

AUTOMATIC EXCHANGE OF FINANCIAL ACCOUNT INFORMATION



Starting from 2018 Russian Federation began to apply new provisions of the Tax Code that were implemented due to activation of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (CRS MCAA).

According to new rules account holders as well as those intending to open a financial account are required to disclose to banks and other financial institutions (FIs), where they have a financial account, information about their tax residency and where needed provide substantiating documentation. FIs are also required to request such information and validate it.

Where a client is a Passive Non-Financial Entity or a Legal Arrangement (hereinafter – Passive NFE) it is required to disclose its Controlling Persons and provide information about their tax residency status as well as a tax identification number (TIN) for each jurisdiction of tax residency.

Where a financial account is operated for the benefit of a third party the client would also be required to provide information about such person(s).

This leaflet contains reference information and should be used only for information purposes. Information contained herein does not prevent FIs / clients from applying Russian legislation in the sense that might deviate from the above views.

What exactly clients and those intending to open a financial account* need to do?

Before a financial account can be effectively opened a person intending to conclude a corresponding agreement need to complete a self-certification form that should be provided by a dedicated FI.



Existing clients as well as those intending to open a financial account are also required to provide information about their tax residency status as well as a TIN number for each jurisdiction of tax residency.

This information is required to be updated on a regular basis.

What information need to be provided?

- ✓ Residence address (place of stay/ registration outside Russia);
- ✓ country (territory) of tax residency;
- ✓ non-Russian TIN or its equivalent;
- ✓ additional affirmation where a TIN number doesn't match the established format;
- ✓ for legal entities and legal arrangements - type of activity including information about its status as a Passive NFE;
- ✓ Passive NFEs are additionally required to provide information about tax residency and TIN numbers of their ultimate Controlling Persons.

PLEASE NOTE: In case of any doubts or ambiguity about tax residency status of clients, third parties and Controlling Persons FIs are required to disclose and report as many details as possible. It especially relates to cases of dual or multiple tax residency.

* Par 2 of article 142.4 of the Russian Federation Tax Code

Does an FI need to request a client consent to report information to the FTS of Russia?

According to effective Russia legislation it is not required to get a consent to provide CRS information about non-Russian clients, third parties and Controlling Persons.

FIs are strictly recommended to pay special attention to persons that are tax resident in jurisdiction providing residency or citizenship for investment regimes. Where this is the case an FI would normally need to require the client to provide additional information and documents to find out other jurisdiction of residency for tax purposes.

What will happen if a client refuses to provide information?

Where a client or a person intending to open a financial account is refusing or is failing to provide information requested by FI, or submits incomplete or deliberately false information, FIs are entitled to:

- ❗ refuse to conclude financial account agreement (open financial account);
- ❗ terminate a financial account agreement (close financial account), or
- ❗ refuse to execute transactions made in favor or under instructions of the existing client.

If you want to find out more please refer to the following:

- ➔ Chapter 20.1 of the Russian Federation Tax Code «Automatic exchange of financial account information with foreign states (territories);
- ➔ Russian Federation Government decree № 693 of June 16, 2018 «On realization of Automatic exchange of financial account information with competent authorities of foreign states (territories)»
- ➔ CRS related webpage of the OECD (<https://www.oecd.org/tax/automatic-exchange/common-reporting-standard/>);
- ➔ CRS related webpage of the FTS of Russia (<https://340fzreport.nalog.ru/>)



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