



FTS of Russia and PJSC MMC Norilsk Nickel

conclude Russia's first bilateral pricing agreement with a foreign state

KPMG Review | January 12, 2021

On 24 December 2020, the Federal Tax Service (FTS of Russia) and PJSC MMC Norilsk Nickel announced the conclusion of a bilateral pricing agreement for tax purposes. This was for the first time in Russian tax practice that this kind of agreement, involving a foreign tax agency – the Finnish Tax Administration – had been concluded. The agreement was announced by Head of the FTS of Russia, D.V. Egorov, and President of PJSC MMC Norilsk Nickel, V.O. Potanin, and published on the [website](#) of the FTS of Russia.

The bilateral agreement, concluded with the support of KPMG professionals, governs the pricing procedure and the procedure for applying transfer pricing methods to the controlled export transactions of PJSC MMC Norilsk Nickel in relation to its delivery of products to Finland. The FTS of Russia and the Finnish Tax Administration provided the basic parameters for the agreement which will now be applied for tax purposes by both the Russian and the foreign company of the Group.

Execution of this bilateral agreement will demonstrate that the pricing applied for tax purposes in the intragroup export transactions comply with international principles and evidence fair distribution of tax liabilities between the budgets of the two countries, enabling tax risks to be avoided should any arise in cross-border transactions.

“This agreement is a milestone event in the history of the Russian tax system. This is the first time that, via negotiations with the tax authorities of two countries, a Russian taxpayer has obtained preliminary approval in relation to a complex methodological issue, which will save this taxpayer from potential future tax disputes. Hopefully, more and more firms will begin concluding these kinds of agreements, and the FTS of Russia will actively use this approach to conclude agreements with not just Finland, but also with many other countries worldwide. In essence this is introducing a new level of cooperation between taxpayers and tax authorities.

We would like to thank all participants in the negotiation process and especially the tax authorities of both countries for their constructive dialogue, high levels of coordination, and ability to find the right solution for a very complicated tax problem,” commented Mikhail Orlov, Head of T&L, KPMG in Russia and the CIS upon hearing the news about the conclusion of Russia's first bilateral pricing agreement.

It will be recalled that on 17 November 2020, the State Duma of the Russian Federation (hereinafter, the "State Duma") considered and passed in its first reading Draft Law [No. 1025680-7](#) On Amendments to Part One of the RF Tax Code Made to Improve the Tax Control over Prices and the Procedure for Concluding a Pricing Agreement. For more details about the Draft Law, see the respective [KPMG Review](#).

Our KPMG professionals will be delighted to answer at length any questions you may have in relation to this, help you obtain unilateral and bilateral pricing agreements, support you [during the mutual agreement procedure process](#), and advise you on any other issues associated with the application of transfer pricing laws. For more details about our services, go to our [KPMG TP page](#).

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