



GMS Flash Alert

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United States – Suspension of Income Tax Treaty with Russia

On June 17, 2024, the U.S. Treasury Department announced¹ that the United States has provided formal notice to Russia to confirm suspension of the operation of Paragraph 4 of Article 1 and Articles 5-21 and 23 of the United States-Russia income tax treaty, as well as the operation of its accompanying protocol, by mutual agreement. The suspension will take effect both for taxes withheld at source and in respect of other taxes on August 16, 2024, and will continue until otherwise decided by the two governments.

WHY THIS MATTERS

Beginning on August 16, 2024, taxpayers may no longer claim benefits pursuant to the income tax treaty between the United States and Russia for an indefinite period of time. Such a suspension could have significant implications for global mobility programs and assignees, as it may alter tax obligations for U.S. entities operating in Russia and Russian entities in the U.S. and may result in double taxation and increased tax liabilities for assignees on assignment to/from Russia (which in turn may lead to increases in assignment costs).

The suspension of the exchange of information program under the treaty may hinder the ability of tax authorities to effectively exchange information on tax matters, which could lead to increased compliance risks for globally-mobile employees and their employers. This could make it more difficult for affected globally-mobile employees to comply with their tax obligations, potentially leading to increased costs and administrative burdens for both employees and employers.

Background

Russia on August 8, 2023, notified the United States of its desire to suspend Paragraph 4 of Article 1 and Articles 5-21 and 23 of the United States-Russia treaty, as well as the protocol.²

The U.S. Internal Revenue Service (IRS) subsequently, on December 28, 2023, released Notice 2024-11³ updating the list of treaties that meet the requirements of section 1(h)(11) with respect to “qualified dividends” to remove the treaty with Russia (under which the exchange of information program had been paused), effective with for dividends paid on or after January 1, 2023.

KPMG INSIGHTS

U.S. withholding agents will have approximately two months to update their systems to reflect the new withholding tax rates that will be effective beginning August 16, 2024.

FOOTNOTES:

1 See U.S. Department of the Treasury, Press Release, "[United States' Notification of Suspension, By Mutual Agreement, of the 1992 Tax Convention with Russia](#)" (June 17, 2024).

2 As had been reported, with Russia's Decree No. 585 (gazetted on August 8, 2023), the Russian government partially suspended most provisions of 38 effective tax treaties Russia signed with Albania, Australia, Canada, Iceland, Japan, Montenegro, New Zealand, North Macedonia, Norway, Singapore, South Korea, Switzerland, the United States, the United Kingdom, and European Union member states. See S. Goel and A. Goel, "Russia's Questionable Unilateral Suspension of Tax Treaties," *Tax Notes* (September 25, 2023).

3 See IRS [Notice 2024-11](#).

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RELATED RESOURCE

For related coverage, see "[U.S. Treasury announces suspension, by mutual agreement, of the Russia income tax treaty](#)," in *TaxNewsFlash-United States*, a publication of the KPMG International member firm in the United States.

The above information is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230 as the content of this document is issued for general informational purposes only.

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