

OVERVIEW: DOUBLE TAXATION AVOIDANCE AGREEMENTS - WHAT HAS BEEN CHANGED

Dear colleagues,

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Here is a consolidated overview of the latest developments in double taxation avoidance agreements (DTAAs).

Following a mutual exchange of relevant notes in June-August 2022, the double taxation avoidance agreement between Russia and Ukraine is [terminated](#) as of 01.01.2023. Relevant changes should be considered with respect to withholding taxes and other taxes for tax periods beginning on or after January 1st, 2023.

Decree 668 of September 26th, 2022 [suspended](#) the double taxation avoidance agreement with **Latvia**, which had previously suspended DTAA in its turn from May 16th, 2022.

Strictly speaking, the Agreement does not provide for a "suspension" option, it is assumed that it can be terminated or denounced, and The agreement was later denounced by Federal Law No. [40-FZ](#) of 28.02.2023.

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As it was - as it has become:

- interest, dividends from Russia to Latvia, paid by Russian tax agent at a rate of 5% to 10% - 20% tax on interest, royalties, 15% tax on dividends;
- it was possible to offset tax paid by a tax agent of one country in another country - now the tax must be paid in both countries as required by local law.

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Another country with which the Agreement could be suspended or terminated is [Denmark](#) (see information in our Telegram Channel).

A relevant bill has been submitted to the local parliament. If adopted, the changes would come into force on January 1st, 2024. The consequences would be similar to the abolition of the Agreement with Latvia.

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At the same time, the Russian Federation [has initiated](#) a review of agreements with some "friendly" countries - **the United Arab Emirates, Turkey, Malaysia and Oman**. In this case, it is announced that the purpose of the revision is to create comfortable tax conditions for attracting direct investments in the Russian economy - thus, favourable changes for investors should be expected in the agreements with these countries.

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The latest initiative concerns the [suspension of Agreements with "unfriendly" countries](#) (EU countries, Switzerland, UK, USA, Canada, Australia, New Zealand, Singapore, Japan and South Korea). The proposal was made by the Russian Ministry of Foreign Affairs and the Ministry of Finance in response, among others, to Russia's inclusion in the EU ["blacklist"](#). The initiators proposed that the agreements be suspended unilaterally. The suspension should be based on a Russian presidential decree.

The decree is expected to be signed at the end of June this year. However, no exact dates have been given.

Until the text of the document is published, there is also no complete clarity about the expected effective date of the new rules - according to general logic, the changes should not be applied before 2024, according to the beginning of the new tax period (for profit tax and personal income tax) from which all tax innovations under the Russian Tax Code usually apply.

At the same time, the press release of the above initiative states that in case the proposal of the Ministry of Foreign Affairs and the Ministry of Finance of Russia is supported, the application of reduced withholding tax rates (tax exemptions) in respect of income covered by double taxation agreements will be suspended from the date of issuance of the relevant Decree.

We are following the development of events.

For the purpose of applying the current agreements - we recommend reading the [letter of the Federal Tax Service](#) dated March 9th, 2023 No. SY-4-13/2691@ "On Taxation of Foreign Organisations Receiving Income from Sources in the Russian Federation, and the Procedure for Applying the Provisions of DTAA's".

We remind you that, as before, as before, in order to use the preferences provided by the current DTAA, you must obtain in advance from the counterparty the necessary package of documents (usually a [certificate of residency](#) and proof of right to income).

We will be happy to answer your questions!

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