

# Legislative features and tax consequences of moving from (to) Russia

## Aspects of Tax Legislation

### *General rules:*

Taxation of individuals in the Russian Federation depends on their tax status, namely:

- 1) Tax resident of the Russian Federation - one who has spent at least 183 days within the territory of the Russian Federation in a calendar year (all days of actual presence in the Russian Federation are taken into account)
- 2) A person who is not a tax resident of the Russian Federation (tax non-resident) - someone who has spent less than 183 days within the territory of the Russian Federation in a calendar year

The Tax Code of the Russian Federation defines the concept of a tax resident as a person who “is actually in the Russian Federation for at least 183 calendar days within 12 consecutive months”, but the final tax status is always determined at the end of the calendar year (i.e., as a result, the person will be recognized as either a tax resident or a tax non-resident in the Russian Federation in the corresponding year).

The reporting period in the Russian Federation is a calendar year.

	<b>Tax resident of the Russian Federation</b>	<b>Non tax resident of the Russian Federation</b>
<b>Taxable income</b>	Income from sources in the Russian Federation and outside the Russian Federation (including income for work outside the Russian Federation) received for the entire calendar year	Only income from sources in the Russian Federation (including income from work in the Russian Federation or from property in the Russian Federation) received in a calendar year
<b>Tax rate (basic)</b>	13%	30%
<b>Tax deductions and exemptions</b>	Eligible for tax deductions and exemptions	Not eligible for tax deductions or liberation

### *When to pay tax and file a tax return:*

Russian tax is generally withheld by the tax agent paying the income. If the tax is fully and correctly withheld by the withholding agent, then the taxpayer has no obligation to file a tax return.

If Russian tax has not been withheld at the source of payment, then the taxpayer must (i) independently file a tax return to the tax office serving their registration address no later than

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April 30 of the year following the year of receipt of income, and (ii) pay tax no later than July 15 of the year following the year of income. This is possible, for example, in the following situations:

- the tax is not fully withheld by the tax agent and it is necessary to pay additional tax (for example, due to a change in tax status in the Russian Federation)
- receipt by a tax resident of income outside the Russian Federation
- sale by tax residents or non-residents of property in the Russian Federation, etc.

Payment of tax is the personal responsibility of the taxpayer. At the same time, the law allows another person to pay tax for the taxpayer.

### ***Deductions and exemptions:***

Tax deductions in the Russian Federation are provided exclusively to tax residents. The most popular deductions are deductions (exemptions) related to property transactions:

- when selling property in the Russian Federation owned for 3 years or more (in the case of selling real estate, the term of ownership according to general rules is 5 years) - all income is exempt from taxation
- when selling property in the Russian Federation that was owned for less than 3 years (5 years for real estate in general) - a deduction of up to 1 million rubles per year (depending on the type of property) or in the amount of confirmed expenses incurred by the taxpayer for the acquisition of such property
- when buying real estate in the Russian Federation - a deduction in the amount of expenses for the acquisition of property (no more than 2 million rubles), as well as in the amount of interest on earmarked loans for the acquisition of such property (up to 3 million rubles)
- upon the sale of other property (except securities) owned for less than 3 years in the amount of up to 250,000 rubles as a whole for the year or in the amount of expenses incurred in the acquisition (receipt) of this property.

***Tax legislation provides for other types of deductions for tax residents.***

### ***International issues:***

When moving from (to) Russia, there are often questions of taxation of the same income in different countries.

The Russian Federation provides for a procedure for eliminating double taxation. The basic rules for applying this procedure are described below. Please note that this is a complex issue and each situation requires a detailed analysis. The procedure does not apply to all income, not to all taxes paid, and not to every country.

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If the income of an individual is subject to taxation both in the Russian Federation and in a foreign state, then, as a rule, taxes paid in a foreign state on such income can be offset against the Russian tax on this income. This usually requires:

- 1) A tax return provided to the tax authorities of the Russian Federation that reflects such income and tax paid within the terms specified above
- 2) Confirmation of tax payment in a foreign state provided to tax authorities of the Russian Federation. Such confirmations can be tax declarations and payment orders for the payment of tax abroad, a certificate from a foreign tax agent (for example, an employer), or a certificate from the tax authorities of a foreign state.

You can claim the right to offset tax paid abroad no later than 3 years after the end of the year in which the income was received.

The documents are to be submitted to the Russian tax authorities along with a notarized translation into Russian.

Failure to provide an official confirmation within the specified time frame may result in the accrual of Russian tax without taking into account the tax paid in a foreign state.