

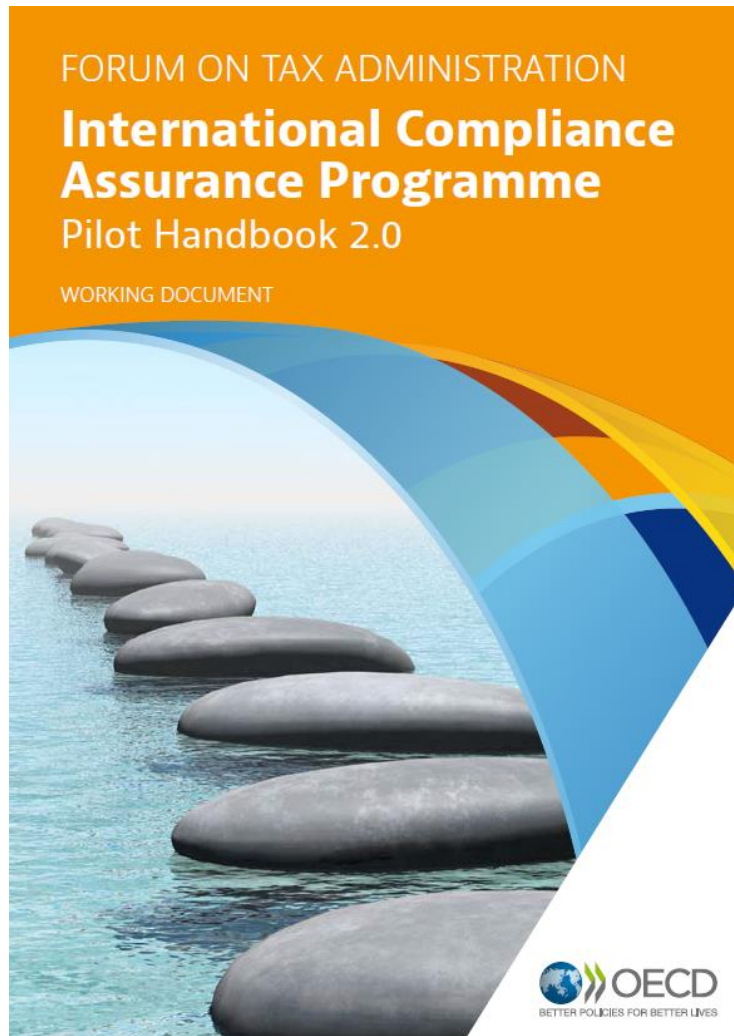
International Assurance Compliance Programme (ICAP)

