

**OVERVIEW OF TAX EVENTS
FOR JUNE 2014**

REGULATORY DEVELOPMENTS

Russian President Vladimir Putin has signed a law allowing Russian banks to transfer information on US taxpayers to US tax services.

Russian financial institutions will be obliged to provide a report to the Russian Federal Financial Monitoring Service, the Russian Federal Tax Service and the Bank of Russia about US taxpayers and notify the competent authorities when they receive from foreign tax authorities requests to provide information about such financial institution's foreign clients.

If Russian financial institutions fail to provide information on their US clients or provide such information with a delay, administrative liability will be imposed. In particular, a fine will be introduced ranging from RUB 30,000 to RUB 50,000 for company officers and from RUB 500,000 to RUB 700,000 for legal entities.

www.vedomosti.ru, 30 June 2014

For your information:

www.rbc.ru, 01 July 2014

Washington is still not planning to resume negotiations with Moscow concerning Russian banks entering FATCA.

(ria.ru, 30 June 2014)

VTB 24, a retail subsidiary of the banking group VTB, is not going to refuse services to US clients but it will strictly follow FATCA requirements when providing such services.

On 27 June, the State Duma adopted in the first reading a draft law "On amending part one of the Russian Tax Code" in terms of introducing a concept of tax monitoring.

Russian President Vladimir Putin has supported the procedure of initiating tax cases that has been proposed by the Federal Tax Service. The Federal Tax Service's amendments to the Russian Code of Criminal Procedure imply that the Russian Investigative Committee does not have to wait for the tax authorities' decision to initiate a case. Neither do the investigation officers have to follow the tax authorities' decision not to initiate a tax case.

www.kommersant.ru, 20 June 2014

For your information:

(www.vedomosti.ru, 23 June 2014)

The Russian Union of Industrialists and Entrepreneurs has sent a letter to the Russian President insisting that a decision of the tax authorities should be binding.

The Russian Federation Government put a draft law before the State Duma to ratify the OECD's Convention on mutual administrative assistance in tax matters.

The convention will allow the Russian Federal Tax Service access to information from all the countries that have signed the documents. At present there are 64 of those, including offshore jurisdictions (Belize, Luxembourg, the Netherlands, Ireland, Switzerland, Singapore and others).

www.vedomosti.ru, 6 June 2014

A draft law "On tax consulting" has been submitted to the State Duma. It introduces the terms "tax consultant" and "tax consultation" into legislation. The draft law also provides for a

state register of experts to be established. Consultants may be included in it if they meet a number of requirements.

www.rg.ru, 3 June 2014

The Russian Ministry of Finance is ready to cancel the requirement that tax authorities should be notified of assets owned in foreign companies if the share in such companies exceeds 1 percent. It is also proposed that the minimum taxable profit be raised for controlled foreign companies ("CFCs") up to an amount ranging from RUB 30 million to RUB 50 million. (this threshold will then be lowered step by step until it reaches RUB 10 million). The tax on CFCs' undistributed profit will become chargeable from 2015, but fines and late payment charges will be introduced only starting from 2017.

However, while the Ministry of Finance is ready to soften its version of the law on CFCs, the Russian Ministry of Economic Development insists that the project concept should be changed. and impact of related legal initiatives and the transition period should be taken into account. Namely, no concept of tax residency should be defined for CFCs during first years of their work.

**top.rbc.ru and rbcdaily.ru, 27 June 2014,
kommersant.ru, 25 June 2014**

For your information:

The Ministry of Economic Development has already submitted its version of the draft law to the Ministry of Finance. See the text at www.economy.gov.ru.

A draft law was published at regulation.gov.ru concerning a special economic zone to be established in the Crimea.

For residents of the special economic zone, the rate of profit tax payable to the federal government will be set to zero. Authorities of Crimea and Sevastopol will be able to set a lower rate of tax due to the regional government. Such rate may not be more than 13.5 percent. Residents of the special economic zone will also be exempt from water tax for an unlimited period of time. Neither will they have to pay any land tax, vehicle tax or property tax for ten years.

rbcdaily.ru 23 June 2014

Before 1 December 2004 the Russian Government should put a draft law before the State Duma to increase the rate of tax imposed on companies that have equipment operated beyond its useful life.

izvestia.ru, 25 June 2014

A tourist tax may be introduced in Russia, which is a one-off fee payable when historic cities are visited. The money raised will be used to develop museums. Tourist will pay no more than RUB 150 when checking in at a hotel.

www.kommersant.ru, 20/06/2014

PRACTICE

Russia's Federal Tax Service has summarised the outcomes of tax disputes settled in courts and out of court during the first quarter of 2014.

About 10,000 complaints were submitted to tax authorities. 35 percent of complaints were upheld, accounting for 12 percent of the amounts challenged by taxpayers.

The number of disputes involving tax authorities, which are considered by state commercial ("arbitration") courts, has been reducing by approximately 17 percent a year on average. This number has dropped 2.6 fold since 2008. At the same time, tax authorities have been litigating more effectively, as evidenced by the increased number of court cases resolved in favour of the government. In the first quarter of 2014 the ratio of cases won by the government in respect of amounts challenged by tax payers was 78 percent for all the cases involving the tax authorities, which is up by 7.8 percent compared to the same period of the last year.

www.nalog.ru, 06/06/2014

On June 24, Resolution No. 33 of the Plenum of the Russian Supreme Commercial ('Arbitration') Court "On certain issues that commercial ('arbitration') courts face when considering cases connected with value-added tax being charged" dated 30 May 2014 was posted on the Court's official website at www.arbitr.ru.