The first tax audits on transfer pricing matters started in 2014, and there is no information about the number of tax audits that were conducted by the FTS by 2019.

Russia is not a member of the OECD and does not endorse the OECD Transfer Pricing Guidelines. However, the current transfer pricing rules are based on the OECD Transfer Pricing Guidelines, so the Guidelines may be a useful source of non-binding commentaries.

In addition, the Russian fiscal authorities have issued several clarifications, in which they comment on tax implications in Russia with reference to the Commentary on the OECD Model Tax Convention. These clarifications are particularly relevant because most Russian tax treaties are based on the OECD Model Tax Convention.

Arm's length principle. The transfer pricing rules allow the FTS to make transfer pricing adjustments based on the arm's length principle by means of imposing arm's length prices. In general, the price of a transaction is considered to be the market price until the opposite is proven by the FTS.

With regard to the transfer pricing rules, the FTS controls:

– transactions between Russian related parties, if

- the sum total of transactions is more than RUB 1 billion per calendar year, provided that at least one of the following requirements is met:
- one of the related parties is an extracting company;
- one of the related parties benefits from some special tax treatment (unified tax on imputed income, unified agricultural tax or tax treatment of a resident of a Russian special economic zone, or a participant of a regional investment project), but the other does not;
- one or both of the related parties is not a corporate income taxpayer or applies a 0% corporate income tax rate to its income; or

- at least one of the related parties is a corporate research center referred to in the Law on the "Skolkovo" Innovation Centre which applies an exemption from the obligations of a payer of VAT;
- at least one of the parties applies investment deduction for income tax purposes during tax period (investment tax deduction is applicable for special categories of fixed assets and allows taxpayer to reduce the amount of tax within special limit established).

– the following cross-border transactions, if the sum total of transactions is more than RUB 60 million per calendar year:

- foreign trade transactions involving commodities traded on a global exchange market;
- transactions between entities, if one of the entities is a resident or is registered in countries (territories) mentioned in the "black list" of the Russian Ministry of Finance (offshore territories which can be used unlawfully to optimise a party's tax position);
- transactions, where an unrelated intermediate entity is used which does not perform any functions, bear any risks nor hold any assets;
- transactions between foreign and Russian related parties, which are subject to FTS control irrespective of the volume of the transactions.

A number of transactions, in spite of the fact that they satisfy the conditions for control, are not subject to control. The list of such transactions is directly established in the RTC. Thus, since 1 January 2017, transactions granting interest-free loans between Russian related parties are not subject to control. Transactions between members of a tax grouping (Consolidated Taxpayer Group in Russia) are exempt from the transfer pricing control (except for transactions a subject of which is exacting operations).

The following are recognised as related parties for the purposes of the transfer pricing rules:

- organisations where one organisation directly and/or indirectly has a participation interest in another organisation and the share of such participation comprises over 25%;
- a natural person and an organisation where such natural person directly and/or indirectly have a participation interest in such organisation and the share of that participation comprises over 25%;
- organisations where one and the same person directly and/or indirectly has a participation interest in such organisations and the share of that participation in each organisation comprises over 25%;
- an organisation (including a natural person jointly with his relatives) possessing powers to appoint (elect) the single-member executive body of that organisation (i.e the Chief Executive Officer), or to appoint (elect) not less than 50% of that organisation's collegiate executive body or board of directors (supervisory council);
- organisations whose sole-member executive bodies or not less than 50% of whose collegiate executive body or board of directors (supervisory council) are appointed or elected by a decision of one and the same group of persons (of a natural person jointly with his relatives);
- organisations, in which over 50% of the collegiate executive body or board of directors (supervisory council) is comprised of one and the same group of natural persons jointly with their relatives;
- an organisation and a natural person which exercises the powers of the organisation's sole-member executive body;

- organisations, in which the powers of the sole-member executive body are exercised by one and the same person;
- organisations and/or natural persons where the direct participation interest of every person in every subsequent organisation comprises over 50%;
- natural persons where one natural person is subordinate to another natural person by virtue of his official position;
- a natural person, his spouse, parents (including adoptive parents), children (including those adopted), full and half brothers and sisters, his guardian (trustee) and ward.

Courts can recognise parties as related based on other facts and circumstances, if relationships between them have an influence on conditions and economic results of business activities and transactions made.