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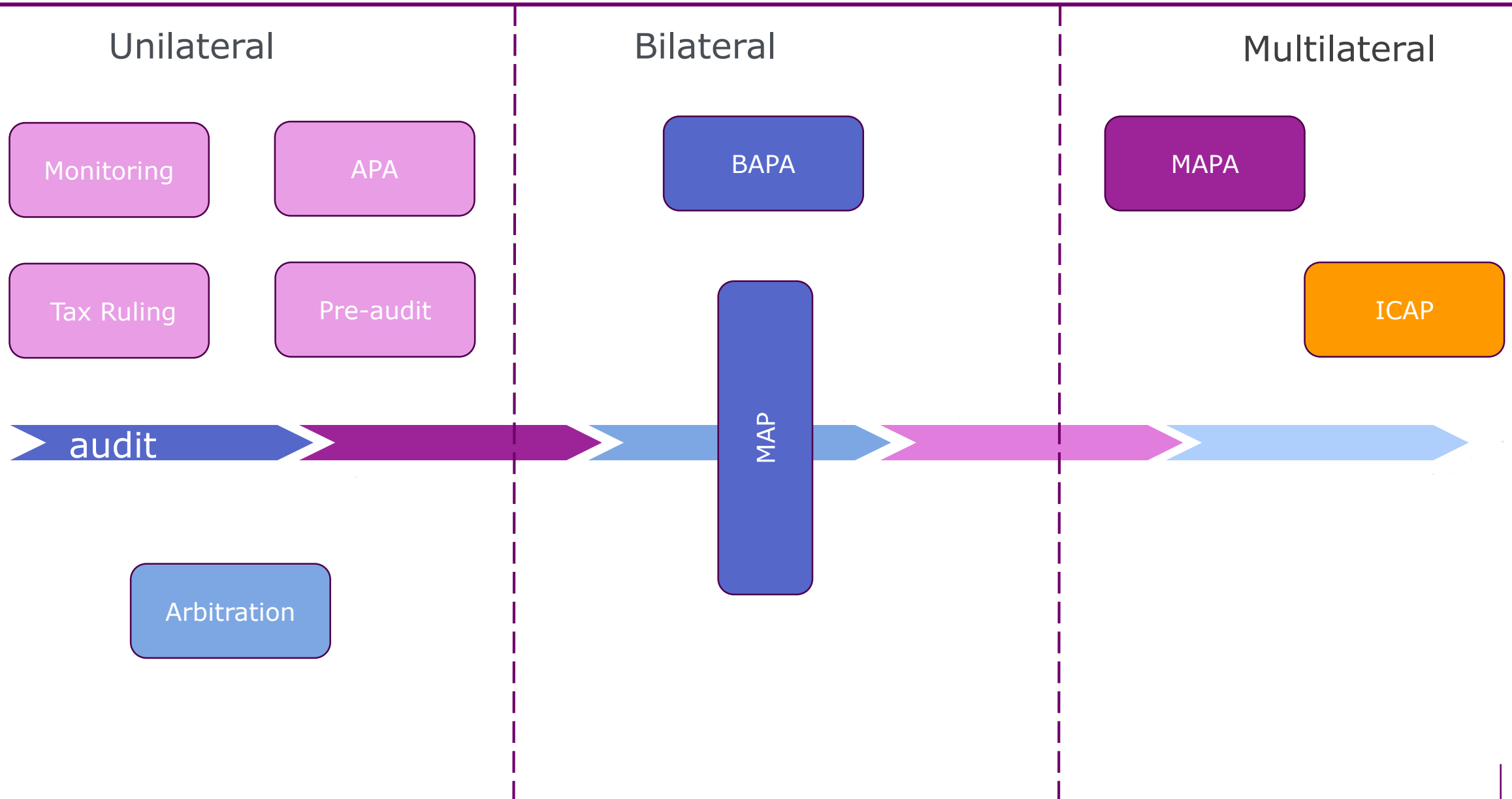


The Russian Tax Administration has become a participant of ICAP 2.0 (December 2019)

The drivers for ICAP:

- ↑ better tax compliance and assurance for MNEs through greater collaboration and co-operation between different tax administrations and MNEs
- ↑ providing a pathway to improved tax certainty for MNEs
- ↓ more effective dispute resolution and preventing unnecessary disputes

ICAP compared with other tools





Australia



Canada



Italy



Japan



Netherlands



Spain



United Kingdom



United States



Austria



Belgium



Denmark



Finland



France



Germany



Ireland



Luxembourg



Norway



Poland



Russia



whether UPE is resident in a participating jurisdiction



the footprint of MNE and volume/materiality of transactions in participating jurisdictions



whether the MNE is within scope of CbC reporting



whether the MNE has a group tax strategy and tax control framework dealing with risks at a global level



whether the MNE commits to engage co-operatively and transparently throughout the ICAP process

Covered risks and transactions

broad spectrum of international and cross-border risks, including:

- transfer-pricing risk
- PE risk
- other categories (hybrid mismatch arrangements, withholding tax and treaty benefits)



