

Russia

Russia Clarifies Attempted Capital Gains Taxation in Controversially Annexed Ukrainian Territories

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Report from our correspondent Kristina Trouch

Following Russia's widely condemned attempt to annex certain areas of Eastern and Southern Ukraine captured during its 2022 invasion, the Federal Tax Service (FTS) has issued rules seeking to govern the individual income tax treatment of capital gains received from the alienation of immovable property. The FTS rules will purportedly apply in the annexed Ukrainian territories of the Donetsk, Lugansk, Zaporizhzhia and Kherson oblasts, where Russia has sought to apply its tax laws from 1 January 2023.

Under article 217 of the Tax Code, capital gains from the alienation of immovable property are exempt from individual income tax if the property has been held for at least 5 years (3 years subject to conditions).

The FTS stated that the minimum ownership period for real estate located in the new territories is calculated from the date these ownership rights arise in accordance with the legislation in force in these territories before the entry into force of the relevant laws on their annexation.

Guidance Letter of the FTS no. BC-4-11/17910 was published on 25 January 2023.

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