**SYNTHESISED TEXT OF THE MLI AND THE CONVENTION BETWEEN THE GOVERNMENT OF THE RUSSIAN FEDERATION  
AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND   
FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME AND CAPITAL GAINS**

**General disclaimer on the Synthesised text document**

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| This document presents the synthesised text for the application of the Convention between the Government and the Russian Federation and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital Gains signed on 15 February 1994 (the “Convention”), as modified by the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting signed by the United Kingdom and the Russian Federation on 7 June 2017 (the “MLI”).  This document was prepared in consultation with the competent authority of the Russian Federation and represents a shared understanding of the modifications made to the Convention by the MLI.  The document was prepared on the basis of the MLI position of the Russian Federation submitted to the Depositary upon ratification on 18 June 2019 and of the MLI position of the United Kingdom submitted to the Depositary upon ratification on 29 June 2018. These MLI positions are subject to modifications as provided in the MLI. Modifications made to MLI positions could modify the effects of the MLI on the Convention.  The authentic legal texts of the Convention and the MLI take precedence and remain the legal texts applicable.  The provisions of the MLI that are applicable with respect to the provisions of the Convention are included in boxes throughout the text of this document in the context of the relevant provisions of the Convention. The boxes containing the provisions of the MLI have generally been inserted in accordance with the ordering of the provisions of the 2017 OECD Model Tax Convention.  Changes to the text of the provisions of the MLI have been made to conform the terminology used in the MLI to the terminology used in the Convention (such as “Covered Tax Agreement” and “Convention“, “Contracting Jurisdictions” and “Contracting States”), to ease the comprehension of the provisions of the MLI. The changes in terminology are intended to increase the readability of the document and are not intended to change the substance of the provisions of the MLI. Similarly, changes have been made to parts of provisions of the MLI that describe existing provisions of the Convention: descriptive language has been replaced by legal references of the existing provisions to ease the readability. |
| In all cases, references made to the provisions of the Convention or to the Convention must be understood as referring to the Convention as modified by the provisions of the MLI, provided such provisions of the MLI have taken effect.  References  The copies of the legal texts of the MLI and the Convention can be found at the following links:  The MLI:  <http://www.oecd.org/tax/treaties/multilateral-convention-to-implement-tax-treaty-related-measures-to-prevent-BEPS.pdf>  In the Russian Federation:  <http://www.minfin.ru/ru/perfomance/tax_relations/international/?id_57=124786&area_id=57&page_id=179&popup=Y>  In the United Kingdom:  <https://www.legislation.gov.uk/uksi/1994/3213/made/data.pdf>  The MLI position of the Russian Federation submitted to the Depositary upon ratification on 18 June 2019 and of the MLI position of the United Kingdom submitted to the Depositary upon ratification on 29 June 2018can be found [on the MLI Depositary (OECD) webpage.](http://www.oecd.org/tax/treaties/multilateral-convention-to-implement-tax-treaty-related-measures-to-prevent-beps.htm) |

**Disclaimer on the entry into effect of the provisions of the MLI**

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| The provisions of the MLI applicable to the Convention do not take effect on the same dates as the original provisions of the Convention. Each of provisions of the MLI could take effect on different dates, depending on the types of taxes involved (taxes withheld at source or other taxes levied) and on the choices made by the United Kingdom and the Russian Federation in their MLI positions.  Dates of the deposit of instruments of ratification, acceptance or approval: 18 June 2019 for the Russian Federation and 29 June 2018 for the United Kingdom.  Entry into force of the MLI: 1 October 2018 for the United Kingdom and 1 October 2019 for the Russian Federation.  Unless it is stated otherwise elsewhere in this document, the provisions of the MLI have effect with respect to the Convention:   * In the Russian Federation and the United Kingdom, for taxes withheld at source, from 1 January 2021; * In the Russian Federation, for other taxes for taxable periods beginning on or after 1 January 2021; and * In the United Kingdom, from 1 April 2021 for corporation tax and from 6 April 2021 for income tax and capital gains tax. |

**CONVENTION BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE RUSSIAN FEDERATION FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME AND CAPITAL GAINS**

The Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Russian Federation;

**[REPLACED by paragraph 1 of Article 6 of the MLI] [**Desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains,**]**

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| ***The following paragraphs 1 and 3 of Article 6 of the MLI replace the text referring to an intent to eliminate double taxation in the preamble of this Convention:***  **ARTICLE 6 OF THE MLI - PURPOSE OF A COVERED TAX AGREEMENT**  **Desiring to further develop their economic relationship and to enhance their co-operation in tax matters,**  **Intending to eliminate double taxation with respect to the taxes covered by [*this Convention*] without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in [*this Convention*] for the indirect benefit of residents of third jurisdictions),** |

Have agreed as follows:

Article 1

**Personal scope**

This Convention shall apply to persons who are residents of one or both of the Contracting States.