Covered tax administrations

lead tax administration (LTA) or surrogate lead tax administration

where MNE derives a significant proportion of its global revenue and has key activities

at least 3 tax administrations



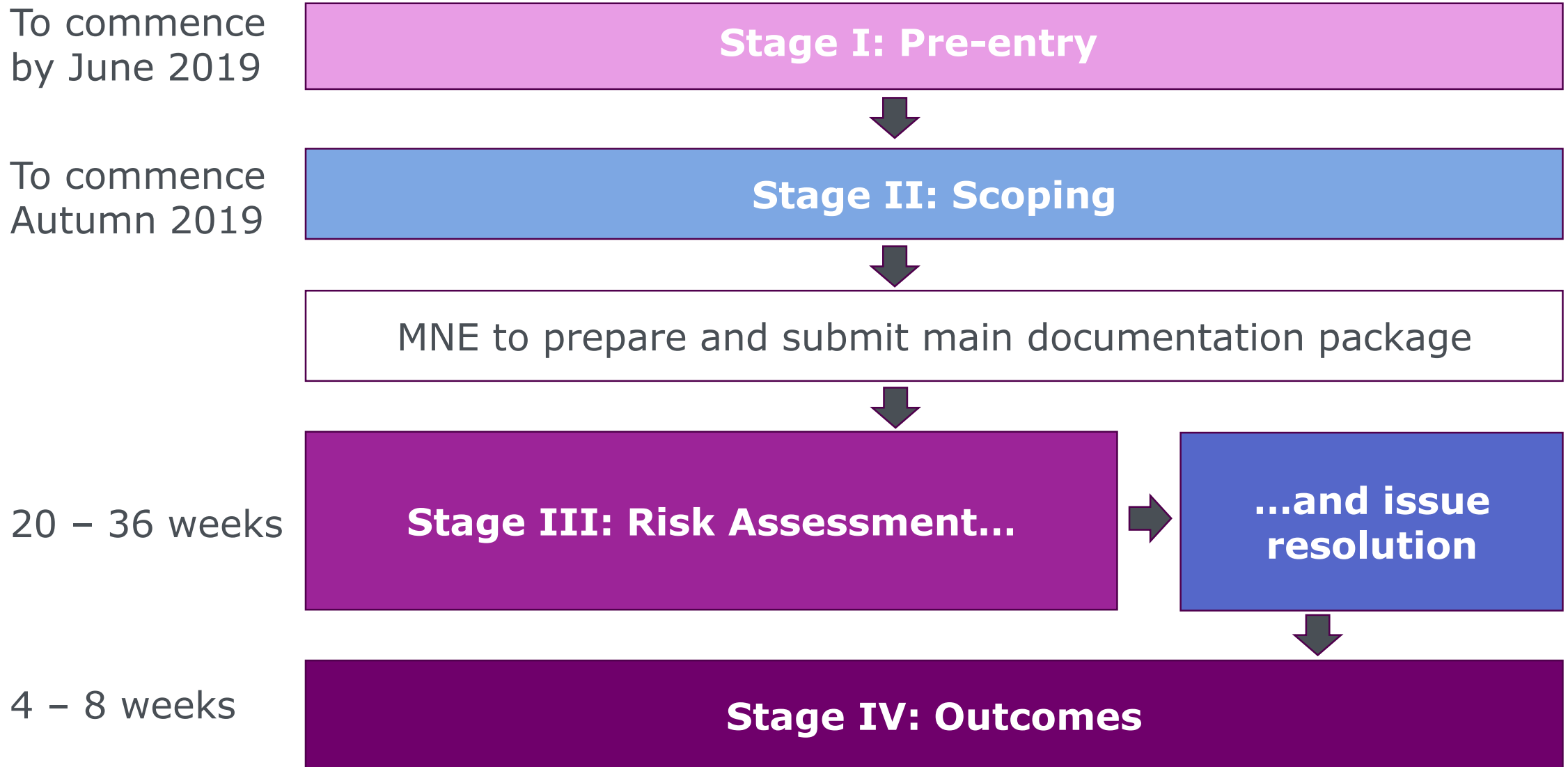
Covered periods

fiscal years beginning on or after 1 January 2016

two tax filing periods immediately following the covered periods (the roll-forward periods)



ICAP: process and time-frame



To commence
by June 2019

Stage I: Pre-entry

The main goal is to explore whether MNE's participation in ICAP would be considered favorably and by which tax administrations

