Doing business and investing in the Russian Federation

2014
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The Russian authorities consider improving the investment climate to be a top priority. The Government has set the ambitious goal of raising the country’s position in the World Bank’s Doing Business ranking from 120th in 2011 to 20th by 2018. According to the latest ranking, Russia placed 92nd in the category “Ease of doing business” and 56th in “Paying taxes”.

Thanks to its historically prudent budgetary policies, Russia has benefited from a robust national balance sheet. The country’s international reserves are among the highest in the world and came to USD 498.9 billion as of 1 February 2014 according to the Central Bank of the Russian Federation (Bank of Russia). The country’s national debt is minimal by international standards, about 12% of GDP. Furthermore, Russia became a fully-fledged member of the WTO in July 2012. The World Bank believes that WTO accession will add 3.3% to the country’s GDP for the next three years and up to 11% by the next decade.

With a population of over 140 million, Russia is the ninth largest country in the world. According to Bank of Russia data, foreign trade came to USD 867.6 billion in 2013, an increase of 0.5% from the previous year. Total exports reached USD 523.3 billion and imports stood at USD 344.3 billion. Crude oil and natural gas accounted for 45.7% of total exports for that period, while 48.6% of total imports were machinery, equipment and means of transport. The European Union is Russia’s major trading partner and accounts for 49.4% of trade turnover, followed by APEC countries with 24.7%, 10.5% of which is with China. CIS countries account for 13.5%.

Russia has also started a decade of hosting major international sports events. It hosted the 2013 Summer Universiade in Kazan, followed by the 2014 Winter Olympic and Paralympic Games in Sochi, all of which proved to be great success. In 2018, Russia will host the FIFA World Cup along with other sporting events. This is Russia’s chance to make significant progress in infrastructure development and to find the means to attract more tourists from all over the world.

In 2014, PwC Russia celebrates 25 years in Russia. We have marked this anniversary by extension of our presence in the country, opening our 10th and newest office on Rostov-on-Don in February 2014. Today we have over 2,500 professionals working across the country. This combination of size, range and experience allows us to help our clients to make the most of the many business opportunities on the Russian market. Furthermore, we have completed our integration with the firm Booz&Company, which significantly contributes to the development of our consulting services. PwC has extensive expertise in all major business sectors and dedicated specialists who are ready to offer services that are tailored to meet our clients’ business needs.

I hope that you find Doing Business and Investing in the Russian Federation useful. If you have any questions or comments, do not hesitate to contact me or any of my fellow partners.

David Gray
Managing Partner, PwC
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1. Russia: country profile

1.1. Introduction

Geography and climate

Russia is a vast country that stretches from Europe to the Far East. To the west, it borders Ukraine, Belarus, Poland and the Baltic states; to the north, Finland and Norway; and to the south, Georgia, Azerbaijan, Kazakhstan, Mongolia, China and North Korea. Russia has a coastline on three oceans: the Arctic, the Atlantic and the Pacific.

Russia has a very diverse topography: from tundra in the north to semi-arid deserts in the south, with a full variety of forests and grasslands from west to east. The climate is just as diverse, with arctic and subarctic zones in the north and subtropical areas in the south. The majority of the country, however, features a continental climate.

The Russian Federation is composed of constituent regions, which are grouped into federal districts under the administration of presidential envoys. There are 15 cities with a population of over one million: Moscow (the capital), St Petersburg, Novosibirsk, Yekaterinburg, Nizhny Novgorod, Samara, Kazan, Omsk, Chelyabinsk, Rostov-on-Don, Ufa, Volgograd, Perm, Krasnoyarsk and Voronezh.¹

¹ http://www.rbc.ru/rbcfreenews/20121217133736.shtml
1.2. Government structure

The Constitution, adopted in 1993, states that the Russian Federation is a democratic federally structured republic with a government based upon the rule of law.

Russia has a president as head of state and a prime minister as head of government.

The legislative branch is a bicameral Federal Assembly, consisting of the State Duma (the lower house of parliament) and the Federation Council (the upper house). The State Duma drafts legislation and can amend the Constitution. The Federation Council approves or rejects draft laws passed by the State Duma and can appoint high court judges as well.

Executive power is exercised by the Government, which is comprised of the prime minister, deputy prime ministers and federal ministers.

The judicial branch involves several levels of courts, the highest of which is the Constitutional Court. The Supreme Court is the highest judicial body for courts with general jurisdiction (civil, criminal and administrative cases). The Supreme State Arbitrazh Court is the highest instance for economic disputes.

Russia’s constituent entities (regions, territories, autonomous areas, autonomous regions, federal cities, and republics) have their own legislative and executive bodies.

1.3. People

Population

Russia’s well-educated workforce is an important asset for long-term growth.

Preliminary estimates put Russia as the ninth most populous country with 143.6 million people as of December 2013.

The population has been rising slowly since 2009. The Russian Federal Statistics Service (Rosstat) states that, as of 2013, 61% of the population are of working age, while 23% are above it and 16% are below it. The population is 46% male and 54% female.

Russia is a multi-ethnic state with around 160 different ethnic groups. Ethnic Russians are the majority accounting for 80.9% of the population, followed by Tatars (3.9%) and Ukrainians (1.4%)².

Language

Russian is the official language. It is the most widely spoken Slavic language and a co-official language in several former Soviet republics. English is the most commonly studied foreign language and a required subject in most schools.

Religion

Russia is a secular state and enjoys full religious freedom. According to the latest survey by the Levada polling centre, Russian Orthodoxy is the dominant religion in Russia with 79% of the respondents considering themselves to be adherents. Islam is the second most popular religion with 5% of the population adhering. Catholicism, Protestantism, Judaism and other religions account for no more than 1% each³.

Education

Primary and secondary education in Russia is compulsory. Children receive either a nine-year basic or eleven-year comprehensive compulsory education. The Russian educational system is currently undergoing a process of reform.

According to Rosstat, there were 1,046 institutions of higher education in the country in 2013. Around 24% of the population over the age of 15 years have completed higher education⁴.

³ http://www.levada.ru/24-12-2013/rossiyane-schitayut-sebya-veruyushchimi-no-v-tserkov-ne-khodyat
1.4. Economy

**Economic overview**

Rosstat reports that Russian GDP grew 1.3% in 2013. The Ministry of Economic Development forecasts 2.5% growth for 2014. Industrial production growth slowed down to 0.4% in 2013 from 3.4% in 2012. Investment in fixed capital also decreased 0.3% in 2013. The inflation rate reached 6.5%, just above the 6.6% record low for 2012. Russia’s unemployment rate is lower than in most developed countries and was only 5.6% in December 2013. Growth of real disposable income and a rise in consumer spending are the key drivers of economic growth in Russia, although the growth of consumer activity has slackened. The retail turnover grew 3.9% in 2013, while real disposable incomes rose 3.3%.

The average exchange rates in 2013 reached 1 USD/RUB 31.77 and 1 EUR/RUB 42.02 (The Central Bank of the Russian Federation).

The Russian Government is pursuing strict fiscal and monetary policies that help to keep budget expenses in check while accumulating large revenues from the oil and gas sectors for the Reserve Fund. The Fund’s total value exceeded USD 87.13 billion as of February 2014. The Ministry of Finance reports the 2013 budget deficit as 0.5% of GDP compared to 0.02% in 2012. The country’s international reserves are among the highest in the world and came to USD 498.9 billion as of 1 February 2014.

At a Government meeting on 31 January 2013, major guidelines were presented for the Government until 2018. They include: improving the investment climate, integrating the global economy, increasing transparency in the economy and developing infrastructure, as well as education and healthcare.

Russia became a fully-fledged member of the WTO in July 2012. The World Bank believes that WTO accession will add 3.3% to the country’s GDP for the next three years and up to 11% by the next decade.

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**2013 GDP breakdown by sector**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail, wholesale and repair services</td>
<td>18.3%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>14.9%</td>
</tr>
<tr>
<td>Real estate business</td>
<td>12.1%</td>
</tr>
<tr>
<td>Natural resource extraction</td>
<td>10.9%</td>
</tr>
<tr>
<td>Transport and communication</td>
<td>8.6%</td>
</tr>
<tr>
<td>Public administration, social insurance</td>
<td>6.9%</td>
</tr>
<tr>
<td>Construction</td>
<td>6.5%</td>
</tr>
<tr>
<td>Finance</td>
<td>5.0%</td>
</tr>
<tr>
<td>Healthcare and social services</td>
<td>3.8%</td>
</tr>
<tr>
<td>Agriculture, hunting, forestry</td>
<td>3.8%</td>
</tr>
<tr>
<td>Production and distribution of electricity, gas and…</td>
<td>3.4%</td>
</tr>
<tr>
<td>Education</td>
<td>3.0%</td>
</tr>
<tr>
<td>Other social and personal services</td>
<td>1.7%</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>1.0%</td>
</tr>
<tr>
<td>Fishing</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

*Source: The Ministry of Economic Development of the Russian Federation*
Extensive privatisation of major state assets should have a substantial impact on the Russian economy. The final version of the privatisation program was adopted in June 2013. The program foresees the Russian Government fully divesting its share stakes in Rosspirtprom, United Grain Company, Rusnano, Rostelecom, Sheremetyevo International Airport and Vnukovo International Airport. The Government is also planning to reduce its stakes in INTER RAO UES, Aeroflot – Russian Airlines, Russian Railways and VTB Bank14.

Russia has also started a decade of hosting major sports events. It hosted the 2013 Summer Universiade in Kazan, followed by the 2014 Winter Olympics in Sochi, and in 2018 Russia will host the FIFA World Cup along with other sporting events. This is Russia’s chance to make significant progress in infrastructure development and to find the means to attract more tourists from all over the world.

1.5. International agreements

Russia is a major international power. Since the country was recognised as the successor to the Soviet Union in international law, Russia has assumed the USSR’s permanent seat on the UN Security Council, as well as its membership in other international organisations, along with the associated rights and obligations under international treaties, and property and debts. As one of the UN Security Council’s five permanent members, Russia bears a unique responsibility for maintaining international peace and security. Russia has participated as a member of the Group of Eight (G8) industrialised nations since 1994, even though the G7 finance ministers continue to meet several times a year without their Russian counterpart. The Group of Twenty Finance Ministers and Central Bank Governors (G20), of which Russia is also a member, should replace the G8 as the main consultative body for global financial issues, as was announced at the G20’s Pittsburgh summit in September 2009.

Russia is a member of numerous other international organisations such as the Council of Europe and the Organisation for Security and Cooperation in Europe (OSCE). Russia also plays a special role in Central Asian organisations such as the Commonwealth of Independent States (CIS), the Eurasian Economic Community (EurAsEC), the Collective Security Treaty Organisation (CSTO) and the Shanghai Cooperation Organisation (SCO). In 2012, Russia, Belarus and Kazakhstan formed the Common Economic Space (CES). Russia also became a full member of the WTO in 2012. (see Appendix F for a full list of organisations in which Russia has membership).

14 http://ria.ru/economy/20120622/679136721.html
2. Business environment

2.1. Business climate

The Russian authorities consider the improvement of the investment climate as a top priority. The Government has the ambitious goal of raising the country's position in the World Bank’s Doing Business ranking from 120th in 2011 to 20th by 2018. According to the latest ranking, Russia placed 92nd in the category “Ease of doing business” and 56th in “Paying taxes”\(^{15}\).

In order to raise Russia’s investment ratings, the Agency for Strategic Initiatives (ASI), which was formed specially to support medium and small businesses in Russia, is preparing roadmaps for improving the investment climate. Governors and heads of federal agencies will be responsible for creating favorable business conditions. An annual assessment of their efficiency will be carried out, based on methods that the ASI has developed together with the business community.

\(^{15}\) http://www.doingbusiness.org/rankings
In addition to the ASI, several other institutions can help improve the investment climate and assist foreign investors in Russia. For instance, the Russian Direct Investment Fund (RDIF) was established in 2011 to participate in the cofinancing of foreign investment for the purposes of economic modernisation. Russia’s Ministry of Economic Development acts as an investment ombudsman by receiving complaints and helping to resolve issues. Furthermore, Russia has recently set up a business ombudsman in order to protect the rights of businesses when faced with administrative barriers or bureaucratic pressure.

2.2. Special economic zones (SEZ) and industrial clusters

Russia’s special economic zones (SEZ) are areas of innovation-driven growth. There are four types of SEZ in Russia: industrial, innovation zones, tourism and recreation, and port zones. There are currently 17 zones in operation. Between 2006 and 2012, over 300 investors from 20 countries became SEZ residents. The zones foster a favourable business environment and feature state-built infrastructure, free customs area treatment, tax benefits and other benefits. State company Special Economic Zones JSC operates most of the operational SEZs and provides assistance to residents in areas such as land survey service, logistics, renting of conference spaces, maintenance and upkeep, etc.¹⁶

Russia’s policy of industrial clusters has proven viable and attractive to foreign investors. Major foreign automakers, pharmaceutical firms and companies from other sectors have already established or are planning to develop production facilities in various industrial clusters throughout Russia.

2.3. Trade and investment

Rosstat reports that the inflow of foreign direct investment (FDI) to the country totalled USD 26.118 billion in 2013, 39.9% higher than in 2012.¹⁷ The net capital outflow from Russia came to USD 57 billion in 2013, according to the Ministry of Economic Development. For 2014 the Ministry forecasts outflows of USD 25-30 billion.¹⁸,¹⁹ According to Rosstat, in the first half of 2013 the most attractive investment opportunities abroad were manufacturing (USD 58.6 billion), wholesale and retail trade (USD 15.1 billion), and financial activities (USD 11.3 billion). The Netherlands led by volume of accumulated foreign investment in the Russian economy at USD 66.5 billion, followed by Cyprus at USD 64.6 billion and Luxembourg at USD 47.9 billion.²⁰

According to Rosstat data, foreign trade came to USD 867.6 billion in 2013, a year-on-year increase of 0.5%. Total exports reached USD 523.3 billion and imports stood at USD 344.3 billion. Crude oil and natural gas accounted for 45.7% of total exports for that period, while 48.6% of total imports were machinery, equipment and means of transport.

The European Union is Russia’s major trading partner and accounts for 49.4% of trade turnover, followed by APEC countries with 24.7%, 10.5% of which is with China. CIS countries account for 13.5%.²¹

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¹⁶ http://eng.russez.ru/services/
¹⁸ http://www.vestifinance.ru/articles/37942
²⁰ http://www.gazeta.ru/business/2013/08/22/5602385.shtml
²¹ http://www.gks.ru/bgd/free/b04_03/IssWWW.exe/Stg/d03/31.htm
3. Financial system

3.1. Currency

The national currency is the Russian rouble. Payments between Russian residents must generally be made in roubles only, while payments between residents and non-residents are generally permitted in roubles or foreign currency. An exchange control law and related regulations establish rules for payments, conversion operations, import and repatriation of roubles and foreign currencies and reporting of certain transactions.

