



Tax Alert: Russian Deoffshorisation Bill Update

Dear Clients, Associates and Friends,

Further to our previous Tax Update of 12 November 2014, yesterday the State Duma adopted the draft law on Russia's deoffshorisation measures in the second and the third readings simultaneously. All amendments to the draft suggested by Russian private businesses were rejected.

At the same time, besides a number of technical changes, there was one notable amendment which is clearly negative to taxpayers. Under this amendment, which relates to CFC rules, the transitional period threshold (50%) for treating a company as a controlled one shall apply only in 2015 whereas the previous draft provided for a two year transitional period (2015 and 2016).

After the approval of the draft by the State Duma, the Bill goes to the Federation Council (which may consider the Bill as early as today). By law, the Federation Council may reject the draft but this happens very rarely. After the approval of the draft by the Federation Council it will then be sent to President Vladimir Putin for final approval and signing. Generally, the President may reject the draft as well but, again, this is unlikely.

It has been reported that after the law is adopted, the Ministry of Finance may suggest in the spring of 2015 certain amendments to the deoffshorisation rules which maybe to the benefit of taxpayers. That remains to be seen.

As you already know, the deoffshorisation bill aims at deoffshorising the Russian economy by way of the following three main measures: (a) the beneficial owner of income concept, (b) controlled foreign company (CFC) rules and (c) Russian tax residency rules for legal entities.

Once the law is finalised and signed by President Putin, our firm will issue a full analysis on the effects of the law on Russian businessmen, their legal structures and the jurisdictions through which they conduct their business.

In anticipation of the finalization of the Bill and its adoption by President Putin, we again strongly encourage all those affected to contact us so we may review your current legal structures and determine the potential effects of the Law.

For previous updates and more information on the Russian bill, you may visit the [Tax Updates](#) section in the E-Library category of our website (www.tsielepis.com.cy).

Kind regards,

Alexis Tsielepis, BSc, FCA
Director, Head of Taxation

Costas Tsielepis & Co Ltd
205, 28th October Str., Louloupis Court, 1st Floor, 3035 Limassol, Cyprus | P.O. Box 51631, 3507 Limassol, Cyprus
T: +357 25871000 | F: +357 25373737 | E: info@tsielepis.com.cy | www.tsielepis.com.cy