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| ***The following paragraph 1 of Article 3 of the MLI applies and supersedes the provisions of this Convention:***  **ARTICLE 3 OF THE MLI - TRANSPARENT ENTITIES**  **For the purposes of the Agreement, income derived by or through an entity or arrangement that is treated as wholly or partly fiscally transparent under the tax law of either [Contracting State] shall be considered to be income of a resident of a [Contracting State] but only to the extent that the income is treated, for purposes of taxation by that [Contracting State], as the income of a resident of that [Contracting State].** |
| ***The following paragraph 1 of Article 11 of the MLI applies and supersedes the provisions of this Agreement***  **ARTICLE 11 OF THE MLI - APPLICATION OF TAX AGREEMENTS TO RESTRICT A PARTY’S RIGHT TO TAX ITS OWN RESIDENTS**  **[The Convention] shall not affect the taxation by a [Contracting State] of its residents, except with respect to the benefits granted [under:**  **a) paragraph 2 of Article 9;**  **b) Articles 19, 20, 22, 24, 25, 27; or**  **c) paragraphs (c), (d) and (e) of the Exchange of Notes]**  **of [the Convention].** |

Article 2

**Taxes covered**

1. This Convention shall apply to taxes on income and on capital gains imposed on behalf of a Contracting State or of its political subdivisions or local authorities, irrespective of the manner in which they are levied.

2. There shall be regarded as taxes on income and on capital gains all taxes imposed on total income or on elements of income including taxes on gains from the alienation of movable or immovable property and taxes on the total amounts of wages or salaries paid by enterprises.

3. The taxes which are the subject of this Convention are:

1. in the case of the United Kingdom:

i) the income tax;

ii) the corporation tax; and

iii) the capital gains tax (hereinafter referred to as "United Kingdom tax");

1. in the case of the Russian Federation, the taxes on income and profits imposed in accordance with the following laws:

i) "On taxes on profits of enterprises and organisations";

ii) "On taxation of income of banks";

iii) "On taxation of income from insurance activities";

iv) "On the income tax of individuals" (hereinafter referred to as "Russian Federation tax").

4. This Convention shall also apply to any identical or substantially similar taxes which are imposed by either Contracting State after the date of signature of this Convention in addition to, or in place of, the taxes of that Contracting State referred to in paragraph 3 of this Article. The competent authorities of the Contracting States shall notify each other of any substantial changes which have been made in their respective taxation laws.

Article 3

**General definitions**

1. For the purposes of this Convention, unless the context otherwise requires:

1. the term "United Kingdom" means Great Britain and Northern Ireland, including any area outside the territorial sea of the United Kingdom which in accordance with international law has been or may hereafter be designated, under the laws of the United Kingdom concerning the Continental Shelf, as an area within which the rights of the United Kingdom with respect to the seabed and subsoil and their natural resources may be exercised;
2. the term "the Russian Federation", when used in the geographical sense, means its territory, including its territorial waters as well as economic zone and Continental Shelf where this State exercises sovereign rights or rights and jurisdiction in conformity with international law and where its tax laws are effective;
3. the term "national" means:

i) in relation to the United Kingdom, any British citizen, or any British subject not possessing the citizenship of any other Commonwealth country or territory, provided he has the right of abode in the United Kingdom;

ii) in relation to the Russian Federation, any individual possessing its citizenship;

1. the terms "a Contracting State" and "the other Contracting State" mean the United Kingdom or the Russian Federation, as the context requires;
2. the term "person" comprises an individual, a company and any other body of persons, but does not include a partnership;
3. the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes;
4. the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;
5. the term "international traffic" means any transport by a ship or aircraft operated by an enterprise of a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;
6. the term "competent authority" means, in the case of the United Kingdom, the Commissioners of Inland Revenue or their authorised representative, and, in the case of the Russian Federation, the Ministry of Finance or its authorised representative.

2. As regards the application of this Convention by a Contracting State any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting State relating to the taxes which are the subject of this Convention.

Article 4

**Residence**

1. For the purposes of this Convention, the term "resident of a Contracting State" means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature; the term does not include any person who is liable to tax in that Contracting State only if he derives income or capital gains from sources therein.

2. Where by reason of the provisions of paragraph 1 of this Article an individual is a resident of both Contracting States, then his status shall be determined in accordance with the following rules:

1. he shall be deemed to be a resident of the Contracting State in which he has a permanent home available to him; if he has a permanent home available to him in both Contracting States, he shall be deemed to be a resident of the Contracting State with which his personal and economic relations are closer (centre of vital interests);
2. if the Contracting State in which he has his centre of vital interests cannot be determined, or if he has no permanent home available to him in either Contracting State, he shall be deemed to be a resident of the Contracting State in which he has an habitual abode;
3. if he has an habitual abode in both Contracting States or in neither of them, he shall be deemed to be a resident of the Contracting State of which he is a national;
4. if he is a national of both Contracting States or of neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

3. **[REPLACED by paragraph 1 of Article 4 of the MLI]** [Where by reason of the provisions of paragraph 1 of this Article a person other than an individual is a resident of both Contracting States, then it shall be deemed to be a resident of the Contracting State in which its place of effective management is situated.]

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| ***The following paragraph 1 of Article 4 of the MLI replaces paragraph 3 of Article 4 of this Convention:***  **ARTICLE 4 OF THE MLI - DUAL RESIDENT ENTITIES**  **Where by reason of the provisions of [*this Convention*] a person other than an individual is a resident of both [*Contracting States*], the competent authorities of the [*Contracting States*] shall endeavour to determine by mutual agreement the [*Contracting State*] of which such person shall be deemed to be a resident for the purposes of [*this Convention*], having regard to its place of effective management, the place where it is incorporated or otherwise constituted and any other relevant factors. In the absence of such agreement, such person shall not be entitled to any relief or exemption from tax provided by [*this Convention*] except to the extent and in such manner as may be agreed upon by the competent authorities of the [*Contracting States*].** |

Article 5

**Permanent establishment**

1. For the purposes of this Convention, the term "permanent establishment" means a fixed place of business through which the business of an enterprise of a Contracting State is wholly or partly carried on in the other Contracting State.