The official exchange rouble (RUB) rate to the US dollar/euro currency basket has managed to remain in a relatively broad floating corridor maintained by the Central Bank of the Russian Federation.
3.2. Central Bank of the Russian Federation

The Central Bank of the Russian Federation’s main functions are:

- protecting the rouble and ensuring its stability
- setting monetary policy
- issuing money and overseeing currency circulation
- acting as the lender of last resort
- payment regulation
- managing state budget accounts
- banking supervision and registering credit organisations
- establishing accounting and reporting rules for the banking system
- participating in the development of Russia’s balance of payments forecast
- analysing Russia’s economy as a whole and by region.

3.3. Banking sector

According to the Central Bank of the Russian Federation, the Russian banking sector showed record profits exceeding about RUB 1 trillion (approximately USD 31.5 billion). This level is just 1.8% lower than last year’s record. Total funds held in individual deposits remained the same in amount of RUB 14.3 trillion in 2013 compared to 2012. Furthermore, by the end of 2013, loan portfolios in the banking sector had increased by 19.7% to RUB 40.7 trillion versus RUB 28.7 trillion at the end of 2011.

As of 1 January 2014, 923 credit organisations were operating in Russia compared with 956 on 1 January 2013. In terms of assets, the largest banks are state-controlled, including Sberbank, VTB, Gazprombank and the Russian Agricultural Bank.

3.4. Insurance

As of 30 December 2013, there were 420 registered insurance companies and 12 mutual insurance societies.

3.5. Capital markets

Russian companies are generally permitted to issue and offer stock and bonds for public placements. The consolidated MICEX-RTS stock exchange dominates the Russian securities market. A merger between the Moscow Interbank Currency Exchange (MICEX) and the Russian Trading System (RTS) reached completion in December 2011. The consolidated stock exchange is designed as a universal platform for both Russian and international investors to trade in securities, bonds, derivatives and currencies.

The united MICEX-RTS IPO took place in February 2013.

3.6. Anti-money laundering (AML) legislation

A number of measures have been implemented since 2001 to bring anti-money laundering (AML) legislation in line with international standards, along with organisational and administrative measures for enforcing the law. Russia has been a member of the International Financial Action Task Force (FATF) since 2003. It is also a member of the Eurasian group on combatting money laundering and the financing of terrorism (EAG), created in 2004 to bring together several CIS countries, plus China and India.
4. Importing and exporting

4.1 Customs policy

- A reduction in the customs duty on technological equipment imports;
- Simplification of customs clearance;
- Tighter customs control after the customs clearance of goods;
- Further customs integration between Russia, Belarus and Kazakhstan in the creation of the Single Economic Space, as well as further cooperation and more extensive integration of the member countries' legislation;
- Overall reduction of trade barriers for goods and services thanks to Russia’s WTO accession in 2012. Further developments in this process are expected.

Tips for exporters:

- If goods are exported or imported under a transaction between a foreign company and a Russian company, the Russian party is usually responsible for customs clearance;
- In order to import goods into Russia and clear them through customs, an importer should make all customs payments due under the chosen customs regime and comply with other requirements in customs legislation (e.g. certification requirements);
- The import of certain goods (e.g. high frequency and encryption equipment, etc.) requires permission/licenses;
- Russia has several special economic zones (SEZ) offering customs benefits.
4. Importing and exporting

4.2. Import restrictions

Certain imports to Russia require permits, certification (e.g. of conformity to standards, sanitation), licenses and other types of authorisation, for which applications should be filed with the customs authorities during customs clearance.

Russia imposes an anti-dumping duty on certain goods (e.g. light commercial vehicles originating in Germany and Italy) or a special (safeguard) duty on certain goods (e.g. tableware and kitchenware made of porcelain).

4.3. Customs duties

Classification of goods

The Customs Union’s tariff classification system, which is currently applied in Russia, is based on the internationally recognised Harmonised Commodity Description and Coding System.

Valuation rules

Customs valuation in Russia is in line with GATT/WTO (General Agreement on Tariffs and Trade/World Trade Organization) principles. The customs value of a good is generally equivalent to the DAF/Customs Union border transaction value.

Rates

Import duties are applicable for most goods. The majority of customs duty rates in Russia are ad valorem (i.e. assessed as a percentage of the goods’ customs value). There are also specific duties for certain types of imports, calculated by volume, weight or quantity. Some duties have a combined rate where the two approaches are incorporated and, thus, the tax base may vary.

Regular customs duty rates vary widely, from 100% but not less than EUR 2 per litre on spirits to zero for some printed materials and certain priority imports. For instance, a zero duty is applicable for a wide range of equipment and machinery. On average, duty rates come between 5% and 18% of the customs value of goods. Regular rates established by the Common Customs Tariff are applicable to imported goods originating in any countries unless Russia provides beneficial customs treatment based on free trade agreements or applies the General System of Preferences (GSP). Under GSP, certain raw materials and handmade goods originating in “developing” and “least developed” countries may be imported at 75% of the regular rates or zero rates, respectively.

The following goods are exempt from customs duty: transit goods; goods imported by individuals for personal use (worth no more than EUR 1,500 (EUR 10,000 for individuals travelling by air) and weighing less than 50 kg); cultural valuables; means of transport involved in the international movement of goods and passengers; humanitarian aid; and some other items.

Free trade agreements

Russia has adopted free trade agreements with countries of the Commonwealth of Independent States (CIS), as well as several other countries (Serbia, Montenegro). Goods originating in these countries (e.g. Ukraine) are exempt from customs duty for import to Russia (subject to certain conditions). Furthermore, Russia, Belarus and Kazakhstan have formed a Customs Union, and goods moving within and between these countries are generally not subject to customs clearance.

Excise tax

Certain categories of goods are subject to excise tax for import to Russia (e.g. alcoholic beverages, cigarettes, etc.). The excise tax rates are usually specific (i.e. based on volume, weight or other characteristics).

Import VAT

The import VAT rate for most goods is 18% of the customs value, inclusive of customs duty and excise tax (if any). Food, certain types of children’s goods and a limited selection of other goods may be subject to 10% or 0% VAT.

Customs processing fees

Customs processing fees are in place as a flat fee and vary from around EUR 13 to EUR 750 per customs declaration depending on the customs value of a shipment. Goods declared electronically are subject to reduced rates for customs processing (a 25% reduction).

Payments

Customs payments are generally made before or during the submission of declarations to the customs authorities.
4. Importing and exporting

4.4. Temporary import relief

Goods may be imported under a temporary import customs procedure, normally for up to two years. This is usually permitted if it is possible to identify the goods upon their re-export. Temporary importation requires the permission of the customs authorities. Upon expiry of the temporary importation period, goods are moved out of Russia or placed under another customs procedure (e.g. released for free circulation).

Temporary importation usually requires periodic customs payments of 3% per month of the total customs payments due if the goods have been imported for free circulation. When the goods are exported, these customs payments are not refunded. Customs may require a security (e.g. in the form of a deposit, pledge, bank guarantee, etc.) for the payments.

Goods qualifying as fixed assets for production purposes may be admitted and subject to a 3% monthly customs payment for a temporary import period of 34 months if the Russian user has yet to obtain property rights (e.g. for leasing). Temporarily imported goods can only be used by importers who have obtained customs’ permission for temporary importation. However, transferring such temporarily imported goods to another company is possible as long as the proper authorisation from the customs authorities has been obtained.

4.5. Customs duties incentives

Charter capital contributions

Fixed production assets imported by a foreign investor as a charter capital contribution are free from customs duty. The goods must not be excisable and should be imported within the timeframe in place for charter capital formation. The customs authorities may require a security on customs payments upon the importation of goods with duty exemption.

The customs authorities can check to ensure the proper use and further disposal of goods exempted from customs duty.

VAT exemption

VAT exemption is also available for imported technological equipment. The Russian government has approved a list of equipment eligible for VAT exemption.

Courier clearances

Shipments for import into Russia valued at less than 200 EUR (including transportation costs) are not subject to customs taxes and may benefit from streamlined customs clearance that is applicable for so-called “express deliveries”. Streamlined customs clearance entails that all low value shipments are released by a courier company en masse, rather than being declared separately.

Tolling

Goods imported into Russia for processing may be placed under an inward processing (IPR) procedure (subject to certain conditions).

Under IPR, goods (e.g. raw materials) imported for processing are eligible for full exemption from customs duty and import VAT, as long as the processed/finished goods are subsequently moved out of Russia within a timeframe approved by the customs authorities. An export customs duty is not charged on exporting finished goods out of Russia.

IPRs must be authorised by the customs authorities. In addition, only a Russian company may apply for an IPR.

Special economic zones

A number of special economic zones (SEZ) with a free customs regime have been established in Russia. Foreign goods usually imported to and used within a SEZ are eligible for exemption from import customs duty and VAT. When foreign goods or products from their processing are subsequently released into open circulation to the rest of Russia, import customs duty and VAT are payable. Duty-free import from a SEZ to the rest of Russia is usually unavailable for SEZ residents who have registered after 1 January 2012. If the goods manufactured in a particular SEZ are exported to foreign countries, they are subject to export duty, if applicable. Foreign goods that were imported into the SEZ but not processed may be re-exported without paying export customs duty.
4.6 Documentation and procedures

**Registration of importers and exporters**
There is no established procedure for registering importers and exporters with the customs authorities. However, in practice, certain documents may be required by the customs authorities prior to import (charter documents, tax registration certificates, etc.).

**Documentation**
The Customs Union’s regulations provide a comprehensive list of documents required for customs clearance. In practice, the set of documents for submission to the customs authorities may vary depending on the character of imported/exported goods, conditions of the transaction, etc.

**Customs value declarations**
The customs value of imported goods is declared in a declaration form in which the customs value must be properly supported by the appropriate documents. The list of documents may vary depending on the terms of a particular transaction. While Customs Union regulations provide a general list of documents required to confirm the declared customs value, the list is not exhaustive.

If the customs authorities disagree with the customs value declared by an importer, they may adjust it.

4.7. Warehousing and storage
Goods that are subject to customs control (e.g. imported goods that have yet to clear customs) can be stored temporarily at special warehouses before being released by the customs authorities. Although the storage period should not exceed two months, an importer can request that the customs authorities extend it up to four months.

Warehouses for temporary storage are usually located near customs offices.

4.8. Re-exports
Goods imported into Russia may be re-exported as long as they have not been released for free circulation in the country. They are usually re-exported without payment of an export customs duty.
5. Business entities

5.1. Legal framework

*Civil Code*

Chapter 1 of the Russian Civil Code covers certain business organisations and their organisational foundations. It sets out the requirements for founding documents, as well as the name, location, governance and state registration of legal entities. It also defines branches and representative offices while also governing reorganisation and liquidation.

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Joint-stock and limited liability companies are governed by separate federal laws.28

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5.2. Choice of entity

Foreign investors can choose a number of different forms of business representation in Russia, from Russian legal entities to representative offices and branches of foreign legal entities. Russian legal entities may be established in various forms, including joint-stock companies, limited liability companies and partnerships.

Representative offices of foreign entities are strictly limited to liaison and support functions. Branch offices are free to perform all of a foreign entity’s activities. Many investors opt for branch offices at the outset because these entities are able to engage in any kind of commercial activity, easier to establish and subject to less onerous reporting requirements than those in place for Russian companies. At the same time, for many investments, including joint ventures and production plants, and owing to issues relating to licensing, customs and privatisation of state property, a Russian legal entity may be better suited to an investor’s needs.

5.3. Forms of business entities

The following forms of commercial (for-profit) legal entities may be incorporated in Russia:

- Full partnerships;
- Limited partnerships (kommandit partnerships);
- Economic partnerships;
- Limited liability companies;
- Additional liability companies;
- Production cooperatives;
- Joint-stock companies (open and closed);
- Unitary enterprises (state-owned legal entities not open to foreign investors).

Of the above, only a joint-stock company resembles a corporation. However, limited partnerships, as well as limited and additional liability companies, also limit the liabilities of shareholders (participants), as described below.

5.4. Joint-stock companies

Under the Civil Code, a joint-stock company’s capital is divided into a set number of shares. The shareholders in a joint-stock company are not liable for its obligations and accept the risks of losses resulting from operations within the limit of their respective stakes. Shareholders may sign shareholders’ agreements that regulate how their rights are exercised.

Russian law stipulates that only joint-stock companies may issue stock, which is deemed as securities and is subject to registration. Russian legislation describes “open” and “closed” joint-stock companies, which are the broad equivalent to public and private companies. Open joint-stock companies must disclose certain financial and other information annually.

A company may be created as a new entity or by reorganising an existing legal entity (consolidation, merger, division, spin-off or a change in legal form). A company is considered created from the date of its state registration.

The joint-stock company’s share capital is composed of the nominal amount of shares acquired by the shareholders. The minimum “charter” (share) capital for open and closed joint-stock companies is 1,000 and 100 times the minimum monthly wage\(^2\), respectively.

A joint-stock company’s higher management body is the General Meeting of Shareholders, which must convene at least once a year. A company with over 50 shareholders must have a board of directors. The company’s executive body may be collegiate (board, directorate) and/or “one-person” (director, general director). A joint-stock company’s executive body carries out the day-to-day management of the company’s activity and reports to the board of directors and the General Meeting of Shareholders.

A joint-stock company may be liquidated voluntarily or by court order in the procedure or on the grounds established by the Civil Code.

The liquidation of a company results in its termination with no transfer of rights and obligations to other persons by succession.

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2 The term “minimum monthly wage” is used by the government as a ratio to calculate different payments and does not reflect the real minimum wage. As of 1 January 2001, the minimum monthly wage is RUB 100.
5.5. Limited liability companies

Under the Civil Code, a limited liability company is established by one or several persons whose charter capital is divided into shares.

The liability of each participant in this type of company is limited to the value of its share in the charter capital. The participants may conclude a participants' agreement to regulate how their rights are exercised. The number of participants in a limited liability company cannot exceed 50.

The charter capital of a limited liability company determines the minimum size of the company’s property, thereby guaranteeing the interests of its creditors. The minimum charter capital of a limited liability company should come to at least RUB 10,000.

A limited liability company’s management structure is similar to that of a joint-stock company.

5.6. Full and limited partnerships

A full partnership is similar to the American general partnership, in which the partners bear (full) joint and some liability for the partnership’s obligations. A participant in a full partnership may not be a full partner in any other partnership.

A limited partnership, which is closer to the European kommandit partnership, has both full partners and partners whose liability is limited to their contributions. A full partner in a limited partnership may not be a full partner in another partnership, and its liability is the same as for full partners as described above.

Partnerships under Russian law are generally regarded as legal entities and taxed accordingly. Although they share some of the characteristics of a general partnership, contractual agreements for joint activity do not create a legal entity and special rules governing their tax treatment are in place.

5.7. Branches

A foreign legal entity’s branch or representative office must be registered with the authorities. However, in contrast to Russian legal entities, registering a branch or representative office of a foreign company involves several federal and local authorities. To register, branches and representative offices must take the following steps:

- File for accreditation with federal organs. Accreditation is mandatory since local banks and administrative authorities may not recognise the branch/representative office without it;
- Perform tax registration;
- Register with state statistics authorities, obtaining statistics codes;
- Register with social (pension and social security) funds;
- Open bank accounts.

