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Tax Alert – Canada

Update: Canada expands sanctions on Russia, announces prohibitions on exports of goods and technology

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

Following the 10 March 2022 announcement of additional sanctions under the *Special Economic Measures (Russia) Regulations* (Regulations),¹ from 14 March 2022 to 24 March 2022, Canada further amended the Regulations by adding 175 individuals and prohibiting the export of certain goods and technologies described in the *Restricted Goods and Technologies List* (Restricted List).²

New sanctioned individuals

On 14 March 2022, Canada amended the Regulations to add 15 senior officials of the Government of Russia, who are now subject to a broad dealings ban.³

On 23 March 2022, Canada further amended the Regulations to add 160 members of the Russian Federation Council, who are now subject to a broad dealings ban. As a result, all members of the Russian Federation Council are now sanctioned by Canada.⁴

Export prohibitions on certain goods and technologies

On 24 March 2022, Canada once more amended the Regulations to prohibit the export to Russia of goods and technologies described in the Restricted List. The Restricted List includes a broad range of items in the areas of electronics, computers, telecommunications, sensors and lasers, navigation and avionics, marine, aerospace and transportation.

¹ SOR/2014-58.

² For a discussion of prior rounds of sanctions, please see EY Tax Alert 2022 Issues [No. 11](#), 3 March 2022, and [No. 14](#), 14 March 2022.

³ SOR/2022-056.

⁴ SOR/2022-064.

Per subsection 3.6(1) of the amended Regulations, any person in Canada and any Canadian outside Canada is prohibited from exporting, selling, supplying or shipping any good, wherever situated, to Russia or to any person in Russia if the good is described in the Restricted List.

In addition, any person in Canada and any Canadian outside Canada is prohibited from providing to Russia or to any person in Russia any technology that is described in the Restricted List.⁵ Per subsection 3.6(5) of the Regulations as amended by SOR/2022-067, the term “technology” means technical data and any form of technical assistance, such as providing instruction, training, consulting or technical advice services or transferring know-how or technical data.

The following goods are exempt from the prohibitions of subsection 3.6(1) of the amended Regulations:⁶

- ▶ Goods temporarily exported for use by a representative of the media from Canada or from a partner country referred to in Schedule 6 of the amended Regulations;
- ▶ Goods for use in support of international nuclear safeguards verifications;
- ▶ Goods for use by a department or agency of the Government of Canada or of a partner country referred to in Schedule 6 of the amended Regulations;
- ▶ Goods for use in inspections under the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction, signed at Paris, France on 13 January 1993, as amended from time to time;
- ▶ Goods for use in relation to the activities of the International Space Station;
- ▶ Software updates for end users that are civilian entities that are owned, held or controlled by a Canadian or a national of a partner country referred to in Schedule 6 of the Regulations, or subsidiaries of those entities;
- ▶ Civil aircraft registered in a foreign state that are departing from Canada after a temporary sojourn in Canada or civil aircraft registered in Canada departing for a temporary sojourn abroad;
- ▶ The following goods, if stored on board an aircraft or ship:
 - ▶ Equipment and spare parts that are necessary for the proper operation of the aircraft or ship; or
 - ▶ Usual and reasonable quantities of supplies intended for consumption on board the aircraft or ship during the outgoing and return flight or voyage;
- ▶ Goods exported for use or consumption on an aircraft or ship that is registered in Canada or the United States;

⁵ SOR/2014-58, ss. 3.6(2), as amended by SOR/2022-067.

⁶ SOR/2022-067, ss. 3.6(3).

- ▶ Goods exported by an air carrier that is owned by a Canadian or a national of the United States for use in the maintenance, repair or operation of an aircraft registered in Canada or the United States;
- ▶ Consumer communication devices that are generally available to the public and designed to be installed by the user without further substantial support; and
- ▶ Personal effects exported by an individual that are solely for the use of the individual or the individual's immediate family and are not intended for sale or to remain in Russia unless consumed there.

The prohibition on technology does not apply if the technology is in relation to goods not covered by subsection 3.6(1), as listed above.⁷

Impact

It is highly recommended that businesses conduct a thorough review of the Restricted List and confirm whether or not their goods or technology-related sales and services meet the descriptions therein. As the prohibitions cover selling, supplying and shipping in addition to exporting activities, monitoring of the entire supply chain is necessary to minimize the risk of inadvertent non-compliance with the sanctions.

Learn more

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⁷ SOR/2022-067, s. 3.6(4).

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