Discussion on the ICAP process between MNE and UPE tax administration

Necessary information:

- a list of proposed covered tax administrations
- a list of proposed covered periods
- the identity of the main MNE entity in the jurisdiction of each proposed covered tax administration
- whether any transaction, arrangement or re-structuring has taken place in the last 12 months

To commence
Autumn 2019

Stage II: Scoping

The main goal is to ensure that an MNE and covered tax administrations clearly understand the scope of an ICAP risk assessment before the risk assessment stage commences

Necessary information:

- a scoping covered risk overview, which expands the pre-entry covered risk overview
- a copy of the MNE's latest CbC report
- the MNE's master file according action 13 Report
- a summary of the MNE's current global group structure (unless provided in the master file)
- a list of all unilateral, bilateral and multilateral APAs in place or in process

Discussion on the outcomes of scoping between MNE and UPE tax administration

4 - 8 weeks

Stage III: Risk assessment and issue resolution



The goal is a multilateral risk assessment and assurance of the covered risks by the lead tax administration and other covered tax administrations



Necessary information:

- the main documentation package (including a schedule containing details of covered transactions; the MNE's CbC report and a completed CbCR self-assessment; local files; audit consolidated financial statements; details of MNE's tax strategy; etc.)
- supplementary documentation (copies of intercompany agreements relevant to covered transactions; local files for jurisdictions other than those of covered tax administrations; information concerning uncertain tax positions for financial reporting purposes; etc.)



Each covered tax administration must draw its own conclusions based on its ICAP risk assessment and conversations with other covered tax administrations that, despite all efforts, may differ.

20 – 36 weeks

Stage IV: Outcomes



An MNE will receive a completion letter from the lead tax administration and an outcome letter from each covered tax administration, setting out the results of the tax administration's risk assessment



Outcome letter address the following:

- risk ratings
- any agreement reached as part of an issue resolution process
- confirmation of the covered risks that are considered to be low risk, with a statement that it is not anticipated that compliance resources will be dedicated to a further review of these risks for a defined period
- appropriate caveats or limitations



Direct multilateral engagement between tax administrations and MNEs



Clear timeframes for tax administrations and MNEs (though delays do happen)



A single documentation package for use by all tax administrations



Wide scope: previous & future periods and sensitive tax issues



ICAP is started only if at least 3 tax administrations agree to participate



The conclusions based on its ICAP risk assessment may differ for each tax administration concerned



Tax risks that are not assessed as low may result in audits or other instruments?



Uncertainty of consequences in domestic legislation (Articles 75 and 111 of the Tax Code)