Investors sometimes confuse the concept of a branch and an accredited representative office but there are important differences. An accredited representative office is not a Russian legal entity, but an officially recognised extension of a foreign legal entity. Russian law restricts the scope of an accredited representative office’s activities to that of auxiliary representational functions.

A branch’s legal status differs substantially from that of a representative office. Under Russian law, a foreign legal entity’s registered branch (but not a representative office or unregistered branch) is treated as “an enterprise with foreign investment”. Therefore, while a registered branch can hold certain types of licences to conduct regulated activities, a representative office or unregistered branch may not.

The state duty for branch accreditation came to RUB 120,000 as of the end of January 2014 (approx. USD 3,777). In addition, the accreditation authorities charge a processing fee of between RUB 20,000 (approx. USD 630) and RUB 60,000 (USD 1,900), depending on the period of accreditation (from one to five years, respectively).
5.8. Representative office

An accredited representative office is not a Russian legal entity, but an officially recognised subdivision of a foreign legal entity. Although Russian law suggests that the scope of an accredited representative office’s activity should be limited to auxiliary representational functions, many foreign firms actually engage in commercial operations. Under a strict interpretation of the law, such operations should only be conducted through a registered branch or a Russian company.

Accreditation bodies charge a processing fee ranging from RUB 35,000 (approx. USD 1,100) to RUB 80,000 (approx. USD 2,520) for the accreditation of a representative office, depending on the period of accreditation (from one year to three years, respectively).

5.9. Proposals for change

A draft law proposing a major overhaul of the Civil Code is currently under consideration in the State Duma. The relevant counterparts of the draft law related to the status of legal entities should come into force throughout 2014. Another draft law, which is currently under consideration by the State Duma and may potentially come into force in 2014, relates to the accreditation of the branches and representative offices. In particular, it foresees transferring the authority on accreditation of the branches and representative offices of the foreign companies to the Federal Tax Service of the Russian Federation, subject to certain exceptions.
6. Labour relations and social security

In the Russian Federation, rules established in labour law apply to labour relations involving foreign nationals, stateless people, organisations established by them or with their participation, employees of international organisations and foreign legal entities (including, branches or representative offices of foreign legal entities), unless otherwise stated in federal law or an international treaty to which Russia is a signatory.

Therefore, Russian labour law applies to all employers regardless of how their organisation is defined in law or how its ownership is structured and to all employees regardless of their citizenship or status.

6.1. Labour relations

Labour Code
The Labour Code, which came into force on 1 February 2002, and other special laws govern employer/employee relations. Before 2014, the Labour Code has been amended significantly, both to correct textual ambiguities and introduce several fundamental changes. For example, a supplementary section was added to the Labour Code in 2008 covering the work of athletes and coaches. In late 2011, significant amendments were made to the section on hearing and settling collective labour disputes. In addition, some important amendments to the employment regulation in the Russian Federation were adopted in 2013. These include a special chapter about the employment of remote employees that was introduced into the Labour Code. Furthermore, rules on labour safety were changed.
The Labour Code heavily regulates employer/employee relations. The law provides employees with a list of obligatory guarantees that cannot be limited under any employment contract or an employer’s local internal regulations. Any provision in an employment contract or internal policy that runs counter to these guarantees is illegal.

Safeguards are in place to protect employees from dismissal on the employer’s initiative (prior notice, severance allowances), harmful working conditions and excessive working hours. Furthermore, Russian labour law makes it very difficult for the employer to dismiss an employee on disciplinary grounds.

### 6.2. Working conditions

**Wages and salaries**
Salaries must be paid in Russian roubles at least once every two weeks. Salaries should not be less than the minimum monthly salary as established by Russian law. The minimum wage is regularly adjusted.

As of 1 January 2014, the statutory minimum monthly wage (including for foreign nationals) was RUB 5,554 per month (approximately USD 163).

Individual Russian Federation constituent regions may set their own minimum wage at a higher level. For example, the City of Moscow’s minimum wage is periodically set by a relevant regional agreement, and effective 1 January 2014 it has been RUB 12,600 per month (approximately USD 370). On 1 July 2014, it increases to RUB 12,850 per month (approximately USD 378).

**Employment contracts**
A written employment contract with terms of employment must be concluded with every employee and issued in two copies, each with the respective parties’ signatures. The employer must draw up the employment contract within three business days after the day the employee starts work.

The Labour Code establishes mandatory requirements for the content of employment contracts.

Employment contracts are generally concluded for an indefinite term. A fixed-term employment contract (no more than five years) may also be concluded, but only in those circumstances specifically prescribed by the Labour Code.

A job description should define an employee’s job duties in the employment contract or in a separate document. An employee cannot subsequently be required to perform tasks outside the scope of duties described in the job description.

Employers are required to issue an internal order every time an employee is hired, transferred to a new job, granted a vacation, and disciplined or dismissed, as well as in other situations. Moreover, employers should adopt a certain set of internal regulations in accordance with Russian law.

**Working hours**
- Employers are required to keep a record of all time worked by each employee, including overtime;
- The standard working week in Russia is 40 hours over a five- or six-day period;
- For certain categories of employees, the number of working hours must be reduced (for example, employees aged 16 to 18, disabled employees etc.);
- The law strictly defines the minimum payment for overtime and holiday/weekend work;
- The working day is shortened by one hour on the eve of public holidays.

**Paid holidays**
All employees are entitled to at least 28 calendar days of annual paid leave. Employees usually may begin taking vacation time for the first year of their employment once they have worked at a company for six months consecutively.

**Equal opportunity**
Employers are prohibited by law from making any restrictions or granting any privileges, directly or indirectly, on the basis of gender, race, skin colour, nationality, language, origin, material, family and social status, career position, age, place of residence, religion, political convictions, affiliation with public associations, or other characteristics that are unrelated to an employee’s professional qualifications, except in those instances prescribed by federal law.

Any discrimination in the establishment and adjustment of salary rates is prohibited.

**Termination of employment**
An employer may terminate employment relations with an employee only on the grounds listed in the Labour Code. The Labour Code sets out the grounds for termination by the employee, by the employer, and by operation of law. The list is fairly short, and the employer may not adopt additional grounds to terminate an employment contract with the employee except for specific employee categories, such as general director. Otherwise, the dismissal will deemed to be unlawful and the employee will be reinstated.
Moreover, employers must comply strictly with the procedures and documentation requirements in the Labour Code when terminating employment. The Labour Code gives additional protection to specific categories of employees, including minors, pregnant women, employees with children, trade union members, and various other categories.

Owing to detailed and varied termination requirements, legal advice should be consulted prior to an employee’s dismissal.

An employee may terminate employment relations with an employer on his/her own initiative without providing any reasons. However, two weeks’ prior notice of resignation is required in such cases. A longer notice period of one month is required for a general director.

6.3. Social security

Coverage
Social and health security covers pensions, unemployment, maternity and child benefits, illness and other social services.

Employee contributions
Employees currently do not pay Russian social taxes. Employers make all relevant contributions.

Employer contributions
Employers currently make the following contributions on behalf of employees:

Obligatory Social Insurance Contributions (SIC) have replaced the Unified Social Tax (UST) since 2010. A ceiling was set for the assessment and payment of insurance contributions in relation to an individual’s income. The rates are flat. Furthermore, as of 1 January 2013 SIC is payable on income up to RUB 568,000 at a rate of 30%. If payments are made in favour of foreign nationals temporary staying in Russia (except highly qualified professionals or employees who have concluded labour contract for the period less than six months in a calendar year), a rate of 22% should be applied. From income exceeding RUB 568,000 SIC should be calculated at a rate of 10%.

Obligatory Accident Insurance Contributions (OAIC) are made against work-related accidents. Rates vary between 0.2% and 8.5% depending on the level of professional risk associated with the employer’s activity.

Some key points to consider:

- Payments or other allowances under civil law contracts with foreign nationals temporarily resident in Russia are exempt from SIC;
- Income paid to contractors is exempt from the Social Fund part of the Obligatory Social Insurance Contributions, which effectively reduces total SIC payable;
- Obligatory Accident Insurance Contributions (OAIC) are not payable if the relevant civil contract does not stipulate accident insurance coverage;
- Payments or other allowances under employment contracts with highly qualified professionals or employees concluded contract for the period less than 6 month in a calendar year are exempt from SIC.

6.4. Foreign personnel

Accommodation and living conditions
Accommodation in Moscow is usually to Western standards. Many apartments or houses can be rented or bought by expatriates to suit their needs.

Foreign employees can bring their families to live in Russia. Accompanying family members can obtain Russian visas on the basis of the employment status of a working spouse. There are schools specifically in place for the children of expatriates.

Employment restrictions
There are no restrictions on how many foreign employees can work in a given company or how long they can be employed in Russia. However, restrictions are in place regarding the types of activities in which foreign employees can be engaged. For example, a foreign individual cannot work in public service, e.g. as a captain in civil aviation services.

Foreign employees must obtain a work permit and a work visa prior to starting work in Russia.

The Russian Government sets a quota for the number of foreign nationals that can be hired in a given year. The quota for 2014 has not been changed since the previous year and it currently stands at 1,631,586 positions. If the annual quota has been filled, no further work permits can be issued that year, and the employment of any foreign nationals without the proper work permits is strictly prohibited. Only highly qualified specialists (HQS) and a number of specialists who are employed to certain quota-free positions approved by the Russian Government are exempt from the quota system and can be hired even if the given year’s quota has already been met. Nonetheless, this provision is subject to certain requirements as stated below in the relevant sections.
**Fiscal registration number**
A foreign employee does not have to obtain a fiscal registration number unless he/she has been employed as a HQS (see below for further details).

**Residency permit**
Foreign personnel do not need residency permits to work in Russia since they are authorised to stay and work for as long as their work permit and work visa are valid. Highly qualified specialists may take advantage of a simplified procedure for obtaining a residency permit, which offers them a number of benefits during their employment in Russia.

**Work permit and visa**
Under Russian immigration law, expatriate employees have the right to work in Russia only if they hold individual work permits. In addition, employers can employ foreign personnel only if they possess employment permits (i.e. have permission to employ foreign personnel).

This requirement does not apply to foreign nationals permanently residing in Russia on a permanent residency permit or several categories of foreign employees engaged, for instance, in the assembly of technical equipment delivered to Russia. Various exceptions are also in place for employees from CIS countries. Employers do not have to obtain an employment permit to hire employees from CIS countries, but they should notify the state authorities of their employment.

Employment and work permits are generally issued for one year and specify a particular Russian region. They cannot be renewed and require reapplication upon expiration.

The Russian immigration authorities will not issue employment or work permits on the basis of secondment agreements. Only a direct employment contract under the Labour Code and relevant laws can serve as the basis for issuing employment and work permits.

Work permits are obtained on a quota basis. Companies intending to hire foreigners must submit a request for a quota every year before 1 May for the following year. Failure to apply for a quota may result in significant difficulties in employing foreign nationals.

The Russian government issues a list of profession not requiring a quota every year. The list usually includes the senior management of Russian companies and branch/representative offices, as well as less common professions such as IT security specialists or engineers.

It takes up to three months to obtain authorisation documents and the process can only begin once company has been duly established. Employment during the pending period is prohibited.

Once a foreign employee has obtained their individual work permit, they are entitled to stay and work in Russia on the basis of a work visa.

The authorities must be notified every time a foreign person enters or leaves Russia. The same rule applies for family members.

The immigration authorities have become more stringent in making sure that foreigners' visas comply with their stated purpose of stay in Russia. It is prohibited to work in Russia on a business visa. A business visa is issued specifically for business trips to Russia (e.g. conducting negotiations, concluding or extending business contracts, or participating in auctions, exhibitions and other business events). Foreign nationals are entitled to stay in Russia on a business visa for no more than 90 calendar days out of a 180-day period. These restrictions do not apply to work visas. Business visas are issued for the period of up to one year. However, under the amendments introduced into Russian law at the end of 2012, a business visa may be issued for the period up to five years for a person if he/she is the representative of a major foreign company with major investments in the Russian economy or is participating in major investment projects (such as the Skolkovo Innovation Centre of International Financial Centre).

Accompanying family members should obtain separate work permits if they wish to find a job. Family members receive special visas based on the work visa of the employed family member.

Failure to comply with immigration rules may result in fines of up to RUB 800,000 (about USD 23,000 as of mid-February 2014) per employee per violation.

**Highly qualified specialist (HQS) status for foreign personnel**
In 2010, the Russian Government approved a new simplified procedure for foreign personnel eligible for highly qualified specialist (HQS) status, which is available to foreign employees earning a salary of at least RUB 2 million per year. No quotas are required for this category of expatriates and the procedure is only for obtaining individual work permits. The employer’s company is not required to obtain any additional permits to hire such personnel. Furthermore,
HQS personnel can obtain work permits and visas valid for up to three years and cover several Russian regions at the same time. A foreign HQS can receive a work permit in just 15 working days. Although HQS applications are now only accepted by the Federal Migration Service’s Moscow and St Petersburg offices, this may change in the future.

Under immigration law, a foreign HQS and his/her accompanying family members, including spouses, children, parents, brothers, sisters and grandparents, can obtain residency permits valid for the duration of his/her employment contract.

Upon obtaining a work permit, a HQS must be registered with the tax authorities by his/her employer and receive a Russian taxpayer’s individual number (TIN). The HQS’ employer is considered the taxpayer in relation to the foreign employee’s personal income and must pay personal income tax (PIT) on behalf of the HQS. Furthermore, the employer must inform the immigration authorities about this in every quarter.

The employer is also responsible for concluding a voluntary medical insurance agreement (or a relevant agreement for provision of medical services) for the HQS and his/her accompanying family members effective as of the date of their arrival in Russia.

6.5. Concluding employment contracts

The employment contract with the terms of employment must be concluded in written form with every employee and published at least in two copies. Both parties should sign each copy.

As a general rule, employment contracts are concluded for an indefinite term. A fixed-term employment contract (no more than five years) may also be concluded, but only in those circumstances specified in the Labour Code or other federal laws.

Before an employment contract is concluded, the employer must familiarise the employee with the relevant internal company policies that directly may affect his/her work.

6.6. Amending employment contracts

Employment contracts can only be amended by an agreement of the parties, except for those cases specified in the Labour Code.

For instance, provided that a special procedure is observed, the employer has the right to change the terms of an employee’s employment contract unilaterally with the exception of the employee’s role. These changes require two months’ notice and must be prompted by a change in the organisational and technical terms of the employment (i.e. a change in the technology or method of production, structural reorganisation of production, etc.) in which the existing terms cannot be continued. The employer is required to give the employee two months’ notice of any relevant forthcoming changes. The employee then has two choices in such a situation, either to accept the new terms and conditions or be dismissed on special grounds.