Prescribed methods. The transfer pricing law provides the following methods for determining the market price:

- comparable uncontrolled price (CUP) method;
- resale price method;
- cost-plus method;
- transactional net margin method, and
- transactional profit split method.

Priority of methods: Under the transfer pricing law, the first transfer pricing method that must be applied is the CUP method. In cases where it is not possible to apply the CUP method (e.g. where comparison is not possible) and also when it is impossible to determine the appropriate prices because of the absence or the inaccessibility of information sources to determine a market price, the other methods are applicable.

For resale activities the resale method has priority.

Comparable data. The transfer pricing rules provide that any sources may be used, including unofficial sources (for example, information from independent appraisers, a specialised database, ratings and information from the print media, etc.).

Foreign comparables (margins received by the foreign organisation) may be used for Russian transfer pricing purposes if there is no information about the margin levels of similar Russian organisations. Generally, information on comparables and market prices from foreign sources may also be used for Russian transfer pricing purposes.

Foreign comparability data is adjusted (for example, figures from the financial reports of foreign companies must be given in a form comparable to reporting data under Russian legislation).

Use of ranges. The Tax Code establishes the rule for calculating the transfer pricing range. If the price actually applied in the transaction is within such a range, it is applied for tax purposes and recognised as valid. If the actual price is lower than the minimum price of the range, the mini-mum price of the range is applicable. If the actual price of the transaction is higher than the maximum price of the range, the maximum price of the range is applicable for tax purposes. The minimum or maximum values in the range are applicable for tax purposes only if such application does not lead to a reduction of the sum of the tax due, compared with the tax actually paid on such transaction, or an increase in the sum of a loss. Recently, the Ministry of Finance proposed to apply for tax purposes a price calculated as the median in the range for cases in which companies do not make a self-adjustment, so this will impose more serious charges for taxpayers.

Disclosure/documentation requirements–Tax return disclosures: The legislation does not require any transfer pricing disclosure in the tax returns.

Taxpayers should inform the FTS by special notification about every transaction that is subject to control.

11. POST-ACQUISITION INTEGRATION CONSIDERATION

a. Use of Hybrid Entities

This section is left intentionally blank.

b. Use of Hybrid Instruments

Russian tax or civil legislation does not contain any rules regarding the hybrid instruments. Nor has the application of hybrids been regarded and/or analysed in Russian court practice.

c. Principal/Limited Risk Distribution or Similar Structure

This section is left intentionally blank.

d. Intellectual property (licensing, transfers, etc.)

In some cases, adverse tax consequences could emerge if ownership of intangibles is transferred out of the country within one holding to the parent/sister company without any compensation to the initial owner, especially if the expenses incurred by the initial owner associated with this intangible were significant. Such transactions could be treated as artificial and aimed at disguising the distribution of assets within holding at non-market prices and at creation unjustified expenses for the initial owner. However, the consequences could be different depending on conditions of the transaction and the compliance of the compensation with the market value of this intangible.

e. Special tax regimes

Different special tax regimes exist in Russia.

There are simplified tax regimes for small and medium taxpayers (with the limitation of asserts, personnel, annual revenue).

There are special taxation regimes for investors in several regions. Depends on the region the tax benefits could be different (from reduction of corporate income tax to 0% for corporate income tax and other taxes).

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12. OECD BEPS CONSIDERATIONS

Russia is not a member of the OECD, so OECD tax reports are not obligatory for Russia. However, lots of rules were drafted based on the OECD BEPS reports as a source of non-binding commentaries. Russia has already implemented in national legislation many instruments from OECD Action list, including CFC rules, residency criteria, the definition of beneficial ownership with regards to double tax treaties, transfer pricing, CbCR rules, thin capitalisation rules, and VAT on digital services provided by foreign companies, MAP and APA procedures.

Russia has joined the international exchange of tax and financial information under the common reporting standards.

13. ACCOUNTING CONSIDERATIONS

a. Combination

In case of a merger of entities the following general steps should be carried out:

- inventory of assets and liabilities, preparation of the draft merger agreement;
- adoption of the decision of the general meeting of participants/shareholders of each of the companies;
- notification of the beginning of the reorganization procedure to the registering body; creditors etc.;
- interaction with the tax authorities: reconciliation of settlements;
- preparation of final tax and statutory accounting reports; and
- registration of a new merged company.

