

SUBMISSION OF TAX RETURNS BY FOREIGN CITIZENS

Beginning of calendar year is a traditional period for submission of tax returns by natural persons. Not only citizens of Russia, but also foreign citizens and stateless persons must give account for their income to Russian tax bodies as stipulated by applicable legislation. Besides, sometimes it concerns income received outside of RF.

In accordance with Tax code in Russia personal income tax (PIT) payers are Russian Federation tax residents and persons not being tax residents. As residents shall be deemed natural persons actually staying in the Russian Federation for at least 183 calendar days within 12 months running. The period of a natural person's staying in the Russian Federation shall not be interrupted by the periods of his exiting the Russian Federation for a short-term (less than six months) treatment or training. Period of stay in Russian territory is calculated by marks in passport confirming entry/ departure in/ from RF territory.

Within tax period (calendar year) tax status of natural person may change depending on period of stay inside and outside of the RF. Under results of the tax period final tax position of natural person defining taxation of income received for previous year is stated.

For **tax residents** incomes from sources in the RF and incomes from sources outside the RF are subject to income tax.

For **tax non-residents** only incomes in the RF are subject to income tax.

The following incomes shall be referred to as incomes from sources in the Russian Federation, for instance:

- the dividends and interest received from a Russian organisation, as well as interest received from Russian individual businessmen and (or) from a foreign organisation in connection with the activity of its permanent representation in the Russian Federation;
- incomes received from the lease or another use of an asset located in the Russian Federation;
- income from sale of shares, real estate and other property located in Russian Federation and owned by the natural person;
- compensation for the performance of labour or other duties, performed work, rendered services, performance of action in the Russian Federation;
- other incomes received by the taxpayer as a result of an activity he/she performed in the Russian Federation.

The incomes received from sources outside the Russian Federation include, for instance:

- the dividends and interest received from a foreign organisation, with the exception of interests referring to incomes from sources in the RF;
- incomes received from the lease or another use of an asset located outside of the Russian Federation;
- income from sale of shares, real estate and other property located outside of the Russian Federation;
- compensation for the performance of labour or other duties, performed work, rendered services, performance of action outside of the Russian Federation;
- other incomes received by the taxpayer as a result of an activity he/she performed outside of the Russian Federation.

List of incomes received from sources in the RF and outside the RF given in Tax code is open.

Incomes of tax residents are liable to tax at the rates of:

- 9% - in respect of dividends received from share holding in activities of organizations;
- 35% -in respect of :
 - cost of prizes received in competitions, games and other activities held with the purposes of advertising goods, works and services, in the part exceeding the amount of 4.000 RUR a year;
 - interest income on bank deposits in as much as it concerns the surplus amount calculated on the basis of the effective refinancing rate of the Central Bank of the Russian Federation on rouble deposits and 9 % per annum on foreign currency deposits;
 - amounts of economic gain on interest when the taxpayers receive borrowed (credit) funds in the part exceeding the amount of $\frac{3}{4}$ of refinancing rate of the Central Bank of the RF on rouble deposits and 9% rate on foreign currency deposits;
- 13% - in respect of all other incomes.

Incomes of persons not being tax residents are liable to tax at the rates of:

- 15% - in respect of dividends received from share holding in activities of Russian organizations;
- 30% - in respect of all other incomes.

In most cases tax amount on incomes received from sources in the RF is calculated, withheld from income of citizens and paid to budget by Russian organizations or representative offices of foreign entities paying those incomes (by tax agents). **Taxpayers (both residents and non-residents) are not obliged to submit tax returns** on such incomes. But there are exceptions to certain types of incomes received from sources in the RF as:

- incomes from sale of personal property in Russia;
- incomes in the form of granted property in Russia (in certain cases);
- prizes on lotteries, from totalizers, gaming machines and other risk-based games;
- compensation received from natural persons not being tax agents on the grounds of concluded labor and civil contracts including income on contract of lease or rent of any property;
- incomes which was not withheld by tax agents – on the assumption of amounts of such income;
- income in the form of remuneration paid to natural persons as to heirs (legal successors) of authors of works of science, literature, art, and also of authors of inventions, utility models and industrial standards.

PIT on those incomes is not withheld by tax agent that is why tax residents must submit tax return of such income to tax inspection.

As for **incomes received from sources outside the RF**, there is no tax agent in this case. That is why **Russian tax residents** receiving such income **must themselves submit tax return and pay PIT**. One of the most common example of such situation for foreign citizens is a work in Russian territory for a long time by contract concluded with foreign company.

So, foreign citizens must submit income tax returns to Russian tax bodies on condition that:

- they are Russian tax residents (that is they stay in RF territory more than 183 days within 12 successive months within one tax period),
and
- receive incomes from sources outside the RF and/or from sources in the RF, income tax on which is not withheld by tax agent (that is by Russian organization or representative office of foreign company in Russia paying the income).

Also it should be remembered that there are such cases **when foreign citizens being Russian tax residents are not obliged to submit tax returns but they have right to do it** to receive tax deductions (that is to refund part of tax amount paid before). For instance, deductions may be received upon acquisition of residence in Russia. **Return shall be submitted till 30th of April of the year** following expired calendar year income received in.

If foreign employee is going to terminate his/her activities in Russia and to leave its territory before end of calendar year, he/ she shall submit tax return not later than one month before departure from the RF territory. This foreign person shall pay PIT within 15 days after submission of such return.

If natural person does not submit return within the stated period, fine in the amount of 5% of payable tax under this return, for each full month or its part from the day stated for its submission, but no more than 30% of the tax amount and not less than 100 RUB will be imposed on him/ her.

If return is submitted more than 180 days late, fine will be 30% of tax amount and 10% for each month (full or partial) of delay exceeding 180 days.

And finally it should be mentioned that if **RF international treaties provide any other rules** of personal income taxation than the described above, **rules of these treaties are effective.**

ICLC Audit Company offers foreign natural persons services for preparation, filling of income returns, and also their submission and defense in tax bodies.

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