6.7. Terminating employment contracts

Employment contracts may only be terminated based on grounds set out in Russian law. Only in exceptional cases can parties to an employment contract provide additional grounds for a contract’s termination (e.g. a general director’s employment contract).

The procedure for terminating an employment contract is dependent on the grounds stipulated. For example, if an employee wants to terminate an employment contract unilaterally, he/she must notify his employer at least two weeks prior to the termination, or at least one month if the individual concerned is a general director. The severance allowance to be paid to the employee also depends on the grounds for termination. Thus, in cases where an employment contract with a general director should be terminated following a relevant corporate decision, the employer must pay the general director severance allowance equal not less than three average monthly salaries. The Labour Code establishes additional protection for a number of employee categories regarding dismissal, including trade union members, female employees and employees with children.

6.8. Secondment arrangements

Secondments are widespread in foreign jurisdictions and used by numerous Russian and multinational companies in Russia. Russian labour law currently does not strictly regulate the secondment of personnel. Therefore, employers engaged in secondment may face additional risks. It is impossible to obtain work permit documents for expatriates based on a secondment agreement.

A draft law to prohibit secondment agreements has been submitted to the State Duma for review.
6.9. Employment of remote employees

Remote work is a new type of employment and includes situations when employees work outside of employer’s office. This working arrangement can be beneficial for an employer since it helps them save on office rent, reduce the employer’s list of health and safety obligations, and simplify HR documentation flow (upon mutual agreement with the employee even make records in his/her labour book). Communications between the parties may be performed through the information and telecommunications networks including Internet. The documents transferred by these means should be accompanied by a digital signature.

The employment contract with remote employees may establish additional grounds for employment contract termination taking into account various peculiarities of remote work.

6.10. Special assessment of labour conditions at workplaces

In late 2013, the State Duma adopted the new legislation related to special assessment of labour conditions at workplaces. In accordance with the new law, as of 1 January 2014, the previous procedure for certifying workplaces has been replaced by a procedure of special assessment of labour conditions at workplaces. The new procedure specifies all steps in the assessment, as well as guarantees and compensations of the employees in case of hazardous working conditions.

6.11. Trade unions


The Labour Code stipulates that an employer in certain cases should consider the position of a trade union before going forward with certain internal regulations (i.e. internal policies) or dismissing employees who hold union membership.
7. Accounting and audit requirements

7.1. Accounting

Accounting requirements are spelled out in Federal Laws No 402-FZ “On Accounting” and No 208-FZ “On Consolidated Financial Statements”. The Ministry of Finance has adopted Russian accounting standards (RAS).

Accounting entries are recorded in line with the Chart of Accounts and Instructions for application as adopted by the Ministry of Finance.

Statutory financial statements to be prepared on a standalone basis include balance sheets, statements of financial results, statements of changes in equity, statements of cash flows, and notes to the financial statements.

The reporting period is the calendar year from 1 January to 31 December.

Financial statements are annually submitted to the entity’s owners, the Federal Statistics Service and tax authorities. Annual financial statements should be submitted to the Federal Statistics Service and to the tax authorities within three months after year’s end. Russian legislation may also require submissions to other authorities.

Auditor’s opinion should be provided to the Federal Statistics Service:

- Together with audited annual financial statements within three months after year’s end; or
- No later than ten working days after the day of the auditor’s opinion; but
- No later than 31 December of the year following the audited year.
Interim financial statements should be prepared on time and submitted to the authorities mentioned in Russian legislation (for instance, the financial statements for insurance companies and issuers). Furthermore, an entity may establish interim periods at its owners’ discretion.

Consolidated financial statements should be prepared according to International Financial Reporting Standards (IFRS) [Federal Law No 208-FZ “On Consolidated Financial Statements”].

Securities issuers should publish standalone financial statements.

Consolidated financial statements must be published.

If audited financial statements are published they should be published along with the auditor’s opinion.

### 7.2. Auditing

Auditing requirements are set out in Federal Law No 307-FZ “On Auditing”. The Ministry of Finance has adopted these standards with respect to auditing.

Statutory audits are required every year for standalone financial statements of companies incorporated in the Russian Federation, as well as for consolidated financial statements.

Entities subject to mandatory audit include: companies with net revenue above RUB 400 million (around USD 13 million); companies with total assets over RUB 60 million (around USD 2 million); all listed companies; professional players on the securities market; clearing companies; currency exchanges; private pension funds; management companies of share investment funds; mutual investment funds; open joint stock companies; credit organisations; credit reference bureaus; insurance companies; mutual insurance companies; commodities or securities exchanges; share investment funds; companies with in which the state owns at least 25%; state corporations and state companies.

Representative offices and branches of foreign companies with operations in the Russian Federation are not subject to statutory audit requirements.

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30 Net revenue and total asset thresholds are taken from financial statements for the previous year. Once an entity crosses the threshold, it is subject to mandatory audit in the following year.
8. **Tax system and administration**

8.1. Significant changes

**Tax breaks in the Russian Far East introduced**

Tax breaks for investment projects in several Far Eastern and Siberian regions have been effective since 1 January 2014. The new law establishes a zero rate for corporate income tax payable to the federal budget and allows investors in the 13 eligible regions to use lower regional tax rates. So, in contrast to the regular 20% rate, the beneficial tax rate adopted by the most of these regions usually comes to 0% during the first five years from the date the first income from sales of goods under an investment project is generated, and then 10% over the following five-year period.

In addition, reduced rates have been introduced with respect to the Mineral Resources Extraction Tax (MRET) payable by participants in regional investment projects. They apply to a whole range of mineral resources, including gold, coal, ferrous and non-ferrous mineral ores, etc.

The law sets thresholds for capital investments and timeframes for their implementation according to the specifics of a given investment project:

- At least RUB 50 million (Euro 1,040,000) within three years; or
- At least RUB 500 million (Euro 10.4 million) within five years.
An investment project must be focused on producing goods exclusively within one of the eligible Russian constituent regions.

**Property tax on offices and shopping centers**
Starting from 2014, certain real estate objects are taxed in accordance with their cadastral value and not their book value. As a result, property tax will increase significantly.

The following objects are subject to the new rules:

- Administrative and business centres;
- Shopping centers and premises therein;
- Offices, retail outlets, public eateries and consumer facilities;
- Immovable property of foreign entities with no permanent establishment (PE) in Russia or not related to their operations through a PE in Russia.

The law introduces maximum tax rates for real estate subject to the new rules: 1% in 2014, 1.5% in 2015, and 2% in 2016 and following periods. The Moscow tax rate is established as 0.9% in 2014; 1.2% in 2015; 1.5% in 2016; 1.8% in 2017 and 2% in 2018 and the following periods.

Tax rates within these limits, as well as the particularities for determining the tax bases for certain objects, are being set by constituent regions.

**Taxation of dividends – penalty tax of 30%**
Starting from 1 January 2014, amendments to the Russian Tax Code related to the transparency of financial operations are in place. Here are the key provisions:

- New rules for determining tax agents are introduced. The role of a tax agent moves from the issuer to a depository in a number of cases;
- The disclosure procedure is extended to cover those cases when dividends are paid out on shares held in special accounts for depositary programmes, foreign nominee and authorised holders accounts. A penalty tax of 30% for nondisclosure has been introduced (it applies where information about entities exercising rights to securities was not disclosed to the tax agent, or where it was not disclosed in a timely manner, or was incomplete or inaccurate);
- Options for directly applying treaty benefits (reduced tax rates) are limited. Tax refunds are allowed. The rule is applicable to situations where income is paid to foreign entities acting on behalf of third parties.

**Significant changes expected in 2014 – 2016**
The Russian government regularly publishes its Key Guidelines on Russian tax policy for the three-year period. The following changes were announced in the most recent version:

- Introduction of CFC rules;
- Introduction of the beneficial owner concept;
- Introduction of tax residency concept for legal entities;
- Introduction of a real estate tax;
- Convergence of tax and accounting rules.

### 8.2. Corporate taxation

**Corporate residence**
Effective Russian tax legislation does not contain terminology regarding corporate residence. The tax system in Russia distinguishes between Russian and foreign legal entities in regards to their respective incorporation.

**Permanent establishment**
A permanent establishment (PE) is broadly defined as “a branch, division, office, bureau, agency, or any other place through which a foreign legal entity regularly carries out its business activities in Russia”.

Foreign legal entities pay tax on profits attributable to a PE. A PE's profits are computed on primarily the same basis as Russian legal entities, including the composition of tax-deductible expenses. The Tax Code does not specifically mention the deductibility of expenses incurred abroad by a head office with respect to its PE in Russia (including a reasonable allocation of administration costs), although most double taxation treaties (DTTs) provide for such an option.

A provision on taxable income of a PE has been introduced in Russian tax law. Taxable income of a PE in Russia should be determined taking into account the PE's functions, assets, and economic/commercial risks. This provision does not contain any guidance on specific transfer pricing methods that taxpayers should follow.

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If a foreign legal entity conducts free-of-charge preparatory and/or auxiliary services for the benefit of third parties, then a PE is considered to have been formed, and the tax base is calculated as 20% of its expenses relating to such activities.

Foreign legal entities operating in Russia through a PE must follow the filing and payment schedules established for Russian legal entities. Although they do not make monthly advance payments, they should pay profits tax on a quarterly and annual basis only.
8.3. Group taxation

A new consolidated taxpayer regime is available for large Russian groups starting from 1 January 2012.

A group can comprise two or more Russian organisations where the direct or indirect equity interest of one member in the charter/share capital of the other members comes to at least 90%. In order to establish and apply this regime, all group members should meet the following requirements:

- At least RUB 10 billion in total profits tax, VAT, excise tax, and MRET paid during the year preceding the year of registration of a group taxpayer;
- At least RUB 100 billion in sales proceeds and other income;
- Total cost of assets of at least RUB 300 billion.

The advantages from applying this regime are the following. Firstly, transactions among members will not be controllable under the new transfer pricing legislation (with one exception – transactions with mineral resources subject to MRET with a percentage rate are still be subject to control). Secondly, for the purposes of calculating profits tax, it will be possible to consolidate members' profits and losses.

8.4. Transfer pricing

New transfer pricing legislation came into effect on 1 January 2012. Compared to the prior Russian transfer pricing rules, the new regulations appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles as developed by the OECD.

The main changes are as follows:

- Change in the list of transactions where the Russian tax authorities may control prices for tax purposes;
- Expansion of the list of related parties;
- Burden of proof with respect to prices of controlled transactions not corresponding to the market will rest with the Russian tax authorities;
- Introduction of the arm's-length principle as a fundamental principle of Russian transfer pricing rules;
- Abolishment of the “safe harbor” provision (a 20% fluctuation of controlled transaction prices from market prices that was previously allowed);
- Expansion of the list of information sources for determining market prices;
- Formal introduction of a functional analysis as one of the comparability factors;
- Introduction of new methods for determining market prices, i.e. transactional net margin and profit split methods;
- Introduction of reporting and transfer pricing documentation requirements;
- Introduction of special transfer pricing audits to be performed by the Federal Tax Service;
- Introduction of penalties for non-compliance with reporting and transfer pricing documentation requirements. However, for the transitional period of 2012/13, no penalties can be assessed with respect to transfer pricing adjustments;
- Introduction of unilateral and multilateral APAs for Russian companies registered as “largest” taxpayers.

8.5. Tax incentives

At present, the following types of incentives exist in Russia:

- Regional incentives granted by regional or local authorities with respect to taxes paid to their budgets;
- Special tax regimes in special economic zones (SEZs);
- Incentives related to certain activities (e.g. activities related to R&D, information technology);
- Incentives related to particular projects (e.g. Skolkovo, the Winter Olympic Games in Sochi).

The incentives are briefly described below.

It is also worth mentioning that Russian tax law provides for special tax regimes to support small and medium-size businesses. Such regimes include a unified tax regime, simplified tax regime, and unified agricultural tax.

**Regional incentives**

Regional incentives in the form of reduced tax rates for taxes payable to regional budgets (primarily profits tax and property tax) are granted to certain classes of taxpayers (typically, large investors or entities operating in specific industries). The extent of regional incentives and the willingness of regional authorities to grant them have declined over time.

Special incentives are available for investors in the Russian Far East effective from 1 January 2014. See the section “Significant Changes” for more details.
Special economic zones (SEZs)

The following types of SEZ are established in Russia:

- Technical research and implementation zones for scientific projects;
- Industrial production zones to develop industrial production;
- Tourism-recreation zones for the development and effective use of Russian tourist resources;
- Port zones.

SEZ residents may take advantage of different combinations of benefits, such as reduced profits tax, exemption from property tax and land tax, and, in some cases, exemption from customs duty and VAT.

Activities incentives

The following ‘activities’ incentives are available to taxpayers in Russia:

- Certain R&D services are exempt from VAT;
- Certain R&D service-related expenses, as listed by the government, are deductible using a coefficient of 1.5;
- Fixed assets used in science and technology may be amortised with an accelerated coefficient of up to 3;
- Reduced rates for contribution payments to social funds are established for information technology (IT) companies.

Special project incentives

The following “special project” incentives have been established in Russia:

- Participants in the Skolkovo Innovation Centre enjoy a number of benefits, the primary of which are the following: exemption from profits and property taxes, exemption from VAT obligations, and reduced rates for mandatory contributions to social funds;
- Olympic Winter Games (Sochi 2014). The Russian tax law prescribes certain tax exemptions for the foreign and Russian organisers of the Games, marketing partners of the International Olympic Committee, and official broadcasting companies in relation to their activity on the Games, as well as exemption from personal income tax for income received by sportspersons for their participation in the Games.

Foreign tax credit

Credit relief is available for foreign taxes paid up to the amount of the Russian tax liability that would have been due on the same amount under Russian rules.
8. Profits tax

**Tax rate**
The maximum profits tax rate for all taxpayers in the Russian Federation is set at 20% (2% is paid to the federal budget and 18% is paid to the budgets of constituent regions). The amount payable to the budgets of constituent regions may be reduced by such regions, so the total minimum tax rate may come to 15.5% (e.g. the rate of 15.5% is established for certain categories of taxpayers in Moscow, St Petersburg, the Samara Region, the Kaluga Region and several other regions).

Russian legal entities pay tax on their worldwide income (credit relief is available for foreign tax paid up to the amount of the Russian tax liability that would have been due on the same amount under Russian rules).

Foreign legal entities pay tax on Russia-source income derived through a PE (at 20%) and are also subject to withholding tax (WHT) on income from Russian sources not related to a PE (at rates varying from 10% to 20%, depending on the type of income and the method used to calculate it).

**Income determination**
The accounting period in Russia is a calendar year. Different periods are not permitted. The taxable base is calculated on an accrual basis (only small-scale taxpayers are still allowed to use a cash basis).

Taxable income is to be computed following the rules and principles established in the Tax Code. Taxpayers must maintain tax accounting registers. Statutory accounts may be used for computing tax items for which accounting methods are the same. In practice, most taxpayers use statutory accounts as a basis and apply adjustments so as to arrive at the taxable income.

