

# Approving a draft Convention between the governments of Russia and Japan on avoiding double taxation of incomes and preventing tax evasion

The signing of the Convention will allow tax payers of each contracting party to avoid paying twice on the same type of income, which will facilitate mutually beneficial cooperation between Russia and Japan and allow corresponding government bodies to exchange information in order to reveal tax offences.

## **Reference**

The document has been submitted by the Ministry of Finance.

The Russian side signed a directive endorsing the draft Convention between the Government of the Russian Federation and the Government of Japan on Avoiding Double Taxation of Incomes and Preventing Tax Evasion and the Protocol Thereto (hereinafter referred to as the Convention).

After signing, the Convention will replace the current Convention of 18 January 1986 between the Government of the USSR and the Government of Japan for the Avoidance of Double Taxation with Respect to Taxes on Income. The need to revise the relations envisaged in the Convention between the Government of the USSR and the Government of Japan is determined by changes in the conditions of economic activities in Russia and amendments in the tax legislation of both Russia and Japan, as well as the development of bilateral economic ties and international trends in taxation, which concern, in particular, information exchange and countering abuses.

The Convention covers taxes levied from the total sum of income or separate elements of income of persons that are residents of one or both Contracting States.

The Convention covers taxes from business activities, including profits from property, sea and air shipments, dividends, income from copyrights and licenses, and personal income.

The Convention guarantees that tax discrimination will not be permitted and regulates the procedure of reviewing inquiries and statements of taxpayers and settling disputes in the event the actions of one or both Contracting States are leading or will lead to the taxation in breach of the provisions of the concluded Convention.

The Convention also regulates information exchange between the competent bodies of the Contracting States.

In accordance with the federal law On the International Treaties of the

Russian Federation, after signing the Convention will be subject to ratification as it contains rules that differ from those envisaged by the Russian legislation.

The signing of the Convention will allow tax payers of each Contracting State to avoid paying twice on the same type of income, which will facilitate mutually beneficial cooperation between Russia and Japan, create additional conditions for attracting investment and allow corresponding government bodies to exchange information in order to reveal tax offences.