



## Russia

### WTS Global Country TP Guide

Last Update: December 2017

1. Legal Basis	
Is there a legal requirement to prepare TP documentation?	Yes
Since when does a TP documentation requirement exist in your country?	2012
Are TP policies of multinational enterprises in principle accepted by the tax authorities, if they are in line with the OECD TP Guidelines?	Yes
Which TP methods may be applied?	The comparable uncontrolled price method, the resale price method, the cost plus method, the transactional net margin method, the transactional profit split method.
Are any TP methods preferred over others?	Yes, the CUP method remains the primary method
Have the documentation requirements of OECD BEPS Action 13 already been implemented (i.e. the LF, MF and CbCR concepts)?	CbCR, MF, LF implemented
Reference to documentation and statements of local-government or tax authorities regarding OECD BEPS implementation status	Articles 105.16-1 - 105.16-6 of the Tax code of the Russian Federation.
Reference to relevant articles of law, legislative regulation or applicable administrative guidance that are in place for TP documentation in general.	Sector V.1 "Related parties. General provisions of prices and taxation. Tax control due to the transactions between related parties. Pricing agreements. Documentation on MNEs", Articles 129.3-129.4, 126 of the Russian Tax Code.
2. Master File (MF)	
	Yes
What is the (consolidated revenue) threshold requirement for the obligation to prepare a MF?	There are the following conditions under which the taxpayer has NO obligation to prepare Master File: <ul style="list-style-type: none"> <li>• Consolidated revenue of MNE is less than RUB 50 billion (about EUR 715 million) or</li> <li>• Consolidated revenue of MNE is below the threshold established by the legislation of the foreign state (territory) for the obligation to submit the CbCR to the tax authorities of such state (territory), in the event that the parent company of MNE recognised a tax resident of the respective foreign state (territory).</li> </ul>
Euro Equivalent	EUR 726,863,000
As from which year does this obligation exist?	From the year following the year that the threshold is met. The first reporting year is 2017.
When does the Master File need to be available?	Upon the request by the tax authorities, not earlier than 31st of December of the year following the reporting year.
When does it need to be submitted?	Within three months by the request by the tax authorities, not earlier than twelve months and not later than thirty-six months from the end of the reporting period specified in the requirement. If the specified requirement goes in connection with the request by tax authority of the foreign state (territory) which was received in accordance to the Russian Tax Code and provisions of the international treaties of the Russian Federation, the copy of such request should be attached.

Does the MF have to be prepared in the relevant local language ?	No
Is documentation in English permissible?	Yes. The taxpayer has a right to submit country information in a foreign language simultaneously (according to the draft law).
What are the possible consequences of not having the MF available?	
Penalties?	Yes
Imprisonment?	No
To which extent do the local rules differ from the OECD standard regarding the OECD content requirements for the MF as shown in the BEPS implementation overview chart?	The Master File (the term in national legislation is "Global Documentation") local rules generally complies with the OECD content requirements for the Master File as shown in the BEPS implementation overview chart.

<b>3. Local File (LF)</b>	Yes
What is the threshold requirement for the obligation to prepare a LF?	Cross-border transactions with affiliated legal entities in general: <ul style="list-style-type: none"> <li>• RUB 60,000 for transactions with entities from offshore jurisdictions,</li> <li>• RUB 0,00 for transactions with entities from foreign jurisdictions, except offshore jurisdictions.</li> </ul>
Euro Equivalent	EUR 872.25
As from which year does this obligation exist?	As from the year following the year that the threshold was met (so that the Local File is prepared for the year in which the threshold was met or exceeded) for fiscal years starting from 2018.
When does the LF need to be available?	By the request by the tax authorities within 30 days from the date of receiving of such request, but no earlier than 1 June of the year, following the reporting period.
When does the LF need to be submitted?	Upon the request by the tax authorities In practice, it is recommended to prepare TP documentation in advance before 1 June of the financial year.
a. Does the LF have to be prepared in the relevant local language?	Yes
b. Or is documentation in English permissible?	Yes. The taxpayer have a right to submit the Documentation (the term in national legislation is "National documentation" in a foreign language simultaneously).
What are the possible consequences of not having the LF available?	
Penalties?	Yes
Imprisonment?	No
Shifting of the burden of proof?	Yes
Other?	No
To which extent do local rules differ from the OECD standard regarding the OECD content requirements for the LF as shown in the 2017 OECD TP Guidelines?	The local rules is similar to the OECD standard regarding the OECD content requirements for the Local File. The taxpayer has the right to provide other information confirming that the commercial and (or) financial terms of the controlled transactions correspond to those that occurred in comparable transactions.

<b>4. Country-by-Country Reporting</b>	Yes
What is the threshold requirement for the obligation to prepare Country-by-Country Reporting?	Consolidated revenue of MNE is more than RUB 50 billion (about EUR 715 million) or consolidated revenue of MNE exceeds the threshold established by the legislation of the foreign state (territory) for the obligation to submit the CbCR to the tax authorities of such state (territory), in case that the parent company of MNE recognised a tax resident of the respective foreign state (territory).
Euro Equivalent	EUR 726,863,000