**Inventory valuation**
Inventory can be valued using one of the following methods: first in first out (FIFO), last in first out (LIFO), average cost, and individual unit cost. LIFO will probably be abolished starting from 2015 (the relevant bill has passed its first reading in the State Duma).

**Capital gains**
Capital gains are subject to the same 20% profits tax rate and are added to ordinary income to arrive at the taxable income.

Four separate tax baskets are calculated for tax purposes: (i) results from general operations; (ii) results from operations with listed securities; (iii) results from operations with
non-listed securities; and (iv) results from operations with non-listed derivatives. A loss in one basket cannot be offset with income in another basket. Results from operations with listed derivatives are included into the general tax basket. Starting from 2015, only two tax baskets will remain: (i) general and (ii) results from operations with non-listed securities and non-listed derivatives.

Gains from the sale of fixed assets and other property are equal to the difference between the sale price and their net book value for tax purposes. Losses resulting from the sale of fixed assets should be deducted in equal monthly instalments during the period, defined as the difference between their normative useful life and the actual time of use.

A significant exemption was introduced for capital gains from the sale or other disposal (including redemption) of shares in Russian entities (interests in Russian entities’ charter capital), provided that, as of the date of sale, they have been continuously held by the taxpayer on the basis of right of ownership or another proprietary right for more than five years. One of the following conditions must be met in order to apply a 0% tax:

- The shares have been non-listed securities over the entire period of the taxpayer’s ownership of such shares;
- The shares are listed securities, and the company issuing shares has part of the technology/innovation sector of the economy over the entire period of the taxpayer’s ownership of such shares;
- As of the date of acquisition by the taxpayer, the shares qualified as non-listed securities and, as of the date of their sale by this taxpayer or of another disposal (including redemption) by this taxpayer, they are listed securities of the high technology/innovative sector of the economy.

Beneficial tax treatment will only apply to shares and interests in charter capital acquired by taxpayers after 1 January 2011 (this means that the exemption may be first used in 2016).

**Dividend income**

Dividends received by Russian legal entities from Russian or foreign legal entities are taxed in Russia at a 9% flat rate. Dividends received from “strategic investments” are exempt from Russian income tax. An investment is considered strategic when:

- The owner (recipient of dividends) owns at least 50% of the capital of the payer of dividends or owns depository receipts entitling it to receive at least 50% of the total amount of paid dividends and
- The share or depository receipts have been owned for at least 365 calendar days on the day dividends are declared.

Dividends from companies residing in “offshore” zones with preferential tax regimes are not eligible for the tax exemption. The list of offshore zones is established by the Ministry of Finance.

Tax on dividends from abroad withheld in the source country may be credited against Russian tax.

The standard 15% tax rate is applicable to dividends paid by Russian legal entities to foreign legal entities. The tax should be withheld based on a relevant DTT usually to 10% or 5% (please see the Withholding taxes section for more details).

Please note that, starting from 1 January 2014, a penalty tax of 30% on dividends paid out on securities recorded on certain accounts (i.e. on the accounts of depositary programmes and the accounts of foreign nominees and authorised holders) is applicable if information about the entities exercising rights to such securities was not disclosed to the tax agent, or was not disclosed in a timely manner, or was incomplete or inaccurate.

**Interest income**

Interest income is taxed on an accrual basis. A standard tax rate of 20% is applied to interest income, except for interest on state and municipal securities, which is taxed at 0%, 9%, or 15%, depending on the type of security. The rate may be reduced (typically to zero) according to the relevant tax treaty.

**Exchange gains and losses**

Foreign exchange gains and losses are recognised for tax purposes on an accrual basis. However, gains and losses from settlements in a local currency of amounts denominated in (tied to) a foreign currency are taxable (deductible) on payment.

**Foreign income**

Russian legal entities pay tax on their worldwide income. Credit relief is available for foreign taxes paid up to the amount of the Russian tax liability that would have been due on the same amount under Russian rules.

The effective tax legislation does not contain provisions that allow tax deferral in respect to foreign income.
8. Tax system and administration

**Deductions**
Expenses are deducted on an accrual basis. The main criteria for deductibility of expenses is that the expense is (i) incurred in the course of an income-generating activity; (ii) properly documented; and (iii) not mentioned in the Tax Code as non-deductible for tax purposes.

**Depreciation and amortisation**
Two methods of depreciation are allowed: the straight-line method and the declining-balance method. The ranges of useful life of assets for tax purposes are established in the Classification of Fixed Assets adopted by the Russian government, for example:

<table>
<thead>
<tr>
<th>Fixed asset</th>
<th>Useful life (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal computer</td>
<td>2 to 3</td>
</tr>
<tr>
<td>Automobile</td>
<td>3 to 5</td>
</tr>
<tr>
<td>Truck (more than five tonnes capacity)</td>
<td>7 to 10</td>
</tr>
<tr>
<td>Aircraft</td>
<td>10 to 15</td>
</tr>
<tr>
<td>Blast furnace</td>
<td>20 to 25</td>
</tr>
</tbody>
</table>

Accelerated depreciation is permitted for leased property, where a special ratio of up to three may be applied (with some exceptions).

Accelerated depreciation in a harsh environment and/or increased turnover conditions has been abolished for assets recorded on balance sheets after 1 January 2014.

It is prohibited to apply several special coefficients to the normal rate of depreciation.

An upfront premium is allowed, which means that a taxpayer has the right to deduct 10% (or 30% for certain categories of fixed assets) of the cost of fixed assets purchased (or constructed) in the month when the depreciation started. The balance is depreciated over the useful life of the asset. A premium must be recaptured if a relevant asset is sold within five years of its acquisition (the requirement to recapture does not apply to sales to unrelated parties starting from 2013).

Intangible assets are amortised over their useful life or over ten years (two years for certain types of intangible assets) if their useful life cannot be determined.

**Goodwill**
Under tax law, a mark-up (difference between the acquisition value and net assets of the business (property complex) purchased) should be recognised as goodwill for tax purposes and may be amortised by a buyer over five years.

To apply this tax regime, a business (as subject of a deal) needs to be registered as a property complex with the state authorities. However, sellers almost never do this. Therefore, applying this tax regime is insufficient.

**Start-up expenses**
Russian tax law does not contain specific provisions on the deductibility of start-up expenses. In some cases, they may be deducted neither by a parent company nor by a subsidiary for tax purposes.

**Interest expenses**
Interest expenses are deductible within the following limits:

- The average interest rate on similar loans obtained during a quarter from Russian lenders multiplied by 1.2;
- If there are no similar loans, or at the taxpayer's discretion, the following limits are applied:
  - For loans denominated in a foreign currency: the refinancing rate of the the Central Bank of the Russian Federation multiplied by 0.8 (6.6% as of February 2014);
  - For loans denominated in roubles: the refinancing rate of the the Central Bank of the Russian Federation multiplied by 1.8 (14.85% as of February 2014).

Starting from 2015, the rules will change significantly. The tax authorities will be able to audit interest expenses only for transactions that are controlled under the Russian transfer pricing rules and only in accordance with these rules. Safe harbor for bank loans will apply.

**Bad debt**
Losses in the form of bad debts written off are usually deductible. Companies may create a bad debt reserve. The method of accrual for a bad debt reserve for tax purposes may differ from that in financial accounting as it is based only on the overdue payment period (i.e. if the delay exceeds 90 days, the full amount of the account receivable is included in the reserve).

**Charitable contributions**
Russian tax law does not foresee any benefits in respect to charitable contributions. Such expenses are not deductible for tax purposes.

**Research and development (R&D) expenses**
R&D expenses (including R&D with a negative result) are currently deductible within one year after completion. Certain R&D expenses may be deducted using a coefficient of 1.5. The list of R&D categories is determined by the Russian Government. A provision for future R&D expenses may be accrued for tax purposes.

**Insurance premiums**
Expenses related to all types of obligatory insurance are deductible and are subject to state tariff limitations, wherever established. Voluntary insurance expenses are deductible to the extent that they relate to the insurance of damage and losses related to certain classes of assets, and the insurance of construction activity risks. Contract liability insurance expenses are deductible to the extent that such insurance is required by an international treaty to which Russia is a party or a generally accepted international trade custom.
Long-term life and pension insurance is deductible within a limit of 12% of the payroll fund. Voluntary medical insurance is deductible within a limit of 6% of the payroll fund.

Fines and penalties
Fines and penalties paid to contractors for violating contractual terms may be deducted for tax purposes.
Fines and penalties paid to a budget are not deductible.

Taxes
Taxes paid by a taxpayer, as well as social contributions of employers, are deductible for tax purposes.

Net operating and capital losses
Tax losses may be carried forward for up to ten years without limitation (i.e. they can be used to offset entire taxable profit before a loss carryforward deduction). Carryback of losses, however, is not allowed.

Losses from the sale of fixed assets are recognised evenly during remaining useful life.
Losses and income from different tax baskets cannot be offset (please see the section “Capital gains in Income determination” for more details).

Payments to foreign affiliates
There are no special tax provisions regarding the deductibility of payments to foreign affiliates for services provided. They may be deducted in full if general deductibility criteria are met. Charges with respect to administrative support provided by foreign affiliates may be deductible. However, due care should be taken with regard to the documents used to support the nature and actual receipt of the service.

Thin capitalisation
Under the Russian Tax Code, interest on loans received from foreign shareholders (as well as their Russian affiliates, or loans guaranteed by foreign shareholders or their Russian affiliates) owning more than 20% of capital is deductible, provided that the loans do not exceed by three times the amount of equity (12.5 times for banks and leasing companies). If loans exceed this limit, excess interest on the loans will be reclassified for taxation purposes as dividends paid to foreign shareholders. Such dividends are not deductible for profits tax purposes and are subject to WHT at the rate of 15% (treaty benefits may apply to reduce the rate).

Withholding taxes
Under the general provisions of the Tax Code, income received by a foreign legal entity and not attributed to a PE in Russia is subject to WHT in Russia (to be withheld at source). WHT rates are as follows:

- 15% on dividends and income from participation in Russian enterprises with foreign investments;
- 10% on freight income;
- 20% on certain other income from Russian sources, including royalties and interest;
- 20% of revenue or 20% of the margin on capital gains (from the sale of immovable property located in Russia or non-listed shares in Russian subsidiaries where the immovable property located in Russia represents more than 50% of assets).

Taxation of margins (rather than gross income received from the above sales) may be applied only if proper documentary support of expenses is available.

Income of foreign organisations (not performing activities in Russia through a PE) from the sale of certain listed securities of Russian entities (and their derivatives) is not regarded as income derived from sources in Russia subject to WHT.

The list of exempt income (not subject to WHT) was extended by a Federal Law # 97-FZ of 29 June 2012 On amending the Chapters I and II of the Tax Code and Federal Law on banks and banking business to include: (1) interest payments on Russian state securities; (2) interest payments on tradable bonds, issued in accordance with the laws of foreign states; and (3) payments made by Russian companies to finance coupons on Eurobonds issued by special purpose vehicles incorporated outside of Russia. This latter exemption is also effective with respect to Eurobonds.

Tax should be withheld by the tax agent and paid to the Russian budget. WHT rates may be reduced under a relevant DTT, provisions of which may be applied based on confirmation of tax residence, which is to be provided by a foreign company to the Russian tax agent prior to the payment date (no advance permission from the Russian tax authorities is required) and also as long as general conditions are fulfilled (proof of beneficial ownership, etc.).

The Russian tax authorities recognise the terms of former Union of Soviet Socialist Republics’ (USSR) treaties until they are renegotiated by the Russian government. Furthermore, the list of effective tax treaties is continuously updated.
8.7. Other taxes

**Customs processing fee**
Goods transported across the Russian Federation’s customs border are subject to a customs processing fee with a flat rate. The fee depends on a customs value of transported goods. The fee is usually small.

**Excise duty**
Excise taxes apply to the production and import of cars, tobacco, alcohol, petrol, and lubricants. Special excise rates for each type of excisable goods are established in the Tax Code. The rates are widely variable and are based on various factors.

**Property tax**
The maximum property tax rate is 2.2%, and regional legislative bodies have the right to reduce this rate. The property tax base includes only the annual book value of fixed assets recorded on the taxpayer’s balance sheet (including leased out property). Intangible assets, inventories, work-in-progress, and financial assets are not subject to property tax in Russia. Starting from 2013, movable property recorded as fixed assets from 1 January 2013 and thereafter is not taxed.

At the same time, the property of natural monopolies, which was earlier exempted earlier, is now taxed. The tax rates applicable under the laws of Russia's constituent regions to public rail roads, trunk pipelines, power lines and facilities constituting an integral technical component of the above objects, cannot exceed 0.4% in 2013, 0.7% in 2014, 1% in 2015, 1.3% in 2016, 1.6% in 2017, and 1.9% in 2018. Effective 2014, the tax base of certain real estate objects is their cadastral value rather than their book value. See the “Significant Developments” section for more details.

**Transport tax**
A transport tax is imposed on certain types of land, water, and air transport registered in Russia. Fixed rates apply (per unit of horsepower, gross tonnage, or unit of transport), which differ based on engine capacity, gross tonnage, and type of transport. The actual rates in the regions may be subject to a maximum ten-fold increase/reduction by the legislative bodies of Russian Federation’s constituent subjects. Reporting and payment rules have been established by regional legislative authorities.

The transport tax on luxury cars has been increased starting from 2014. A multiplier (up to 3) depends on the age and cost of a car. For example, in Moscow, the tax may reach EUR 7,000 per year for the most high-end class of vehicle.

**Social contributions**
An annual salary under RUB 624,000 (approximately EUR 13,000) per employee is subject to contributions at a consolidated rate of 30%. An additional 10% charge is imposed on salaries exceeding RUB 624,000 per annum per employee. Remuneration of foreign nationals temporarily staying in Russia is covered by pension insurance contributions at a rate of 22% within the threshold of RUB 624,000 and a 10% top-up charge on remuneration paid in excess of the threshold. The only exception is made for highly qualified specialists (with a respective work permit) and employees who have entered into a labour contract for a term of less than six months.

**Mineral Resources Extraction Tax (MRET)**
MRET calculation depends on the type of mineral resource. MRET for coal, oil, gas and gas condensate is calculated using the extracted volume of respective resource. The tax rate is established as a fixed rate multiplied by various coefficients linked to world prices and field characteristics. A zero MRET rate applies to oil extracted from green fields in certain regions of Russia (e.g., East Siberia, internal and territorial waters located in the northern polar zone, the Azov and Caspian Seas, and the Nenets and Yamal regions) during their initial production stage. MRET on other natural resources depends on the value of resources extracted. The tax rate varies from 3.8% to 8%. For instance, 3.8% for potassium salt, 4.8% for ferrous metals, 6% for products containing gold, and 8% for non-ferrous metals and diamonds.

Starting from 2014, the reduced MRET rates apply to investors in Russia’s Far East.

The coefficient will be zero for the first two years and will increase smoothly to 1 by the end of a 10-year period for investors to apply the reduced corporate income tax rate. This benefit is applicable until 2029 (see section “Significant changes” for more details).

