

# GMS Flash Alert



2020-342 | August 6, 2020

## Russia - Additional Option of Individual Tax Residency for 2020

The president of Russia on 31 July 2020 signed a law (Federal Law No. 265-FZ) that provides an additional option for individuals to establish Russian tax residency for 2020.<sup>1</sup> An individual who spent from 90 to 182 days in Russia during 2020 will be considered Russian tax resident for 2020 if the individual files an application<sup>2</sup> with the tax authorities by the 2020 tax filing deadline, which is generally 30 April 2021.

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### WHY THIS MATTERS

This ability to claim tax residency can significantly lower the tax burden on individuals working in Russia. The general tax rate applicable to Russian tax residents is 13 percent and for tax nonresidents, 30 percent. Individuals who were unable to establish Russian tax residence for 2020 under the general rules, for example, due to COVID-19 travel restrictions, may have the ability to claim Russian tax resident status and thereby have their income subject to the lower tax rate.

These changes may also help employers with their international assignment budgets in respect of the tax costs for mobile personnel assigned to/from Russia, who have been affected by the COVID-19 restrictions.

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### Other Considerations

While considering the above additional option of becoming a Russian tax resident for 2020, one should analyse not only the scope and rates of income taxation but also the potential risk of double taxation of income and the availability of tax reliefs under applicable income tax treaties.

Those individuals who receive income in Russia, from a Russian employer, for example, should remember that the tax withholding should be made based on the individual's tax residence status determined pursuant to the general rules. Thus, an individual who spends less than 183 days in Russia in the 12-month period preceding the date of income payment would face tax withholding at nonresident rates (generally, 30 percent). For an individual who qualifies for the tax resident option, the refund of the tax in excess of the tax calculated at a resident's 13-percent-tax rate would be possible only in 2021 after filing an individual tax return.

## FOOTNOTES:

1 No. 265-FZ, 31 July 2020 (in Russian): <http://publication.pravo.gov.ru/Document/View/0001202007310029> .

2 An application can be made in free format to the Russian tax authority where the individual is registered, indicating his name, taxpayer number, and his wish to be deemed a Russian tax resident for the 2020 tax year.

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## Contact us

For additional information or assistance, please contact your local GMS or People Services professional or the following professional with the KPMG International member firm in Russia:



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**The information contained in this newsletter was submitted by the KPMG International member firm Russia.**

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