

## Tax on the division of matrimonial property in case of divorce

May 29, 2017

Dear Ladies and Gentlemen,

We would like to inform you that the Ministry of Finance of the Russian Federation issued a clarification dated March 02, 2017 regarding taxation on the division of matrimonial property after the divorce of the spouses.

According to the Ministry of Finance the amount of monetary assets (compensation) paid by one spouses to the other spouse in order to reimburse larger share in the matrimonial assets received by such spouse is subject to the personal income tax (hereinafter PIT) if by the moment of payment the marriage has been already terminated.

PIT is not payed:

1. On the value of property (real estate, shares etc.) being a matter of an agreement of division of the matrimonial property;
2. If payment of compensation was performed on the basis of a court decision or an amicable agreement of the spouses approved by the court.

The Ministry of Finance substantiates its position by the argument that the spouses will not receive any economic benefit while concluding the agreement on the division of community property as one of the spouses becomes the sole proprietor of a part of the property that he / she owned before but together with the other spouse. However, according to the Ministry of Finance monetary assets paid to ex-spouse after divorce can be the personal assets of one of the spouses (not community property) and be subject to PIT.

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Hope that the information provided herein would be useful for you. If any of your colleagues would also like to receive our newsletters, please let us know by sending us his/her email address in response to this message. If you would like to learn more about our **Private Clients practice and Tax practice**, please let us know about it in reply to this email. We will be glad to provide you with our materials.

If you have any questions, please, do not hesitate to contact the Senior Partner of ALRUD Law Firm **Maxim Alekseyev** at [MAlekseyev@alrud.com](mailto:MAlekseyev@alrud.com).

Kind regards,

**ALRUD Law Firm**

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