8.8. Tax administration

All taxpayers are required to obtain tax registration and be assigned a taxpayer identification number, irrespective of whether their activities are subject to Russian taxation.

**Taxable period**
The taxable period runs from 1 January to 31 December.

**Tax returns**
An annual profits tax return must be filed by 28 March of the year following the end of the reporting year.

**Payment of tax**
Companies pay advance profits tax payments on a monthly basis. The final payment for the year is due by 28 March of the following year.

**Tax audit process**
- Tax dispute resolution at pre-trial (administrative) stage
  
  Tax disputes happen quite frequently in Russia. Most taxpayers have to go through the tax litigation process at least once while doing business in Russia.
If taxpayers wish to challenge decisions and other documents/actions (or failure to act) of the tax authorities in court, they must first contest those decisions/actions with a higher tax office.

Recently, more tax disputes are now being resolved at the pre-trial (administrative, superior tax office) stage. However, taxpayers cannot formally negotiate tax audit results or enter into settlement agreements with the tax authorities and, in many cases, still must protect their rights in court.

• Tax dispute resolution in court

Taxpayers can submit claims against the tax authorities through arbitrazh courts (i.e., courts that review and resolve economic disputes mainly between legal entities/entrepreneurs or legal entities/entrepreneurs and state authorities, including the tax authorities). Claims may be filed with a court within three months after a decision comes into force or after a taxpayer discovers that his/her/their rights were violated (provided that the taxpayer has gone through the pre-trial stage mentioned above).

Courts of the first instance initially review disputes and issue decisions. Decisions of a first instance court can be appealed in appellate courts (second level) and cassational courts (third level). The average litigation process (all three instances (levels)) usually takes from nine to 12 months.

On very rare occasions, resolutions/decisions by these courts can be appealed in the Russian Supreme Arbitrazh Court (a supervisory authority). By June 2014, the Russian Supreme Arbitrazh Court will be reorganised and merged with the Russian Higher Court (which is currently a supervisory authority for disputes involving individuals, including criminal cases).

Statute of limitations
The statute of limitations is established for three years. In 2013, the tax authorities may examine 2012, 2011, and 2010 profits tax returns by conducting a site tax audit.

Areas of attention for the tax authorities
Recent court practice demonstrates that tax authorities concentrate on (1) tax evasion schemes and relationships with one-day contractors; and (2) financing structures and thin capitalisation rules.
9. **Tax litigation**

9.1. Tax dispute resolution at pre-trial (administrative) stage

Tax disputes happen quite frequently in Russia. Most taxpayers have to go through the tax litigation process at least once while doing business in the country.

At present, if taxpayers wish to challenge decisions and other documents/actions (or failure to act) of the tax authorities in court, firstly they must contest such decisions/actions with the relevant higher tax office.

In recent times, more and more tax disputes have been resolved at the pre-trial (administrative, superior tax office) stage. However, taxpayers cannot formally negotiate tax audit results or enter into settlement agreements with the tax authorities and, in many cases, still have to protect their rights in court.
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Courts of the first instance (level) initially review disputes and issue decisions. Decisions of a first instance court can be appealed in appellate courts (second level) and cassational courts (third level). The average litigation process (all three instances (levels)) usually takes from nine to twelve months.

On very rare occasions, resolutions/decisions of the said courts can be appealed in the Russian Supreme Arbitrazh Court (a supervisory authority). By June 2014, the Russian Supreme Arbitrazh Court will be reorganised and merged with the Russian Higher Court (which is currently a supervisory authority for disputes involving individuals, including criminal cases).
10. Value Added Tax

VAT is a federal tax in Russia, payable to the federal budget.

There is no separate VAT registration in Russia. The established general tax registration requirements are applicable to all taxes, including VAT.

Taxpayers follow a “classical” input-output VAT system, whereby a VAT payer generally accounts for VAT on the full sales price of the transaction and is entitled to recover input VAT incurred on inventory costs and other related business expenses. The Russian VAT system, although not originally based on the European Union (EU) model has nonetheless moved more towards it. However, it still currently differs from the EU VAT system in various ways.

10.1. Output VAT

VAT usually applies to the value of goods, works, services, or property rights supplied in Russia. The standard VAT rate is 18% in Russia (with a lower rate of 10% applicable for certain basic foodstuff, children's clothing, medicines and medical products, certain printed publications, etc.). The same VAT rates apply for imports of goods into Russia.

Exports of goods, international transportation and other services related to the export of goods from Russia, international passenger transportation, and certain other supplies are zero-rated with an input VAT recovery right. The application of the 0% VAT rate and recovery of the respective input VAT should be confirmed by submitting a number of documents to the tax authorities within certain time limits. Special rules are in place regarding the documentary confirmation of the right to tax export supplies to Customs Union member countries at a 0% VAT rate, including an input VAT recovery right.
The list of VAT exempt goods and services includes basic banking and insurance services, services provided by financial companies (depositories, brokers and some other), educational services by certified establishments, sale of certain essential medical equipment, passenger transportation, and certain other socially important services. Most accredited offices of foreign legal entities (as well as the accredited employees of these offices) may be exempt from VAT on property rental payments. Performance of VAT exempt supplies does not provide the right for recovery of attributable input VAT. Instead, costs associated with non-recoverable input VAT are, in most cases, deductible for profits tax purposes.

10.2. Withholding VAT

Russian VAT law provides rules for determining where services are supplied in terms of VAT. These rules divide all services into different categories in order to determine where they are deemed to be supplied for VAT purposes. For example, certain services are deemed to be supplied where they are performed, some where the “buyer” of the services carries out the activity, and others where the immovable property is located, etc.

Under the reverse-charge mechanism, a Russian company must account for VAT on any payment it makes to a non-tax registered foreign company, if the payment is connected to a supply of goods or services considered to be supplied in Russia, based on the VAT place of supply rules and not falling under any VAT exemption based on domestic VAT law. In such circumstances under the law, the Russian buyer shall act as a tax agent for Russian VAT purposes by withholding Russian VAT at the rate of 18/118 from payments to the foreign supplier and remit such withheld VAT to the Russian budget. The withheld VAT may be recovered by the Russian payers in accordance with the standard input VAT recovery rules as provided by law.

10.3. Input VAT recovery

Taxpayers are usually eligible to recover input VAT associated with the purchase of goods, works, services, or property rights, provided a set of rules established by the VAT legislation is met. Input VAT can potentially be recovered by the taxpayer in the following cases:

- VAT related to goods, services, or works acquired for the purpose of conducting VATable transactions;
- VAT related to the purchased goods, works, or services used in non-VATable transactions if the portion of expenses related to non-VATable operations does not exceed 5% of total amount of expenses;
- Input VAT related to advance payments performed for Russian suppliers of goods (works, services) provided that such acquired goods (works, services) are aimed at being used in VATable activities. Please note that application of this rule is the right of taxpayers (rather than an obligation), and taxpayers may choose whether to exercise this right or not.

10.4. VAT compliance requirements

Each taxpayer performing supplies of goods, works, services, or property rights is liable to issue VAT invoices and provide them to customers. VAT invoices shall be issued within five days after the supply has occurred. The VAT invoice is a standard form as established by the government. Compliance with invoicing requirements is critical to the buyer’s ability to recover input VAT.

Incoming and outgoing VAT invoices should usually be registered by taxpayers in special purchases and sales VAT ledgers.

VAT returns must be submitted to the tax authorities on a quarterly basis. Starting from 2014, only electronic VAT returns may be filed. VAT must be paid to the Russian budget after the end of each quarter in three instalments not later than the 20th day of each of the three consecutive months following the quarter, except for remittal of VAT withheld by Russian buyers under the reverse charge mechanism, which is to be transferred to the Russian budget on the date of the external payment.
10.5. Import VAT

Import VAT is payable to customs upon importation of goods. The tax base for import VAT is generally the customs value of the imported goods, including excise payments. Either the 18% or 10% VAT rate may apply upon import of goods in Russia, depending on the specifics of the goods.

A limited scope of goods is eligible for exemption from import VAT. The list of such goods includes, for example, certain medical products and goods designated for diplomatic corps. Relief from import VAT is available on certain technological equipment (including their components and spare parts), which is not produced in Russia. The list of such equipment has been established by the Russian government.

10.6. Import duties

In addition to VAT, customs duties are levied on assets imported into the Russian Federation. The rate varies according to the tariff code for goods imported and their country of origin (generally, the rate varies from 0% to 20% of the customs value of imported goods). The rates have been reduced for a number of goods due to Russia’s accession to the WTO. There is special relief from customs duties for qualifying goods contributed to the charter capital of Russian companies with foreign investments.

The foundation of the Customs Union and deeper integration processes amongst Russia, Belarus, and Kazakhstan (hereinafter, “the CU”) has resulted in unification of the customs legislation of the CU members, as well as the creation of a single customs territory, within which goods in mutual trade between the member states are moved without any customs clearance formalities. Members of the CU should apply unified customs tariffs and customs valuation methodology, general rules of non-tariff regulation, uniform technical regulations, etc.
11. PwC in Russia

About PwC

- A global organisation with offices in 157 countries
- One of the world’s leading employers of highly skilled professionals – more than 184,000 staff all over the world
- The largest professional services firm with an unmatched portfolio of client companies
- An organisation that recognises and meets its responsibilities to a broad community of stakeholders

Key facts about PwC Russia:

- First established in Russia as early as 1913; renewed its presence in the country in 1989
- The largest consultancy and audit business in the country (according to the rating agency Expert RA)
- Offices in Moscow, St Petersburg, Ekaterinburg, Kazan, Novosibirsk, Krasnodar, Rostov-on-Don, Voronezh, Yushno-Sakhalinsk, Vladikavkaz
- More than 2,500 professionals
11. PwC in Russia

Our mission is to build public trust and enhance value for our clients and their stakeholders. By building trust, we support the efficient and transparent functioning of financial and commercial markets around the world. By enhancing value, we help companies achieve their business objectives. We pursue this mission through industry-focused assurance, tax and advisory services.

Thought leadership

PwC regularly carries out research, both in Russia and abroad, on issues relevant to the business community:

- The annual global CEO survey
- Paying Taxes
- Cities of opportunity
- Changing the game - The outlook for the global sports market to 2015
- Game on. Mega-event infrastructure opportunities
- A world of difference – tomorrow’s power utilities industry
- Transport & logistics 2030
- Global entertainment and media outlook
- Banking banana skins
- HR benchmarking survey
- The global economic crime survey
- Mid-market mergers and acquisitions surveys
- Prospects for the Russian automotive market
- Russian venture capital market analysis
Corporate responsibility

Our corporate responsibility programme is a key factor in our successful development on the Russian market. Our goal is to integrate it ever further into our business, into our decision-making processes, and in so doing to raise our impact on society in the broadest possible sense.

Our approach to corporate responsibility, both globally and locally, at the PwC Russia level, remains unchanged – we consider it a key component of our business strategy. At PwC, we fully support the idea that companies have responsibilities to the local community, and are committed to operating in such a way so as to promote sustainability and prosperity at a local level. We strive to lead the way and articulate a vision of the future, thus facilitating the continued spread of socially responsible business practices. We do this by:

• supporting local communities in regions where we have a presence;
• minimizing the damage resulting from our impact on the environment;
• investing in the professional growth and development of our people;
• engaging in an active dialogue with our clients on corporate responsibility matters.

Our achievements

• No. 1 in Russia, Global Tax Monitor, 2013
• Transfer Pricing Firm of the Year – International Tax Review magazine, 2013
• Tax consulting firm of the year in Russia – International Tax Review magazine, 2011
• Chambers & Partners recommends PwC Legal as one of the leading law firms in Russia in employment practice area (2012)
• PLC Which lawyer recommends PwC Legal as one of the leading law firms in Russia in the following categories: corporate & M&A, tax, labour and employee benefits (2012)
• European Transfer Pricing Firm of the Year – International Tax Review magazine, 2011
• PwC in Russia listed as the winner in the category Best Tax Firm, Russia as part of the Legal Awards 2011 programme, World Finance magazine.
• The Legal 500 recommends PwC as one of Russia’s leading legal practices in the following categories: banking and finance, corporate and M&A (Moscow and St Petersburg), employment, energy and natural resources, shipping and transport, and tax.
• The Global Tax Monitor\(^{31}\) recognises PwC as the leading tax adviser globally, by reputation, with a very strong lead over the competition. These results are based on the year-ending Q2 2012 figures, with a sample size of 3,344 primary buyers of tax services globally. The Global Tax Monitor also recognises PwC as the leading tax adviser in Russia by reputation. These results are based on the year ending Q4 2012, with a sample size of 60 primary buyers of tax services in Russia.

PwC Russia highlights

• 32% of our partners are women
• 117 hours of learning and development per employee were delivered in 2013, including professional qualification
• 1,550 hours of pro bono lectures were given in universities by PwC Russia staff
• 17 university students from Kazan, Krasnodar, Nizhny Novgorod, Novosibirsk, Rostov-on-Don, Chelyabinsk and Ekaterinburg were awarded PwC Russia scholarships for the 2013-2014 academic year
• Over 160 volunteers contributed about 1,140 hours for community needs
• 20 projects were carried out under our corporate philanthropy programme

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\(^{31}\) Launched in 2000, the Global Tax Monitor (GTM) is an independent survey conducted by research agency TNS, that examines the competitive position of the top firms in the tax advisory market — globally, regionally, nationally and on an industry basis. It provides a comprehensive measure of firm reputation, client service and brand health, gained currently from just over 3,000 telephone interviews annually with key decision makers (CFOs and Tax Directors) in 34 key markets.
Our services

- **Assurance Services**
  - Audits to International Financial Reporting Standards (IFRS) and US GAAP
  - Russian Statutory Audit

- **Advisory Services**
  - Transactions
  - Performance improvement

- **Tax and Legal Services**
  - Global compliance services
  - International tax structuring
  - Transfer pricing
  - Tax aspects of mergers and acquisitions
  - Indirect taxation and customs
  - Tax dispute resolution
  - International assignment services
  - Human resources services
  - Legal services

- **Client training**

- **Our industry practices**
  - Financial Services
  - Energy, Utilities and Mining
  - Consumer and Industrial Products
  - Technology, Communications, Entertainment and Media
Appendices

Appendix A

Main macroeconomic indicators of Russia in 2005 – 2013

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross domestic product (GDP), USD billion</td>
<td>764</td>
<td>990</td>
<td>1.300</td>
<td>1.661</td>
<td>1.223</td>
<td>1.487</td>
<td>1.850</td>
<td>1.954</td>
<td>1.529</td>
</tr>
<tr>
<td>Gross domestic product (GDP), % y-o-y</td>
<td>106.4</td>
<td>108.2</td>
<td>108.5</td>
<td>105.2</td>
<td>92.2</td>
<td>104.5</td>
<td>104.3</td>
<td>103.4</td>
<td>101.3</td>
</tr>
<tr>
<td>Fixed capital investments, % y-o-y</td>
<td>110.9</td>
<td>116.7</td>
<td>122.7</td>
<td>109.9</td>
<td>84.3</td>
<td>106.0</td>
<td>108.3</td>
<td>n/a</td>
<td>99.7</td>
</tr>
<tr>
<td>CPI, % y-o-y</td>
<td>110.9</td>
<td>109.0</td>
<td>111.9</td>
<td>113.3</td>
<td>108.8</td>
<td>108.8</td>
<td>106.1</td>
<td>106.6</td>
<td>105.1</td>
</tr>
<tr>
<td>Volume of industrial production, % y-o-y</td>
<td>107.6</td>
<td>108.4</td>
<td>110.5</td>
<td>100.5</td>
<td>84.8</td>
<td>111.8</td>
<td>106.5</td>
<td>104.1</td>
<td>102.6</td>
</tr>
<tr>
<td>Gold and foreign exchange reserves, USD billion</td>
<td>182.2</td>
<td>303.7</td>
<td>478.8</td>
<td>426.3</td>
<td>439.5</td>
<td>479.4</td>
<td>498.6</td>
<td>537.6</td>
<td>509.6</td>
</tr>
<tr>
<td>FDI, USD billion</td>
<td>12.9</td>
<td>29.7</td>
<td>55.1</td>
<td>75.0</td>
<td>36.5</td>
<td>43.3</td>
<td>52.9</td>
<td>n/a</td>
<td>70.6</td>
</tr>
</tbody>
</table>

Source: Ministry of Economic Development of the Russian Federation, Central Bank of the Russian Federation
### Appendix B

#### Tax rates

**Corporate income tax rates**
- 20% is the standard rate (effective from 1 January 2009), regional authorities may reduce it to 15.5%;
- 9% or 0% is the tax rate on dividend income;
- 15%, 9% or 0% is the tax rate on interest income on state securities (depending on the type of securities);
- 0% on capital gains from sale of Russian companies' shares (in selected cases and subject to a five-year holding period).