The newly formed company becomes the legal successor of all tax and credit liabilities of all reorganized entities.

The acquisition of shares/assets is recorded in the statutory accounts at their initial value (purchase price plus other acquisition costs). For tax accounting in asset deals the initial value will be used for amortisation purposes. With respect to the share deal, no tax consequences will arise for the buyer, since the acquisition costs are accounted for only at the moment of the disposal.

In an asset deal the transfer of ownership of an asset must be registered with the competent authority, otherwise the transfer of ownership will be not be regarded as realised.

In a share deal the transfer of the shares should be subject to notary confirmation.

b. Divestiture

In case of a sale of assets/shares the capital gain should be calculated. For this reason the sale price and the historical acquisition cost should be reflected in the tax account (or the net book value for assets, which are subject to amortization). Based on this the company, which sells shares/assets, determines the tax, which should be paid on capital gains (unless the exemption is applicable). Also, the VAT should be calculated in an asset deal and be paid to the authorities, if applicable.

In statutory accounting the general records of the disposal should be reflected.

14. OTHER TAX CONSIDERATIONS

a. Distributable Reserves

Capital can be repaid free of tax in the case of liquidation and payments as a result of the withdrawal from the company, provided they do not exceed the initial contribution. Since 1 January 2018, if the amount of that payment exceeds the initial contribution, they are taxed in Russia (at source) as dividends.

According to the new rules, funds received by the shareholder from the company or partnership (on non-repayable basis) are not taxed in Russia, provided that it does not exceed the initial contribution to the property of the paying party. The recipient company or partnership is also obliged to keep documents confirming the amount of the respective contributions to the property made. Such income is not subject to Russian WHT.

b. Substance Requirements for Recipient

Tax authorities pay close attention to the matters of economic justification and the real purpose of transactions, and their context. In court practice the concept of "unjustified tax benefits" has already been used for many years (nowadays it is also incorporated into legislation), according to which taxpayers must record transactions according to its substance. Rules are applied in order to minimise the tax avoidance and determine the main purposes or transactions. This concept is a general rule and could be applied for debt financing (in order to reclassify interest into dividends) within holdings or for M&A reorganisation purposes and etc.

Tax authorities apply beneficial ownership rules by rejecting the appliance of lower beneficial rates under the DDT to transactions with "conduit" companies. For this reason, the tax authority examines the substance of the foreign recipients. The concept of "beneficial ownership" has already been developed and is applied broadly by tax authorities to any kind of passive income transferred abroad in order to prevent the tax treaty abuse.

Anti-avoidance clauses have already been implemented in some DDTs by additional Protocols.

c. Application of Regional Rules

Russian tax rules are applied. With regard to the questions related to the international tax law and international transaction DTT are applied. Also, Russian courts rely on the position of the OECD expressed in OECD documents (especially, Model tax convention and commentaries to it).

d. Tax Rulings and Clearances

This section is left intentionally blank.

15. MAJOR NON-TAX CONSIDERATIONS

This section left intentionally blank.

16. APPENDIX I – TAX TREATY RATES

Jurisdiction	Dividend %	Interest %	Royalties %	Footnote Reference
Argentina	10 / 15	15	15	[B]
Australia	5 / 15	10	10	[A]
Azerbaijan	10	10	10	[C]
Austria	5 / 15	0	0	[H], [C]
Albania	10	10	10	[C]
Algeria	5 / 15	15	15	[E]
Armenia	5 / 10	10	0	[F]
Belgium	10	10	0	[C]
Belarus	15	10	10	[C]
Botswana	5 / 10	10	10	[F]
Brazil	10 / 15	15	15	[D2]
Bulgaria	15	15	15	
Cuba	5 / 15	10	5	[E]
Canada	10 / 15	10	10	[H], [C]
Chile	5 / 10	15	5 / 10	[I], [F]
China	5 / 10	0	6	[G]
Croatia	5 / 10	10	10	[C], [J]
Cyprus	5 / 15	5 / 15	0	[K], [C2]
Czech Republic	10	0	10	[C]
Denmark	10	0	0	
Egypt	10	15	15	
Ecuador	5 / 10	10	10 / 15	[L], [M]
Finland	5 / 12	0	0	[C], [N]
France	5 / 10 / 15	0	0	[O]
Germany	5 / 15	0	0	[P], [C]
Great Britain	10	0	0	[Q], [C]
Greece	5 / 10	7	7	[R]