2. The term "permanent establishment" includes especially:

(a) a place of management;

(b) a branch;

(c) an office;

(d) a factory;

(e) a workshop;

(f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.

3. A building site or construction or installation project constitutes a permanent establishment only if it lasts more than twelve months.

4. Notwithstanding the preceding provisions of this Article, the term "permanent establishment" shall be deemed not to include:

(a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;

(b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;

(c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;

(d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or of collecting information, for the enterprise;

(e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;

(f) the maintenance of a fixed place of business solely for any combination of activities mentioned in sub-paragraphs (a) to (e) of this paragraph, provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.

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| ***The following paragraph 4 of Article 13 of the MLI applies to paragraph 4 of Article 5 of this Convention:***  **ARTICLE 13 OF THE MLI – ARTIFICIAL AVOIDANCE OF PERMANENT ESTABLISHMENT STATUS THROUGH THE SPECIFIC ACTIVITY EXEMPTIONS**  **[*Paragraph 4 of* *Article 5 of the Convention*] shall not apply to a fixed place of business that is used or maintained by an enterprise if the same enterprise or a closely related enterprise carries on business activities at the same place or at another place in the same [*Contracting State*] and:**  **a) that place or other place constitutes a permanent establishment for the enterprise or the closely related enterprise under the provisions of [*Article 5 of the Convention*]; or**  **b) the overall activity resulting from the combination of the activities carried on by the two enterprises at the same place, or by the same enterprise or closely related enterprises at the two places, is not of a preparatory or auxiliary character,**  **provided that the business activities carried on by the two enterprises at the same place, or by the same enterprise or closely related enterprises at the two places, constitute complementary functions that are part of a cohesive business operation.** |

5. Notwithstanding the provisions of paragraphs 1 and 2 of this Article, where a person - other than an agent of an independent status to whom paragraph 6 of this Article applies - is acting on behalf of an enterprise and has, and habitually exercises, in a Contracting State an authority to conclude contracts on behalf of the enterprise, that enterprise shall be deemed to have a permanent establishment in that State in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph 4 of this Article which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.

6. An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that State through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business.

7. The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

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| ***The following paragraph 1 of Article 15 of the MLI applies to this Convention:***  **ARTICLE 15 OF THE MLI – DEFINITION OF A PERSON CLOSELY RELATED TO AN ENTERPRISE**  **For the purposes of the provisions of [*Article 5 of this Convention*], a person is closely related to an enterprise if, based on all the relevant facts and circumstances, one has control of the other or both are under the control of the same persons or enterprises. In any case, a person shall be considered to be closely related to an enterprise if one possesses directly or indirectly more than 50 per cent of the beneficial interest in the other (or, in the case of a company, more than 50 per cent of the aggregate vote and value of the company’s shares or of the beneficial equity interest in the company) or if another person possesses directly or indirectly more than 50 per cent of the beneficial interest (or, in the case of a company, more than 50 per cent of the aggregate vote and value of the company’s shares or of the beneficial equity interest in the company) in the person and the enterprise.** |

Article 6

**Income from immovable property**

1. Income derived by a resident of a Contracting State from immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other State.

2. The term "immovable property" shall have the meaning which it has under the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships and aircraft shall not be regarded as immovable property.

3. The provisions of paragraph 1 of this Article shall apply to income derived from the direct use, letting, or use in any other form of immovable property.

4. The provisions of paragraphs 1 and 3 of this Article shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of independent personal services.

Article 7

**Business profits**

1. The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on or has carried on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.

2. Subject to the provisions of paragraph 3 of this Article, where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.

3. In determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the permanent establishment, including a reasonable allocation of executive and general administrative expenses incurred for the purposes of the enterprise as a whole, whether in the Contracting State in which the permanent establishment is situated or elsewhere.

4. No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

5. For the purposes of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.

6. Where profits include items of income or capital gains which are dealt with separately in other Articles of this Convention, then the provisions of those Articles shall not be affected by the provisions of this Article.

Article 8

**Shipping and air transport**

1. Profits derived by a resident of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that State.

2. For the purposes of this Article, profits from the operation of ships or aircraft in international traffic include in particular:

1. income from the rental on a bareboat basis of ships or aircraft; and
2. profits from the use, maintenance or rental of containers (including trailers and related equipment for the transport of containers) used for the transport of goods or merchandise;

where such rental or such use, maintenance or rental, as the case may be, is incidental to the operation of ships or aircraft in international traffic.

3. Where profits within paragraphs 1 or 2 of this Article are derived by a resident of a Contracting State from participation in a pool, a joint business or an international operating agency, the profits attributable to that resident shall be taxable only in the Contracting State of which he is a resident.

Article 9

**Adjustments to income**

1. Where:

1. an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State; or
2. the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State;

and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would have accrued to one of the enterprises, but, by reason of those conditions have not so accrued, may be included by a Contracting State in the profits of that enterprise and taxed accordingly.