**Corporate income tax rates**
- 15% on dividends and income from participation in Russian enterprises with foreign investments;
- 10% on international freight income;
- 20% on certain other income from Russian sources, including royalties and interest;
- 20% of revenue or 20% of margin with respect to capital gain (for sale of immovable property located in Russia or shares in Russian subsidiaries where immovable property located in Russia represents more than 50% of assets). Taxation of margin (rather than the whole amount of revenue received from the above sales) can be applied only if proper documentary support of expenses is available.

**Property tax**
- A maximum rate of 2.2% (subject to regional concessions) applies to:
  - Annual net book value of fixed assets (for Russian entities and permanent establishments of foreign entities);
  - Value of real estate located in Russia (for foreign entities without a permanent establishment in Russia).

**Personal income tax**
- **For residents:**
  - 13% standard rate (applied to the worldwide income of an individual);
  - 9% for dividend income;
  - 35% for specific types of income (winnings, prizes, etc.).
- **For non-residents:**
  - 30% standard rate (applied to income received from Russian sources);
  - 13% for income received by foreign nationals working as highly qualified specialists;
  - 15% for dividend income.

**Personal allowances (and/or credits)**
- **Main exemptions:**
  - Charitable contributions;
  - Social expenses: e.g., education expenses, including those for children, medical expenses with the exception of expensive treatments (up to RUB 120,000 (approx. USD 4,000));
  - Income from the sale of immovable and other property held for three years or more;
  - Income from the sale of immovable property and land plots held for less than three years in the amount of RUB 1 million (approx. USD 33,300), or documented expenses;
  - Income from the sale of other property held for less than three years in the amount of RUB 250,000 (approx. USD 8,300), or documented expenses;
  - Income spent on the construction or purchase of premises or land acquired for the purpose of building a house (maximum RUB 2 million; approx. USD 67,000) plus related interest payments. All objects should be in Russia. This deduction may be granted only once in a lifetime. The deduction can be carried forward up to full utilisation;
  - Income from the sale of securities and derivatives in the amount of documented expenses.

**Tax on foreign nationals working in Russia**
- No special tax on foreign nationals working in Russia

**Wealth tax**
- None

**Estate and/or inheritance and/or gift tax rates**
- None (abolished as of 1 January 2007)

**Capital tax**
- None

**Indirect taxes**
- **Value-added tax**
  - 18% standard rate;
  - 10% rate applicable to the sale of some types of goods (basic food products, medicines, etc.);
  - 0% rate for export sales, international transportation of goods and other certain transactions;
  - Exemption from VAT is granted for the list of specific transactions.
- **Excise tax**
  - Excise tax is imposed on alcohol and tobacco products, petrol, automobiles and motorcycles. The rates (specific and combined) depend on the type of excisable goods.
## Appendix C

### List of Double Tax Treaties effective in Russia as of 31 January 2013, indicating WHT rates as stipulated in the treaties

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Treaty benefits available from</th>
<th>Dividends (%)</th>
<th>Interest (%) (Note 1)</th>
<th>Royalties (%)</th>
<th>Construction site duration before creation of PE (months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>1 January 1998</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Algeria</td>
<td>1 January 2009</td>
<td>5 (Note 2)/15</td>
<td>0/15</td>
<td>15</td>
<td>6 months and an aggregated period of more than three months in any 12-month period for providing services</td>
</tr>
<tr>
<td>Argentina</td>
<td>1 January 2013</td>
<td>10 (Note 60)/15</td>
<td>15</td>
<td>15</td>
<td>6</td>
</tr>
<tr>
<td>Armenia</td>
<td>1 January 1999</td>
<td>5 (Note 3)/10</td>
<td>0</td>
<td>0</td>
<td>18</td>
</tr>
<tr>
<td>Australia</td>
<td>1 January 2004</td>
<td>5 (Note 4)/15</td>
<td>10</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Austria</td>
<td>1 January 2003</td>
<td>5 (Note 5)/15</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>1 January 1999</td>
<td>10</td>
<td>0/10</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Belarus</td>
<td>1 January 1998</td>
<td>15</td>
<td>0/10</td>
<td>10</td>
<td>No special provisions in the relevant DTT; local tax law provisions should apply</td>
</tr>
<tr>
<td>Belgium</td>
<td>1 January 2001</td>
<td>10</td>
<td>0/10</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Botswana</td>
<td>1 January 2010</td>
<td>5 (Note 6)/10</td>
<td>0/10</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>Brazil</td>
<td>1 January 2010</td>
<td>10 (Note 7)/15</td>
<td>0/15</td>
<td>15</td>
<td>9</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>1 January 1996</td>
<td>15</td>
<td>0/15</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>Canada</td>
<td>1 January 1998</td>
<td>10 (Note 8)/15</td>
<td>0/10</td>
<td>0 (Note 9)/10</td>
<td>12</td>
</tr>
<tr>
<td>Chili</td>
<td>1 January 2013</td>
<td>5 (Note 61)/10</td>
<td>15</td>
<td>5 (Note 62)/10</td>
<td>6</td>
</tr>
<tr>
<td>China</td>
<td>1 January 1998</td>
<td>10</td>
<td>0/10</td>
<td>10</td>
<td>18</td>
</tr>
<tr>
<td>Croatia</td>
<td>1 January 1998</td>
<td>5 (Note 10)/10</td>
<td>10</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Cuba</td>
<td>1 January 2011</td>
<td>5 (Note 11)/15</td>
<td>10</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Cyprus</td>
<td>1 January 2000 (12)</td>
<td>5 (Note 13)/10</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1 January 1998</td>
<td>10</td>
<td>0</td>
<td>10</td>
<td>12 months and an aggregated period of more than six months in any 12-month period for providing services</td>
</tr>
<tr>
<td>Denmark</td>
<td>1 January 1998</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>12 months and an aggregated period of more than six months in any 12-month period for providing services</td>
</tr>
<tr>
<td>Egypt</td>
<td>1 January 2001</td>
<td>10</td>
<td>0/15</td>
<td>15</td>
<td>Six months and an aggregated period of more than 6 months in any 12-month period for providing services</td>
</tr>
<tr>
<td>Finland</td>
<td>1 January 2003</td>
<td>5 (Note 14)/12</td>
<td>0</td>
<td>0</td>
<td>12 months and an 18-month period for particular types of construction work</td>
</tr>
<tr>
<td>France</td>
<td>1 January 2000</td>
<td>5 (Note 15)/10</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Germany</td>
<td>1 January 1997</td>
<td>5 (Note 17)/15</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Greece</td>
<td>1 January 2008</td>
<td>5 (Note 18)/10</td>
<td>7</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Hungary</td>
<td>1 January 1998</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Iceland</td>
<td>1 January 2004</td>
<td>5 (Note 19)/15</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>India</td>
<td>1 January 1999</td>
<td>10</td>
<td>0/10</td>
<td>10</td>
<td>12 months (may be extended upon agreement with the competent authorities)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1 January 2003</td>
<td>15</td>
<td>0/15</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>Iran</td>
<td>1 January 2003</td>
<td>5 (Note 20)/10</td>
<td>0 or 7.5</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Recipient</td>
<td>Treaty benefits available from</td>
<td>Dividends (%)</td>
<td>Interest (%) (Note 1)</td>
<td>Royalties (%)</td>
<td>Construction site duration before creation of PE (months)</td>
</tr>
<tr>
<td>-------------------</td>
<td>--------------------------------</td>
<td>---------------</td>
<td>-----------------------</td>
<td>---------------</td>
<td>----------------------------------------------------------</td>
</tr>
<tr>
<td>Ireland</td>
<td>1 January 1996</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Israel</td>
<td>1 January 2001</td>
<td>10</td>
<td>0/10</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Italy</td>
<td>1 January 1999</td>
<td>5 (Note 21)/10</td>
<td>10</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Japan</td>
<td>1 January 1987</td>
<td>15</td>
<td>0/10</td>
<td>0 (Note 22)/10</td>
<td>12</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>1 January 1998</td>
<td>10</td>
<td>0/10</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>North Korea</td>
<td>1 January 2001</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>12 months and an aggregated period of more than six months in any 12-month period for providing services</td>
</tr>
<tr>
<td>South Korea</td>
<td>1 January 1996</td>
<td>5 (Note 23)/10</td>
<td>0</td>
<td>5</td>
<td>12 months (may be extended up to 24 months upon agreement with the competent authorities)</td>
</tr>
<tr>
<td>Kuwait</td>
<td>1 January 2004</td>
<td>0 (Note 24)/5</td>
<td>0</td>
<td>10</td>
<td>6 months and an aggregated period of more than three months in any 12-month period for providing services</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>1 January 2001</td>
<td>10</td>
<td>0/10</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Latvia</td>
<td>1 January 2013</td>
<td>5 (Note 58)/10</td>
<td>5 (Note 59)/10</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Lebanon</td>
<td>1 January 2001</td>
<td>10</td>
<td>0/5</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Lithuania</td>
<td>1 January 2006</td>
<td>5 (Note 25)/10</td>
<td>0/10</td>
<td>5 (Note 26)/10</td>
<td>9</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1 January 1998</td>
<td>5 (Note 27)/15</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Macedonia</td>
<td>1 January 2001</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1 January 1989</td>
<td>0/15 (Note 28)</td>
<td>0/15</td>
<td>10 (Note 29)/15 (Note 30)</td>
<td>12 months and more than a six-month period for installation or assembly projects</td>
</tr>
<tr>
<td>Mali</td>
<td>1 January 2000</td>
<td>10 (Note 31)/15</td>
<td>0/15</td>
<td>0</td>
<td>No special provisions in the relevant DTT; local tax law provisions should apply</td>
</tr>
<tr>
<td>Mexico</td>
<td>1 January 2009</td>
<td>10</td>
<td>0/10</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>Moldova</td>
<td>1 January 1998</td>
<td>10</td>
<td>0</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Mongolia</td>
<td>1 January 1998</td>
<td>10</td>
<td>0/10</td>
<td>Rates in accordance with local legislation</td>
<td>24</td>
</tr>
<tr>
<td>Montenegro</td>
<td>1 January 1998</td>
<td>5 (Note 32)/15</td>
<td>10</td>
<td>10</td>
<td>18</td>
</tr>
<tr>
<td>Morocco</td>
<td>1 January 2000</td>
<td>5 (Note 33)/10</td>
<td>0/10</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Namibia</td>
<td>1 January 2001</td>
<td>5 (Note 34)/10</td>
<td>0/10</td>
<td>5</td>
<td>Nine months and more than a six-month period for providing services and installation projects</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1 January 1999</td>
<td>5 (Note 35)/15</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>New Zealand</td>
<td>1 January 2004</td>
<td>15</td>
<td>0</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Norway</td>
<td>1 January 2003</td>
<td>10</td>
<td>0/10</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Philippines</td>
<td>1 January 1998</td>
<td>15</td>
<td>0/15</td>
<td>15</td>
<td>183 days and an aggregate period of more than 183 days in any 12-month period for providing services</td>
</tr>
<tr>
<td>Poland</td>
<td>1 January 1994</td>
<td>10</td>
<td>0/10</td>
<td>10</td>
<td>12 months (may be extended up to 24 months upon agreement with the competent authorities)</td>
</tr>
<tr>
<td>Recipient</td>
<td>Treaty benefits available from</td>
<td>Dividends (%)</td>
<td>Interest (%) (Note 1)</td>
<td>Royalties (%)</td>
<td>Construction site duration before creation of PE</td>
</tr>
<tr>
<td>--------------------</td>
<td>--------------------------------</td>
<td>---------------</td>
<td>-----------------------</td>
<td>---------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>Portugal</td>
<td>1 January 2003</td>
<td>10 (Note 36)/15</td>
<td>0/10</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Qatar</td>
<td>1 January 2001</td>
<td>5</td>
<td>0/5</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Romania</td>
<td>1 January 1996</td>
<td>15</td>
<td>0/15</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>1 January 2011</td>
<td>0 (Note 37) or 5</td>
<td>0/5</td>
<td>10</td>
<td>Six months and an aggregated period of more than six months in any 12-month period for providing services</td>
</tr>
<tr>
<td>Serbia</td>
<td>1 January 1998</td>
<td>5 (Note 38)/15</td>
<td>10</td>
<td>10</td>
<td>18</td>
</tr>
<tr>
<td>Singapore</td>
<td>1 January 2010</td>
<td>5 (Note 39)/10</td>
<td>0/7.5</td>
<td>7.5</td>
<td>Six months and an aggregated period of more than three months in any 12-month period for providing services</td>
</tr>
<tr>
<td>Slovakia</td>
<td>1 January 1998</td>
<td>10</td>
<td>0</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Slovenia</td>
<td>1 January 1998</td>
<td>10</td>
<td>10</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>South Africa</td>
<td>1 January 2001</td>
<td>10 (Note 40)/15</td>
<td>0/10</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Spain</td>
<td>1 January 2001</td>
<td>5 (Note 41)/10 (Note 42)/15</td>
<td>0/5</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>1 January 2003</td>
<td>10 (Note 43)/15</td>
<td>0/10</td>
<td>10</td>
<td>Six months and an aggregated period of more than 183 days in any 12-month period for providing services</td>
</tr>
<tr>
<td>Sweden</td>
<td>1 January 1996</td>
<td>5 (Note 44)/15</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1 January 1998</td>
<td>5 (Note 45)/15</td>
<td>0 (starting from 2013)</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Syria</td>
<td>1 January 2004</td>
<td>15</td>
<td>0/10</td>
<td>4.5 (Note 48)/13.5 (Note 49)/18 (Note 50)</td>
<td>6</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>1 January 2004</td>
<td>5 (Note 51)/10</td>
<td>0/10</td>
<td>0</td>
<td>24 months (may be extended upon agreement with the competent authorities)</td>
</tr>
<tr>
<td>Thailand</td>
<td>1 January 2010</td>
<td>15</td>
<td>0/10</td>
<td>15</td>
<td>Six months and an aggregated period of more than three months in any 12-month period for providing services</td>
</tr>
<tr>
<td>Turkey</td>
<td>1 January 2000</td>
<td>10</td>
<td>0/10</td>
<td>10</td>
<td>18</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>1 January 2000</td>
<td>10</td>
<td>5</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Ukraine</td>
<td>1 January 2000</td>
<td>5 (Note 52)/15</td>
<td>0/10</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1 January 1998</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>United States</td>
<td>1 January 1994</td>
<td>5 (Note 53)/10</td>
<td>0</td>
<td>0</td>
<td>18</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>1 January 1996</td>
<td>10</td>
<td>0/10</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Venezuela</td>
<td>1 January 2010</td>
<td>10 (Note 54)/15</td>
<td>0/5 (Note 55)/10</td>
<td>10 (Note 56)/15</td>
<td>9</td>
</tr>
<tr>
<td>Vietnam</td>
<td>1 January 1997</td>
<td>10 (Note 57)/15</td>
<td>10</td>
<td>15</td>
<td>Six months and more than a 12-month period for providing services</td>
</tr>
</tbody>
</table>
Notes to the table (the criteria for application of reduced WHT rates):

