DOING BUSINESS IN RUSSIA

GRATA

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LOCAL KNOWLEDGE
FOR GLOBAL BUSINESS

GRATA INTERNATIONAL LAW FIRM

About the Firm

GRATA International Law Firm was founded 1992 and provides full scope of legal services.

We have offices in Russia (Moscow, St. Petersburg, Samara, Rostov-on-Don, Novosibirsk), Kazakhstan (Almaty, Astana and other largest cities), Kyrgyzstan (Bishkek), Moldova (Chisinau), Tajikistan (Dushanbe), Uzbekistan (Tashkent) and Azerbaijan (Baku), as well as associate offices in Czech Republic (Prague), Georgia (Tbilisi), Latvia (Riga), Mongolia (Ulaanbaatar), Turkey (Istanbul), Poland (Warsaw), Switzerland (Zurich) and Ukraine (Kyiv), as well as a country desk in Belarus (Minsk) and Turkmenistan (Ashgabat).

In addition to its offices our firm has representatives in the cities of Beijing (China), London (United Kingdom), New York (USA) and Russia (Kazan).

Our competitive advantages include a wide network of offices mostly covering Eurasia, optimal price and quality ratio andunderstanding of the local mentality of doing business.

Clients can gain access to the entire network by enquiring at one of offices or representatives of GRATA International. The opportunity to utilise resources without regional boundaries enables us to increase the cost-effectiveness and the efficiency of services provided.

GRATA International has been recognised by leading international ratings: The Legal 500, Chambers Global, Chambers Asia-Pacific, IFLR1000, Who's Who legal, Asialaw Profiles.

Practice Areas

Since its establishment we have gained unique expertise in the following areas of practice:

- **Banking & Finance**
- **Construction & Infrastructure**
- **Industry & Trade**
- **Technology, Media & Telecommunications**
- **Transport**
- **Pharmaceuticals & Healthcare**
- **Mining**
- **Oil and Gas**
- **Dispute Resolution**
- **International Trade, Customs and WTO Law**
- **Real Estate**
- **Corporate Law**
- **Data Protection and Privacy**
- **Environmental Law**
- **Intellectual Property**
- **Labour Law**
- **Project Finance and**
- **Public-Private Partnerships (PPP)**
- **Restructuring and Insolvency**
- **Tax Law**
- **Contract Law**
- **Finance and Securities**
- **Licences and Permits**
- **Subsoil Use**

Collaboration

Having established a reputation as the most reliable partner in the region, GRATA International is proud of its outstanding experience in dealing with important regional projects implemented in cooperation with various international law firms.

If a particular deal touches upon legislation of several countries or work coordination is required anywhere in the world, we can manage the deal through our reliable partners that are leading international law firms. For these firms GRATA International is number one choice in the Eurasian region.

Reputation

Our reputation is based on an ideal combination of our operational capacity spread on the whole region, developed network of branches and representative offices, professionalism and the highest qualification of lawyers, who render legal services in accordance with international standards, and flexible fee system.

We have commercial awareness, we are creative, and we adhere to a flexible, open and reasonable approach in everything.

Team

Our team, that is responsible for projects related to Russian law and transboundary projects with participation of Russian and foreign investors, comprises the following attorneys:

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I. BUSINESS CLIMATE

According to the World Bank, in 2019 Russia is ranked 31st out of 190 economies in terms of ease of doing business in general, 32nd for starting a business, 12th for registering property and 18th for enforcing contracts.[1]

Within past years, significant market-oriented reforms have been implemented in almost every area of law, including administrative, civil, corporate, tax, customs, and currency, providing for a more transparent legal framework.

In particular, fundamental changes have been introduced in the Civil Code of the Russian Federation liberalising the regulation of internal corporate relations of private companies, detailing the norms on corporate (shareholders') agreements, introducing the instruments of contractual law similar to those existing in common law jurisdictions (in particular, warranties regarding circumstances, indemnity, option for entering into a contract and option agreement) which facilitate, inter alia, mergers and acquisitions transactions and investment projects under Russian law.

The procedures of the state registration of legal entities and individual entrepreneurs and the approval of major and interested party transactions entered into by limited liability and joint stock companies have been simplified.

The reform of arbitration tribunals was implemented with the enactment of the Federal Law dated 29 December 2015 No. 382-FZ 'On Arbitration in the Russian Federation' and amendments to the Arbitration Procedural Code of the Russian Federation which provide, in particular, for the possibility to refer most of corporate disputes to arbitration tribunals.

Startingfrom 1 January 2015, the Eurasian Economic Union (EAEU)[2] has been operating the member states of which include the Russian Federation, the Republics of Kazakhstan, Belarus, Armenia and the Kyrgyz Republic.

The EAEU is an international organisation of regional economic integration in the framework of which the free movement of goods, capital and labour and the harmonisation of legislation are provided for as well as a coordinated policy is conducted in such sectors as foreign trade in goods; circulation of medicines and medical products; trade in services, establishment, operation and implementation of investments; financial markets; natural monopolies; energy; transport; industry; agribusiness, and such areas as: application of sanitary, veterinary and sanitary and phytosanitary quarantine measures; consumers' rights protection; macroeconomic policy; currency regulation; competition (antitrust) policy; labour migration.

Starting from August 2018 special administrative districts in the territories of the Russian Island (Primorsky Krai) and Oktyabrsky Island (Kaliningrad Region) are established to form an investment-attractive environment for Russian and foreign investors where international companies may be registered by way of redomiciliation.

II. LEGAL FORMS FOR DOING BUSINESS

Although Russian legislation provides for a wide range of legal forms of commercial entities, including limited liability company (LLC), public joint stock companies and non-public joint stock companies (before 1 September 2014 - open joint stock companies and closed joint stock companies, respectively), economic partnerships, in practice, private business entities and foreign investors mostly prefer LLCs or a non-public joint stock company.

[1] World Bank Group, see http://www.doingbusiness.org/data/exploreeconomies/russia/

[2] The official Internet site of the Eurasian Economic Union: http://www.eaeunion.org/?lang=en

Foreign investors may establish Russian subsidiaries with 100% stake in the charter capital (except for companies that conduct activity in certain domains, in particular, certain types of insurance, television channels, radio channels, television, radio and video programs) or as joint ventures.

Foreign legal entities may also conduct their activity in Russia through branches and representative offices.

A. Limited Liability Company (LLC)

Alimitedliability company ("общество с ограниченной ответственностью" in Russian) is the most frequently used type of legal entity. It can be established by one or more individuals or legal entities. Participants are not liable for the company's obligations but rather bear the risk of losses related to the company's activity to the extent of the value of their contributions to the charter capital (participatory interests). The number of participants cannot exceed fifty. The liability of the company is limited to the extent of its assets.

The minimum charter capital requirement is RUB 10,000 irrespective of the size of a company, while participants' interests are generally proportional to their contributions. The founders of an LLC may pay for their shares in the authorized capital within four months from the date of state registration of the company.

In the event of sale by any of the participants of its participatory interest other participants enjoy the pre-emptive right to purchase such interest at the price of the offer to a third party or another price established by the charter. Transactions aimed at disposal of participatory interests (e.g. sale and purchase, pledge) are subject to certification by a Russian notary.

The information on each participant of the company, its participatory interest and payment for it are contained in the list of the participants which is kept as the general rule by the sole executive body of the company.

The management bodies of an LLC are:

1) General Meeting of Participants (GMP) - the supreme management body of a company.
   The GMP may be ordinary, which should be conducted at least once a year, and extraordinary, which may be conducted upon initiative, in particular, of the sole executive body of the company or the participants owning together at least 1/10 of the total number of votes of the company's participants. The GMP has exclusive authority to take decisions on such issues as the amendment of the charter (including a change of the charter capital), reorganisation and liquidation of the company, distribution of net profits among the participants.
2) Board of directors (supervisory board) (BoD), which is not mandatory for an LLC but its establishment may be provided for by the company's charter.
   The BoD may be authorised, in particular, to take decisions on such issues as appointment of the executive body of the company and termination of his/her authority, establishment of branches and opening of representative offices, approval of major and interested party transactions in the events provided for by the law. The authority of BoD should be specified in the charter.
3) Executive body (sole and, if it is provided for by the company's charter, collective) that carries out day-to-day management of the company and is accountable before the GMP and the BoD. Upon decision of the GMP (or the BoD, if applicable) the functions of the sole executive body may be entrusted to a manager on the basis of an agreement entered into between the company and the manager.

The participants may enter an agreement on exercising the rights of the company's participants (an equivalent for a

shareholders' agreement) providing for their undertakings, in particular to vote in a certain way at a GMP, to coordinate their voting with other participants, to sell their participatory interests (or parts thereof) at the fixed price and/or upon advent of certain circumstances or to refrain from disposal of their participatory interests (or parts thereof) upon advent of certain circumstances, as well as to take concerted actions in connection with the company's management, with the establishment, activities, re-organisation and liquidation of the company.

