

THE RUSSIAN “INTERNAL OFFSHORE”

Are you aware of the “internal offshore” available in Russia? This “internal offshore” is comprised of special administrative regions: the islands Russkyi, located in the Primorskyi region, and Octabrskiy, located in the Kaliningrad region. These special administrative regions were created in order to attract foreign capital and are considered an alternative to, e.g., Cyprus or other transit jurisdictions used by international holding companies. Residents of the Russian internal offshore are entitled to apply certain tax benefits, including 0% to received dividends and 5% to dividends paid abroad (subject to certain conditions).

For Russian currency control purposes, such international holding companies are considered as non-residents and are entitled to perform the transfer of foreign currency and rubles between non-residents in Russia.

Recently, the Russian Government has initiated an extension of the geographic possibility of redomiciliation of international holding companies from foreign jurisdictions to the Russian internal offshore. The aim is to make redomiciliation available not only for the foreign companies located in countries that are members of FATF and MONEYVAL, but also for members of regional groups similar to FATF, in particular the Caribbean Financial Action Task Force. BVI, a popular offshore commonly used by Russian businesses, is a member of such group, therefore the relocation of an international holding company from BVI to the Russian internal offshore may be available. This is seen as another step in the transformation of the business climate in Russia.