

Additional reporting obligations for Russian energy groups in foreign jurisdictions under the new requirements

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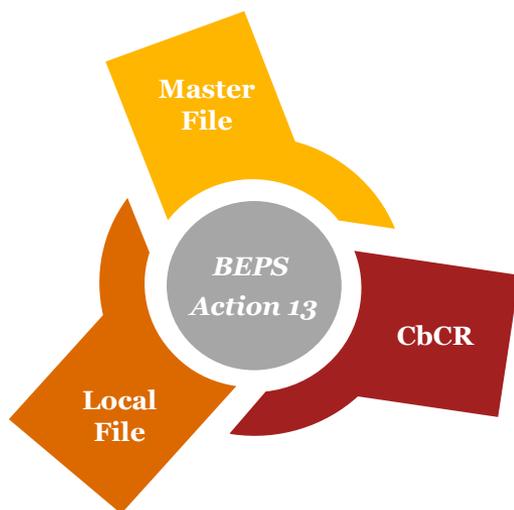
Agenda: topics to be discussed

1. New Transfer Pricing reporting, CbCR
2. EU Accounting Directive
3. EU Transparency Directive
4. Extractive Industries Transparency Initiative (EITI)

What are the new Transfer Pricing reporting requirements?

Which groups are subject to CbCR reporting?

Group of companies if its consolidated sales turnover **exceeds €750 mln per annum** based on the previous year's financial statements



New TP reporting requirements – three tier approach

- (1) **Master file** covering the Group's activities
 - *filing in every jurisdiction where the Group entities have TP filing obligations*
- (2) **Country-by-country report (CbCR)** with respect to the whole Group
 - *filing in one jurisdiction, the tax authorities of which would share the report with other jurisdictions in which the Group operates*
 - *reporting entity is a parent company in jurisdiction that introduced CbCR or other entities of group (if “secondary mechanism” applies)*
- (3) **Local file** on the details on controlled transactions of a particular group entity
 - *filing in every jurisdiction where the Group entities have TP filing obligations*

Which countries have introduced CbCR reporting?

- Russia, as a member of the G20, should follow the BEPS initiative as well. Therefore, CbCR is expected to be introduced in Russia. Draft legislation should be available soon.

Country	Status	Requirements for the preparation of the report under “secondary mechanism”	Penalties for failure in compliance with documentation requirements
UK	Yes (3 tier), starting 2016	Voluntary	Not significant (£ 300 for non-submission, £ 60 for each day of delay, £ 3000 for providing incorrect data)
Netherlands	Yes (3 tier), starting 2016	Obligatory, if reporting entity fails to prepare/exchange of information is not working	Penalty up to € 20,250; imprisonment up to four years
Germany	Yes, legislation will be introduced from 1 January 2016 (retroactively)	It is expected to be obligatory	Penalty in case of unusable documentation of 5 % to 10 % on adjustments imposed with a minimum of 5,000 Euro. Penalty up to 1m EURO in case of delay
Spain	Yes (3 tier), starting 2016	Obligatory	Non-submission/ incorrect data €1 000/€10 000, but no more than 10 % of the transaction, or 1 % of revenue
Ireland	Yes (only CbCR), starting 2016	If CbCR can be obtained through exchange of information, there are no such requirements	Yes
China	Draft law, will be introduced from 1 January 2016	Might be required under the investigation provided that CbCR is not filed by the ultimate parent company or information is not exchanged	Should be confirmed
Luxembourg	Probably will be introduced. In the current legislation there is the reference to revised OECD guidelines		
Italy	Yes (Master and Local file are already in the law), probably starting from 2016	Obligatory, if reporting entity fails to prepare/exchange of information is not working	From € 10,000 to € 50,000
France	Yes (documentation requirements updated), starting from 2016	Obligatory, if reporting entity fails to prepare/exchange of information is not working	Failure to provide CbCR form - € 100,000
Japan	Yes (3 tier), year starting 01/04/2016	Obligatory, if exchange of information is not working	Yes
US	Draft legislation published for public hearings, Probably will be introduced starting from 2017		

Implementing BEPS initiatives in Russia: text of draft law to introduce CbCR published on 8 April 2016

The draft law generally follows the OECD guidelines.



EU Accounting Directives

Chapter 10 of the EUAD **introduced the reporting of payments to governments made by companies in the extractive industry** and logging of primary forests.



Which entities should report?

Which entities should report

- Public interest entities (EU registered listed entity whose transferable securities are admitted for trading on a regulated market and active in the extractive industry)
- Large EU undertakings
 - balance sheet exceeds EUR 20,000,000
 - net turnover exceeds EUR 40,000,000
 - average number of employees exceeds 250

Which payments to government should be reported?



Payments to be disclosed

- production entitlements (government share of production);
- taxes levied on the income, production or profits of companies;
- royalties, dividends;
- signature, discovery and production bonuses;
- license fees, rental fees, entry fees and other considerations for licenses and/or concessions and payments for infrastructure improvements.



Introduction in different countries

First reporting period

2016 is expected to be the first reporting period for most EU member states. UK and France have adopted the legislation early, with 2015 being the first reporting period.

Deadlines



Reporting deadlines

- **UK:** at the latest 11 months after the end of each financial year. For 2015 the reporting deadline is November 30, 2016.
- **Netherlands:** at the latest 12 months after the end of each financial year.
- **Germany:** the report needs to be available electronically at the latest 1 year after the closing date.