As from which year does this CbCR obligation exist?	As of the year following the year that the threshold is met (so that CbCR is prepared for the year in which the threshold was met or exceeded). <ul style="list-style-type: none"> <li>• For primary reporting, CbCR is first to be prepared for fiscal years starting from 1 January 2017</li> <li>• The taxpayer has the right to prepare a report in respect of financial years starting during the period before 1 January 2017.</li> </ul>
When and how do the tax authorities need to be notified who the reporting entity is?	The Russian taxpayer has to submit the Notification about participation if it is a (a) parent company of MNE, (b) designated surrogate parent company. The taxpayer submit the Notification of participation in an international group of companies no later than eight months from the date of the end of the last financial year for the parent company.
If the reporting entity (ultimate parent or surrogate parent) is in your country, what is the CbCR submission deadline?	The CbCR is submitted to tax authorities no later than twelve months from the date of completion of the reporting year. Failure to submit this information will cause penalty of 100 thousand rubles (about EUR 1500).
Are there any deviating submission deadlines for the secondary mechanism?	No
Does your country have a requirement that the financial figures of the group need to be aligned with?	Yes. Information is to be filled on the basis of consolidated financial statements prepared by the parent company of an international group of companies in accordance with IFRS or other internationally recognized standards for the preparation of financial statements, or on the basis of accounting and (or) tax accounting data generated on the basis of rules adopted in the state (territory) of tax residency of the relevant member of an international group of companies, or on the basis of other information that provides completeness and reliability of the country report. At the same time, the taxpayer also ensures annual consistent use of the same sources of information to fill in the relevant indicators, and when they change the disclosure of the reasons for such change.
Does your country have a requirement that the financial years of the group need to be aligned with?	No
Where is the CbCR to be submitted ?	No information
How is the CbCR to be submitted, specifically, is there any prescribed standard?	According to the established forms (formats) in the electronic form (the officially prescribed xlm-standard).
What are the possible consequences of not having the CbCR available?	
Penalties?	Yes
Imprisonment?	No
Shifting of the burden of proof?	No
Other?	No
To which extent do your local rules differ from the OECD standard regarding the content requirements for the CbCR as shown in the 2017 OECD TP Guidelines?	Basically, local CbCR rules are consistent with the OECD CbCR Guidelines, however, Russian tax code does not provide templates or guidelines of filling the CbCR.
Did your country sign the Multilateral Competent Authority Agreement on the Exchange of CbC Reports ("CbC MCAA")?	Yes
Did your country enter into other information exchange agreements, such as on a bilateral basis?	Yes
Please specify the country involved and date the agreement came into force.	Over 100 countries. Intended first information exchange in Russia by September 2018.

Can a taxpayer in your country fulfil his CbCR requirement by referring to the reporting entity in the same or another country?	Yes
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**5. TP disclosure in tax return or transfer pricing specific returns**

Does a taxpayer need to disclose information regarding TP documentation in his tax return?	No
When a taxpayer files a tax return for which he understands or should understand that the result reported in that tax return is too low due to incorrect transfer pricing, what could be the legal consequences?	Intentionally submitting an incorrect / too low tax return and failing to inform the tax authorities accordingly constitutes a tax crime. Legal consequences may range from (monetary) fines up to 40% on unpaid amount of tax to imprisonment of up to 1 year, in serious cases of up to 3 years.
What could be the consequences for the tax advisor/accountant/administrator drafting and filing the tax return of a client where that advisor/accountant/administrator understands or should understand that the result reported is too low due to incorrect TP?	The consequences for the tax crime are provided only for officials of the taxpayer. Intentionally submitting an incorrect / too low tax return and failing to inform the tax authorities accordingly constitutes a tax crime. Legal consequences may range from (monetary) fines to imprisonment up to 6 years, depends on the degree of the tax crime.
Does a taxpayer need to file TP-specific returns?	Yes
Please state the filing form number and name.	Taxpayers submit the Notification of the controlled transactions they have made in the calendar year.
What would be the filing deadline?	The notification of controlled transactions should be submitted no later than May 20 of the year following the calendar year in which controlled transactions are made.
What would be the penalties for non-compliance?	Failure to submit the notification of controlled transactions, or submission a notification containing inaccurate information leads to a penalty of 5 000 rubles.

**6. Benchmarking**

Is there any local guidance or requirement with regard to the preparation of a benchmark study?	Yes. The official letter of Ministry of Finance of Russian Federation and Federal Tax Service from 30 August 2012 N OA-4-13/14433@ "About preparation and providing of Documentation about controlled transactions for the Tax audit purposes" and Articles 105.7 and 105.8 of Russian Tax Code. Pan-European benchmarking studies would likely be challenged by the Russian tax authorities. Where the results of the benchmarking study performed on the basis of local comparables differ from the results of pan-European benchmarking studies, the local benchmarking study will likely prevail and the Russian tax authorities may have grounds for an additional tax assessment. The results of benchmarking studies aimed at testing the arm's length nature of prices/margins of Russian companies (or foreign companies with a Russian PE) are more likely to be acceptable if the data for the search were obtained from Russian databases (i.e. SPARK, RUSLANA, etc.). To test the arm's length nature of prices/margins of European companies, the Amadeus database can be used.
Are there any materiality thresholds that apply for the requirement to have a benchmark study available?	No
Does your country apply the general guidance by the OECD to prepare a new benchmarking search every three years and an update of the financial data of the accepted comparable in year 2 or 3?	No

Or is a new search every three years without any financial updates in year 2 and 3 sufficient?	No
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**7. Year-end adjustments**

Are year-end adjustments permissible?	Yes
Does the taxpayer have to comply with any specific features or guidance?	No

**8. Transfer Pricing Audit and Dispute Resolution Mechanisms**

What are currently the main TP areas of scrutiny by the tax authorities in your country?	Intercompany financing, the transactions of purchase and sale of real estate, purchase and sale of resources, deals with intangible assets, leases of facilities.
Does the taxpayer have the option to apply for bilateral or multilateral APAs?	Yes
Are there any restrictions?	The APA could be concluded by Russian taxpayer, referred to the category of largest taxpayers and the Tax authority; If taxpayer had complied with the conditions of APA (including confirmation during tax audit) the tax authorities have no right to make the decision about the tax crime, fines and penalties or the reduction of the amount of loss with respect to those controlled transactions, prices for which (methods) were agreed in the APA.

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