

'Deoffshorization' Could Harm Investment, Economist Says

By [The Moscow Times](#)

January 15, 2014



The TAX buttons. **Phillip Ingham**

The campaign against offshore companies could bring from \$5 billion to \$6 billion to government coffers, but may also harm the economy, Bank of America Merrill Lynch chief economist Vladimir Osakovsky said, Vedomosti reported Wednesday.

Interest and dividend payments worth \$100 billion went overseas in 2012, while 47 percent of foreign investment came from so-called low-tax countries, Osakovsky said.

By taxing dividend payments at a lower rate if the shareholder returned the profit to Russia, the potential tax base could be raised to 20 percent, he added. This same tax would be levied on the profits of Russian companies' offshore subsidiaries in accordance with a law on controlled foreign corporations.

This would result in the state collecting more taxes, but it would also reduce company profits

and hence investment opportunities, Osakovsky said. While more capital would flow into the domestic market, the more stringent requirements may turn away foreign investment.

President Vladimir Putin has said he wants to tax offshore subsidiary holdings if they do not profit Russia, and restrict companies that use offshore schemes from accessing state finances. He has ordered the government to prepare measures before July that would reduce the role of offshore firms in the Russian economy.

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