

29.04.2025

**CHANGES IN TRANSFER PRICING AND NOTIFICATIONS OF CONTROLLED TRANSACTIONS****Dear colleagues,**

A year earlier we have informed you of major changes in transfer pricing effective from 01.01.2024 ([link](#)). We kindly remind you the main aspects and inform of the recent innovations:

**1. Withholding tax on services of foreign related parties**

We kindly remind you that **withholding tax of 15% shall on mandatory basis** be withheld from services of foreign related parties - residents of the country with which the [DTT has been suspended](#).

On April 7, the Ministry of Finance officially [updated](#) the list of countries with relevant information of current DTTs, in particular, the information on the termination of the DTT with the [UK](#) on its initiative was added, in which regard a separate information [message](#) was also published.

For transactions with companies from countries with continuing DTTs, it is necessary to study the terms of the international agreement.

**2. New format for notification of controlled transactions**

On December 28, 2024, the Federal Tax Service [issued](#) the Order No. ED-7-13/1088@ "On approval of the form, procedure for filling out and format for submitting a notification of controlled transactions in electronic form" dated December 02, 2024, and on March 13, 2025, the Tax Service issued [clarifications](#) (Letter of the Federal Tax Service of Russia dated March 13, 2025 No. ShYu-4-13/2827@\* (ШЮ-4-13/2827@)) on ensuring the proper application of the Letter of the Federal Tax Service of Russia dated May 25, 2022 No. ShYu-4-13/6384@\* (ШЮ-4-13/6384@).

One of the key points is that for transactions proceeded after January 01, 2024, the taxpayer is to specify in the notification of controlled transactions (and in the documentation submitted at the request of the Federal Tax Service of Russia or in accordance with the paragraph 8 of the Article 105.15 of the Code) the applied **transfer pricing method** (as provided for in the Chapter 14.3 of the Code or a combination thereof) used to justify the market price level in the controlled transaction.

The changes also imply the disclosure of more information about controlled transactions, including prices in transaction chains (applicable to previous purchase / subsequent sale) for certain categories of transactions (for instance, exchange goods).

We kindly remind that for transactions proceeded in 2024, the **notification in the new format is to be submitted not later than on May 20, 2025**.

Non-submission by a tax payer to the tax authority within the prescribed time limits a notification of controlled transactions proceeded within one calendar year, or submission by a taxpayer to the tax authority of a notification of controlled transactions including unreliable information, shall entail a [fine](#) of RUB **100,000**. Non-submission by a taxpayer to submit documentation regarding a specific transaction (group of similar transactions) within the prescribed time limits shall entail a fine of RUB **500,000**.

**3. Verification of transactions with a foreign "unrelated" counterparty**

We kindly remind that since January 1, 2024, **transactions with "unrelated"** companies registered in countries in the **offshore zones list** may be automatically classified as controlled transactions for

transfer pricing purposes (since July 1, 2023, the list of offshore zones was expanded to 91 jurisdictions by the [Order](#) of the Ministry of Finance of Russia dated June 05, 2023 N 86n and includes, for example, the countries of the European Union, Great Britain, Japan, the USA).

Regardless of the actual interdependence of the parties, the transaction will be recognized as **controlled transaction if the income for the calendar year exceeds the limit of RUB 120 million**.

Exceptions are being made for transactions, where one of the counterparties is a resident or a tax resident of a foreign state with which the Russian Federation has a DTT, the effect of which was suspended by the Decree of the President of the Russian Federation, when:

- transactions were concluded before March 1, 2022,
- the procedure for determining prices and (or) pricing methods (formulas) applied in such transactions remain unchanged after March 1, 2022,
- transactions are not recognized as controlled transactions in accordance with the criteria in effect as of March 1, 2022.

#### **4. Updated list of countries which tax authorities conduct an automatic exchange of information**

On December 20, 2024, the Federal Tax Service published an [Order](#) No. ED-7-17/915@ dated October 30, 2024 "On approval of the List of foreign states (territories) whose competent authorities automatically exchange country-by-country reporting".

We kindly remind that the effective order of the Federal Tax Service of Russia dated December 20, 2022 No. ED-7-17/1226@ became void with the adoption of the above-mentioned document.

The current version specifies 45 countries and 10 territories with which automatic exchange is carried out, which is amended compared to the previous list in terms of the **exclusion** from this list of a number of **"unfriendly" European countries**, which have ceased to carry out automatic exchange of country-by-country reporting with the Federal Tax Service of the Russian Federation (for example, Germany, France, Luxembourg, Italy, Spain, Greece and other countries).

We kindly remind that subsidiaries - residents of the Russian Federation, which parent companies are registered in jurisdictions with which automatic exchange has ceased, may have to **submit a country-by-country reporting upon request from the tax authorities**.

Non-submission a country-by-country reporting within the within the prescribed time limits either submission of a country-by-country reporting including unreliable information entails a fine of **RUB 100,000** for periods **before 01.01.2024** and a fine of **RUB 1,000,000** for periods starting **from 2024** (the fine may be applied to one calendar year).

We have been working with transfer pricing for many years and are engaged in preparing documentation for our clients.

We will gladly support you in the process of preparing documentation and answer questions that arise in connection with the changes specified.

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