

**Cyprus removed from Russian List of “offshore” jurisdictions***June 2010***General**

Cyprus has officially been removed from the Russian List of “offshore” countries. By announcement of the Central Bank of the Russian Federation, this is with effect from 29 March 2010.

It is noted that Russian officials repeatedly insisted that Cyprus was never on any other Russian ‘list’.

Cyprus is widely considered as the prime springboard for inward and outward investments in Russia and other CIS countries.

**Related developments**

This removal came as no surprise as Cyprus and Russia were engaged in intense efforts and negotiations at the highest level in order to achieve this most favourable result.

Back in April 2009, the direct inclusion of Cyprus on the White List of OECD has reaffirmed the status of Cyprus as one of the most reputable and attractive financial centres. This helped in the efforts made by Cyprus to also be removed from other “lists”, such as the Italian List as well as the removal of the Cyprus flag from the US Coast Guard’s targeted flag list.

**Background history of the Russian List**

In 2007, Russia introduced a new tax provision (effective from January 1, 2008) exempting tax, under conditions, on dividends paid from foreign subsidiary companies to a parent company in Russia. At the time Russia also created a list of “offshore” countries (the so-called ‘blacklist’) for which this exemption shall not apply – and placed Cyprus on this list. The main reason for the inclusion of Cyprus on this list by the Russian government had been the general legal and practical restrictions on the exchange of information agreement between the two countries.

It is noted that the inclusion of Cyprus on this list did not affect the favorable benefits of the Russia-Cyprus Double Tax Treaty in the most usual structure where a Cyprus holding company is the parent company of Russian subsidiaries (as opposed to a Russian company being the parent of a Cyprus company).

**NOTES:**

The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained. Totalserve Management Ltd will be glad to assist you in this respect. Please do not hesitate to contact us.