The main advantages of an LLC in comparison to a CJSC (or OJSC) are, in particular, the following:

1) No necessity to have registered shares' issues, in particular, in the event of an increase of the charter capital;
2) Stability of the participants' pool: it is possible to provide for the prohibition to dispose of the participatory interests to the benefit of third parties and to pledge them in the charter; the participants are also not allowed to exit the company by means of disposal of their participatory interests to the benefit of the company unless the charter provides otherwise;
3) Ease of formalisation of the decisions of the general meeting of participants: the charter of an LLC may provide that a decision and the identities of participants who took part in its adoption shall be confirmed by means other than notarial certification (e.g. signing of the minutes of a meeting by all the participants of the company or a part thereof);
4) No necessity to engage an independent auditor every year for the purposes of examination and confirmation of annual accounting (financial) statements of the company unless otherwise is provided for by the law.

B. Joint Stock Companies (Public and Non-Public)

A Joint Stock Company ("акционерное общество" in Russian) (JSC) is a legal entity charter capital divided into shares. Shareholders of a JSC may dispose of their shares freely, without the consent of the company or other shareholders.

Before 1 September 2014 JSCs could be set up as:

- opened joint stock companies (OJSCs), the number of the shareholders of which is unlimited and which are entitled to conduct public offerings for their shares as well as to sell them freely and allocate by closed subscription (unless such possibility is not restricted by the charter); the minimum charter capital of an OJSC is RUB 100,000;
- closed joint stock companies (CJSCs), the number of the shareholders of which should not increase 50 and which are not entitled to conduct public offerings for their shares or to sell them otherwise to the general public. Shareholders of a CJSC enjoy the pre-emptive right to purchase the shares that the shareholders of such CJSC intend to sell at the price offered to a third party proportionally to the number of the shares that each of them owns (unless the charter provides otherwise). The minimum charter capital of a CJSC is RUB 10,000.

According to the Federal Law No. 99-FZ dated 05 May 2014 (the "Law No. 99-FZ"), the classification of commercial entities was changed starting from 1 September 2014 and instead of OJSCs, CJSCs and supplementary liability companies there were introduced:

- public JSCs, shares and securities convertible into shares of which are publicly placed (by an open

subscription) on conditions provided for by laws on securities or the charter and the company name of which contains an indication that the JSC is public; and

- non-public JSCs, which are deemed JSCs that do not meet any of the above mentioned criteria and all the LLCs.[3]

Legal status, corporate relations and the issues of disposal of shares of public JSCs are regulated by a number of imperative rules of the Civil Code of the Russian Federation (as amended by Law No. 99-FZ):

- in a public JSC, it is not possible to limit the number of shares owned by a shareholder, their total nominal value and the maximum number of voices granted to a shareholder;
- shares of a public JSC may be transferred without any restrictions and the charter of such JSC may not provide for the necessity to obtain someone's consent for such transfer;
- none can be granted the pre-emptive right to purchase shares of a public JSC except for the cases provided for the Federal Law on Joint Stock Companies when the pre-emptive right of purchase of additionally issued shares or securities convertible into shares of the JSC is vested with shareholders;
- a public JSC may not issue preferred shares with nominal value lower than nominal value of its ordinary shares;
- the list of matters within the exclusive authority of a general meeting of shareholders of a public JSC is provided for by the Civil Code and the Federal Law on Joint Stock Companies and may not be extended;
- a collective management body (a supervisory or another board that controls activity of the executive bodies of the company) with at least five members and an internal audit commission should be established in a public JSC;
- the shareholders register of a public JSC should be kept and the functions of its ballot committee should be performed by an independent organisation holding a license required by the law;
- a public JSC should disclose publicly information specified by the law.

A more flexible regime for the regulation of corporate relations is provided for with respect to non-public companies:

1) The charter of a non-public company and the corporate agreement (an agreement entered into by the shareholders/participants of a company to regulate exercise of their rights) may provide that the scope of rights of the company's participants is not proportionate to the amounts of their shares in the charter capital of the company (provided that information on such corporate agreement and the scope of rights of the company's participants is entered into the Uniform State Register of Legal Entities (the "USRLE");
2) Participants (founders) of a non-public company may upon their unanimous decision include in the charter of the company certain provisions changing the scope of authority of the management bodies of the company and the procedures for taking decisions by them, as well the procedure for disposal of the shares/participatory interests, in particular:

- to transfer to the authority of the collective management body or the collective executive body of the

[3] Reregistration of legal entities established before entry into force of the above mentioned changes as well as certain changes in regulation of public and non-public companies in comparison to the regulation of an LLC, an OJSC and a CJSC is not required. Constitutive documents and firm appellations of such legal entities should be brought in compliance with the provisions of Chapter 4 of the Civil Code of the Russian Federation (as amended by Law No. 99-FZ) at the first amending of their constitutive documents. Registration of such amendments is exempt from state duty.

company certain matters which by law are within the authority of the general meeting of participants (except for particular matters that concern interests of all the participants, i.e. reorganisation or liquidation of the company, determination of the number, nominal value and categories (types) of declared shares and the rights granted by such shares);

- to establish the procedure for convening, preparing and conducting a general meeting of participants and making decisions that differ from the procedure established by regulatory legal acts;
- to exclude the establishment of an internal audit commission or provide for its establishment only in cases specified by the charter;
- to establish the procedure of exercise of the pre-emptive right of purchase of a participatory interest or a part of a participatory interest in the charter capital of an LLC or the pre-emptive right of purchase of shares of a JSC or securities convertible into shares thereof.

Shareholders are not liable for the JSC's obligations as well and bear the risk of losses within the amount of their shares. A JSC has its own assets separate from the shareholders' assets and is not liable for their obligations.

No less than 50% of the shares of a JSC subscribed for at its establishment should be paid for within three months from the date of the state registration of the JSC and the rest of the shares - within one year thereof, unless a shorter period is provided for by the agreement on the company's foundation.

A JSC may issue:

- ordinary shares the owners of which may participate and vote at the general meeting on all the issues at its agenda, to receive dividends and, in the event of liquidation of the company - to receive a part of its property; and
- preferred shares the owners of which are entitled to receive dividends and/or the amount paid at the liquidation of the company fixed by the charter but are not entitled to vote at the general meeting before advent of certain circumstances.

The information on each registered person (shareholder or nominee), the number and categories (types) of the shares registered in the name of each registered person are contained in the register of shareholders which should be kept by the licensed registrar.

The structure of the management bodies of a JSC is similar to the structure of the management bodies of an LLC and includes the general meeting of shareholders (the GMS), the board of directors (supervisory board) (the BoD) and the executive body (sole and, if it is provided for by the company's charter, collective).

Establishment of the BoD is not mandatory for anon-public JSCs - the charter of such company may provide that the functions of the BoD are performed by the GMS.

The authorities of the management bodies of a JSC are generally similar to the authorities of the management bodies of an LLC's except that the GMS is authorised to take decisions on such matters as issuing additional shares, shares' splitting up and consolidation, placement, listing and delisting of shares; some of these authorities may be transferred to the BoD according to the charter. The GMS of a public JSC may not consider and take decisions on the matter which do not fall within its authority under the law.

Russian law provides for the detailed requirements to the terms and the procedure for preparing and conducting a GMS

a failure to comply with which may involve rendering invalid the decisions taken by the GMS upon claims of its shareholders.

The executive body is conferred with the authority to provide for everyday management of the company except for the matters within the authority of the GMS and the BoD. The executive body shall report to the GMS and the BoD.

Shareholders of a JSC may enter into a shareholders' agreement with the view to regulate exercising their rights conferred by the shares and/or the rights to the shares in a certain way and/or to abstain from exercising such rights. Under such agreement they may undertake, in particular, to vote in a certain way at a GMS, to coordinate the voting variant with the other stockholders, to acquire or dispose of shares at the price fixed in advance and/or upon advent of certain circumstances, to abstain from disposing of shares pending the advent of certain circumstances, as well as to make other coordinated actions in connection with the company's management, with the company's activities, re-organisation and liquidation.

In the event of acquisition of more than 30% of the total number of a public JSC common shares and preferred shares the purported purchaser may submit to the public JSC an offer addressed to its shareholders to purchase their shares (a voluntary offer).

A purchaser acquiring more than 30% (as well as 50% and 75%) of the total number of a public JSC common shares and preferred shares is obliged to submit such offer within 35 days from the date of acquisition (a mandatory offer).

If the purchaser acquires as the result of a voluntary offer or a mandatory offer of more than 95% of the total number of a public JSC common shares and preferred shares it is obliged to buy out the remaining shares of the JSC as well as issue securities convertible into the JSC's shares upon demand of the shareholders.

C. Economic Partnership

Starting from 1 July 2012 two or more persons (either individuals or legal entities) may establish an economic partnership ("хозяйственное партнерство" in Russian). This legal form of a profit-making organisation was introduced in Russian law with the aim to facilitate venture business projects.

An economic partnership may engage in any activities except for:

- bonds and other issue securities emission;
- advertising its activity;
- being a founder (participant) of other legal entities (apart from unions and associations).

A number of participants of an economic partnership cannot exceed 50 persons, otherwise the partnership must be re-organised in a public JSC within a year.

The participants bear liability upon the obligations of the partnership in the amount of their contributions to the share capital. At the same time, if the partnership's assets are insufficient to satisfy the claims of the partnership's creditors, a participant or participants may satisfy such claims partially or in the full subject to the consent of all the participants.

The constitutive document of an economic partnership is the charter signed by all founders of the partnership.