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Jurisdiction	Dividend %	Interest %	Royalties %	Footnote Reference
Hungary	10	0	0	[C]
The Hon Kong SAR (China)	5 / 10	0	3	[S], [C]
India	10	10	10	[Q]
Indonesia	15	15	15	[C]
Ireland	10	0	0	[Q], [C]
Island	5 / 15	0	0	[J], [C]
Italy	5 / 10	10	0	[T]
Israel	10	10	10	
Iran	5 / 10	7.5	5	[F]
Japan	5 / 10	0 / 10	0	[U], [V]
Kazakhstan	10	10	10	[C]
Kyrgyzstan	10	0 / 10	10	[W]
Kuwait	5	0	10	[Z]
Luxembourg	5 / 15	5 / 15	0	[K], [C2]
Lithuania	5 / 10	10	5 / 10	[D], [I]
Latvia	5 / 10	5 / 10	5	[Z], [A1]
Lebanon	10	5	5	[C]
Malaysia	15	0 / 15	10 / 5	[B1], [C1]
Mali	10 / 15	0 / 15	0	[W], [D1]
Morocco	5 / 10	10	10	[E1]
Macedonia	10	10	10	
Malta	5 / 15	5 / 15	5	[K], [C2]
Mongolia	10	0 / 10	-	[F1]
Moldova	10	0	10	
Mexico	10	0, / 10	10	[G1]
Netherlands	5 / 15	0	0	[H1], [C]
Norway	10	0 / 10	0	[I1]
North Korea	10	0	0	
Namibia	5 / 10	0 / 10	5	[W], [J]

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Jurisdiction	Dividend %	Interest %	Royalties %	Footnote Reference
New Zealand	15	10	10	
Philippines	15	0 / 15	15	[W]
Poland	10	0 / 10	10	[W]
Portugal	15	0 / 10	10	[J1]
Qatar	5	0 / 5	0	[W]
Romania	15	0 / 15	10	[K1]
Saudi Arabia	0 / 5	0 / 5	10	[X], [J1]
Serbia/Montenegro	5 / 15	10	10	[J]
Singapore	5 / 10	0	5	[S], [C]
Slovakia	10	0	10	[C]
Slovenia	10	10	10	[C]
South Africa	10 / 15	10	0	[O1]
South Korea	5 / 10	0	5	[P1]
Spain	5 / 10 / 15	0 / 5	5	[A2], [B2]
Sweden	5 / 15	0	0	[Q1]
Switzerland	5 / 15	0	0	[Z1]
Sri Lanka	10 / 15	0 / 10	10	[B], [W]
Syria	15	0 / 10	4,5 / 13,5 / 18	[R1]
Turkey	10	0 / 10	10	[S1]
Tajikistan	5 / 10	0 / 10	-	[F], [C], [N1]
Thailand	15	0 / 10	15	[T1]
Turkmenistan	10	5	5	
Ukraine	5 / 15	0 / 10	10	[U1], [V1]
UK	10	0	0	[C]
USA	5 / 10	0	0	[M1]
Uzbekistan	10	0 / 10	0	[N1]
United Arab Emirates	0	0	-	
Venezuela	10 / 15	5 / 10	15	[X1]
Vietnam	10 / 15	10	15	[W1]

