

News Flash

Controlled foreign companies rules

Background

Since 1 January 2015, controlled foreign companies (CFC) rules, introduced by Chapter 3.4 of the Russian Tax Code, are effective in Russia. CFC rules impose additional tax obligations to Russian residents controlling CFCs. In particular, individuals falling into the scope have to provide tax authorities with notifications on participation in foreign entities (establishment of foreign structures without incorporation of legal entity), notifications on CFC, and to include the profit from CFC to its income tax calculation in accordance with special rules.

What has 2018 in store ?

Please pay careful attention to the following key deadlines regarding CFC rules in 2018.

Notification on participation in foreign entities	Notification on CFC	Tax return (3-NDFL)
<ul style="list-style-type: none"> ✓ Notification on participation in foreign entities no later than within three months as of the date of company set up, change or termination of ownership ✓ Participation interest: 10% and above 	<ul style="list-style-type: none"> ✓ CFC applied in 2016 – Notification on CFC before 20 March 2018 ✓ Applicable when owns directly or indirectly more than 25% (or more than 10% if the shareholding of all Russian tax residents exceeds 50%) 	<ul style="list-style-type: none"> ✓ Profit of CFC in 2016 – tax return 3-NDFL form (Personal Income Tax) before 3 May 2018
31 Dec 2017	20 March 2018	3 May 2018

Moreover, the amended version of the Federal Law No. 140-FZ, dubbed “On Voluntary Declaration of Assets and Accounts (Deposits) in Banks by Individuals and on Amendments to Certain Legislative Acts of the Russian Federation” dated 8 June 2015, came into force. This law introduces the second stage of the capital amnesty, which will last between 1 March 2018 and 28 February 2019.

Under the amnesty, targeted individuals can submit notifications on CFC and notifications on participation in foreign entities together with a special declaration. Such notifications are not considered to be submitted in breach of the established deadlines. However, in relation to CFC declared in such a way, amnesty does not apply to tax liabilities in respect of profit of CFC.

In addition, the regime of “tax-exempt” liquidation of CFC has been extended to 1 March 2019. As a result, income both in kind and in monetary assets shall be subject to exemption.

You can find further information on of the website of [Federal Tax Service of Russia](#). Also we recommend addressing your questions to your usual tax consultant.

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