The issues of an economic partnership management, rights and obligations of its participants, change of the participants and exit from the partnership are regulated by a partnership management agreement (the Agreement). The Agreement should be entered into by all the participants and third parties may as well become the parties thereto. The Agreement

is valid provided that it is notarised and should be kept by the notary at the place of the partnership's location.
Aparty to the Agreement may be enforced to perform its obligations either upon a court decision or according to another procedure provided for by the Agreement.
Share capital of an economic partnership is divided into shares. Participants may contribute money or other assets (except for securities), property rights or other rights with a monetary value to the share capital, unless otherwise is provided for by the Agreement.
The partnership must maintain a register of participants, indicating the amount of their shares in the share capital and the shares owned by the partnership.
An economic partnership is managed by the participants and its profits and expenses are allocated among the participants in proportion to the number of shares they own unless otherwise provided for by the law and/or the Agreement. Third parties may take part as well in the management of the economic partnership if it is provided for by the Agreement.
The only management body of an economic partnership which is mandatory under the law is the sole executive body (a natural person who is not a participant) which is elected by unanimous decision of all the participants unless otherwise is provided for by the charter of the partnership.
Stability of membership of an economic partnership is guaranteed by the prohibition, as the general rule, to pledge a share in the share capital to another participant or a third party (the Agreement may provide otherwise, and subject to the consent of all the participants to such a pledge). The participants of an economic partnership enjoy the pre-emptive right to purchase the shares that a participant intends to sell at the price offered to a third party or the price fixed by the Agreement proportionally to the number of the shares that each of them owns.
Furthermore, a participant may exit the partnership subject to a three months advance notice to the partnership (unless another term is provided for by the partnership management Agreement) only if it is permitted by the Agreement.
The principal advantages of an economic partnership are, in particular, the following:

- the participants may make the contributions to the share capital by stages (the financial sanctions for a failure to perform such obligations on time are provided for by the law);
- the parties to a partnership Agreement may not only be the participants but also the partnership itself and third parties (which is not permitted expressly with respect to an LLC or a non-public JSC);
- the Agreement may provide for the prohibition of participants from exiting from the partnership and to participate in competitive projects, as well as for an exit of participants from the partnership within a certain period or before the aim established by the Agreement is achieved;
- the rights and obligations, profits and lossesas well as votes may be allocated among the participants not proportionally to their shares;
- special rights of the participants in the event of their exit from the partnership or liquidation upon advent of certain circumstances and the rights to demand purchase of the shares owned by other participants may be provided for in the Agreement.

D. Establishment of a Legal Entity

A Russian legal entity is deemed established from the date of its state registration, that is, the entering of information about such a legal entity in the USRLE.

The state registration of profit-making legal entities and individual entrepreneurs is performed by authorised inspectorates of the Federal Tax Service of the Russian Federation (FTS of Russia) at the place of location thereof. The place of location is deemed the place where the sole executive body of a legal entityis located (and in the event there is no sole executive body - another body or person authorised to represent the legal entity by virtue of law or a constitutive document). In the event of the actual address of a legal entity does not coincide with the address indicated in the USRLE (legal address) the legal entity bears the risk of a failure to receive the official correspondence (e.g. letters from the state authorities) sent to the legal address as well as the risk of absence of its authorised representative at the respective address. The notifications sent to the legal address are deemed received by the legal entity even if it is not actually located at the respective address.

If the charter capital of a newly established company is paid with the shares and/or property of a Russian legal entity, under the Federal Law on Protection of Competition No. 135-FZ dated 26 October 2006 (further - the "Competition Law") the establishment of such company, is subject to a preliminary approval of the Federal Antimonopoly Service (FAS), ifthe new company acquires as the result:

a) more than 25%/50%/75% of the shares in a Russian JSC or
b) more than $^{1}/_{3}$ / 50% / $^{2}/_{3}$ of the participatory interest in a Russian LLC or
c) more than 20% of the main production (fixed) assets and (or) intangible assets located in Russia (except for land plots and buildings, fixtures, premises, parts thereof and incomplete construction objects of non-industrial use) of another legal entity,

and

- the aggregate asset value of the founders of the company (their group of persons) and the entities whose shares, or assets are being contributed to the charter capital (their group of persons) exceeds RUB 7 billion, or
- the aggregate revenue earned by the above mentioned entities from the sale of goods during the past calendar year exceeds RUB 10 billion. The term for state registration and simultaneous registration with the tax authority is 3 business days from the date of submission to the registering authority of the application, signed by the founder(s) of the legal entity and notarised, the originals of the decision on the establishment, the charter and other required documents.

The state fee for the state registration of a legal entity amounts to RUB 4,000, and for an individual entrepreneur - RUB 800. From 1 January 2019, if documents for registration of legal entities and individual entrepreneurs are submitted to the registering authority in electronic form: through the website of the Federal Tax Service of Russian Federation or the Unified Portal of State and Municipal Services, as well as through notaries and multifunctional centers, the state fee does not apply.

The law provides an exhaustive list of reasons for a refusal in the state registration, in particular, a failure to provide all the required documents, or the provision of false information. In practice, however, the registering authority may take a decision on the refusal based on their own interpretation of the law, and therefore, it is important that the documents

submitted for state registration are prepared by experienced legal consultants.

Apart from the state registration, to be able to conduct commercial activity, a legal entity and an individual entrepreneur should obtain documents confirming the registration with social funds (State Pension Fund, Social Insurance Fund and Mandatory Medical Insurance Fund), attribution of statistics codes and open a bank account.

A company may but is not obliged to possess an official stamp, bearing their name and the basic state registration number.[4] If a company does possess an official stamp the information about this should be included in the company's charter.

On average, the procedure for the establishment of a legal entity in Russia may take from two to four weeks.

E. International Company

Under the Federal Law dated 03 August 2018 No. 290-FZ "On International Companies" ("Law No. 290-FZ") a foreign legal entity which is a commercial corporate organisation and which has decided to change its personal law in accordance with the procedure established by such personal law may become an international company.

Specific features of the legal status of an international company are as follows:

1) the place of location of an international company is within the territory of a special administrative district which is determined in accordance with the Federal law "Regarding special administrative districts in the territory of the Kaliningrad region and Primorsky territory" (herein after referred to as a "**special administrative district**");
2) the status of an international company is provided simultaneously with the state registration in the USRLE to a foreign legal entity that:

a) is registered (established) in a state which is a member or spectator of the Financial Action Task Force on Money Laundering (FATF) and (or) Committee of Experts of the Council of Europe on Measures to Combat Money Laundering and the Financing of Terrorism (Manivel);

b) at the time of the decision to change its personal law, but in any case no later than 1 January 2018, either independently, or directly or indirectly through its controlled persons, or through other persons belonging to the same group of persons with a foreign entity any of the grounds provided for by article 9 of the Competition Law, or through branches or representative offices (other separate subdivisions), carries out economic activities in the territory of several states, including the territory Russia;

c) filed an application to enter into an agreement on the implementation of activities as a participant in a special administrative district;

d) has undertaken to make investments in Russia, including on the basis of a statement of intent to make investments, a special investment contract, a concession agreement, an agreement on public-private (municipal-private) partnership or another contract, in the amount of not less than RUB 50 million during the period of not less than 6 (six) months from the date of state registration of the international company;

3) an international company pays an annual registration fee in the amount and order established by the Tax

[4] Before 7 April 2015 official stamps were mandatory for both official JSCs and LLCs.

Code of the Russian Federation;

4) an international company may place securities as well as to organise the circulation of securities, including by placing securities of non-Russian issuers in accordance with non-Russian law, certifying rights in respect to securities of an international company, outside the Russian Federation without receiving a permission from the Central Bank of the Russian Federation (Bank of Russia);
5) the Russian legislation on limited liability companies, joint stock companies, the securities market is applied to international companies in the part not contradicting the Law No. 290-FZ and the essence of relations arising from it.

An international company is deemed established from the date of registration (establishment) of the foreign legal entity. At the same time, succession does not arise between the international company and the respective foreign legal entity in connection with the state registration of the former.

Russian law will become the personal law of the international company from the moment of its state registration in the Russian Federation.

An international company upon approval of the Government of the Russian Federation has the right to alter its personal law through registering in a foreign state whose legislation allows for such registration and subject to the absence of indebtedness on taxes, dues and other indebtedness of the international company to the budget of the Russian Federation.

Such registration of an international company in a foreign state by way of redomiciliation does not alter the title of the international company to its property, as well as the rights and obligations of the international company and persons having the rights and (or) duties in relation to such company which arose before the registration.

It is not required to obtain preliminary approvals for the state registration of an international company provided by the Competition Law and the Federal Law "On the Procedure for Making Foreign Investments in an Economic Company of Strategic Importance to Ensure the Country's Defence and Security", which significantly simplifies the process, in particular, in the event when the authorised capital of the relevant company is paid for by shares or interests of another profit making organisation.

The procedure of state registration of an international company by way of redomiciliation has its own specifics: a foreign legal entity shall submit to a management company whose status is determined in accordance with the Federal Law "On the Special Administrative Districts in the territory of the Kaliningrad region and Primorsky territory" (hereinafter - the **„management company"**) the application for state registration and other required documents and the management company considers the submitted documents within no more than 2 (two) business days and makes a decision to forward them on to the registering authority or, if an application is submitted for the state registration of an international company in the form of a jointstock company, to the Bank of Russia, or refuses in the transfer of documents.