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Footnotes:	
[A]	Dividends - Maximum rate of 15%. Reduced rate of 5% applies if the recipient company owns directly at least 10% of the capital of the company paying the dividends; if the company paying the dividends is a resident of Russia and the dividends are exempt from WHT in Australia; if the recipient company has invested a minimum of 700,000 Australian Dollars or an equivalent amount in Russian Roubles in the capital of the company paying the dividends.
[B]	Dividends - Maximum rate of 15%. Reduced rate of 10% applies if the recipient company owns directly at least 25% of the capital of the company paying the dividends.
[C]	Royalties, Interest - The rate applies to royalties/dividends If the recipient of the income is the beneficial owner
[D]	Dividends - Reduced rate of 5% applies if the beneficial owner is a company (other than a partnership) which holds directly at least 10 per cent of the capital of the company paying the dividends and the participation exceeds 100,000 USD or an equivalent amount in any other currency; Otherwise, the rate is maximum.
[E]	Dividends - Maximum rate of 15%. Reduced rate of 5% applies if the beneficial owner is a company (other than a partnership) which owns directly at least 25% of the capital of the company paying the dividends.
[F]	Dividends - Maximum rate of 10%. Reduced rate of 5% applies if the recipient company owns directly at least 25% of the capital of the company paying the dividends.
[G]	Dividends - Maximum rate of 10%. Reduced rate of 5% applies if the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying the dividends and has invested a minimum of 80,000 Euros or an equivalent amount in any other currency in the capital of the company paying the dividends.
[H]	Dividends - Maximum rate of 15%. The 10% rate applies to dividends paid to a company that holds at least 10% of the voting stock of the distributing company (or 10% of shares of the equity capital).
[I]	Royalties - The 5% rate applies to payments for the use of, or the right to use, computer software, patents and information concerning industrial, commercial and scientific experience; otherwise the rate is 10%.
[J]	Dividends - The rate of 5% applies if the beneficial owner is a company which holds directly at least 25% of the capital of the company paying the dividends and the participation exceeds 100,000 USD or an equivalent amount in any other currency;
[K]	Dividends - Maximum rate of 15%. Reduced rate of 5% if the beneficial owner is 1) a pension/insurance fund or 2) a company, whose shares are listed on a registered stock exchange, provided that at least 15% of the voting shares are in free float and the company directly holds at least 15% of the capital of the company, paying dividends, within a period of 365 days or 3) a Government/ government bodies or 4) a Central Bank.
[L]	Dividends - Maximum rate of 10%. The 5% rate applies to dividends paid to a company that holds at least 25% of the voting stock of the distributing company (or 10% of shares of the equity capital).
[M]	Royalties - The 10% rate applies to payments for the use of, or the right to use, computer software, patents and information concerning industrial, commercial and scientific experience; otherwise the rate is 15%.
[N]	Dividends - Maximum rate of 12%. Reduced rate of 5% applies if the beneficial owner is a company (other than a partnership) which holds directly at least 30% of the capital of the company paying the dividends and has invested a minimum of 100,000 USD or an equivalent amount in national currency in the capital of the company paying the dividends.

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Footnotes:	
[O]	Dividends - The 5% rate applies (i) if the beneficial owner is a company which made the investment into a company paying the dividends, irrespective of the form or the nature of such investments, of a cumulative amount of not less than 500,000 French francs or an equivalent amount in any other currency, provided that the value of each investment is estimated on the date the investment is made; (ii) if that beneficial owner is a company which shall be taxed by profits tax according to the regime of common law provided by the laws of a Contracting state of which it is a resident, and which is exempted from that tax in respect of such dividends; 10% of the gross amount of dividends provided that either the conditions of (i)(a) or (ii)(a) are met; otherwise the rate is 15%.
[P]	Dividends - Maximum tax rate for dividends is 15%. Reduced rate of 5% applies if the beneficial owner is a company, which holds directly at least 10% of the capital of the company paying the dividends and this holding amounts to at least 80,000 EURO or the same value in Roubles.
[Q]	Dividends - The rate of 10% applies the recipient is the beneficial owner of the dividends and subject to tax in respect of the dividends.
[R]	Dividends - Maximum rate of 10%. Reduced rate of 5% applies if the beneficial owner is a company (other than a partnership) which owns directly at least 25% of the capital of the company paying the dividends.
[S]	Dividends - Maximum rate of 10%. Reduced rate of 5% applies if the beneficial owner is a company (other than a partnership) which owns directly at least 15% of the capital of the company paying the dividends.
[T]	Dividends - Maximum rate of 10%. Reduced rate of 5% if the beneficial owner is a company, which holds directly at least 10% of the capital of the company paying the dividends and the participation exceeds 100,000 USD or an equivalent amount in any other currency;
[U]	Dividends - Maximum rate of 10%. The 5% rate applies to dividends paid to a company that holds at least 15% of the voting stock of the distributing company for the period of 365 days ending on the date on which entitlement to the dividends is determined.
[V]	Interest - The rate of 10% applies to interest determined by reference to receipts, sales, income, profits or other cash flow of the debtor or a related person, to any change in the value of any property of the debtor or a related person or to any dividend, partnership distribution or similar payment made by the debtor or a related person,or any other interest similar to such interest arising in a Contracting State, may be taxed in that Contracting State according to the laws of that Contracting State, but if the beneficial owner of the interest is a resident of the other Contracting State.
[W]	Interest - The rate of 0% applies, if the beneficial owner of the income is the Central bank of the Contracting State/ government authority or other state financial office, which are agreed by both Contracting States.
[X]	Dividends- The rate of 0% applies, if the beneficial owner of the income is the Central bank of the Contracting State/ government authority or other state financial office, which are agreed by both Contracting States.
[Y]	Dividends - Maximum rate of 15%. Reduced rate of 5% applies if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends and has invested a minimum of 80,000 USD or an equivalent amount in national currency in the capital of the company paying the dividends.
[Z]	Dividends - Maximum rate of 10%. The rate of 5% applies if the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying the dividends and the participation exceeds 75,000 USD or an equivalent amount in any other currency;
[A1]	Interest - Maximum rate is 10%. The rate of 0% applies to all types of loans provided by the bank or other financial office of the one Contracting State to the bank other financial office of the other Contracting State.

