

Additional tax reports required from Russian divisions of international companies

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At the end of 2017, a number of amendments to the Tax Code (Federal Law 340-FZ of November 27 2017) came into force which significantly increased the scope of information and documents that Russian divisions of some international companies must submit to the tax authorities. Through the amendments, Paragraph 13 of the Base Erosion and Profit Shifting Action Plan concerning the provision of country-by-country reporting was implemented into national tax legislation.

Applicability

The new rules apply to groups of companies whose consolidated revenues for the relevant accounting period exceed:

- Rb50 billion in the case of international groups of companies whose parent companies are Russian tax residents (in the case of consolidated accounts in a foreign currency, the equivalent amount in rubles is based on the average annual official exchange rate of the ruble to the currency of the consolidated account); or
- another value established by foreign legislation concerning the filing of similar documents in the case of international groups of companies whose parent companies are tax residents of the relevant foreign states.

For the purposes of Federal Law 340-FZ, an 'international group of companies' is a group of organisations or structures not connected through ownership or control which fulfils the following conditions:

- the group prepares consolidated financial accounts in accordance with the requirements of Russian legislation or a stock exchange;
- at least one of the companies in the group is a Russian resident or a foreign company subject to taxation in Russia; and
- at least one of the companies is not a Russian resident or is a Russian company subject to taxation in a foreign country.

Required information

Russian companies and foreign companies subject to taxation in Russia must now provide a notice of participation in an international group of companies and so-called 'country information', comprising:

- global documentation (the European Analogue Master File);
- national documentation (the European Analogue Local File); and
- a country report (the European Analogue Country-by-Country Report).

Global documentation should be submitted by taxpayers (ie, Russian organisations or Russian tax-resident foreign organisations) which are the parent companies of the relevant international groups

of companies. However, if the Russian tax authority can obtain global documentation within an international automatic exchange of information from the competent authority of the parent company's tax-resident state, the parent company should not provide the global documentation to the Russian tax authority.

The country report should contain financial and economic performance indicators of the group of companies, including:

- income amounts (from within the group and independent entities);
- profits;
- paid and assessed profit tax;
- authorised capital;
- employee numbers; and
- asset value in terms of jurisdiction.

The global documentation should contain descriptions of the group's ownership structure and core business processes.

The national documentation should contain information on controlled transactions with foreign counterparties carried out by the group's members.

Comment

Federal Law 340-FZ is general in nature and fails to answer a number of specific questions. However, it states that the Federal Tax Service will provide detailed information on the required documentation and the procedure for its preparation and filing.

The new rules have already entered into force and will apply to financial years which began in 2017. For such periods, the first reports should be submitted before the end of 2018. The first national documentation should be submitted for transactions made in 2018. A transition period has been envisaged for 2018 to 2019, for which financial penalties will not be applied for violations of the deadlines or the procedure for filing these reports.

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