The registering authority carries out state registration of an international company within no more than 3 (three) business days from the date of receiving the documents from the management company.

Within 10 working days after expiry of 6 months from the date of its state registration, the international company is obliged to send to the management company of a special administrative district in which it is registered the documents

confirming the investment in the prescribed amount, form and timeframe.

F. Representative Offices and Branches

Under Russian law either representative offices or branches are deemed separate divisions of legal entities which function on the basis of the regulations approved by the legal entity that established them. The head of a representative offices or a branch acts on the basis of powers of attorney issued by the legal entity.

The principal difference between a representative office and a branch of a legal entity (either Russian or foreign) is that the former is not entitled to conduct profit-making activity, but only represents and protects the interests of the legal entity, while a branch may fulfil all or part of the functions of the legal entity, including engaging in profit-making activity.

Representative offices and branches of foreign legal entities are entitled to conduct activity in Russia subject to their accreditation by the authorised body (with respect to representative offices of foreign credit organisations - by the Bank of Russia, with respect to other representative offices and branches - FTS of Russia, and registration with the tax authorities at the place of their location in Russia).

A foreign legal entity should submit with an authorised body an application for accreditation and other documents required for the accreditation with in 12 months after the adoption of a decision on opening of a representative office or establishment of a branch in the territory of Russia. The application should include the information on the number of foreign citizens - employees of such representative office or branch certified by the Chamber of Trade and Industry of the Russian Federation.

All documents in foreign languages are accepted provided that they are legalised or apostiled (unless otherwise is provided for by international treaties, to which Russia is a party) and with a notarised translation into the Russian language.

The authorised body shall take a decision on the accreditation of a representative office or a branch of a foreign legal entity (or a refusal therein on the grounds provided for by the law) within 25 business days from the date of submission of the application and the required documents. The accreditation of a branch or a representative office of a foreign legal entity is confirmed by a certificate on making the respective entry in the state register of accredited branches and representative offices of foreign legal entities issued by the authorised body. Simultaneously, with the accreditation, a branch/a representative office is also registered with a tax authority at the place of its location.

Upon the state accreditation of a branch/a representative office, it is also necessary to obtain the documents confirming its registration with the social funds and attribution of statistics codes, to provide an opening of a bank account.

III. FAQs FOR DOING BUSINESS IN RUSSIA

A. What types of activities require a license?

The Federal Law No. 99-FZ of 4 May 2011on Licensing of Particular Types of Activity (as amended) provides for about 50 types of activities that are subject to licensing, in particular:

- development, manufacture, and distribution of encryption (cryptographic) devices, information systems and telecommunication systems protected by encryption (cryptographic) devices;
- carrying out of works and rendering of services in the field of information encryption;
- development, manufacture, testing, storage, repair, and utilisation of civil and service weapons;
- operation of explosive and fire-hazardous and chemically hazardous facilities of I, II and III hazard classes;
- carriages by air transport of passengers and cargoes (except for carriages for a legal entity's or individual entrepreneur own needs);
- carriages of passengers by auto transport equipped for carriages of more than 8 persons (except for carriages upon orders or for a legal entity's or individual entrepreneur own needs);
- carriages by railroad transport of passengers and hazardous cargoes;
- organisation and carrying out gambling in bookmakers' shops and totalisers;
- preparing, storage, processing and sales of ferrous metals and non-ferrous metals;
- manufacturing of copies of audio-visual works, software, data bases and sound recordings;
- education activity (except for such activity conducted by private organisations located in Skolkovo Innovation Center);
- space activity;
- private investigation and private security activity;
- manufacture of medicines;
- manufacture and maintenance of medical equipment;
- pharmaceutical activity;
- manufacture of biomedical cell products;
- rendering communications services, television and radio broadcasting.

Licensing requirements with respect to these activities are established by the regulations on licensing of the respective activities approved by the Government of the Russian Federation.

A license is issued for each type of activity and, as the general, is effective without limitation of a term within the territory of Russia and other territories under the jurisdiction of Russia.

In Russia, the following types of activities are subject to licensing as well:

- banking operations and other transactions of credit organisations (according to Federal Law No. 395-I of 2 December 1990 on Banks and Banking Activity);
- activities relating to the protection of state secrets (according to the Law of the Russian Federation No. 5485-1 of 21 July 1993 on State Secrets)
- activities in the domain of production and sale of ethyl alcohol, alcohol products, and alcohol-containing products (according to the Federal Law on the State Regulation of the Production and Turnover of Ethyl Alcohol and Alcoholic Products No. 171-FZ of 22 November 1995);
- activities in the domain of communications (according to Federal Law No. 126-FZ of 7 July 2003 on Communications);
- insurance activity (according to the Law of the Russian Federation No. 4015-1 of 27 November 1992 on the

organisation of insurance business in the Russian Federation);

- activities of professional participants in the securities market, repository activities (according to Federal Law No. 39-FZ of 22 April 1996 on the Securities Market);
- acquisition of weapons and cartridges for them (according to Federal Law No. 150-FZ of 13 December 1996 on Weapons);
- use of natural resources, in particular, mineral, forests, plant and animal objects;
- activities, works, and services in the field of atomic energy use (according to Federal Law No. 170-FZ of 21 November 1995 on Use of Atomic Energy);
- activities of an investment fund, of managing investment funds, unit investment trusts, and non-governmental pension funds;
- activities of a specialised custodian of investment funds, unit investment trusts, and non-governmental pension funds;
- activities of non-governmental pension funds for pension provision and pension insurance;
- clearing activity (according to Federal Law dated 11 February 2011 No. 7-FZ On Clearing and Clearing Activities;
- activities on conducting of organised tenders (according to Federal Law dated 21 November 2011 No. 325-FZ On Organised Tenders;
- space activities (according to Law of the Russian Federation dated 20 August 1993 No. 5663-1 On Space Activities);
- power supply activities.

Legal entities and individual entrepreneurs may perform the activities subject to licensing after the respective license is obtained or from the moment indicated in this license and should cease them upon expiry of the license, unless another term is specified by the law.

Conducting activities without the required license may involve administrative liability for a legal entity or individual entrepreneur as well liquidation of a legal entity upon a court's decision. In certain cases, the authorised bodies may bring criminal proceedings against the legal entity's top officials.

Furthermore, in the event a party to a contract does not possess a license for conducting the activities or is not a member of a self-regulating organisation necessary for performance of its obligations under the contract (i.e. for performance of construction and design works), another party shall be entitled to rescind a contract and demand compensation of damages.

B. What are incentives for investors in Russia?

According to the Federal Law No. 160-FZ of July 9, 1999 "On Foreign Investments in the Russian Federation" ("Law No. 160-FZ"), a foreign investor is:

- a foreign legal entity or a foreign organisation that is not a legal entity, that has the right, in accordance with the legislation of the state in which it is established, to invest in the territory of the Russian Federation;
- a foreign citizen who, in accordance with the legislation of the state of his citizenship, has the right to invest within the territory of the Russian Federation;

- a stateless person who permanently resides outside of Russia and who, in accordance with the legislation of the state of his permanent residence, has the right to invest within the territory of the Russian Federation;
- an international organisation that has the right, in accordance with the international treaty of the Russian Federation, to invest within the territory of Russia;
- foreign states in accordance with the procedure determined by federal laws.

Foreign investors under the Law No. 160-FZ are granted with the most favored nation treatment: the regime of their activity and use of the profit received from investments cannot be less favorable than the regime provided to Russian investors.

Federal laws and laws of constituent entities of the Russian Federation provide for substantial customs, tax and other incentives for foreign and domestic investors, in particular, depending on the territory where they conduct their activities, as well the types of activities.

1. Customs incentives for foreign investors

According to the Decision of the Government of the Russian Federation dated 23 July 1996 No. 883 commodities being imported in the customs territory of the Russian Federation as a contribution of a foreign founder to the charter (share) capital of a Russian legal entity are exempted from customs duties provided that such goods are:

- not excisable goods;
- basic production assets; and
- imported in terms provided for by the constitutive documents of the legal entity in question for formation of the charter (share) capital.

Excisable goods in accordance with Article 181 of the Tax Code of the Russian Federation (the "Tax Code") are deemed:

- ethyl alcohol made of all types of raw materials;
- alcohol containing products (solutions, emulsion, suspension and other types of products in liquid form with a volumetric share of ethyl alcohol over 9 per cent), except for certain types of products;
- alcoholic products according to the list approved by the Government of the Russian Federation;
- beer;
- tobacco products;
- passenger vehicles;
- motorcycles featuring engine power rating over 112.5 kW (150 h.p.);
- petrol;
- diesel fuel;
- motor oil for diesel and/or carburetor (injector) engines;
- direct-distillation petrol;
- medium distillates;
- benzol, paraxilol, ortoxylen;

- aviation kerosene oil;
- natural gas (in cases provided for by international treaties of the Russian Federation);
- oil raw materials;
- dark marine fuel;
- electronic systems of nicotine supply;
- liquids for electronic systems of nicotine supply;
- tobacco (tobacco products) for consumption by means of heating.