EU Transparency Directive

In 2013 the EU introduced Directive 2013/50/EU of the European Parliament and the Council of 22 October 2013 amending Directive 2004/109/EC. Among other matters, the amendments introduce disclosure requirements in accordance with Chapter 10 of the EU Accounting Directive.



Which entities should report?

Which entities should report

EU and non-EU registered issuers of securities (shares, depository receipts, bonds) that are active in the extractive industries whose transferrable securities are admitted to trading on a regulated market in an EU Member State.

Which payments to government should be reported?



Payments to be disclosed

The same payments as in EU AD.



Introduction in different countries

First reporting period

- **UK:** applicable starting from 2015.
- **Netherlands:** applicable starting from 2016.
- **Germany:** applicable starting from 2016.

Deadlines



Reporting deadlines

- **UK:** report shall be delivered electronically to FCA at the latest six months after the end of each financial year and made public on the company's website.
- **Netherlands:** report shall be completed at latest 10 months, and made publicly available at the latest 12 months, after the end of each financial year.
- **Germany:** report needs to be made available electronically, in the German language, to the "Bundesanzeiger", 1 year after closing date.

Information disclosure under EITI



Which entities should disclose?

Information to be reported



Which entities should report

Extractive industry companies and government entities

Reporting information

- Host government's production entitlement (such as profit oil)
- National state-owned enterprise production entitlement
- Profit taxes
- Royalties
- Dividends
- Bonuses (such as signature, discovery and production)
- License fees, rental fees and other significant benefits to the government
- Any other significant payments and material benefit to government

Other key disclosure items include:

- the proceeds from the sale of the state's share of production or other revenues collected in kind
- the provision of infrastructure, goods, services in exchange for exploration or mining concessions
- the value and nature of social expenditures if they required by law
- the ownership of exploration and mining licenses
- disclosure of the beneficial ownership of extractive companies is recommended
- public disclosure of contracts for exploration and exploitation of natural resources is encouraged

Countries implementing EITI

There are two group of implementing countries:

- EITI Candidate (countries demonstrated that they meet some of EITI requirements)
- EITI Compliant (countries demonstrated the compliance with all EITI requirements)

Countries that joined the Initiative

Compliant

31 countries:

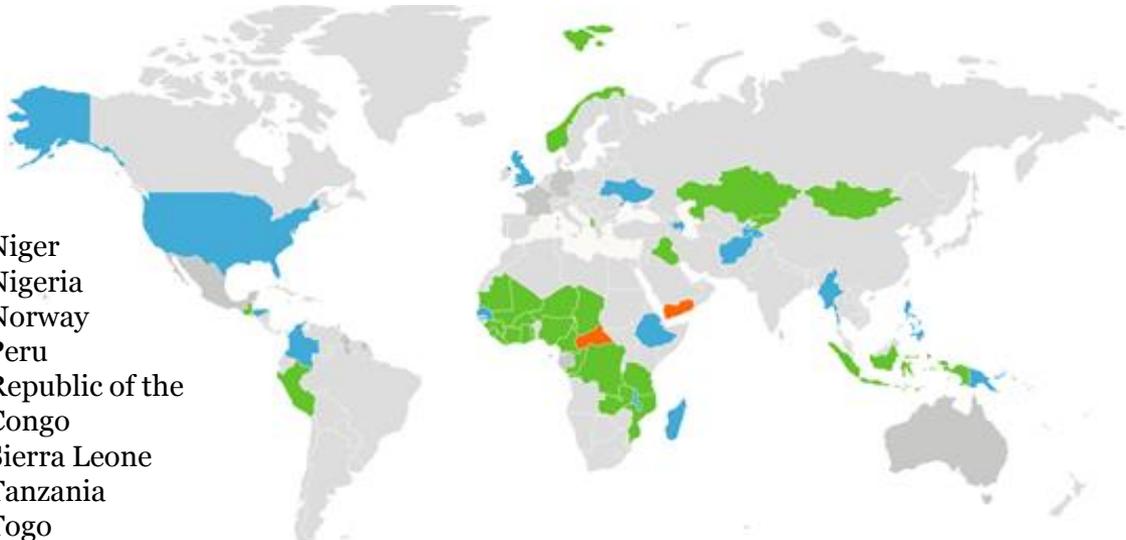
Albania
Burkina Faso
East Timor
Ghana
Guatemala
Guinea
Zambia
Indonesia
Iraq
Cameroon
Côte d'Ivoire
Kazakhstan
Kyrgyz Republic
Liberia
Mauritania
Mali
Mozambique
Mongolia

Implementing EITI

49 countries:

Azerbaijan
Afghanistan
United Kingdom
Madagascar
Honduras
Colombia
Malawi
Myanmar
Papua New Guinea
Seychelles
United States of America
São Tomé and Príncipe
Senegal
Solomon Islands
Tajikistan
Ukraine
Philippines
Ethiopia

Niger
Nigeria
Norway
Peru
Republic of the
Congo
Sierra Leone
Tanzania
Togo
Trinidad and
Tobago
Chad



Key:

- Implementing EITI, not yet compliant
- Compliant with EITI requirements
- Compliant/Candidate status is temporarily suspended

Thank you!



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