

Russia | Mitigating the Requirements of Currency Legislation for Russian Companies

In accordance with current requirements, Russian companies are obliged to receive payments from foreign counterparties to their accounts in the Russian Federation. In case of violation, fines can be very significant – up to 1 size from the amount which was not received.

At the same time, a number of laws and drafts aiming to mitigate the requirements for the return of revenues to the Russian Federation have appeared recently.

CHANGES IN 2018

Companies that have fallen under sanctions, as well as those which received insurance payments from Export Insurance Agency of Russia (EXIAR) and investments, are not required to receive foreign currency to their accounts in the Russian Federation in case if the foreign importer refused to perform its obligations under the contract or did not pay.

Also, the existing list of allowed offsets was updated. Now, companies providing international telecommunication services can set off the remuneration received as a result of the requirements of foreign partners.

PLANNED CHANGES

Until the end of 2018, a draft of a bill that establishes a 30-day period after which the resident is released from the liability for failure to meet the requirements for the return, must be approved. It is also planned to reduce the maximum and minimum penalties significantly – up to 1/3 and ½ of the amount of the currency that has not been received, respectively.

In addition, starting from 2020 mandatory repatriation of revenues must be completely abolished on the proposal of the RF Ministry of Finance. Companies will be able to freely transfer currency to their foreign accounts in banks of OECD and FATF member countries.

THE FEDERAL TAX SERVICE (FTS) EXPLAINED WHAT TO DO IF THE TERMS OF OBLIGATIONS FULFILLMENT ARE NOT SPECIFIED IN THE CONTRACT

According to FTS, the terms of obligations fulfillment within the framework agreement concluded between a resident and a non-resident should not be written in the contract. In case if the terms have been agreed by e-mail, attaching the printouts of the letters in which the parties agreed on the terms, to the contract will be enough.

We would like to remind that in accordance with the changes that came into force in May this year, residents are required to provide information on the timing of the parties' fulfillment of obligations under a foreign trade contract to the banks.

Thus, information on the timing should be submitted to the bank, but it is not necessary that it is directly present in the contract.

PLANNED CHANGES FOR INDIVIDUALS

It is planned that residents (Russian citizens and foreigners permanently residing in the Russian Federation) will be required to report to the bank upon receiving foreign currency or sending it abroad under loan agreements.

The resident will have to notify the bank regarding the purpose of payment, including payment of interest, and also provide a loan agreement to the bank within 30 days. Amendments are planned to be introduced into Instruction No. 181-И of the Central Bank of the Russian Federation. Information on the terms of the introduction is currently not available. Also, in accordance with the proposal of the Ministry of Finance of

the Russian Federation, from 2020 individuals will be able to freely transfer funds to their foreign accounts. At the same time, if the amount of transactions in foreign accounts does not exceed 600 thousand rubles, reporting to the FTS does not need to be provided.

How can SCHNEIDER GROUP help

We recommend you to pay attention to the organization of your transactions from / to foreign counterparties and check whether the supporting documents and contracts contain the required information on the timing of the receipt of monetary funds or fulfillment of transaction terms. We will be eager to provide you with services in the fields of the analysis of contracts and related documentation for compliance with currency legislation as well as with other services.

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