Importation into the customs territory of the Russian Federation and other territories under its jurisdiction of technological equipment (including components and spare parts thereto) included in the list approved by the Government of the Russian Federation (the RF Government),analogues of which are not manufactured in Russia and which are imported as a contribution to the charter (share) capitals of Russian legal entities, is exempt from VAT (Article 150 p. 7 of the Tax Code).

2. Regional tax incentives

Most constituent entities (regions) of Russia provide tax concessions to investors, in particular, reduced corporate profit tax and corporate property tax rates. The eligibility criteria typically require that the project fits in with regional business priorities and a minimum amount of investment. Such tax concessions are normally granted for a period not exceeding the payback period of the investment project, and the amount of the tax savings realised, cannot exceed the amount of the initial investment under the project. Additional conditions for eligibility for concessions may be established by regional authorities, in particular, the obligations for employing individuals residing in the region, for developing infrastructure, etc.

For example, investors - legal entities registered and carrying out investment projects in the territory of Moscow Regionin the domains specified by the Law of the Moscow region of 24 November 2004 No. 151/2004-OZ are granted with the following incentives:

- reduction of the corporate profit tax rate by 4.5 percentage points for a period of three to seven years, depending on the type of project;
- reduction in the tax rate on property of organisations with respect to the created and (or) acquired property and fixed assets in the case of their completion, retrofitting, reconstruction, modernisation, technical re-equipment in the amount of 0 to 1.5 for three to eight first tax periods.

Organizations that are the first purchasers of administrative and business centers and (or) premises are part of one administrative and business center in the Moscow region (newly built and first commissioned from 1 January 2018 through 31 December 2025, which meets the requirements of paragraph 3 of Article 378.2 of the Tax Code of the Russian Federation, the acquisition cost of which at the time of entering it in the organization's accounting is at least RUB 50 million) are granted tax benefits in the form of a reduction in the corporate profit tax rate by 4.5 percentage points and exemption from corporate property tax in respect of relevant fixed assets.

Starting from 1 January 2018, the investment tax deduction for corporate profit tax may be applied by the taxpayers located in those constituent entities of the Russian Federation the lawsof which establish the right to use it (paragraphs

1, clause 6 of Article 286.1 of the Tax Code), except for:

- participants in regional investment projects;
- residents of special economic zones;
- organisations engaged in activities related to the extraction of hydrocarbons in the new offshore hydrocarbon field;
- participants of the free economic zone;
- residents of the territory of advanced socio-economic development or residents of the free port of Vladivostok;
- participants of the Skolkovo project and the project in accordance with the Federal Law of 29 July 2017 No. 216-FZ "On Innovative Scientific and Technological Centers";
- foreign organisations recognised tax residents of the Russian Federation.

By applying the investment tax deduction, the corporate profit tax payable to the federal budget may be reduced by an amount equal to 10% of the cost of the acquisition, completion, additional equipment, reconstruction, modernisation, technical re-equipment or other similar reasons (with the exception of liquidation) of fixed assets of 3 to 7 of the depreciation groups with respect to which expenses were incurred, as well as expenses in the form of donations, transferred to state and municipal institutions that conduct activities in the field of culture, NGOs (funds) for the formation of endowment capital to support such institutions.

3. Incentives in special economic zones (SEZs)

A special economic zone (SEZ) is a part of the territory of the Russian Federation (RF) determined by the RF Government where a special regime for conducting business is applied, as well as the procedure of free customs zone.

SEZs in Russia are established and operated in accordance with the Agreement regarding free (special) economic zones within the territory of the Customs Union and the customs procedure of the free customs zone dated 18 June 2010, other customs regulations of the Customs Union, the Federal Law dated 22 July 2005 No. 116-FZ “On Special Economic Zones in the Russian Federation” (the “Law No. 116-FZ”) and the federal laws regulating particular SEZs.

There are four types of SEZs:

1) industrial production zones - Titanovaya Valley (Sverdlovsk Region), Togliatti (Samara Region); Lipetsk (Lipetsk region), Alabuga (Republic of Tatarstan), Moglino (Pskov Region), and Kaluga (Kaluga Region); Ouzlovaya (Tula Region), Lotos (Astrakhan Region), StupinoKvadrat (Moscow Region);
2) technical research and implementation zones - Technopolis (Moscow), Dubna and Istok (Moscow Region), Saint Petersburg, Tomsk, and Innopolis (Kazan);
3) tourism and recreation zones - Baikal Harbour (Republic of Buryatia), VorotaBailkala (Irkutsk Region), and BiryuzovayaKatyn (Altai Region), Northern-Caucasian Tourist Claster, Zavidovo (Tver Region); and
4) port (logistics) zones - Ulianovsk (Ulianovsk Region).

All SEZs are established for a period of 49 years, on the basis of a decision of the RF Government.

The status of a SEZ resident may be obtained by a profit-making organisation (except for a unitary enterprise) or an individual entrepreneur (only in technical research and implementation, as well as tourism and recreation SEZs)

registered in the territory of the municipal district where the respective SEZ is located, provided that they enter into an agreement on conducting activities in such SEZ with the managemententities thereof. In order to enter into such agreement, an investor must submit an application together with the business plan specifying a certain volume of investments to be made within a certain period, in an amount not less than provided for by the Law No. 116-FZ.

In general, a resident of an SEZ is entitled to engage only in the activities prescribed for the respective type of SEZ (an exhaustive list of the types of such activities is provided in the Law No. 116-FZ). However, the residents of complex SEZs in the Kaliningrad Region (effective until 1 April 2031) and the Magadan Region (effective until 31 December 2025), may conduct various types of activities.

Residents of SEZs may not have representative offices or branches registered beyond the SEZ where they conduct their activities.

Residents of SEZs in Russia enjoy the following incentives:

1) a free customs zone customs procedure, under which goods imported into the SEZ (except for a tourism and recreation SEZ) are exempt from import customs duties and import VAT, as well as the right to apply 0% VAT rate with respect to sale of goods placed under the free customs zone customs procedure, provided that certain requirements are met;
2) tax concessions:

- reduced rate of corporate profit tax to be paid to the budget of the region (no more than 12,5% in 2017 - 2020, thereafter - no more than 13.5%) and favour abletreatment of certain expenses for corporate profit tax purposes;
- 0% corporate profit tax rate to be paid to the federal budget by residents of technical research and implementation, as well as tourism and recreation SEZs, combined into a cluster under the decision of the Government, and 2% for residents of other SEZs;
- exemption from corporate property tax, on assets manufactured or bought in for the purposes of the activities within the SEZ, for a period of 10 years from the date of their entering into the accounting records;
- exemption from land tax, with respect to the land plots within the SEZ, for the period of 5 years from the date of acquisition of such land plots into property ownership;
- exemption from excise taxes with respect to the goods imported into the port SEZs.

Law No. 116-FZ also provides a state guarantee that, in the event of introduction of any amendments to the tax legislation, which may have a negative effect on the taxpayer's positions, such amendments will not be applied to the residents of the SEZsduring the effective term of the agreement on carrying out activities within the SEZ.

a) SEZ in the Kaliningrad

The SEZ in the Kaliningrad region is established for the term till 1 April 2031 by the Federal Law No. 16-FZ dated 10 January 2006 “On Special Economic Zone in the Kaliningrad Region and Amending Certain Laws of the Russian Federation” (the “Law No. 16-FZ”).

A resident of SEZ in the Kaliningrad region may be a legal entity that complies with all the following requirements:

- established under the laws of Russia and registered in the Kaliningrad region;
- manufactures goods exclusively within the Kaliningrad region;

- makes investments in the Kaliningrad region;
- its investment project complies with the requirements provided for by the Law No. 116-FZ (in particular, the investor should makes the capital investments for the total amount of not less than RUB 150 million within 3 years from the date of registration in the register of SEZ residents (if an investment project in the field of tourism and recreational activities, the establishment of manufacturing production, as well as in fisheries, fish farming, agriculture is implemented - at least RUB 50 million; a health investment project - at least RUB 10 million; a project of the development of computer technology and creation of software, provision of consulting services in this field and other related services, in the field of information technology, scientific research and development - not less than RUB 1 million within three years from the date of its inclusion in the unified register of SEZ residents).

Legal entities that apply special taxation regimes as well as financial organisations (including credit and insurance) and professional securities market participants may not be residents of the SEZ in Kaliningrad region.

A legal entity acquires the status of the SEZ resident from the date of the decision on its registration in the register of SEZ residents which is certified by the respective certificate. From the date of such registration the entity is entitled to apply the special taxation regime.

Within the term of implementation of the investment project by the SEZ resident the guaranties of non-application of federal laws and other regulatory acts involving increase of the total tax burden on the SEZ resident are effective.

In the SEZ in Kaliningrad region, the customs procedure of free customs zone is applied: the goods within the SEZ or a part thereof are placed and used free of customs duties, taxes and non-tariff measures and without application of restrictions and bans with respect to the goods of the Customs Union.

Under the customs procedure of free customs zone are placed the goods of foreign origin imported in the SEZ in Kaliningrad region by legal entities registered in the SEZ for installation and usage in accordance with the Law No. 16-FZ.

