

Overview of the tax measures proposed on March 25th, 2020 by President Vladimir Putin:

what can change in the Russian tax law



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We would like to focus on the two key issues:

I. Tax in the amount of 13% may be introduced on interest income and coupon yield for individuals whose total amount of investments on bank deposits or in debt securities exceeds 1 mln. rubles.

Summary comparison of the current and possible taxation of interest income and coupon yield:

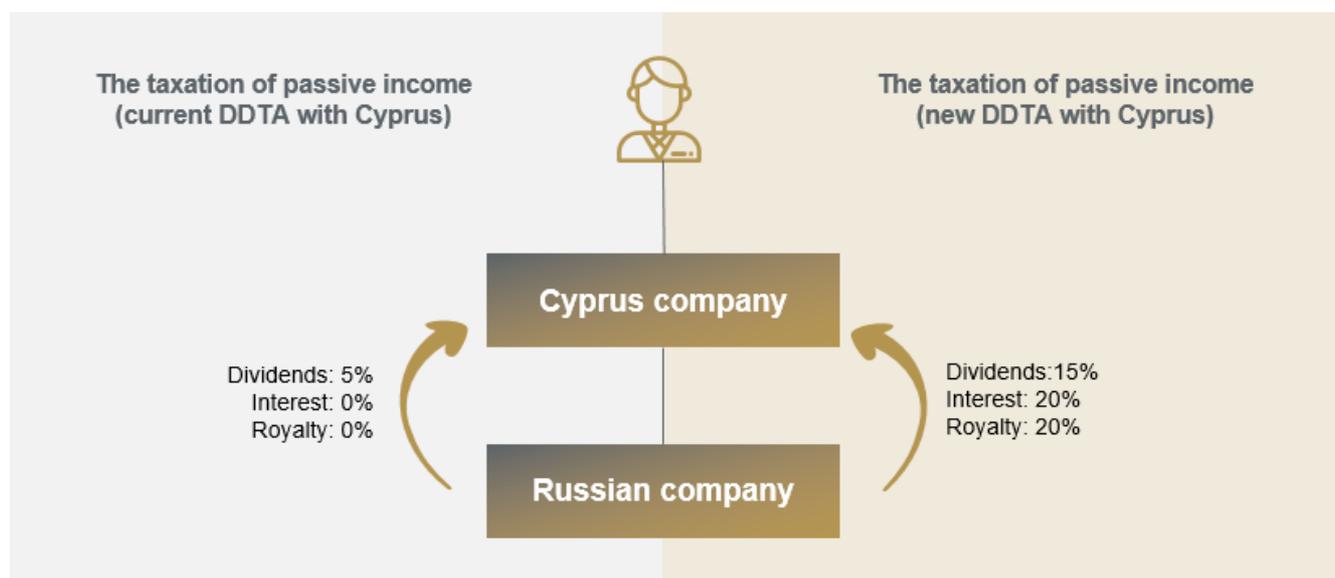
Type of interest income	Current taxation	Possible taxation
Interest income on deposits	No tax if a deposit rate does not exceed 11% ¹	Taxed against 13%
Coupon on government bonds (federal loan bonds)	No tax	Taxed against 13%
Coupon on ruble bonds	No tax if a coupon rate does not exceed 11% ¹	Taxed against 13%
Coupon for Eurobonds	Taxed against 13%	Taxed against 13%

II. It is proposed to raise the withholding tax rate on passive income distributed abroad to 15%.

In this case, Russia will have to review a number of existing Double Tax Avoidance Agreements (DTAA), since they provide preferential taxation of these types of income.

¹ Taxable at the rate of 35% if the deposit interest rate is higher than 11%

Summary comparison of the current and possible taxation of passive income (the recipient is a Cyprus company):



The following remains unclear:

- Technical aspects of interest income taxation: if a person has several deposits and investment portfolios in different banks, who will act as a tax agent? How to determine the date of receipt of income for different types of deposits?
- Which DTAA's will be revised and will our partners agree to accept the new terms? To give any substantial comments, we need first to wait for the official draft of the amendments.

We will keep you updated
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