

New Rules Mean Russians Abroad Subject to Russian Finance Laws

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Kevin Coombs / Reuters

Proposed legislation would see all Russian citizens living abroad classed as “permanent financial residents” and obliged to provide Russia’s Finance Ministry with details of foreign earnings and bank accounts, the RBC news website reported Tuesday.

The proposed legislation is outlined in statutory enactments published this week by Russia’s Finance Ministry and would likely affect more than two million citizens. Kremlin spokesman Dmitry Peskov on Tuesday told journalists that the proposal was one of several put forward and that the Kremlin as yet had no official position toward the legislation.

Under current laws, citizens stop being “currency residents” after living abroad for one year or more but the new law will apply to all citizens, regardless of how long they have lived outside of Russia and on what grounds.

Such currency residents must adhere to Russian finance law, including, within a month of

moving, informing the tax service of bank accounts opened and providing information annually of funds moving through their foreign accounts, RBC reported.

The law would thus also prohibit Russians living abroad from performing a range of financial transactions, for example, transferring funds from the sale of property anywhere in the world to a foreigner, RBC reported.

The stipulations will not affect citizens who have already spent over one year abroad. Should they decide to return to Russia however, they must provide financial statements of all earnings and bank transactions for the entire period of time spent abroad.

This includes citizens who spend more than three months of the year in Russia but are not resident, the legislation states.

Legislators have earmarked Jan. 1 2018 as the date the law will be introduced, giving all citizens until March 2018 to inform Russia's tax authorities of current and former foreign accounts and transactions.

The legislation's accompanying documents acknowledge the difficulties banks may face in defining whether their customers are "ruble residents." The legislation's amendment however, on "permanent currency residence" for all Russian passport holders presumes responsibility before the country's tax services with subsequent restrictions and punishments on failure to adhere to the law.

Alexander Zakharov, partner with the Paragon Advice Group, told RBC that the legislation is essentially an attempt by Russia's Finance Ministry to "burden passport holders themselves with having to prove their exemption from tax."

This effectively gives Russian residents abroad a choice, Zakharov said, "to spend less time in Russia and lose the ruble as your currency."

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