Tax incentives for the SEZ residents include:

1) the right to apply reduced tax rates during several tax periods from the date of registration in the register of SEZ residents:
   - before expiry of 6 tax periods starting from 1 January following the year of the registration in the register of SEZ residents - 0%;
   - 6 tax periods starting from 1 January following the expiry of the period of application of 0% tax rate - standard corporate profit tax rates to be paid to the budget of the Kaliningrad region are reduced for 50%;
2) a special procedure for payment of corporate profit tax with respect to the profit received from implementation of the investment project subject to separate accounting of income and expenses;
3) the SEZ residents calculate the amount of the corporate property tax with respect to the assets manufactured or acquired in the course of implementation of the investment project separately and pay this tax at the reduced rates within the period of conducting their activity as residents from the date of the registration in the register of SEZ residents:
   - within first 6 calendar years - 0%;

- from 7th through 12th calendar year inclusive - 1,1%.

Residents of the SEZ in the Kaliningrad region, included in the unified register of residents from 1 January 2018 through 31 December 2022, are also entitled to apply the following reduced social insurance contributions for seven years starting from the 1st day of the month following such a payer was included in the register (the deadline for the application of such reduced rates is 31 December 2025):

- 6% to the Pension Fund of the Russian Federation;
- 1.5% to the Social Insurance Fund of the Russian Federation;
- 0.1% to the Mandatory Medical Insurance Fund of the Russian Federation.

4. Incentives in the territories of priority socio-economic development

The territory of priority socio-economic development ('TPSED') is a part of the territory of the constituent entity of the Russian Federation, including the closed administrative-territorial formations, where under the Decision of the RF Government a special legal regime is established for business and other activities in order to create favorable conditions for rising investments, socio-economic development and support for population.

Principles of the TPSED regime, state support measures and procedure for performance activities in such territories are provided by the Federal Law No. 473-FZ dated 29 December 2014 'On the Territories of Priority Socio-Economic Development in the Russian Federation' (the 'Law No. 473-FZ').

A TPSED is created for 70 years with possible extension upon the decision of the RF Government.

As of 12 February 2019, the RF Government has adopted thedecisions on establishment of the following TPSEDs:

1) Belogorsk, Priamurskaya, and Svobodny (Amur Region);
2) Kamchatka (Kamchatka Territory);
3) Kangalassy Industrial Park, Southern Yakutia (Republic of Sakha (Yakutia);
4) Mikhailovsky, Nadezhdinskaya, BolshoyKamen, Neftekhimicheskiy (Primorsky Territory);
5) Beringovsky (Chukotka Autonomous District);
6) Komsomolsk, Khabarovsk (Khabarovsk Territory);
7) GorniyVozdukh, South, Kurily (Sakhalin region);
8) Amuro-Khinganskaya (Jewish Autonomous Region);
9) Ozersk, Snezhinsk, Upper Ufaley (Chelyabinsk Region);
10) Zheleznogorsk (Krasnoyarsk Territory);
11) Nevinnomyssk (Stavropol Territory);
12) Chistopol, Zelenodolsk, Nizhnekamsk, Mendeleevsk (Republic of Tatarstan);
13) Kondopoga, Kostomuksha (the Republic of Karelia);
14) Kotovsk (Tambov Region);
15) Sosenskiy (Kaluga Region);
16) Lesnoy (Ryazan Region);
17) Ozersk, Snezhinsk, VerkhniyUfaley(Chelyabinsk region);
18) Nikolaevsk (Khabarovsk Territory);

19) Vyatskie Polyany (the Kirov Region);
20) Sarapul, Glazov (Udmurt Republic);
21) Petrovsk (Saratov region);
22) Ruzaevka (Republic of Mordovia);
23) Cherepovets (Vologda Region);
24) Selenginsk (Republic of Buryatia);
25) Novotroitsk, Yasniy (Orenburg Region);
26) Abaza (Republic of Khakassia);
27) Dimitrovgrad (Ulyanovsk Region);
28) Sarov, Volodarsk, Reshetiha (Nizhny Novgorod Region);
29) Kaspiysk, Dagestan Fires (Republic of Dagestan);
30) Chusovoy (Perm Territory);
31) Kirovsk (Murmansk region);
32) Dorogobuzh (Smolensk region);
33) Vargashi, Dalmatovo, Kataysk (Kurgan region);
34) Gavrilov-Yam, Rostov (Yaroslavl region);
35) Galich (Kostroma region);
36) Gubkin (Belgorod region);
37) Donetsk, Zverevo (Rostov region);
38) Efremov (Tula region);
39) Zarinsk, Novoaltaisk (Altai Territory);
40) Kameshkovo (Vladimir region);
41) Kanash (Chuvash Republic);
42) Linevo (Novosibirsk region);
43) Navoloki, Yuzha (Ivanovo region);
44) Novokuznetsk, Prokopyevsk (Kemerovo region);
45) Onega (Arkhangelsk region);
46) Pavlovsk (Voronezh region);
47) Pikalevo (Leningrad region);
48) Sayansk, Cheremkhovo (Irkutsk region);
49) Serdobsk (Penza Oblast);
50) Uglovka (Novgorod region);
51) Zarechny (Penza region);
52) Beloretsk, Blagoveshchensk, Neftekamsk (Bashkortostan);
53) Chapayevsk (Samara region);
54) Novouralsk, Lesnoy (Sverdlovsk region);
55) Seversk (Tomsk region).

The management company (joint stock company established by the RF Government, where 100% shares are owned by the Russian Federation, and(or) a subsidiary, established with the participation of the joint stock company) is granted on the right of ownership or lease withthe land plots, buildings, structures, facilities owned by the state or being in municipal property and located in the TPSED, according to the terms of the agreement for establishment of the TPSED.

A resident of the TPSED is an individual businessman or legal entity (a commercial organisation), which were registered in the TPSED (except for the state and municipal unitary enterprises), entered into the agreement for performing activities in the TPSED ('agreement for performing activities') and are included in the register of TPSED residents.

Organisations having the status of a participant of the regional investment project cannot be TPSED residents.

Like SEZ residents, TPSED residents cannot have branches and representative offices outside of the TPSED.

During the term of the agreement for performing activities the TPSED resident undertakes to perform activities provided for by such agreement and to make investments, including capital investments, and the management company undertakes to grant to the TPSED resident into ownership or lease a land plot if it is required to perform the relevant activity.

The special legal regime of activities within the TPSED includes, in particular:

1) preferential rental rates for the use TPSED residents of real property owned by the management company under the right of ownership or lease and located in the TPSED;
2) application of the customs procedure of the free customs zone (for this purpose the TPSED is treated as a SEZ determined in accordance with the Agreement for free (special) economic zones in the customs territory of the Customs Union and customs procedure of free customs zone dated 18 June 2010).
3) special regime of taxation for the TPSED residents, including:
    a) the right to an accelerated refund of VAT (application of the declarative procedure for VAT refund), subject to submission of the contract of surety of the management company in addition to a tax declaration;
    b) 0% rate of corporate profit tax payable to the federal budget during 5 tax periods starting from the tax period when the first profit was earned by the activities carried out in performance of the agreement for performing activities in the TPSED, provided that such income is not less than 90% of the total income taken into account when determining the tax base for corporate profit tax, and maintaining separate accounting of income (expenses) received (incurred) from activities carried out in performance of the agreement for performing activities in the TPSED and income (expenses) received (incurred) from performance of other activities;
    c) reduced rates of corporate profit tax payable to the budget of the constituent entity of the Russian Federation established by the laws of the relevant constituent entity (up to 5% during 5 tax periods starting from the tax period when the first profit was earned by the activities carried out in performance of the agreement for performing activities in the TPSED, and up to 10% during the next 5 tax periods);
    d) reduced rates of social insurance contributions during 10 years after obtaining the status of a resident starting with the 1st day of the month following the month of such status obtaining:
    - 6% to the Pension Fund;

- 1.5% to the Social Insurance Fund;
- 0.1% to the Federal Fund for Mandatory Medical Insurance;

e) the reduced coefficient featuring the area of mineral mining for the purposes of calculating the tax on mineral extraction, during 120 tax periods, starting with the beginning of the application of the reduced rate of income tax:
   - 0 - for the first 24 tax periods;
   - 0.2 - from 25 to 48 tax period inclusive;
   - 0.4 - from 49 to 72 tax period inclusive;
   - 0.6 - from 73 to 96 tax period inclusive;
   - 0.8 - from 97 to 120 tax period inclusive.

f) exemption from corporate property tax and land tax provided by the federal and regional tax laws and regulations of municipal entities for TPSED residents;

4) special regulation of certain relations connected with the TPSED functioning (in particular, employment relations);

5) special regime of the state control (supervision), municipal control within the TPSED (including scheduled and unscheduled inspections);

6) priority connection to infrastructure facilities of the TPSED.

5. Incentives in Republic of Crimea and Sevastopol City

The Republic of Crimea and the federal city of Sevastopol (hereinafter the “Crimea” and “Sevastopol”, respectively) became constituent entities of the Russian Federation on 18 March 2014 under the Treaty between the Russian Federation and the Republic of Crimea on the Accession of the Republic of Crimea to the Russian Federation and on the Formation of New Constituent Entities within the Russian Federation.

From 1 January 2015, the laws of the Russian Federation on taxes and fees became effective in Crimea and Sevastopol, the free economic zone (FEZ) started to function in Crimea and Sevastopol, as well as a specific legal regime which governs the issues of foreign employee engagement, as well as arrival to and departure from Crimea and Sevastopol of foreigners and operations in the area of marine transport.

