

DOUBLE TAXATION TREATY RELIEF IN QUESTION

2023

On 15 March 2023, the Russian Ministry of Finance and Ministry of Foreign Affairs published an initiative to suspend double taxation treaties with all the foreign states designated as unfriendly. These include the USA, the UK, all of the member states of the EU and a number of other countries. The justification for the proposal is that, since 2022, these states have unilaterally introduced restrictive economic measures against Russia, as well as that Russia has been included by the European Union in a list of non-cooperative tax jurisdictions (the “EU black list”).

It is proposed that a special presidential decree serve as the mechanism for suspension of the treaties.

Currently, double taxation treaties are in force between Russia and 39 countries designated as unfriendly.

If this initiative is upheld, it is expected that the competent authorities of the countries which are party to the affected double taxation treaties with Russia will follow suit and suspend them. Consequently, tax residents of one country party to an affected double taxation treaty but receiving income (or another taxable benefit) in the other would no longer be able to apply for the currently available double tax treaty relief.

As yet, there has been no known presidential reaction, and neither has a related draft presidential decree been issued, however, based on the precedents of the denunciation of the double tax treaty with the Netherlands, the termination of the one with Ukraine and the suspension of the one with Latvia, we suspect that the likelihood of such a decree coming into force is substantial.

We will be monitoring further developments.



The information contained in this document is intended for general guidance and should not be considered as legal advice or opinion.