Footnotes:	
[B1]	Royalties - The rate of 10% applies to payments for the use of, or the right to use, any patent, trade mark, design or model, plan, secret formula or process, or any copyright of scientific work, or for the use of, or the right to use, industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience; The rate of 15% applies to payments for the use of, or the right to use, cinematographic films, or tapes for radio or television broadcasting, any copyright of literary or artistic work.
[C1]	Interest - The reduced 0% rate applies to interest paid: to the Government of that other State; to the Central Bank of that other State; or in respect of a loan provided, guaranteed or insured by the Government of that other State which may be agreed upon between the competent authorities of the Contracting States. Otherwise, the rate of 15% applies.
[D1]	Dividends - Maximum rate of 15%. Reduced rate of 10% if the beneficial owner is a company which has directly invested a minimum of 1.000.000 French Fran in the capital of the company paying the dividends.
[E1]	Dividends - Maximum rate of 10%. Reduced rate of 5% if the beneficial owner is a company the participation of which in the capital of the company paying the dividends exceeds 500.000 USD.
[F1]	Interest - The reduced 0% rate applies to interest arising in Russia and paid to the Government of Mongolia or to the Central Bank or the Bank of Trade and Development of Mongolia; or applies to interest arising in Mongolia and paid to the Government of Russia or to the Central Bank of Russia. Otherwise, the rate of 10% applies.
[G1]	Interest - The reduced 0% rate applies to interest paid: to the Government of that other State; to the Central Bank of that other State; or in respect of a loan provided, guaranteed or insured by Banco de Mexico, S.N.C., Banco Nacional de Comercio Exterior, S.N.C., Nacional Financiera, S.N.C. или Banco Nacional de Obras y Servicios Publicos, S.N.C. (for Mexico) or Vnesheconombank (for Russia) . Otherwise, the rate of 10% applies.
[H1]	Dividends - Maximum rate of 15%. The rate of 5% applies if the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying the dividends and the participation exceeds 75,000 EURO or an equivalent amount in any other currency;
[I1]	Interest - The reduced rate 0% applies if the interest is beneficially owned by a Contracting State, a regional or local authority thereof or by an instrumentality of that State which is not subject to tax therein; or the interest is beneficially owned by the Central Bank of Norway, the Norwegian Guarantee Institute for Export Credits, A/S Eksportfinans; the Central Bank of Russia, Foreign Trade Bank of Russia; or any other institution similar to the above-mentioned institutions, as may be agreed from time to time between the competent authorities of the Contracting States; or the interest is paid by a purchaser to a seller in connection with a commercial credit resulting from deferred payments for goods, merchandise, equipment or services.
[J1]	Interest - The reduced 0% rate applies to interest under loan provided by the Government of one State, by the Central Bank of one State or by other local political authority. Or the interest is received by Government of one State, by the Central Bank of one State or by other local political authority.
[K1]	Interest - The reduced rate of 0% applies to interest arising in: (a) Romania and paid to the Government of the Russian Federation or to its Central Bank or to the Bank for Foreign Trade; or arising in (b) the Russian Federation and paid to the Government of Romania or to its National Bank or to the Foreign Commercial Bank or to the Eximbank.
[L1]	Interest - The reduced rate of 0% applies to interest of the beneficial owner is: (a) Romania and paid to the Government of the Russian Federation or to its Central Bank or to the Bank for Foreign Trade; or arising in (b) the Russian Federation and paid to the Government of Romania or to its National Bank or to the Foreign Commercial Bank or to the Eximbank.

