

## Russia and CIS news: Russian anti-offshore initiatives- Updated Draft Law on Controlled Foreign Company rules and other measures

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On the 18th of March the Russian Ministry of Finance published a draft law on anti-offshore measures. The Draft introduces three concepts:

- Controlled foreign companies rules (CFC);
- Russian tax residence for foreign companies based on tests of management and control; and
- New rules on taxation of the indirect disposal of Russian real estate.

In May the Russian Ministry of Finance submitted the updated version of the Draft to the Russian Government. The updated draft responds to a number of public discussions which took place among experts and business organizations. We will issue our comments on the updated Draft shortly.

Another remarkable draft law was submitted to the Russian State Parliament at the end of April. The aim of the draft is to provide Russian financial organisations with the right to disclose information on their clients to foreign tax authorities. More importantly, the draft also implements an obligation for foreign financial organisations located outside of Russia to disclose accounts opened by Russian national individuals and Russian legal entities to the Russian authorities annually, as well as any legal entities where Russian national individuals are beneficiaries. Although the wording of the draft in relation to potential liabilities for non-compliance is vague and there is a potential conflict of laws, implementation of this draft may have a significant effect on the market.

Moreover, the Russian Federal Government has agreed the National plan to fight tax fraud on disclosure of beneficiaries. The plan sets out a wide range of measures aimed at transparency of beneficiaries of legal structures and taxation of off-shore income in Russia. Respectively, we expect that another set of anti-offshore laws will be introduced.

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