2. Where a Contracting State includes in the profits of an enterprise of that State - and taxes accordingly - profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the profits so included are profits which would have accrued to the enterprise of the first-mentioned State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of this Convention and the competent authorities of the Contracting States shall if necessary consult each other.

Article 10

**Dividends**

1. Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other State.

2. However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that State, but if the recipient is the beneficial owner of the dividends and subject to tax in respect of the dividends in that other Contracting State the tax so charged shall not exceed 10% of the gross amount of the dividends.

3. The term "dividends" as used in this Article means income from shares, or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights assimilated to income from shares by the taxation laws of the State of which the company making the distribution is a resident and also includes any other item (other than interest relieved from tax under Article 11 of this Convention) which, under the laws of the Contracting State of which the company paying the dividend is a resident, is treated as a dividend or distribution of a company.

4. The provisions of paragraphs 1 and 2 of this Article shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14 of this Convention, as the case may be, shall apply.

5. Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in that other State, nor subject the company's undistributed profits to a tax on undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in that other State.

Article 11

**Interest**

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State shall be taxable only in that other State if such resident is the beneficial owner of the interest.

2. The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtors profits, and in particular, income from government securities and income from bonds or debentures. The term "interest" shall not include any item which is treated as a dividend under the provisions of Article 10 of this Convention.

3. The provisions of paragraph 1 of this Article shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest arises, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14 of this Convention, as the case may be, shall apply.

4. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest paid exceeds, for whatever reason, the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount of interest. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

5. Any provision in the laws of either Contracting State relating only to interest paid to a non-resident company shall not operate so as to require such interest paid to a company which is a resident of the other Contracting State to be treated as a distribution or dividend by the company paying such interest. The preceding sentence shall not apply to interest paid to a company which is a resident of one of the Contracting States in which more than 50% of the voting power is controlled, directly or indirectly, by a person or persons who are residents of the other Contracting State.

6. **[REPLACED by paragraph 1 of Article 7 of the MLI][[1]](#footnote-1)** [The provisions of this Article shall not apply if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the debt-claim in respect of which the interest is paid to take advantage of this Article by means of that creation or assignment.]

Article 12

**Royalties**

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State shall be taxable only in that other State if such resident is the beneficial owner of the royalties.

2. The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work (including cinematograph films, and films or tapes for radio or television broadcasting), any patent, trade mark, design or model, plan, secret formula or process, or for information (know-how) concerning industrial, commercial or scientific experience.

3. The provisions of paragraph 1 of this Article shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14 of this Convention, as the case may be, shall apply.

4. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties paid exceeds, for whatever reason, the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

5. **[REPLACED by paragraph 1 of Article 7 of the MLI][[2]](#footnote-2) [**The provisions of this Article shall not apply if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the rights in respect of which the royalties are paid to take advantage of this Article by means of that creation or assignment.]

Article 13

**Capital gains**

1. Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 of this Convention and situated in the other Contracting State may be taxed in that other State.

2. Gains derived by a resident of a Contracting State from the alienation of:

1. shares, other than shares quoted on an approved Stock Exchange, deriving their value or the greater part of their value directly or indirectly from immovable property situated in the other Contracting State, or
2. an interest in a partnership or trust the assets of which consist principally of immovable property situated in the other Contracting State, or of shares referred to in subparagraph (a) above,

may be taxed in that other State.

3. Gains from the alienation of movable property forming part of a permanent establishment which a resident of a Contracting State has in the other Contracting State or of movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise) or of such fixed base, may be taxed in that other Contracting State.

4. Gains derived by a resident of a Contracting State from the alienation of ships or aircraft operated in international traffic by an enterprise of a Contracting State or movable property pertaining to such operation shall be taxable only in that Contracting State.

5. Subject to the provisions of Article 7 of this Convention gains from the alienation of any property other than that referred to in paragraphs 1, 2, 3 and 4 of this Article shall be taxable only in the Contracting State of which the alienator is a resident provided that those gains are subject to tax in that Contracting State.

6. The provisions of paragraph 5 of this Article shall not affect the right of a Contracting State to levy according to its law a tax on capital gains for the alienation of any property derived by an individual who is a resident of the other Contracting State and has been a resident of the first-mentioned Contracting State at any time during the five years immediately preceding the alienation of the property.

Article 14

**Independent personal services**

Income derived by a resident of a Contracting State in respect of professional services or other activities of an independent character shall be taxable only in that State unless he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities. If he has such a fixed base, the income may be taxed in the other State but only so much of it as is attributable to that fixed base.

The term "professional services" includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

Article 15

**Income from employment**

1. Subject to the provisions of Articles 16, 18, 19 and 20 of this Convention, salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.

2. Notwithstanding the provisions of paragraph 1 of this Article, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if:

1. the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days within any period of twelve months; and
2. the remuneration is paid by, or on behalf of, an employer who is not a resident of the other State; and
3. the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other State.

3. Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercised aboard a ship or aircraft operated in international traffic may be taxed in the Contracting State of which the enterprise operating the ship or aircraft is a resident.

Article 16

**Directors' fees**

Directors' fees and other similar payments derived by a resident of a Contracting State in his capacity as a member of the board of directors of a company which is a resident of the other Contracting State may be taxed in that other State.

