



GMS Flash Alert

2021-190 | July 1, 2021



Russia - Audits of Individuals' Foreign Assets and Accounts

Since the end of 2020, the Federal Tax Service of the Russian Federation (FTS) has started to review information received as part of the automatic exchange of financial information with foreign jurisdictions. According to representatives of the FTS, the review is performed using programming algorithms in an automated information system.¹

The FTS sends relevant information arising from the results concerning identified risks to the territorial tax authorities of Russia for further processing and for working with individual taxpayers. One focus in particular is identifying cases of taxpayers evading personal income tax on income outside Russia; concealing information and income from controlled foreign companies (CFCs); and violating the requirements of Russian currency legislation covering bank account transactions outside Russia, including the filing of statutory notifications and reporting regarding these accounts.

WHY THIS MATTERS

The FTS continues to process the data received from foreign countries, and individuals who were tax resident in Russia in 2017–2019 are advised to verify their compliance with the requirements of Russian tax and currency controls legislation, especially with respect to their accounts (deposits) in banks outside Russia,² and regarding CFCs.

Details

At the end of December 2020, a number of individuals received decisions that field tax audits were going to be conducted on them, as well as orders to provide information and documents in relation to their accounts outside Russia, including transactions through these accounts and CFCs. The requests related to 2017 (the first year for which Russia received information as part of the automatic exchange of financial information), 2018 and 2019. If violations are

identified, there will be additional tax charges, fines and interest for the individual taxpayers, and in some cases, there may be criminal liability.

KPMG NOTE

Please note that for 2020, the tax reporting of income received outside Russia and via CFCs should have been submitted by Russian tax residents by 30 April 2021. Annual reporting for accounts with foreign banks and other financial market organisations should have been filed by Russian citizens (subject to certain exceptions) no later than 31 May 2021.

If you have any questions about whether or how the above rules may apply to you, you are advised to contact your qualified tax professional; alternatively, you may contact one of the professionals with the KPMG International member firm in Russia noted in the Contact Us section.

FOOTNOTES:

1 See (in Russian) "Автоматизированная информационная система: «Налог-3»" (Automated information system "Tax-3" (Nalog-3)) at: https://www.nalog.gov.ru/rn77/about_fts/gos_inf/4045827/ .

2 Beginning in 2020, notification and reporting requirements also apply to accounts (deposits) in certain financial market organisations, in addition to those in banking institutions.

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Contact us

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