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Footnotes:	
[M1]	Dividends - Maximum rate of 10%. The 5% rate applies to dividends paid to a company that holds at least 10% of the voting stock of the distributing company (or 10% of shares of the equity capital).
[N1]	Interest - The reduced rate 0% applies if the interest is beneficially owned by a Contracting State, a regional or local authority thereof or by an instrumentality ; or the interest is beneficially owned by the Central Bank or by any other institution similar to the above-mentioned institutions, as may be agreed from time to time between the competent authorities of the Contracting States; or the interest is paid by a purchaser to a seller in connection with a commercial credit resulting from deferred payments for goods, merchandise, equipment or services.
[O1]	Dividends - Maximum rate of 15%. Reduced rate of 10% applies if the beneficial owner is a company which holds directly at least 30% of the capital of the company paying the dividends and has invested a minimum of 100,000 USD or an equivalent amount in national currency in the capital of the company paying the dividends.
[P1]	Dividends - Maximum rate of 10%. Reduced rate of 5% applies if the beneficial owner is a company (other than a partnership) which holds directly at least 30% of the capital of the company paying the dividends and has invested a minimum of 100,000 USD or an equivalent amount in national currency in the capital of the company paying the dividends.
[Q1]	Dividends - Maximum rate of 15%. Reduced rate of 5% applies if the beneficial owner is a company (other than a partnership) which holds directly 100% of the capital of the company paying the dividends; or in the case of a joint venture not less than 30% of the capital of such joint venture; and in either case the foreign capital invested exceeds 100,000 USD or an equivalent amount in the national currencies of the Contracting States at the moment of the actual distribution of the dividends.
[R1]	Royalties - The rate of 18% applies to payments for the use of, or the right to use any patent, trade mark, design or model, plan, secret formula or process, or any computer software, or for the use of information concerning industrial, commercial or scientific experience. The rate of 4,5% applies to payments for the use of, or the right to use any copyright of literary or artistic work. The rate of 13,5% applies to payments for the use of, or the right to use any copyright of literary or artistic work.
[S1]	Interest - The reduced 0% rate applies to interest arising in Russia and paid to the Government of Turkey or to the Central Bank or Turkey; or applies to interest arising in Turkey and paid to the Government of Russia or to the Central Bank of Russia. Otherwise, the rate of 10% applies.
[T1]	Interest - The 10% rate applies to interest received in Russia by bank or in Thailand by financial authority. The reduced 0% rate applies to interest received by the Government of one State, by the Central Bank of one State or by other local political authority.
[U1]	Dividends - Maximum rate of 15%. Reduced rate of 5% applies if the company which has invested a minimum of 50,000 USD or an equivalent amount in national currency in the capital of the company paying the dividends.
[V1]	Interest - The reduced rate of 0% applies to interest arising in: (a) Russia and paid to the Government of Ukraine or to its Central Bank, local authority; or arising in (b) Ukraine and paid to the Government of Russia or to its National Bank, local authority.
[W1]	Dividends - Maximum rate of 15%. Reduced rate of 10% applies if the beneficial owner is a company has invested a minimum of 10,000,000 USD or an equivalent amount in national currency in the capital of the company paying the dividends.
[X1]	Dividends - Reduced rate of 10% applies if the beneficial owner is a company which holds directly at least 10 per cent of the capital of the company paying the dividends and the participation exceeds 100,000 USD or an equivalent amount in any other currency; Otherwise, the rate is maximum.
[Y1]	Interest - The maximum tax rate 10%. The reduced rate of 5% applies to banks.

