

INFORMATION SHEET 8

Title:	New Russian currency control requirements		
Authored:	February 2015	Updated:	-----
Company:	Chelco Management Services Ltd		
Reference:	Federal Law No. 218-FZ		

Introduction

Russian resident individuals are now obligated to file cash flow reports with the Russian tax authorities on their non-Russian bank accounts, including deposit accounts.

General

Starting from 1 January 2015, individuals who are treated as Russian residents under currency control legislation, shall report to the Russian tax authorities on cash flows at their bank accounts opened in banks outside of Russia (except for bank accounts opened in foreign branches of Russian banks). Before this time, they only had to notify the authorities on opening or closure of bank accounts in the above banks or on changes to such bank account details.

This new requirement was introduced by Federal Law No. 218-FZ "On Introduction of Changes to Certain Legislative Acts of the Russian Federation" dated July 21, 2014 which, among others, amended Federal Law No. 173-FZ "On Currency Regulation and Currency Control" dated December 10, 2003 (the "*Currency Control Law*").

Under Currency Control Law, Russian resident individuals (i.e. individuals who shall be subject to the above reporting requirement) are those individuals who are Russian citizens or non-Russian citizens permanently living in Russia based on residential permits. That said, Russian citizens who permanently live outside of Russia for a period of at least one year (including those citizens who have residential permit in the relevant foreign country or at least one year term working or student visa) are not treated as Russian residents.

The amended Currency Control Law provides that the bank account cash flow report, together with the relevant supporting banking documents (bank account statement etc.), shall be submitted to the Russian local tax authorities at the place of the respective individual's registration.

Effective Implementation

That said, as of today, specific procedure for the above reporting (including the relevant form to be submitted) was not adopted by the Russian Government (there is a similar form for Russian residents legal entities reporting but it is not adjusted for individuals).

Even the reporting period is currently unknown (generally, Russian resident legal entities historically report on their cash flows in non-Russian banks on a quarterly basis, however, it

is not clear whether the same reporting period shall apply to Russian resident individuals). It is expected, that the relevant form and the procedure shall be adopted by the Government in the near future.

Liability for Russian Resident Individuals

As of today, the liability for non-reporting is not established for Russian resident individuals as well. However, it is reported that the respective law introducing such liability shall be adopted soon.

Purpose

Generally, as a result of the above new reporting requirement (which may be viewed as one of the Russian tax and currency control anti-avoidance measures) the Russian tax authorities shall obtain certain information on operations which are performed by Russian resident individuals via their bank accounts opened in banks outside of Russia.

This information may then be used by the authorities for the purposes of such individuals' tax and currency control.

NOTE

The information in this document is intended as a guide only and every reasonable effort was made to ensure the accuracy and timeliness of the information. In no circumstances shall we be legally bound by any information contained in this document, and shall accept no liability in respect of loss caused by reliance on such information.

Our firm will monitor the development of this issue further (including the adoption of the reporting procedure and the adoption of certain penalties for non-reporting). In the meantime, please do not hesitate to contact us should you have any questions in relation to the above requirement.

Our own in-house consultants and our network of associates in Cyprus and worldwide are at your disposal to assist you with the above.