



CYPRUS REMOVAL FROM RUSSIAN “BLACK LIST”

By order of the Ministry of Finance of the Russian Federation, with effect from **1 January 2013**, Cyprus will be removed from the list of offshore zones (“black list” of the Russian Ministry of Finance).

This long awaited exclusion of Cyprus from the “black list” is important from tax planning and transfer pricing perspectives for the following reasons:

- **Participation Exemption:** From 1 January 2013, dividends paid from Cyprus companies to Russian companies will be exempt from profits tax in Russia (provided that not less than 50% ownership held during at least 365 days). Up to 1 January 2013, the presence of Cyprus in the black list disallowed this exemption, hence dividends were taxed in Russia at 9%.
- **Transfer Pricing:** Transactions between Russian and Cyprus companies will be subject to standard transfer pricing regulations and will not be subject to onerous transfer pricing provision as countries on the black list.
- From 1 January 2013, various Russian provisions with restrictive implications in respect of payments to companies in jurisdictions on the black-list will not apply to transactions with Cyprus companies.