

Russia

Ministry of Finance: Transfer of Shares in Russian LLC by Non-resident Individual Taxable in Russia

27 March 2023

Report from our correspondent Kristina Trouch

The Ministry of Finance (MoF) has clarified individual income tax implications when a non-resident individual shareholder transfers shares held in a Russian limited liability company (LLC).

The MoF stated shareholders of an LLC have the right to withdraw from a company by transferring their shareholdings (if stipulated by the company's bylaws) or allowing the company to acquire their shareholdings in cases provided for by Federal Law No. 14-FZ.

In accordance with article 23, paragraph 6.1 of Federal Law No. 14-FZ, in the event that a shareholder withdraws from the company, his shareholding is transferred to the company. The company must pay to the former shareholder an amount equal to the value of his shareholding (determined based on the company's accounting statements for the reporting period preceding the date of filing an application for withdrawal from the company). Alternatively, the company may, with the consent of the former shareholder, transfer to that shareholder other company assets of the same value.

Based on article 210, paragraph 1 of the Tax Code, when determining the tax base for individual income tax purposes, all income of the taxpayer is taken into account, whether received in cash or in kind, as well as the right to dispose of such income, or income in the form of material benefit determined in accordance with article 212 of the Tax Code.

Article 224, paragraph 3 of the Tax Code states that Russian-source income received by non-resident individuals is generally subject to individual income tax at a rate of 30%.

Consequently, the Russian LLC must act as a tax agent and calculate, withhold and remit the 30% individual income tax due on the income paid to the non-resident individual.

The MoF published Guidance Letter No. 03-04-06/13848 on 9 March 2023.

Russia - Ministry of Finance: Transfer of Shares in Russian LLC by Non-resident Individual Taxable in Russia (27 Mar. 2023), News IBFD.

Exported / Printed on 7 Mar. 2024 by hkermadi@deloitte.lu.