Article 17

**Artistes and sportsmen**

1. Notwithstanding the provisions of Article 14 and Article 15 of this Convention, income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as a sportsman, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.

2. Where income in respect of personal activities exercised by an entertainer or a sportsman in his capacity as such accrues not to the entertainer or sportsman himself but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15 of this Convention, be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised.

Article 18

**Pensions**

Subject to the provisions of paragraph 2 of Article 19 of this Convention, pensions and other similar remuneration paid in consideration of past employment to a resident of a Contracting State shall be taxable only in that State.

Article 19

**Government service**

1. a) Remuneration, other than a pension, paid by a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.

b) However, such remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident of that State who:

i) is a national of that State without also being a national of the other Contracting State; or

ii) did not become a resident of that State solely for the purpose of rendering the services.

2. a) Any pension paid by, or out of funds created by, a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.

b) Notwithstanding the provisions of subparagraph (a) of this paragraph, such pension shall be taxable only in the other Contracting State if the individual is a resident of and a national of that State.

3. The provisions of Articles 15, 16 and 18 of this Convention shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or a local authority thereof.

Article 20

**Students and business apprentices**

Payments which a student or business apprentice who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who is present in the first-mentioned State solely for the purpose of his education or training receives for the purpose of his maintenance, education or training shall not be taxed in that first-mentioned State, provided that such payments arise from sources from the other Contracting State.

Article 21

**Other income**

1. Items of income beneficially owned by a resident of a Contracting State, wherever arising, which are not dealt with in the foregoing Articles of this Convention, other than income paid out of trusts or the estates of deceased persons in the course of administration, shall be taxable only in that State.

2. The provisions of paragraph 1 of this Article shall not apply to income, other than income from immovable property as defined in paragraph 2 of Article 6 of this Convention, if the recipient of such income, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14 of this Convention, as the case may be, shall apply.

Article 22

**Elimination of double taxation**

1. Subject to the provisions of the law of the United Kingdom regarding the allowance as a credit against United Kingdom tax of tax payable in a territory outside the United Kingdom (which shall not affect the general principle hereof):

1. Russian Federation tax payable under the laws of the Russian Federation and in accordance with this Convention, whether directly or by deduction, on profits, income or capital gains from sources within the Russian Federation (excluding in the case of a dividend, tax payable in the Russian Federation in respect of the profits out of which the dividend is paid) shall be allowed as a credit against any United Kingdom tax computed by reference to the same profits, income or gains by reference to which the Russian Federation tax is computed;
2. in the case of a dividend paid by a company which is a resident of the Russian Federation to a company which is a resident of the United Kingdom and which controls directly or indirectly at least 10% of the voting power in the company paying the dividend, the credit shall take into account (in addition to any Russian Federation tax for which credit may be allowed under the provisions of subparagraph (a) of this paragraph) the Russian Federation tax payable by the company in respect of the profits out of which such dividend is paid.

2. Where a resident of the Russian Federation derives income from the United Kingdom, which, in accordance with the provisions of this Convention, may be taxed in the United Kingdom, the amount of tax on that income payable in the United Kingdom, shall be credited against the tax levied in the Russian Federation imposed on that resident. The amount of credit, however, shall not exceed the amount of the tax of the Russian Federation on that income computed in accordance with its taxation laws and regulations.

3. For the purposes of paragraphs 1 and 2 of this Article, profits, income and capital gains owned by a resident of a Contracting State which may be taxed in the other Contracting State in accordance with this Convention shall be deemed to arise from sources in that other Contracting State.

Article 23

**Limitation of relief**

1. Where under any provision of this Convention any income is relieved from tax in the Russian Federation and, under the law in force in the United Kingdom a person, in respect of that income, is subject to tax by reference to the amount thereof which is remitted to or received in the United Kingdom and not by reference to the full amount thereof, then the relief to be allowed under this Convention in the Russian Federation shall apply only to so much of the income as is taxed in the United Kingdom.

2. Notwithstanding the provisions of any other Article of this Convention, a resident of a Contracting State who, as a consequence of domestic law concerning incentives to promote foreign investment, is not subject to tax or is subject to tax at a reduced rate in that Contracting State, on income or capital gains shall not receive the benefit of any reduction in or exemption from tax provided for in this Convention.

Article 24

**Non-discrimination**

1. Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances are or may be subjected.

2. The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favourably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities.

3. Except where the provisions of paragraph 1 of Article 9, paragraph 4 of Article 11, or paragraph 4 of Article 12 of this Convention apply and subject to the provisions of paragraph 5 of Article 11, interest, royalties and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State.

4. Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned State are or may be subjected.

4. Nothing contained in this Article shall be construed as obliging either Contracting State to grant to individuals not resident in that State any of the personal allowances, reliefs and reductions for tax purposes which are granted to individuals so resident.

5. The provisions of this Article shall apply to the taxes which are the subject of this Convention.

Article 25

**Mutual agreement procedure**

1. **[REPLACED by the first sentence of paragraph 1 of Article 16 of the MLI]** [Where a resident of a Contracting State considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident or, if his case comes under paragraph 1 of Article 24 of this Convention, to that Contracting State of which he is a national].

