



States of Guernsey
Finance Sector
Development

CONSULTATION ON A PROPOSED DOUBLE TAXATION ARRANGEMENT BETWEEN THE STATES OF GUERNSEY AND RUSSIA

Purpose and Type of Consultation

This consultation paper is being issued to seek feedback from business, stakeholders, consumers, industry associations, practitioners and any other interested parties (“**Consultees**”) on the States of Guernsey (the “**States**”) seeking to negotiate and enter into a double taxation arrangement (“**DTA**”) with Russia (the “**Proposal**”).

Finance Sector Development (“**FSD**”), at the request of the Committee for Economic Development (the “**Committee**”), the Director of International Tax Policy (“**DITP**”) and the Income Tax Office (“**ITO**”) are seeking feedback, comments and suggestions on the Proposal.

The intention is that responses will be considered by FSD, the DITP and ITO, in conjunction with the joint States and industry Double Tax Agreement Working Group, to produce recommendations, to be considered by Policy and Resources Committee (“**PRC**”) in respect of the Proposal.

Closing date: **29th July 2016**.

FSD would like to invite comments from all interested Consultees in respect of the Proposal.

This consultation paper is a working document and does not prejudice any final decision to be made by the PRC.

Please refer to section 5 “responding to this consultation” for full details of how to respond to this consultation paper.

Executive Summary

As business between Guernsey and Russia has increased in recent times, the opportunity is being taken by the States to seek views on approaching Russia to ascertain its preparedness to negotiate a DTA with Guernsey, whilst not prejudging the likely response of Russia, were such an approach to be made.

The consultation closes on 29th July 2016.

1. Background

Historically the Guernsey finance sector has generated business from the traditional introducer centres of the UK, South Africa and the USA, whereas the emerging markets were not as well represented, though well established.

It is believed that whilst the traditional centres, especially the UK, will remain important for the finance sector in the immediate future, emerging markets such as Russia will become significant markets.

In March 2016, and following an approach from a sector of industry, the Finance Sector Forum was canvassed as to the wider interest that may exist in Guernsey seeking a DTA with Russia. Whilst there is no recent indication of whether or not Russia would be open to such a suggestion, if approached, it was resolved at that meeting that a consultation should be issued to understand the appetite within industry and any other issues which might be relevant. It should also be noted that Guernsey negotiates agreements with other jurisdictions under the terms of a "Letter of Entrustment" from the United Kingdom which requires, inter alia, that the text of any such agreement be submitted to the Ministry of Justice for approval ahead of signature.

2. Previous Engagements with Russia

In 2009, as part of the work to expand Guernsey's Tax Information Exchange Agreement ("TIEA") network to as many G20, OECD and EU Member States as possible, Guernsey approached Russia to negotiate a TIEA. Russia responded that, at that time, it was not negotiating TIEAs.

In late 2010, a further approach was made, at that time regarding the possibility of either a TIEA or a DTA. A response was received, in early 2011, that the request was being discussed with the Federal Tax Service of Russia. The subsequent response was that Russia was not negotiating any TIEAs at that time, and considered that it had sufficient DTAs.

In 2014, a media report suggested that Russia had been approached to negotiate exchange of information agreements by several jurisdictions (including the Crown Dependencies) and that the Deputy Finance Minister had indicated that their response would be positive. Russia did not make any approach to Guernsey following this.

3. Double Taxation Arrangements

There has been, and still is, a strong belief in certain industry sectors that signing DTAs with relevant jurisdictions will help to bring new business to the Island and that the lack of the same, with relevant jurisdictions, will leave Guernsey at a competitive disadvantage in relation to its competitors.

Guernsey currently has DTAs with Cyprus, Hong Kong, Isle of Man, Jersey, Liechtenstein, Luxembourg, Malta, Mauritius, Monaco, Qatar, Seychelles, Singapore and the United Kingdom (the latter is currently under renegotiation). Several others are under discussion.

4. Questions

Question 1

Are you in favour of Guernsey entering into a DTA with Russia?

Question 2

Please provide reasons for the answer you provided to Question 1

Question 3

If your answer to Question 1 is yes, can you indicate a basis upon which you believe the States could present their case to Russia for a DTA with Guernsey. By way of example the nature of the economic relationship or examples of double taxation which the agreement would seek to resolve. Please provide as much information as possible.

Question 4

Please give any other comments which you consider are relevant to the Proposal.

5. Responding to the Consultation

Please provide your comments by 29th July 2016, in writing and preferably in a format that can be read by Microsoft Word. FSD requests responses to be made by email to the following address:

Email: rob.gray@gov.gg

Alternatively they may be posted to:

**Rob Gray,
Director of International Tax Policy,
C/O Income Tax Office,
PO Box 37,
2 Cornet Street,
St Peter Port,
Guernsey
GY1 3 AZ**

The consultation closes on 29th July 2016.

1. When submitting your views please indicate whether you are responding on behalf of an organisation.
2. FSD, the DITP and ITO are also interested in receiving general comments and feedback on the Proposal, and on any other matters related to DTAs, including the desirability of DTAs with other jurisdictions. Please feel free to respond to all, or some, of the questions.
3. Unless specifically requested otherwise, any responses received may be published either in part or in their entirety. Please mark your response clearly if you wish your response and name to be kept confidential. Confidential responses will be included in any summary of comments received.

4. The purpose of the consultation is to gather information, views and evidence which will allow an informed decision to be made regarding the Proposals. As in any consultation exercise, the responses received do not guarantee changes will be made in accordance with what has been proposed.

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