The Ministry of Finance expanded the list of offshore zones

It includes hostile countries, in particular those from the EU

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(Order of the Ministry of Finance of the Russian Federation № 86n dated June 5, 2023 “On Approval of the List of States and Territories which Provide Preferential Tax Treatment for Taxation and (or) do not Provide for the Disclosure and the Provision of Information in Conducting Financial Transactions (Offshore Zones)”

The Ministry of Finance expanded the list of offshore zones- states and territories, which provide preferential tax treatment for taxation and do not provide for the information about financial transactions. Now this list consists of 91 states and territories (in the previous list there were 40), including countries of the EU.

The list of “traditional” offshore zones is supplemented by the Ministry of Finance with some hostile countries. Among them, there are the EU states, Great Britain, Switzerland, the USA, Canada, Japan, Singapore, Australia, and New Zealand. The new list will come into force on July 1 this year.

Expanding the list leads to certain tax risks for the subsidiaries of Russian companies, registered in these countries: they can face some changes in taxation- primarily changes in revenues from dividends or sales of companies’ shares. Moreover, transactions with offshore companies are equated to the transactions with interdependent parties under special regulations of the art. 105.14 of the Tax Code of the Russian Federation.

The Ministry of Finance also plans to change the list of countries, which do not provide tax exchange with Russia and suspend double-taxation agreements with hostile states, Kommersant reports the words of the Deputy Head of the Ministry of Finance Alexei Sazonov. Indeed, the suspension may affect only certain articles of agreements- on reduced or zero rates of income from dividends, interests and royalties.

Expansion of the list is a response to the inclusion of Russia in the number of countries that do not cooperate with EU for tax purposes. The decision on this was adopted by the EU Council in February this year. Then the EU Council expressed regret that the jurisdictions in this list do not cooperate on tax issues and suggested that countries should improve legal regulations to solve problems.

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