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| ***The following first sentence of paragraph 1 of Article 16 of the MLI replaces the first sentence of paragraph 1 of Article 25 of this Convention:***  **ARTICLE 16 OF THE MLI – MUTUAL AGREEMENT PROCEDURE**  **Where a person considers that the actions of one or both of the [Contracting States] result or will result for that person in taxation not in accordance with the provisions of [this Convention], that person may, irrespective of the remedies provided by the domestic law of those [Contracting States], present the case to the competent authority of either [Contracting State].** |
|  |
| ***The following second sentence of paragraph 1 of Article 16 of the MLI applies and supersedes the provisions of this Convention:***  **ARTICLE 16 OF THE MLI – MUTUAL AGREEMENT PROCEDURE**  **The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of [*the Convention*].** |

2. The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation not in accordance with the Convention.

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| ***The following second sentence of paragraph 2 of Article 16 of the MLI applies to this* *Convention:***  **ARTICLE 16 OF THE MLI – MUTUAL AGREEMENT PROCEDURE**  **Any agreement reached shall be implemented notwithstanding any time limits in the domestic law of [*the Contracting States*].** |

3. The competent authorities of the Contracting State shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention.

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| ***The following second sentence of paragraph 3 of Article 16 of the MLI applies to this Convention:***  **ARTICLE 16 OF THE MLI – MUTUAL AGREEMENT PROCEDURE**  **They may also consult together for the elimination of double taxation in cases not provided for in [*the Convention*].** |

4. The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs.

Article 26

**Exchange of information**

1. The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out the provisions of this Convention or of the domestic laws of the Contracting States concerning taxes covered by this Convention insofar as the taxation thereunder is not contrary to this Convention, in particular, to prevent fraud and to facilitate the administration of statutory provisions against legal avoidance. Any information received by a Contracting State shall be treated as secret and shall be disclosed only to persons or authorities (including courts and administrative bodies) involved in the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by this Convention. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

2. In no case shall the provisions of paragraph 1 of this Article be construed so as to impose on the competent authority of either Contracting State the obligation:

1. to carry out administrative measures at variance with the laws and administrative practice prevailing in either Contracting State;
2. to supply information which is not obtainable under the laws or in the normal course of the administration of either Contracting State;
3. to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or information the disclosure of which would be contrary to public policy.

Article 27

**Members and employees of diplomatic or consular establishments and permanent missions**

Nothing in this Convention shall affect any fiscal privileges accorded to members and employees of diplomatic or consular establishments or permanent missions to international organisations under the general rules of international law or under the provisions of special agreements.

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| ***The following paragraph 1 of Article 7 of the MLI replaces paragraph 6 of Article 11 and paragraph 5 of Article 12 of this Convention:***  **ARTICLE 7 OF THE MLI – PREVENTION OF TREATY ABUSE**  **(Principal purposes test provision)**  **Notwithstanding any provisions of [the Convention], a benefit under [the Convention] shall not be granted in respect of an item of income or capital if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of [the Convention].** |

Article 28

**Entry into force**

1. Each of the Contracting States shall notify to the other in writing through the diplomatic channel the completion of the internal procedures required by the law applied in that Contracting State for the bringing into force of this Convention. This Convention shall enter into force on the date of the later of these notifications and shall thereupon have effect:

1. in the United Kingdom:

i) in respect of income tax and capital gains tax, for any year of assessment beginning on or after 6th April in the calendar year next following that in which the Convention enters into force;

ii) in respect of corporation tax, for any financial year beginning on or after 1st April in the calendar year next following that in which the Convention enters into force;

1. in the Russian Federation:

i) in respect of taxes withheld at source for amounts paid or credited starting from the first of January of the calendar year, following the year in which the Convention enters into force;

ii) in respect of other income taxes for taxable periods beginning on or after the first of January of the calendar year, following the year in which the Convention enters into force.

2. Subject to the provisions of paragraph 3 of this Article as regards relations between the United Kingdom and the Russian Federation, the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Union of Soviet Socialist Republics for the Avoidance of Double Taxation of Air Transport Undertakings and their Employees signed at London on 3rd May 1974 (hereinafter referred to as "the 1974 Agreement") and the Convention between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Union of Soviet Socialist Republics for the Avoidance of Double Taxation with respect to Taxes on Income and Capital Gains signed at London on 31st July 1985 (hereinafter referred to as "the 1985 Convention") shall cease to have effect in respect of the taxes to which this Convention applies in accordance with the provisions of paragraph 1 of this Article.

3. Where any provision of the 1985 Convention would have afforded any greater relief from tax than is due under this Convention, any such provision as aforesaid shall continue to have effect:

1. in the United Kingdom, for any year of assessment, financial year or chargeable period, and
2. in the Russian Federation, for any taxable period, beginning, in either case, before the entry into force of this Convention.

Article 29

**Termination**

1. This Convention shall remain in force until terminated by one of the Contracting States. Either Contracting State may terminate the Convention, through diplomatic channels, by giving notice in writing of termination at least six months before the end of any calendar year beginning after the expiry of five years from the date of entry into force of the Convention. In such event, the Convention shall cease to have effect:

1. in the United Kingdom:

i) in respect of income tax and capital gains tax, for any year of assessment beginning on or after 6th April in the calendar year next following that in which the notice is given;

ii) in respect of corporation tax, for any financial year beginning on or after 1st April in the calendar year next following that in which the notice is given;

1. in the Russian Federation:

i) in respect of tax withheld at source, for amounts paid or credited on or after the first day of January in the calendar year next following that in which the notice is given;

ii) in respect of other taxes on income, for taxation years beginning on or after the first day of January in the calendar year next following that in which the notice is given.