The FEZ is established for a period of 25 years, with the possibility of further extension of this term, in accordance with the Federal Law dated 29 November 2014 No. 377-FZ "On the Development of the Crimea Federal District and the Free Economic Zone in the Republic of Crimea and the Federal City of Sevastopol" (the "Law No. 377-FZ").

FEZ participants cannot operate in the area of subsoil use for the purposes of exploration and production of minerals, deposits development on the continental shelf of the Russian Federation (with the exception of groundwater extraction, which are used for drinking and domestic water supply or technological water supply to industrial facilities or agricultural facilities, and exploration and extraction of natural medicinal resources for sanatorium and spa treatment and recreation).

In the FEZ of Crimea and Sevastopol are effective:

- special regulations for town-planning activities and land use, when placing objects required for

implementation of investment projects by FEZ participants;

- special tax regime, in accordance with the legislation on taxes and fees;
- subsidies for the reimbursement of the expenses to FEZ participants, including customs duties, taxes and fees in connection with goods (except for excisable goods) imported for use in construction, equipment and technical equipment of facilities, required for the implementation of investment projects by FEZ participants.

The special regime of operation in the FEZ and the customs procedure of free customs zone, may be applied only by persons having the status of FEZ participant from the date of registration in the unified register of FEZ participants, other persons (either Russian or non-Russian) may engage in business and other activities in the FEZ but are not eligible to applying this regime.

To obtain the status of FEZ participant, a person should be established in Crimea or Sevastopol, be registered with the local tax authority, as well as have an investment policy that complies with the requirements established by Law No. 377-FZ.

A FEZ participant undertakes to implement an investment project in the FEZ in accordance with the agreement on the terms and conditions of operating in the FEZ, concluded between such participant and the supreme executive authority of Crimea and Sevastopol.

An investment project is a set of measures for the creation and subsequent operation of new or modernisation of existing fixed assets, which is implemented by a participant in the FEZ through capital investments in order to produce new goods, perform works, provide services or maintain and (or a) an increase in the volume of goods produced, work performed, services rendered.

a) Free Customs Zone (FCZ)

A customs regime of a free customs zone applies in the FEZ, in accordance with the Agreement on Free (Special) Economic Zones in the Customs Territory of the Customs Union and Customs Procedure of Free Customs Zone dated 18 June 2010 (the Agreement on Free Economic Zones).

A specific feature of this regime is that the goods are placed and used within the FEZ territory, or a part thereof, without payment of customs duties and taxes, and such goods are not subject to non-tariff regulation, with respect to foreign goods as well as bans and restrictions on the goods of the Customs Union.

The procedure for, and technologies of customs operations, in respect of goods (including vehicles) imported into and exported from the FEZ territory are determined by the Federal Customs Service of the Russian Federation (FCS).

Equipment placed by an FEZ participant under the customs regime of free customs zone and put into operation, as well as goods placed under the same customs regime and used to construct real estate objects in the FEZ, retain the status of foreign goods, and are subject to customs control within 5 years after their placement under this customs procedure, and thereafter the goods are deemed as Customs Union goods free from customs control.

b) Tax Concessions and Reduced Insurance Contributions Rates for FEZ Participants

The The following tax concessions are granted to participants of the FEZ in Crimea and Sevastopol:[5]

- a reduced rate for corporate income tax (in a part to be credited to the federal budget - 0%, to the budgets of Crimea and Sevastopol - not more than 13.5%);
- exemption of FEZ participants from payment of property tax (for 10 years after the registration of the property

acquired for the purpose of relevant operations) and land tax (for 3 years after the registration of the title to each land plot);

- the right of legislative (representative) authorities to reduce the tax rates for taxes payable in connection with special tax regimes;
- special regulations in connection with determining the tax base for VAT, as well as the calculation and payment of excise duties by taxpayers operating in Crimea and Sevastopol.

The FEZ participants in Crimea and Sevastopol may apply as well the following reduced rates of insurance contributions:[6]

- to the Pension Fund of the Russian Federation (PFR) - 6%,
- to the Social Insurance Fund of the Russian Federation (SIF) - 1.5%,
- to Mandatory Health Insurance Fund of the Russian Federation (MHIF) - 0.1%.

These rates will be valid for 10 years starting from the 1st day of the month following the month when the status of a FEZ participant is granted to the taxpayer.

6. Incentives in Vladivostok Free Port

The free port of Vladivostok (hereinafter - 'Vladivostok FP') includes a part of the PrimorskyKrai, the territories of certain municipalities (including land and water areas of sea ports located in the territories of those municipalities) of the Kamchatka Krai, Khabarovsk Krai, Sakhalin Region and Chukotka Autonomous District where, in accordance with the Federal Law No. 212-FZ dated 13 July 2015 'On the Free Port of Vladivostok' (hereinafter - the Law No. 212-FZ) and other federal laws, measures of state support for profit making activities apply.

Vladivostok FP was established for a period of 70 years (which is extendable by the respective federal law).

A resident of Vladivostok FP is an individual businessman or a company registered in the territory of Vladivostok FP under Russian law (except for the state and municipal unitary enterprises), which:

- has entered into an agreement on conducting activities with the management company, which provides for the obligation of the resident of Vladivostok FP to perform activities provided by the agreement, and to make investments, including capital investments, in the amount and timing as specified by the agreement;
- is included into the register of residents of Vladivostok FP.

Residents of Vladivostok FP are entitled to perform in its territory business activities that are not prohibited by the Russian legislation, except for certain activities specified by the decision of the supervisory board of Vladivostok FP.

Residents of Vladivostok FP enjoy the following tax incentives:

1) the tax rate of the corporate profit tax payable to the federal budget is 0%; tax rate of the profit tax payable to the regional budget and specified for the companies participating in the regional investment projects in the territory of the Primorsky Krai ('Regional Investment Projects') is:

- 0% - for five tax periods starting with the tax period when, according to the tax accounting data, the first revenues came from sales of goods resulting from the implementation of a regional investment project;

[5] The Federal Law No. 379-FZ dated 29 November 2014
[6] The Federal Law No. 378-FZ dated 29 November 2014

- 10% - for the next five tax periods;

2) exemption from the land tax for the first five years after obtaining the status of a resident of Vladivostok FP, starting from the 1st day of the month following the month, when they obtained this status, in respect of land plots used by the residents for doing business; during the next five years the land tax is payable at a rate of 1.5% reduced by 60% (i.e., at a tax rate of 0.6%);

3) reduced rates of insurance contributions:

- 6% - to the PFR;
- 1.5% - to the SIF;
- 0.1% - to the FCMIF.

The territory of Vladivostok FP is equated to a special economic zone for the purposes of application of the procedure of free customs zone established by the Agreement on Free Economic Zones.

The supervisory board of Vladivostok FP decides on the application of:

- the customs procedure of free customs zone established for the ports of a special economic zone in accordance with the Agreement on Free Economic Zones, on an individual site or sites of sea ports open to the international traffic and entry of foreign ships, including the seaport waters, and(or) on individual sites of an airport territory open to send and receive aircraft engaged in international air transportation in the territory of Vladivostok FP (hereinafter - the port site);
- the customs zone procedure established for the logistic special economic zone in accordance with the Agreement on Free Economic Zones on a land plot adjacent to the automobile or railway checkpoint of Vladivostok FP (hereinafter - the logistic site).

On the port site, where the customs procedure of free customs zone applies, the residents of Vladivostok FP which are legal entities may conduct special activities to provide services related to the storage of goods, the unit value of which exceeds RUB 500,000, including luxury goods, works of art, antiques, as well as to other operations for the pre-sale preparation, including demonstration of goods to potential buyers, provided that such activities correspond to the subject and conditions of the agreement on conducting activities.

Residents of Vladivostok FP may place under the customs procedure of free customs zone the goods in order to conduct activities in accordance with the agreement on conducting activities (except for the goods specified by the Agreement on Free Economic Zones, as well as to goods included in the list approved by the RF Government).

Residents of Vladivostok FP must report to the customs authorities on the goods placed under the free customs zone procedure as well as on the goods produced (obtained) using the relevant goods.

At import of the goods of the Eurasian Economic Union placed under the export customs procedure to the territories of port sites and logistic sites is exempt from VAT and excise tax, or previously paid VAT or excise tax is refunded, where such exemption or refund are stipulated by the Russian tax legislation.

7. Skolkovo incentives

According to the Federal Law No. FZ-244 of 28 September 2010, a Russian legal entity can become a participant in the Skolkovo project (established in 2010 in the Moscow Region) if it is established exclusively for the purpose of carrying

out research in the following priority areas:

- energy efficiency and energy saving, including the development of innovative energy technologies;
- nuclear technology;
- space technologies, especially in the field of telecommunications and navigation systems;
- medical technologies in the development of equipment, medicines;
- strategic computer technologies and software;
- biotechnology in agriculture and industry.

The permanent executive body of the legal entity, as well as other bodies or persons entitled to act on behalf of the organisation without a power of attorney, should be constantly located in the territory of Skolkovo.

The legal entity receives the status of a participant in the Skolkovo project for a period of 10 years from the date of its inclusion in the register of project participants.

