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OVERVIEW OF CHANGES: DOUBLE TAXATION AGREEMENT (DTA) AND DEPOSITS

Dear Colleagues,

This review is related to two recent amendments in financial regulation affecting taxation and banking deposit operations for persons from unfriendly countries

1. Full suspension of the Double Taxation Agreement between Germany and Russia

Since January 1, 2027, the Agreement between the Russian Federation and the Federal Republic of Germany for the Avoidance of Double Taxation regarding to taxes on income and capital dated May 29, 1996, as well as the corresponding Protocol thereto, shall be fully terminated.

Background

The sphere of Double Taxation Agreements (DTAs) has been in a highly turbulent phase in recent years (see, for example, one of our previous reviews on this issue by the link).

The Ministry of Finance regularly updates the register of current DTAs and information on their status on its website. The latest update was published on July 14, 2026.

It should be reminded that Russia unilaterally suspended the application of certain provisions of several Double Taxation Agreements since August 8, 2023 (the Presidential Decree No. 585) - we reviewed this in more detail in the corresponding review.

The suspension affected certain provisions of the Agreement with Germany as well. In particular, the suspension by the Russian Federation covered provisions on the taxation of dividends, interest, royalties, income from real estate and salaries.

At the same time the Agreement itself, as a whole, has formally remained in effect until now.

However, on June 26, 2026, Germany notified the Russian Federation of the full suspension of the Agreement since January 1, 2027.

Key consequences

1. Asymmetry of the situation. Germany is fully suspending the Agreement, while the list of norms suspended by Russia formally remains unchanged at the moment.

2. Elimination of foreign tax credits. Taxpayers will no longer be able to credit taxes paid in one country against tax liabilities in the other. For individuals (tax residents of Russia) receiving income in Germany, double taxation may arise.
3. Impact on business. German subsidiaries with Russian parent structures will no longer be able to benefit from reduced withholding tax rates on dividends, interest and royalties under the Agreement. The importance of proper transfer pricing documentation increases, as tax authorities will pay more attention to cross-border transactions.

Therefore, it should be reminded that since January 1, 2024 new stricter regulations have taken effect in Germany due to inclusion of Russia in the EU "blacklist" for tax purposes and the application of the German Tax Haven Defense Act (Steueroasen-Abwehrgesetz).

Accordingly, the full suspension of the DTA since 2027 further tightens and reinforces this situation. However, the German Federal Ministry of Finance uses the term "suspension" rather than "denunciation" in accordance with the Article 29 of the DTA. This means that the agreement is not formally terminated, but is merely temporarily not being applied.

2. Clarification of the procedure for bank deposits operations of foreign persons

The Presidential Decree No. 377 dated June 1, 2026, has expanded the list of obligations subject to the special procedure established by the Decree No. 95. It should be reminded that this refers to the mandatory permitting procedure for certain categories of payments (such as dividends, loans) where the amount exceeds the limit of 10 million rubles (or equivalent in foreign currency) per month. The specified payments require either permission from the Government Commission or should be made through the special type "C" accounts.

Since June 1, 2026, this procedure also applies to obligations of banks to repay deposits and pay interest to foreign creditors from unfriendly countries.

Key changes:

1. Extension of the special procedure to bank deposits. Previously the Decree No. 95 regulated the procedure for fulfilling obligations to certain foreign creditors. As of June 1, 2026, obligations under bank deposits have been included in this list.
2. Who is subject to this law: foreign companies from unfriendly countries (and structures controlled by them, with the exception of Russian legal entities), their branches and representative offices in the Russian Federation, as well as individuals who are the citizens of unfriendly countries.
3. Who is not subject to this law: foreign citizens with a residence permit in Russia, as well as Russian companies whose participants/shareholders include persons from unfriendly countries.

On July 14, 2026, the Bank of Russia issued official clarifications that specify the implications of the Decree No. 377 for depositors. In particular, it was specified that:

- The threshold of 10 million rubles applies individually to each depositor and not to all foreign creditors of the bank in aggregate (which had previously given rise to a number of differing interpretations). Consequently, if obligations to a particular depositor in a calendar month do not exceed 10 million rubles, the special procedure under the Decree No. 95 does not apply.
- If the threshold of 10 million rubles is exceeded, the obligations are fulfilled by crediting funds to a type "C" account. The use of funds from such an account is only possible for permitted purposes or on the basis of a special permit from the Government Commission.
- The Decree applies exclusively to obligations under bank deposit agreements. Obligations under bank account agreements and correspondent account agreements do not fall within its scope.
- In case of early or scheduled repayment of a deposit, as well as interest payments, the special procedure applies. However, prior to the date for performance, the bank is not obliged to change the status of the deposit (e.g., convert it into a type "C" account). The extension of a deposit agreement is permitted; however, interest payments made upon renewal are subject to the requirements of the Decree No. 95.

We will be glad to answer your questions and help you understand the regulatory framework applicable to your specific issue.

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