

## Russia Transfer Pricing: Another BRIC in the Wall

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The **Russia Federal Tax Service (FTS)** announced that it had concluded the country's first Advance Pricing Agreement (APA) with Rosneft, the giant state-controlled oil firm, in a deal signed November 20, 2012. The agreement not only marks the first APA for the Russian tax authority, signaling the country's further embrace of international transfer pricing principles, but could also signify a shift in international alliances.

The Rosneft APA comes just 10 months after the FTS issued guidance on mutual agreement procedures allowing for the negotiation and concluding of bilateral APAs, although it appears the Rosneft agreement is a unilateral agreement.

And, it was just last year that Russia enacted comprehensive transfer pricing legislation, which went into effect starting January 1, 2012. The Russian legislation generally follows OECD principles, with several additional methods for determining prices for natural resource transactions.

Russia is commonly grouped, and thought to be naturally aligned into the fast-growing emerging economy club of BRIC (Brazil, Russia, India and China) nations, however, recent Russian events would appear to suggest it may be taking a somewhat different tack regarding transfer pricing than its erstwhile partners. India and China, have long voiced quiet discontent, if not occasional objection, to various OECD transfer pricing and other Model Treaty matters. More recently the opposition has become more vocal and direct, questioning the benefit, and the very relevance, of the organization from the point of view of less developed countries. The Russian actions would appear to provide a welcome endorsement of both the object and office of the OECD, as well as a boost to the international transfer pricing regime.

Russia has made no secret of its intention to seek full membership into the OECD, and in fact appears poised to complete the formal accession process either later this year or early next. (It needs only join the OECD's Anti-Bribery Convention.) Its admission into the industrial member state organization could present a crack in the BRIC non-aligned movement, if not a new brick in the OECD and international transfer pricing wall.

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