

Russian Ministry of Finance Announces Tax Treatment for Interest Income After Suspension of Tax Treaty Provisions

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Report from IBFD Tax Treaties Unit

On 11 August 2023, the Russian Ministry of Finance issued a [press release](#) (in Russian) concerning interest income following the Russian President's 8 August 2023 signing of Decree No. 585 on the temporary suspension of specific tax provisions within international tax treaties (see [Russia Temporarily Suspends Certain Provisions of 38 Tax Treaties with 'Unfriendly' States \(8 August 2023\)](#)).

The Ministry of Finance explains that interest income disbursed to export credit agencies or organizations engaged in banking activities in countries classified as 'unfriendly' were previously eligible for withholding tax exemptions or subject to reduced withholding tax rates as per international tax treaties. Following the Decree on suspension, tax agents are entitled to continue not calculating and not withholding corporate income tax on such interest income. Alternatively, they have the option to calculate and withhold the tax at a reduced rate. This applies if the foreign agencies or organizations involved are entitled to the income.

The corresponding amendments to the Russian Tax Code are expected to be prepared during the autumn session of the State Duma (the lower chamber of the Russian parliament) in 2023. These amendments will apply to the aforementioned interest income from the date of suspension of the relevant provisions within Russia's tax treaties.

Further developments will be reported as they occur.