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Footnotes:	
[Z1]	Dividends - Maximum rate of 15%. Reduced rate of 5% applies if the beneficial owner is a company which holds directly at least 20% of the capital of the company and it has directly invested a minimum of 200.000 Swiss Franc in the capital of the company paying the dividends.
[A2]	Dividends - Maximum rate of 15%. Reduced rate of 5% applies if the (i) the beneficial owner is a company (other than a partnership) which has invested at least 100,000 EURO or the equivalent amount in any other currency in the capital of the company paying the dividends; and (ii) those dividends are exempt from tax in the other Contracting State; Reduced rate of 10% applies if the only one of the conditions (i) or (ii) above is met.
[B2]	Interest - The maximum tax rate 5%. The reduced rate of 0% applies if the interest is beneficially owned by a Contracting State, a political subdivision or a local authority thereof; or (b) the interest is paid on a long-term loan (7 or more years) granted by a bank or other credit institution, which is a resident of a Contracting State.
[C2]	Interest - Maximum rate of 15%. Reduced rate of 5% applies if the beneficial owner is 1) a pension/insurance fund or 2) a company, whose shares are listed on a registered stock exchange, provided that at least 15% of the voting shares are in free float and the company directly holds at least 15% of the capital of the company, paying interest, within a period of 365 days or 3) a Government/ government bodies or 4) a Central Bank. Reduced rate of 5% is also applied to interest on corporate/state/euro bonds that are listed on a registered stock exchange.
[D2]	Dividends - Maximum rate of 15%. Reduced rate of 10% applies if the beneficial owner is a company which directly holds at least 20% of the capital of the company paying the dividends.

17. APPENDIX II - GENERAL CORPORATE ENTITY TAX DUE DILIGENCE REQUESTS

No.	Category	Sub-Category	Description of Request
1	Tax Due Diligence	General	Analysis of the tax status of the entity, the applicable tax regime, description of the branches/ separate subdivisions of the entity.
2	Tax Due Diligence	General	A review of recent tax audits, tax audit results, tax disputes and tax court cases for all taxes (corporate income tax, payroll taxes, property and land taxes, excise, VAT, and any other taxes).
3	Tax Due Diligence	General	A description of any significant legal events (e.g. major deals) for the last 3 years.
4	Tax Due Diligence	General	A current organization chart, which includes all entities (subsidiaries and shareholders) by full legal name, jurisdiction, current tax residence, entity type, ownership percentages.
5	Tax Due Diligence	General	Copies of the all tax returns for the last three years, copies of the all amended tax returns submitted to the tax authorities.
6	Tax Due Diligence	General	Copies off all tax calculation of the amounts of income paid to foreign organizations and taxes withheld for the last three years, amendment tax calculations.
7	Tax Due Diligence	General	Copies of all documentation on intercompany transactions, including the notification on the controlled transaction submitted to the tax authorities, transfer pricing documentation for the last tree years, CbC reporting.
8	Tax Due Diligence	General	Information about the tax losses, including the information and document confirmation of its formation.
9	Tax Due Diligence	General	Copies of statutory accounting documents (balance sheet, P&L) and the audit report if applicable.
10	Tax Due Diligence	General	Copies of documents, which could confirm the application for VAT deductions and the deductibility of expenses for corporate income tax for the last three years.
11	Tax Due Diligence	General	A description of the Company's accounting policy, which includes the general principles chosen by the Company for the purposes of statutory and tax accounting.
12	Tax Due Diligence	General	Detailed information regarding the assets of the company and the place where they are located.
13	Tax Due Diligence	General	Copies of the documents, which confirm the application of the beneficial tax rate under the DTT, in case the cross-boarder transactions take place.
14	Tax Due Diligence	General	Managerial accounting documentation and information regarding the possible tax reserves (in order to correct the tax duties and submit the amended tax returns)
15	Tax Due Diligence	General	Information about all cross-boarder transactions for the last three years, documents related to these transactions
16	Tax Due Diligence	General	Information about the dividend policy

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No.	Category	Sub-Category	Description of Request
17	Tax Due Diligence	General	A description of company's intangibles assets (intellectual property) and the contracts concluded with respect to these intangibles
18	Tax Due Diligence	General	Information of the Company's outstanding debt obligations (including debt to related parties), including information of any differences between the accrual and payment of interest and calculation of interest deductions
19	Tax Due Diligence	General	Information about the main Company's contractors, copies of formation documents provided by these contractors as a confirmation of its legal status

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