Level of certainty according ICAP Handbook 2.0

Uncertainty

Comfort

Certainty

BAPA &
MAPA



ICAP



Audit



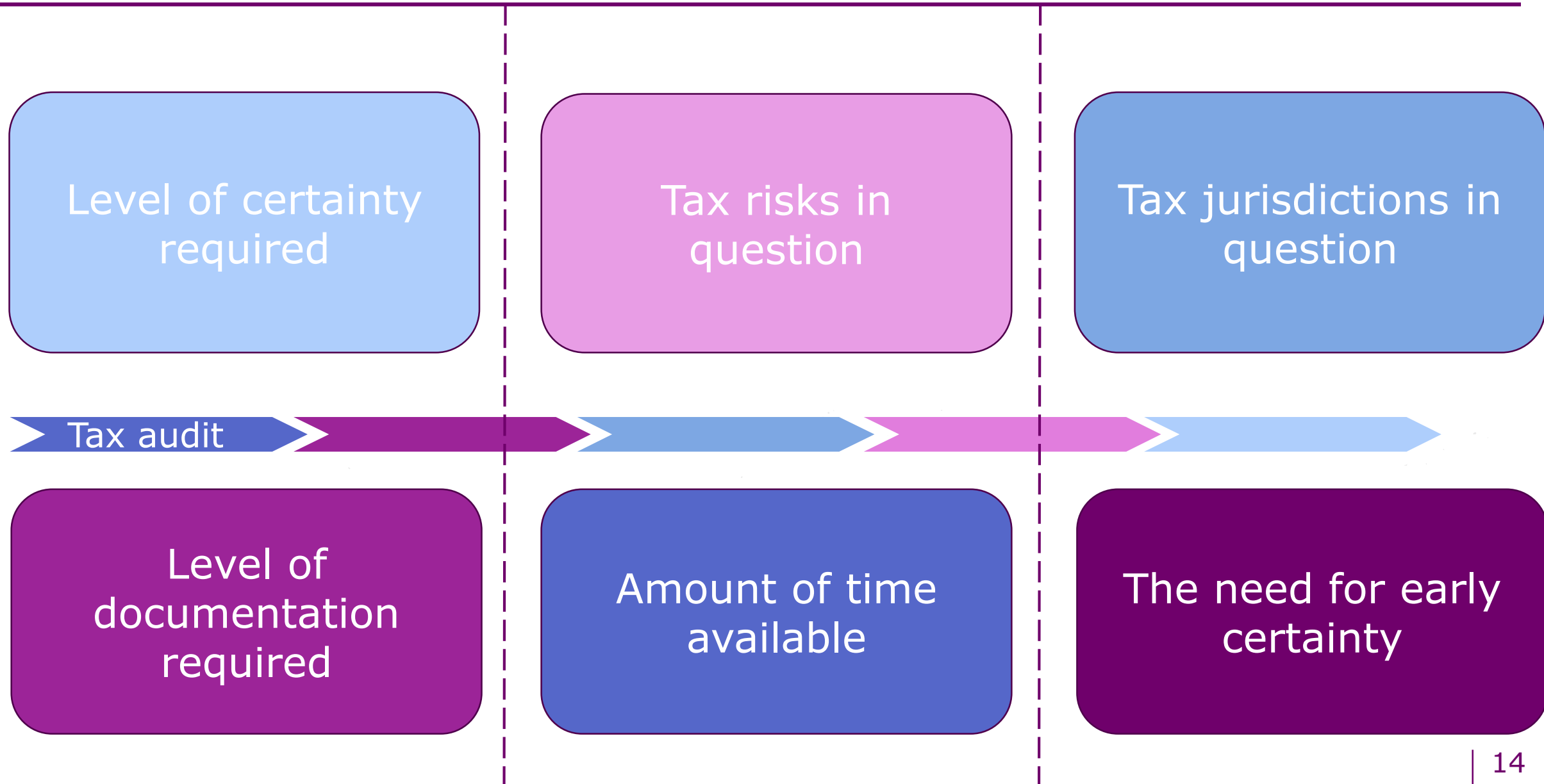
MAP

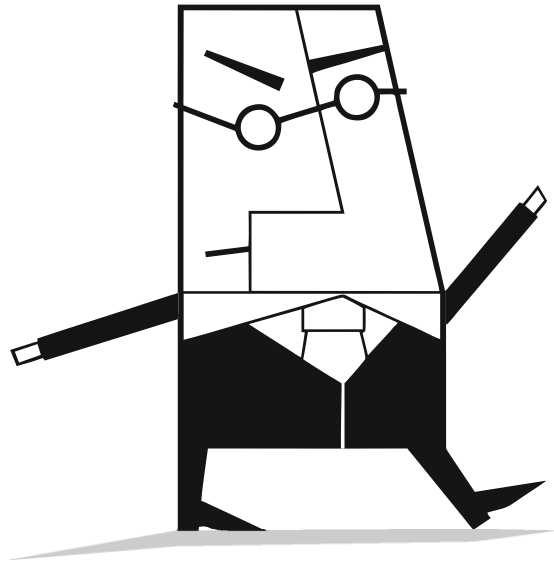


Arbitration



Factors to consider when choosing from different tools





- **Russia**

Moscow, St. Petersburg,
Krasnoyarsk, Yuzhno-Sakhalinsk,
Vladivostok

- **China**

Peking, Shanghai

- **Korea**

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