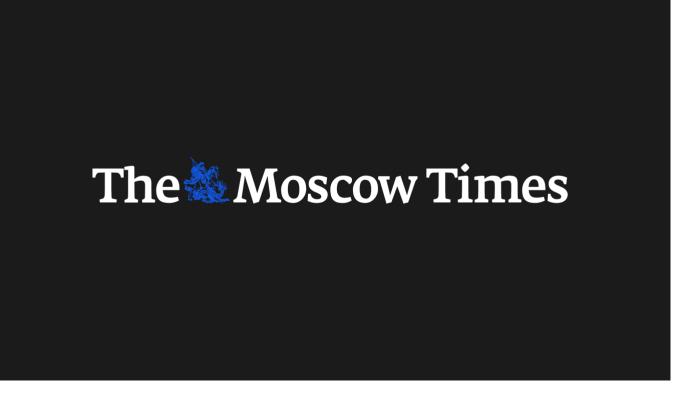


Treaty Moves Cyprus Closer to Removal From Blacklist

By Rachel Nielsen

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The Finance Ministry could be closer to removing Cyprus from an official "blacklist" of tax havens that don't meet the ministry's standards for financial disclosure following the State Duma's approval of changes to the tax treaty between Russia and its largest foreign investor.

By ratifying a protocol to the existing Russia-Cyprus double tax treaty — which governs what types of income are taxed in each country — the Duma confirmed a treaty revision letting the Federal Tax Service obtain more financial details about Cyprus-based companies.

This was "one of the most important" changes, said Andrei Tereshchenko, a partner and tax lawyer at Pepeliaev Group. Russian authorities now have more power to seek information about a Cyprus company's beneficial owners, financial statements and bank accounts, Tereshchenko said.

Previously, he said, "it was very, very difficult to get this information."

Tereshchenko said Cyprus wants "to become more open for Russian tax authorities" and to be removed from the Finance Ministry's list. The ministry didn't immediately respond to an email seeking comment on Cyprus.

Kirill Vikulov, a lawyer and associate with Baker & McKenzie in Moscow, also called the improved information access a "significant" part of the protocol, which includes changes to taxation of some capital gains.

The commercial counselor at the Cypriot Embassy, Andreas Christodoulou, couldn't comment in detail on the new protocol, saying tax treaty revisions are handled by the Cypriot Finance Ministry. The Cypriot parliament ratified the changes in September and the Duma did so last week, he said.

Cyprus is home to the offshore branches of numerous Russian holding companies.

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