

Association of European Businesses in the Russian Federation

AEB TAX COMMITTEE OPEN EVENT

*Katerina Hotel, Celsius Hall, Shliuzovaya nab. 6/1
January 31, 2007*



“Foreign Tax Planning Experience: Prospects for Russia”

Chaired by Alina Lavrentieva, AEB Tax Committee Deputy Chairwoman,
Director, PricewaterhouseCoopers

ENVISAGED CHANGES TO DIVIDEND TAXATION IN RUSSIA

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ENVISAGED CHANGES TO DIVIDEND TAXATION IN RUSSIA

- **Taxation of dividends under the current Russian Tax Law. Double Tax Treaties provisions relating to taxation of dividends.**
- **In October 2006 the State Duma of the Russian Federation has adopted in the first reading the draft of the changes to the Tax Code of the Russian Federation relating to the application of 0% profit tax rate to dividends.**

ENVISAGED CHANGES TO DIVIDEND TAXATION IN RUSSIA

- **In particular, according to the current draft 0% profit tax rate applies on payment of dividends *by a Russian legal entity to another Russian legal entity*, provided certain conditions are met, in particular:**
 - ◆ **a recipient owns not less than 50% of the shares of the distribution company for not less than 365 days; or**
 - ◆ **a recipient invested more than 1 billion roubles in the share capital of the distribution company and holds not less than 1 % of the share capital of this distribution company.**



ENVISAGED CHANGES TO DIVIDEND TAXATION IN RUSSIA

- **In accordance to the current draft *dividends receivable by a Russian entity from a foreign legal entity* are subject to 0% profit tax rate, provided that in addition to the conditions applicable to payment of dividends by a Russian legal entity to another Russian legal entity additional conditions are met, in particular:**
 - ◆ **the income tax rate applicable to a foreign legal entity, a payer of dividends, is not less than 2/3 of the Russian profit tax rate (i.e. 16%); and**
 - ◆ **not less than 50% of the income of this foreign legal entity, a payer of dividends, is received not from the sale of securities and derivatives, and/or not in the form of royalties, dividends and interest.**

ENVISAGED CHANGES TO DIVIDEND TAXATION IN RUSSIA

- **In accordance with the draft personal income tax rate on dividends paid by Russian legal entities to non-residents individuals is 15% (currently, 30%).**

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