

Increased substance requirements for companies in Switzerland in light of current Russian CFC legislation?



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Introduction - Intertrust facts & figures

With our international network of experts in law, accounting, finance and tax, we cover a full range of trust and corporate services.

30+ offices 20+ countries 1,500+ staff 15,000+ clients 40,000+ entities

Clients of Intertrust

- ▶ 60% of the Top 10 of the Fortune Global 500
- ▶ 64% of the Top 50 of the Fortune Global 500
- ▶ 60% of the Top 50 of the Private Equity International 300

Corporate services

- ▶ Formation & implementation
- ▶ Domiciliation & management
- ▶ Legal administration
- ▶ Accounting & reporting

Private wealth services

- ▶ Structuring & administration
- ▶ Intellectual property

Fund services

- ▶ Fiduciary services
- ▶ Legal administration
- ▶ Accounting & reporting

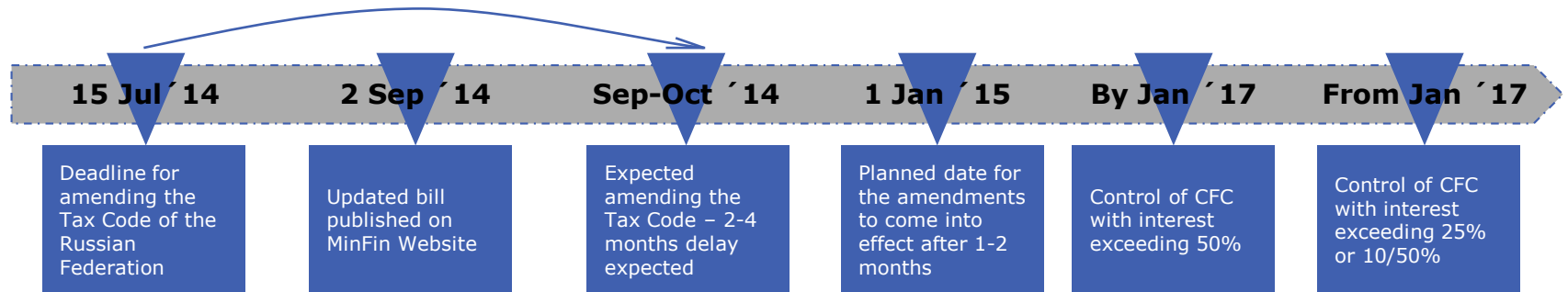
Capital markets

- ▶ Depository services
- ▶ SPV & Trustee services
- ▶ Collateral administration
- ▶ Investor reporting



Tax related measures - timeline

Recent De-offshorisation Legislation in Russia and Impacts



Main tax-related measures

1. Controlled Foreign Companies (CFC) legislation

2. Tax residency of legal entities by their place of management

3. Others



Coverage definition and possible strategies

Coverage Criteria and Exclusion

1. Controlled Foreign Companies (CFC) legislation

- Russian tax resident
- Exclusion 1: Foreign Companies from the White List with ETR <15%
- Exclusion 2: Foreign non-corporate structures if
 - Final impoverishment of assets
 - No change in rights after establishment possible
 - Founder does not benefit directly or indirectly from distributions

2. Tax residency of legal entities by their place of management

- 3 Main criteria
- >50% of board meetings take place in Russian Federation (RF)
 - Executive management exercises from RF
 - Chief Officers perform their duties in RF
- 4 additional supportive criteria
- Accounting records in RF
 - Company records in RF
 - Orders/admin payments
 - Daily management in Russia

Strategies to avoid coverage

No restructuring – pay full

De-off-shorization of structure

Giving up Russian Tax-residency

Establish a Trust structure to become exempt from CFC

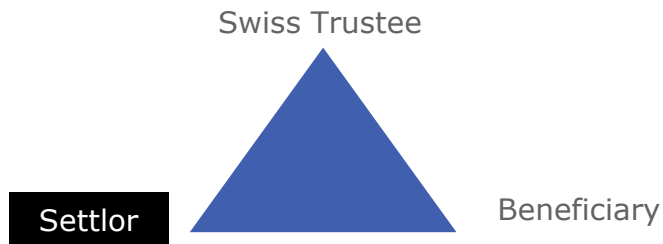
Change place of effective management

Possible Solutions – Trust structures and increased substance requirements

Possible Solutions with support of trust and corporate services provider

1. Establish a Trust structure

- To avoid trusts being covered under CFC, it has to be qualified as exemption
- For qualification it requires following criteria to be fulfilled:
 - No ability to influence decisions made by settlor
 - Settlor has no right to access the assets
 - Neither direct nor indirect beneficial rights to the settlor



2. Change place of effective management

To support place change of effective management and increase substance requirement following steps might be conducted

- Using GEMS database
- Outsourcing of accounting, tax compliance, payroll, legal & Secretarial administration/employees on payroll
- Own office space
- Engagement of personal directors



Q&A



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