In witness whereof the undersigned, duly authorised thereto, have signed this Convention.

Done at Moscow this 15th day of February 1994 in duplicate in the English and Russian languages, both texts being equally authoritative.

For the Government of the For the Government of United Kingdom Great Britain and the Russian Federation: Northern Ireland:

*Douglas Hurd* *Andrei Kozyrev*

**EXCHANGE OF NOTES**

*Moscow*

*15th February 1994*

Excellency,

I have the honour to refer to the Convention between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Russian Federation for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital Gains which has been signed today and to make on behalf of the Government of the United Kingdom the following proposals for the purpose of applying:

Article 22: Elimination of double taxation

*Interest payable by a permanent establishment of an enterprise of a Contracting State.*

1. In computing tax payable on its income or profits, there shall be allowed to a permanent establishment of an enterprise of a Contracting State, a deduction for interest incurred for the purpose of its trade or business whether paid to a bank or other person and without regard to the period of the loan, but that deduction shall not be available to the extent that the interest paid exceeds, for whatever reason, the amount which would have been agreed upon in the absence of a special relationship between the payer and the beneficial owner of the interest.

*Wages, salaries and other remuneration for personal services payable by a permanent establishment of an enterprise of a Contracting State*

1. In computing tax payable on its profits, there shall be allowed to a permanent establishment of an enterprise of a Contracting State, a deduction for actual wages, salaries and other remuneration for personal services paid by the permanent establishment and incurred for the purpose of its trade or business, provided, in the case of a permanent establishment in the Russian Federation of an enterprise of the United Kingdom, that such permanent establishment pays tax at rates in accordance with the law "On taxes on profits of enterprises and organisations". In the event that the law "On taxes on profits of enterprises and organisations" ceases to have effect, such permanent establishment will be permitted to continue to compute its tax as specified in this subparagraph.

*Interest payable by a company or other taxable entity which is a resident of a Contracting State*

1. In computing tax payable on its income or profits, there shall be allowed, to a company or other taxable entity which is a resident of a Contracting State and which is wholly or partly owned by a resident or residents of the other Contracting State, a deduction for interest incurred for the purpose of its trade or business whether paid to a bank or other person and without regard to the period of the loan, but that deduction shall not be available to the extent that the interest paid exceeds, for whatever reason, the amount which would have been agreed upon in the absence of a special relationship between the payer and the beneficial owner of the interest.

*Wages, salaries and other remuneration for personal services payable by a company or other taxable entity which is a resident of a Contracting State*

1. In computing tax payable on its profits, there shall be allowed, to a company or other taxable entity which is a resident of a Contracting State and which is at least 30% owned by a resident or residents of the other Contracting State and the issued share capital of which is at least £75,000 (or the equivalent value in roubles), a deduction for actual wages, salaries and other remuneration for personal services paid by the company or other entity and incurred for the purpose of its trade or business provided that the company or other entity is engaged in production or manufacturing and that, in the case of a company or other taxable entity resident in the Russian Federation which is owned by a UK resident or residents, such resident pays tax at rates in accordance with the law "On taxes on profits of enterprises and organisations". In the event that the law "On taxes on profits of enterprises and organisations" ceases to have effect, such resident will be permitted to continue to compute its tax as specified in this subparagraph.

*Wages, salaries and other remuneration for personal services payable by a company or other taxable entity carrying on banking, insurance or other financial business*

1. The Russian Federation agrees that if a banking, insurance or other financial business is carried on in the Russian Federation by a resident of the Russian Federation that is at least 30% owned by a resident or residents of the United Kingdom and has issued share capital of at least £75,000 (or the equivalent value in roubles), such resident of the Russian Federation shall be permitted deductions for actual wages and other remuneration for personal services, provided that such resident pays tax at rates in accordance with the law "On taxes on profits of enterprises and organisations". In the event that the law "On taxes on profits of enterprises and organisations" ceases to have effect, such resident will be permitted to continue to compute its tax as specified in this subparagraph.

*Withholding tax*

1. Each Contracting State shall endeavour to establish procedures to enable taxpayers to receive income dealt with under Articles 10, 11 and 12 without the imposition of withholding taxes where the Convention provides for taxation only in the State of residence. Where the Convention provides for taxation in the State where the income arises each State shall endeavour to establish procedures to enable taxpayers to receive income under deduction of tax at the rate provided for in the Convention. Where a claim is made by a taxpayer, tax withheld at source in a Contracting State at the rate provided for under domestic law shall be repaid in a timely manner where that tax is withheld at a rate in excess of that provided for under the terms of the Convention.

If the foregoing proposals are acceptable to the Government of the Russian Federation I have the honour to suggest that the present Note and Your Excellency's reply to that effect shall be regarded as constituting an agreement between the two Governments in this matter which shall enter into force at the same time as the entry into force of the Convention.

I avail myself of this opportunity to extend to Your Excellency the assurance of my highest consideration.