1. In most cases 0% tax rate applies to interest payments to the governments of contracting states and to payments guaranteed by the Government.
2. If the resident of the other contracting state directly holds at least 25% of the capital of the company paying the dividends.
3. If the resident of the other contracting state contributed at least USD 40,000 (or an equivalent amount in the domestic currency of either of the contracting states) to the authorised capital of the enterprise paying the dividends.
4. If the following conditions are met:
   a. Dividends are paid to a company (other than a partnership) that directly holds at least 10% of the capital of the company paying the dividends.
   b. The resident of the other contracting state has invested a minimum of AUD (Australian dollars) 700,000, or an equivalent amount in Russian roubles, in the capital of that company.
   c. If the dividends are paid by a company that is resident in Russia, the dividends are exempt from Australian tax.
5. If the beneficial owner of the dividends is a company (other than a partnership) that directly holds at least 10% of the capital of the company paying the dividends and the participation exceeds USD 100,000 or an equivalent amount in any other currency.
6. If the resident of the other contracting state directly holds at least 25% of the capital of the company paying the dividends.
7. If the beneficial owner of the dividends directly holds at least 20% of the total capital of the company paying the dividends.
8. If the beneficial owner of the dividends is a company that owns at least 10% of the voting stock (or in the case of Russia, if there is no voting stock, at least 10% of the statutory capital) of the company paying the dividends.
9. 0% withholding tax is applied to the following types of Royalties:
   a. Royalties for the production or reproduction of any literary, dramatic, musical, or other artistic work (but not including royalties for motion picture films or works on film or videotape or other means of reproduction for use in connection with television broadcasting).
   b. Royalties for the use of, or the right to use, computer software.
   c. Royalties paid to unrelated party for the use of, or the right to use, any patent or any information concerning industrial, commercial, or scientific experience.
10. If the beneficial owner of the dividends is a company that directly holds at least 25% of the capital of the company paying the dividends (this share should be at least USD 100,000 or its equivalent in another currency).
11. If the beneficial owner of the dividends is a company (excluding partnerships) that directly holds at least 25% of the capital of the company paying the dividends.
12. The Protocol to the Russia-Cyprus DTT introduces some new provisions that will come into effect from 2013.
13. If the beneficial owner of the dividends has directly invested in the capital of the company not less than USD 100,000 or its equivalent in another currency (according to the new version effective from 2013 – 100,000 EUR).
14. If the beneficial owner of the dividends is a company (other than a partnership) that directly holds at least 25% of the capital of the company paying the dividends, and the foreign capital invested exceeds USD 100,000 or its equivalent in the national currencies of the contracting states at the moment when the dividends become due and payable.
15. If the following conditions are met:
   a. Where the beneficial owner of the dividends has invested in the company paying the dividends, irrespective of the form or the nature of such investments, a total value of at least French francs 500,000 or the equivalent in another currency; as the value of each investment is appreciated as of the date it is made.
   b. Where that beneficial owner is a company that is liable to tax on profits under the general tax laws of the contracting state of which it is a resident and which is exempt from such tax in respect of such dividends.
16. If only one of the conditions of 15 (a) or 15 (b) are met.
17. If the beneficial owner of the dividends is a company that directly holds at least 10% of the basic or common stock of the company paying the dividends and such capital share amounts to at least EUR 80,000 or the equivalent value in roubles.
18. If the beneficial owner of the dividends is a company (other than a partnership) that directly holds at least 25% of the capital of the company paying the dividends.
19. If the beneficial owner of the dividends is a company (other than a partnership) that directly holds at least 25% of the capital of the company paying the dividends and the foreign capital invested exceeds USD 100,000 or its equivalent in the national currency of the contracting state.
20. If the recipient of the dividends is a company (excluding partnership) that directly holds at least 25% of the capital of the company paying the dividends.
21. If the beneficial owner of the dividends is a company that directly holds at least 10% of the capital of the company paying the dividends (this share should be at least USD 100,000 or its equivalent in another currency).
22. Literary, artistic, or scientific work including cinematograph films and films or tapes for radio or television broadcasting.
23. If the beneficial owner of the dividends is a company (other than a partnership) that directly holds at least 30% of the capital of the company paying the dividends and invests not less than USD 25,000 (or an equivalent amount in the national currency of the company paying the dividends).
24. The 0% rate applies to dividends paid to governmental agencies or financial institutions or companies controlled by the Government or companies where the Government holds at least 25% of the capital of the company paying the dividends and the capital directly invested by this beneficial owner is not less than USD 100,000 or the equivalent in the national currency of the contracting state.
25. If the beneficial owner of the dividends is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying the dividends and the capital directly invested by this beneficial owner is not less than USD 100,000 or the equivalent amount in the national currency of a contracting state.
26. For the use of industrial, commercial, or scientific equipment.

27. If the beneficial owner of the dividends directly holds at least 30% of the capital of the company paying the dividends and of an acquisition price of at least European Currency Unit 75,000 or its equivalent in the national currency.

28. The 15% rate applies to profits received from a joint venture by a resident of Malaysia.

29. Any patent, trademark, design or model, plan, secret formula or process, or any copyright of scientific work, or for the use of, or the right to use, industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience.

30. Cinematograph films, or tapes for radio or television broadcasting, any copyright of literary or artistic work.

31. If the invested amount equals or exceeds French Francs 1 million.

32. If the beneficial owner of the dividends is a company (other than a partnership) that directly holds at least 25% of the capital of the company paying the dividends and has invested in it at least USD 100,000 or the equivalent in the national currencies of the contracting states.

33. If the beneficial owner of the dividends has invested in the capital of the company paying dividends of more than USD 500,000.

34. If the beneficial owner of the dividends is a company (other than a partnership) that directly holds at least 25% of the share capital of the company paying the dividends and has directly invested in the equity share capital of that company not less than USD 100,000 or its equivalent in another currency.

35. If the beneficial owner of the dividends is a company (other than a partnership) that directly holds at least 25% of the capital of the company paying the dividends and has invested in it at least European Currency Unit 75,000 or its equivalent in the national currencies.

36. If the beneficial owner of the dividends is a company that, for an uninterrupted period of two years prior to the payment of the dividends, directly owned at least 25% of the capital of the company paying the dividends.

37. The 0% rate applies to dividends paid to governmental agencies or financial institutions.

38. If the beneficial owner of the dividends is a company (other than a partnership) that directly holds at least 25% of the capital of the company paying the dividends and has invested in it at least USD 100,000 or its equivalent in the national currencies of the contracting states.

39. If the beneficial owner of the dividends is the government of the other contracting state or if the beneficial owner of the dividends is a company that directly holds at least 15% of the capital of the company paying the dividends and has invested in it at least USD 100,000 or its equivalent in other currencies.

40. If residents of the other contracting state hold at least 30% of the capital of the company paying the dividends and have directly invested in the equity share capital (authorised fund) of that company an amount of not less than USD 100,000 or its equivalent in the currency of the first state.

41. If the following conditions are met:
   a. The beneficial owner of the dividends is a company (other than a partnership) that has invested at least European Currency Unit 100,000 or its equivalent in any other currency in the capital of the company paying the dividends.
   b. Those dividends are exempt from tax in the other contracting state.

42. If only one of the conditions of 41 (a) or 41 (b) are met.

43. If the beneficial owner of the dividends is a company (other than a partnership) that directly holds at least 25% of the capital of the company paying the dividends.

44. If the beneficial owner of the dividends is a company (other than a partnership) that directly holds 100% of the capital of the company paying the dividends; or in the case of a joint venture not less than 30% of the capital of the joint venture; and in either case the foreign capital invested exceeds USD 100,000 or its equivalent in any other currency at the moment when the dividends become due.

45. If the beneficial owner of the dividends is a company (other than a partnership) that directly holds at least 20% of the capital of the company paying the dividends and the foreign capital invested exceeds CHF (Swiss francs) 200,000 or its equivalent in any other currency at the moment when the dividends become due.

46. N/A.

47. N/A.

48. Cinematography films, programmes and recordings for radio or television broadcasting.

49. Any copyright of literary, artistic, or scientific work.

50. Any patent, trademark, design or model, plan, secret formula or process, any computer software programme, or for information concerning industrial, commercial, or scientific experience.

51. If the beneficial owner of the dividends directly holds at least 25% of the capital of the company paying the dividends.

52. If a resident of the other contracting state has invested in its joint-stock capital (registered fund) at least USD 50,000 or its equivalent in the national currencies of the contracting states.

53. If the beneficial owner of the dividends is a company that owns at least 10% of the voting stock of the company paying the dividends.

54. If the beneficial owner of the dividends is a company (other than a partnership) that directly holds at least 10% of the capital of the company paying the dividends and has invested in this company not less than the equivalent of USD 100,000.

55. In the case of banks.

56. In the case of fees for technical assistance.

57. If the residents of the other contracting state have directly invested in the equity share capital of that company not less than USD 10 million.

58. If the beneficial owner of the dividend income owns more than 25% of a capital of a company paying dividends and it contributed more than USD 75,000.

59. 5% is applicable to interbank loans only.
Appendix D

International agreements

Membership

International structures
- United Nations: Security Council, General Assembly, United Nations special agencies
- Group of Eight (G8)
- Group of Twenty (G20)
- Council of Europe
- Organisation for Security and Cooperation in Europe (OSCE)
- Permanent Court of Arbitration (PCA), also known as the Hague Tribunal

Regional
- Council of the Baltic Sea States
- Arctic Council
- Shanghai Cooperation Organisation
- Organisation of the Islamic Conference (observer status)
- CIS structures

Appendix E

List of countries with which Russia has concluded free trade agreements

1. Serbia
2. Montenegro
3. Ukraine
4. Belarus
5. Azerbaijan
6. Armenia
7. Kyrgyzstan
8. Tajikistan
9. Kazakhstan
10. Turkmenistan
11. Uzbekistan
12. Moldova
13. Georgia
Appendix F

Economic organisations

**International**

**Trade**
- United Nations Conference on Trade and Development
- World Trade Organisation

**Financial**
- International Bank for Reconstruction and Development (World Bank Group)
- International Development Association (World Bank Group)
- Multilateral Investment Guarantee Agency
- International Monetary Fund
- International Finance Corporation
- Bank for International Settlements
- Paris Club

**Other**
- World Intellectual Property Organisation
- World Federation of Trade Unions
- World Customs Organisation
- International Organisation for Standardisation
- International Trade Union Confederation

**Regional**

**Trade**
- Organisation of the Black Sea Economic Cooperation
- Asia-Pacific Economic Cooperation Forum
- Customs Union (Belarus, Kazakhstan, Russia)

**Financial**
- European Bank for Reconstruction and Development

**Other**
- General Confederation of Trade Unions

**NATO**

On 27 May 1997, NATO and Russia signed the NATO-Russia Founding Act, which provides the basis for a long-lasting and robust partnership between the alliance and Russia.

The creation of the NATO-Russia Council (NRC), unveiled at the 2002 NATO summit in Rome, provided mechanisms for consultation, joint decisions and joint action on a wide range of issues.

**EU**

The bilateral basis for EU relations with Russia is the Partnership and Cooperation Agreement (PCA), which came into force on 1 December 1997 for an initial duration of ten years. The PCA established an institutional framework for regular consultations between the European Union and Russia. At a St Petersburg summit in May 2003, the EU and Russia reinforced their cooperation by creating four “common spaces” under the Partnership and Cooperation Agreement: a common economic space; a common space of freedom, security and justice; a space of cooperation in the field of external security; and a space of research and education, including cultural aspects.

The PCA was automatically extended at the end of 2007. Negotiations on a New EU-Russia Agreement were launched the next year and are still under way.\(^{33}\)

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Appendix G

Useful sources of information

**Government resources**

- [www.kremlin.ru](http://www.kremlin.ru) – Official presidential site
- [www.gov.ru](http://www.gov.ru) – Official governmental portal (Russian)
- [www.duma.ru](http://www.duma.ru) – Official site of the parliamentary lower house (Russian)

**Associations and business groups**

- [www.amcham.ru](http://www.amcham.ru) – The American Chamber of Commerce in Russia
- [www.rbcc.com](http://www.rbcc.com) – The Russo-British Chamber of Commerce
- [www.aebrus.ru](http://www.aebrus.ru) – The Association of European Businesses
- [www.rssp.ru](http://www.rssp.ru) – The Russian Union of Industrialists and Entrepreneurs
- [www.tpprf.ru](http://www.tpprf.ru) – The Russian Chamber of Commerce and Industry
- [www.invest2russia.com](http://www.invest2russia.com); [www.b2russia.ru](http://www.b2russia.ru) – Project aimed to become means of investment exchange between Russia and global investors

**Other**

- [www.waytorussia.net](http://www.waytorussia.net) – Independent guide to Russia
- [http://news.bbc.co.uk/2/hi/europe/country_profiles/1102275.stm](http://news.bbc.co.uk/2/hi/europe/country_profiles/1102275.stm) – BBC country profile
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