

## BY 30 MARCH 2016 FOREIGN COMPANIES THAT OWN REAL ESTATE IN RUSSIA MUST PROVIDE INFORMATION ON THEIR OWNERS TO THE RUSSIAN TAX AUTHORITIES

### Newsletter

In 2014 amendments were made to the Russian Tax Code as part of the “de-offshoring” campaign. In accordance with these changes, foreign organisations (as well as foreign structures that do not form a legal entity) that hold title to real estate property in Russia must provide information to the Russian tax authorities on their owners (direct and in some cases also indirect). This obligation has been in effect since 2015; for the first time such information must be provided together with the 2015 tax declaration for corporate property tax, not later than 30 March 2016.

Information for 2015 must be submitted as at 31 December 2015, using the form approved by Order No. MMV-7-14/41@ of the Federal Tax Service of Russia, which entered into force on 15 March 2016. Foreign organisations must provide the tax authorities with information about their owners, while foreign structures that do not form a legal entity must provide information about their founders, beneficiaries and managers. In addition, if the direct and/or indirect participation of an individual or public organisation in the foreign organisation (or foreign structure that does not form a legal entity) exceeds 5 per cent, then the order (chain) of indirect participation leading to this individual or public organisation must also be disclosed.

Information is to be provided to the tax authority at the location of the real estate property. If the foreign organisation (foreign structure that does not form a legal entity) owns several real estate properties in Russia, information may be provided at its discretion to the tax authority at the location of any one of the properties.

Failure to provide or late provision of this information is subject to a fine of 100 per cent of the amount of property tax owing on this real estate property. The fine is calculated proportional to the participatory share in the organisation on which information was not provided (or was provided late) or, if it is not possible to determine the participatory share of the entity in the organisation or foreign structure that does not form a legal entity, then proportional to the number of participants.

Since the potential liability may be quite substantial, it is recommended that foreign investors make all necessary efforts to submit the aforementioned information on time.



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