

Russia's accession to the OECD Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting

The Convention is designed to combat schemes for withdrawing profits from Russia and will make it possible to coordinate efforts to implement the Organisation for Economic Cooperation and Development's Plan to Prevent Base Erosion and Profit Shifting by approving, on a multilateral basis, changes to the mechanism for enforcing existing agreements on avoidance of double taxation, without the need to hold bilateral talks on each such agreement separately.

Reference

Submitted by the Ministry of Finance.

The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting of 24 November 2016 was developed by the countries that are members of an Ad Hoc Group of the Organisation for Economic Cooperation and Development as part of implementing the Plan to Prevent Base Erosion and Profit Shifting (hereinafter, Convention, OECD, and BEPS Plan, respectively). The Convention has been open for signing since 31 December 2016.

The Convention is designed to prevent the withdrawal of profits from Russia and will make it possible to coordinate efforts to implement the BEPS Plan by approving, on a multilateral basis, changes regarding the mechanism for enforcing existing agreements on avoidance of double taxation, without the need to hold separate bilateral talks on each such agreement.

The signed directive adopted the Foreign Ministry proposal to sign the Convention, which had been duly coordinated with the Foreign Ministry, the Ministry of Economic Development, the Ministry of Justice, and the Federal Taxation Service of Russia.

The Convention will apply to 63 agreements on avoidance of double taxation concluded by the Russian Federation with foreign states. The only exception will be agreements with countries that are not members of the OECD Ad Hoc Group to develop the Convention, as well as agreements with Sweden and Japan as talks are underway to sign new agreements with these countries based on the provisions of the Convention.

In accordance with the Federal Law on International Treaties of the Russian Federation, the Convention is subject to ratification, as it contains rules that are different from those stipulated by Russian law.

The Convention is consistent with the Treaty on the Eurasian Economic Union and other international treaties of the Russian Federation.