*Brian Fall*

Her Brittanic Majesty's Ambassador

*Moscow*

*15th February 1994*

Excellency,

I am in receipt of your note dated 15 February 1994 which states as follows:

"I have the honour to refer to the Convention between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Russian Federation for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital Gains which has been signed today and to make on behalf of the Government of the United Kingdom the following proposals for the purpose of applying:

Article 22:

Elimination of double taxation;

*Interest Payable by a Permanent Establishment of an Enterprise of a Contracting State*

(a) In computing tax payable on its income or profits, there shall be allowed to a permanent establishment of an enterprise of a Contracting State, a deduction for interest incurred for the purpose of its trade or business whether paid to a bank or other person and without regard to the period of the loan, but that deduction shall not be available to the extent that the interest paid exceeds, for whatever reason, the amount which would have been agreed upon in the absence of a special relationship between the payer and the beneficial owner of the interest.

*Wages, Salaries and other Remuneration for Personal Services Payable by a Permanent Establishment of an Enterprise of a Contracting State*

(b) In computing tax payable on its profits, there shall be allowed to a permanent establishment of an enterprise of a Contracting State, a deduction for actual wages, salaries and other remuneration for personal services paid by the permanent establishment and incurred for the purpose of its trade or business, provided in the case of a permanent establishment in the Russian Federation of an enterprise of the United Kingdom, that such permanent establishment pays tax at rates in accordance with the law "On taxes on profits of enterprises and organisations". In the event that the law "On taxes on profits of enterprises and organisations" ceases to have effect, such permanent establishment will be permitted to continue to compute its tax as specified in this subparagraph.

*Interest Payable by a Company or other Taxable Entity which is a Resident of a Contracting State*

(c) In computing tax payable on its income or profits, there shall be allowed, to a company or other taxable entity which is a resident of a Contracting State and which is wholly or partly owned by a resident or residents of the other Contracting State, a deduction for interest incurred for the purpose of its trade or business whether paid to a bank or other person and without regard to the period of the loan, but that deduction shall not be available to the extent that the interest paid exceeds, for whatever reason, the amount which would have been agreed upon in the absence of a special relationship between the payer and the beneficial owner of the interest.

*Wages, Salaries and other Remuneration for Personal Services Payable by a Company or other Taxable Entity which is a Resident of a Contracting State*

(d) In computing tax payable on its profits, there shall be allowed, to a company or other taxable entity which is a resident of a Contracting State and which is at least 30 per cent owned by a resident or residents of the other Contracting State and the issued share capital of which is at least £75,000 (or the equivalent value in roubles), a deduction for actual wages, salaries and other remuneration for personal services paid by the company or other entity and incurred for the purpose of its trade or business provided that the company or other entity is engaged in production or manufacturing and that, in the case of a company or other taxable entity resident in the Russian Federation which is owned by a UK resident or residents, such resident pays tax at rates in accordance with the law "On taxes on profits of enterprises and organisations". In the event that the law "On taxes on profits of enterprises and organisations" ceases to have effect, such resident will be permitted to continue to compute its tax as specified in this subparagraph.

*Wages, Salaries and other Remuneration for Personal Services Payable by a Company or other Taxable Entity Carrying on Banking, Insurance or other Financial Business.*

(e) The Russian Federation agrees that if a banking, insurance or other financial business is carried on in the Russian Federation by a resident of the Russian Federation that is at least 30 per cent owned by residents of the United Kingdom and has issued share capital of at least £75,000 (or the equivalent value in roubles), such resident of the Russian Federation shall be permitted deductions for actual wages and other remuneration for personal services, provided that such resident pays tax at rates in accordance with the law "On taxes on profits of enterprises and organisations". In the event that the law "On taxes on profits of enterprises and organisations" ceases to have effect, such resident will be permitted to continue to compute its tax as specified in this subparagraph.

*Withholding Tax*

(f) Each Contracting State shall endeavour to establish procedures to enable taxpayers to receive income dealt with under Articles 10, 11, and 12 without the imposition of withholding taxes where the Convention provides for taxation only in the state of residence. Where the Convention provides for taxation in the state where the income arises each State shall endeavour to establish procedures to enable taxpayers to receive income under deduction of tax at the rate provided for in the Convention. Where a claim is made by a taxpayer, tax withheld at source in a Contracting State at the rate for under domestic law shall be repaid in a timely manner where that tax is withheld at a rate in excess of that provided for under the terms of the Convention.

If the foregoing proposals are acceptable to the Government of the Russian Federation I have the honour to suggest that the present Note and Your Excellency's reply to that effect shall be regarded as constituting an agreement between the two Governments in this matter which shall enter into force at the same time as the entry into force of the Convention."

The foregoing proposals being acceptable to the Government of the Russian Federation, I have the honour to confirm that Your Excellency's Note and this Reply shall be regarded as constituting an agreement between the two Governments in this matter which shall enter into force at the same time as the entry into force of the Convention.

I take this opportunity to renew to Your Excellency the assurances of my highest consideration.

*Sergei Lavrov*

Deputy Minister for Foreign Affairs of

the Russian Federation

1. Refer to the box following Article 27 of the Convention [↑](#footnote-ref-1)
2. Refer to the box following Article 27 of the Convention [↑](#footnote-ref-2)