GLOBALSERVE INTERNATIONAL NETWORK

UPDATES

Issue No. 22 Dated 4.7.2011

Russian Real Estate Investment Structures through Cyprus or other Jurisdiction?

Following the recent amendment of the Russia and Cyprus Double Tax Treaty many articles have been published on the net, suggesting other jurisdictions apart from Cyprus to be considered as effective vehicles for investments in Real Estate in Russia. More specifically, we came across to the below:

"The new protocol states that income from the sale by a Cyprian Shareholder of shares in most Russian real estate Investment Companies will be subject to 20% Russian withholding tax."

As in the above statement, many other publications forget to mention that this will be applicable not earlier than at least 2015 and that the below apply:

If the shares in a company derive more than 50% of their value from immovable property, the country where such property in located shall have the right to tax Capital Gains on the shares of such company.

These changes shall not apply to

(i) gains from the sale of shares in listed real estate companies in recognized stock exchanges. Note that the emerging market of the Cyprus Stock Exchange is a recognized Stock Exchange.

(ii) gains from the alienation of shares in the course of corporate reorganization, or

(iii) any sale where the seller is a Pension Fund, Provident Fund or the Government of Russia or Cyprus.

The most important point that these publications do not mention is that Russian authorities have announced their intention to renegotiate all Double Tax Treaties with all countries in order to apply the same treatment with respect to Capital Gains Tax from the sale of shares of holding companies in Russia Real Estate Companies.

In fact, this is the reason for which this clause applies as from 2015 and not earlier.

Tax havens under pressure to share black money

At the G20 Cannes summit in November 2011 OECD would recommend tough action against tax havens.

Global bodies are pushing tax heavens such as Switzerland and Luxembourg to amend their laws and share information in order to help countries like India track down the black money that has been sent abroad.

As Jeffrey Owens, the director of the OECD Centre for Tax Policy and Administration mentions, OECD is working side by side with G20, in order to force tax havens to be transparent and help curb tax evasion and money laundering. The OECD director highlighted that all countries, including the OECD member countries must comply with these decisions, otherwise sanctions will apply.

News

Globalserve Consultants Ltd organized the Conference on **"International Taxation & Asset Management in Turbulent Times"** in Moscow on 2nd June 2011, with Bank of Cyprus as the main sponsor.

On the day of the conference, 50 participants attended the conference, mainly lawyers, accountants and other professionals engaged in tax and wealth

Www.globalserve.com.cy

GIN Profile

Globalserve International Network (GIN) is an International Network of independent professionals, business consultants, accountants, lawyers, bankers, wealth asset and finance managers dealing with international tax issues and wealth asset management.

Legal Disclaimer

Contact us
9 Vassili Michaelides 3026, Limassol-Cyprus P.O.Box 57048 3311 Limassol-Cyprus
Tel: (00357) 25 824545, 00357 25 817181 Fax: (00357) 25 824055 www.globalservenetwork.com