Residents of the Skolkovo Innovation Centre enjoy, in particular, the following incentives:

1) exemption from corporate profit tax within the first ten years from the date of becoming a participant of the Skolkovo project, provided that the revenue amount does not exceed RUB 1 billion, and 0% companies profit tax rate applicable to profits generated by the Skolkovo project participant after losing the right to the exemption from VAT;
2) exemption from corporate property tax (provided that an annual revenue is more than RUB 1 billion from the sale of goods (work, services, property rights), the aggregate amount of profit calculated on an accrual basis from the 1st date of the same year does not exceed RUB 300 million);
3) exemption from land tax within the Skolkovo territory, with respect to the management companies;
4) exemption from VAT within the first 10 years from the date of becoming a participant of the Skolkovo project (provided that the amount of the profit does not exceed the established amount);
5) reduced rates of contributions to social funds, in the amount of 14% on the annual remuneration of each employee (provided that the amount of the profit does not exceed the established amount);
6) reimbursement of paid customs duties and VAT, upon the importation of goods;
7) exemption from the obligation to maintain accounting records, unless the participant's annual income exceeds RUB 1 billion; and
8) exemption from the payment of state duties for the issuance of work permits, invitations and visas for foreign employees.

8. Incentives under a Special Investment Contract

A special investment contract (SPIC) was introduced by the Federal Law, dated 31 December 2014No. 488-FZ 'On Industrial Policy in the Russian Federation' (the 'Law No. 488-FZ') as a special incentive mechanism for stimulating industrial development, in particular, localisation of industrial facilities by foreign investors in Russia.

SPIC is entered into between an investor and the Russian Federation or a constituent entity of the Russian Federation represented by its authorised body.

Under a SPIC the investor undertakes within the period established by the contract to establish or upgrade, and(or) set

up industrial production in the territory of Russia (including the continental shelf and exclusive economic zone of the Russian Federation), and the other party within the said period undertakes to implement incentive measures provided by the laws of the Russian Federation, or the law of the constituent entity of the Russian Federation effective at the time of the conclusion of the SPIC.

An investor for the purposes of the SPIC may be a Russian or foreign legal entity whose place of registration is not the state or territory included in the list of states and territories that provide preferential tax treatment for taxation and(or) do not provide disclosure and provision of information in the conduct of financial transactions (offshore zones) and which is not under the control of such foreign legal entities.

The minimum amount of investment in the implementation of the investment project (the new stage of the investment project) under a SPIC as of the date of the decision to conclude a SPIC by the interdepartmental commission is RUB 750 million (excluding VAT), unless another minimum amount of investment is provided for by the legislation of the Russian Federation on the basis of which the investor and (or) persons are entitled to the incentive measures specified in the SPIC.

A SPIC is entered into according to the procedure and the standard form approved by the RF Government for specific industries or according to the procedure established by the regulatory legal acts of the respective constituent entities and municipalities, if a SPIC is entered into with the latter.

An investor independently selects and appends to the application for the conclusion of the SPIC a list of measures for support of industrial activities to be applied during the SPIC term to the investor, from among the measures provided for by Law No. 488-FZ or measures established by other federal laws and regulatory legal acts, including municipal ones.

A SPIC may include such conditions as:

- characteristics of industrial products, the production of which is to be created or upgraded, and(or) set up;
- list of measures aimed at creating or upgrading and(or) set up of industrial production;
- list of investments into creating or upgrading and(or) set up of industrial production;
- list of incentives for industrial activities to be applied during the SPIC term to the investor and(or) other persons mentioned in the SPIC (thereat).

Incentive measures in the framework of the SPIC may include the provision of a state or municipal land plot to SPIC participants to rent without a tender (for the implementation of the project under the SPIC), infrastructure obligations by the public authority, simplified procedures for participation in subsidy programs.

In addition, under a SPIC an investor receives the following advantages:

- non-application to the investor and(or) other persons specified in the SPIC during the term thereof of the laws that become effective after entering into the SPIC and establish prohibitions and restrictions on the performance of the SPIC or alter the mandatory requirements for products being manufactured and(or) to the related processes of design, manufacturing, construction, installation, operation, storage, transportation, marketing and disposal (except for laws adopted in the performance of international treaties of the Russian Federation, and regulations of the Eurasian Economic Union);
- stability of the overall tax burden on the income of the investor and(or) other persons specified in the contract as compared with the overall tax burden at the execution of such contract, during the entire contract term;

- reducing the rate of the corporate profit tax paid to the federal budget and tothe budgets of the constituent entities of the Russian Federation to 0%;
- obtaining the status of the sole supplier of products produced under the SPIC (participation in public procurement on an out-of-competition basis).

By 2018, SPICs concluded with the Russian Federation represented by the Ministry of Industry and Trade for the construction or modernisation of production facilities including the ones with such investors as MAZDA-SOLLERS Manufacturing Rus, Mercedes-Benz RUS, AstraZeneca Industries, JSC Sanofi Russia, Biocad, Geropharm, NovaMedica.

9. Tax incentives for international holding companies

An international holding company is an international company registered in accordance with the Federal Law dated 03 August 2018 No. 290-FZ 'On International Companies', which simultaneously meets the following conditions:

1) is registered in the procedure of re-domiciliation of a foreign organisation, which was established in accordance with its personal law before 1 January 2018;
2) within 15 days after the registration submitted to the tax authority at a place of registration the necessary documents and information (financial statements for the fiscal year preceding the registration date, an audit report to the financial statements that does not contain a negative opinion or refusal to express an opinion, information on the controlling persons of the international company);
3) as of the date of registration of the international company according to the procedure of re-domiciliation of a foreign organisation, its controlling persons became the controlling persons of such a foreign organisation before 1 January 2017.[7]

An international company must be registered within the territory of a special administrative district, determined in accordance with the Federal Law "On Special Administrative Districts in the Territories of the Kaliningrad District and Primorsky Territory" (the "Law on Special Administrative Districts").

The status of an international company is granted simultaneously with the state registration in the Unified State Register of Legal Entities to a foreign legal entity that meets the following requirements:

1) registered (established) in a state that is a member or observer of the Financial Action Task Force on Money Laundering (FATF) and / or a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (Manival);
2) at the time of the decision to change its personal law, but in any case no later than 1 January 2018, either independently, or directly or indirectly through its controlled persons, or through other persons belonging to the same group of persons with a foreign entity any of the grounds provided for by article 9 of Federal Law No. 135-FZ of July 26, 2006 “On Protection of Competition”, or through branches or representative offices (other separate subdivisions), carries out economic activities in the territory of several states, including the territory Russia;
3) filed an application to enter into an agreement on the implementation of activities as a participant in a special

[7] This condition does not apply to:
- international companies, which are public companies as of 1 January 2018;
- international companies, which aggregate share of direct and (or) indirect participation of an international company specified in para 1 hereof is 100 percent.

administrative district, determined in accordance with the Law on Special Administrative Districts;

4) made commitments to make investments in Russia, including on the basis of a statement of intent to make investments, a special investment contract, a concession agreement, an agreement on public-private (municipal-private) partnership or another contract, in the amount at least RUB 50 million within six months from the date of its state registration.

The changes made to the Tax Code that became effective from 1 January 2019 establish benefits on corporate profits tax for international holding companies.

The income of an international holding company in the form of profits of controlled foreign companies, for which such an international holding company is recognised as the controlling person, for tax periods ending before 1 January 2029, shall not be included into the tax base of the international holding company.

The controlling person of an international company, as well as a foreign organisation by way of re-domiciliation of which such an international company has been registered, is an individual or legal entity, whose share in this international company (for individuals - in conjunction with spouses and underage children) is more than 15%.

Specific features of the formation of value of property (property rights) by international companies and foreign organisations recognised as tax residents of Russia are established.

The following rates for corporate profit tax are established:

- 0% - for income received by an international holding company in the form of dividends provided that as of the date of the decision to pay dividends the international holding company continuously owns for at least 365 calendar days not less than 15% (stakes) in the charter (reserve) capital (fund) of the organisation that pays dividends, or depositary receipts entitling to receive dividends in the amount not less than 15% of the total amount of dividends paid by the organisation;[8]
- 5% - for income received by foreign entities in the form of dividends on shares (interests) of international holding companies that are public companies as of the date of taking a decision on payment of dividends, before 1 January 2029.

When international holding companies simultaneously meet the following conditions, a tax rate of 0% shall apply to the tax base determined by income from sales or other disposal (including repayment) of interests in the charter capital of Russian and(or) foreign organisations, and shares of Russian and(or) foreign organisations:

1) shares (interests in the charter capital) of a Russian or foreign organisation[9] as of the date of their sale or other disposal (including repayment) are continuously owned by an international holding company under the right of ownership or other proprietary rights for at least 365 calendar days and constitute not less than 15% contribution (interest) in the charter (share) capital (fund) of such organisation;
2) shares (interests) constitute the charter capital of organisations no more than 50% of assets of which as of the last reporting date preceding the date of sale or other disposal (including repayment), directly or indirectly

[8] If the organisation that pays dividends is a foreign entity, the tax rate established by this clause shall apply to organisations, whose state of permanent location is not included in the list of states and territories approved by the Ministry of Finance of the Russian Federation.

[9] This rate shall apply if the state of permanent location of such foreign organisations is not included into the list of states and territories approved by the Ministry of Finance of the Russian Federation.

consist of immovable property located on the territory of the Russian Federation;

3) shares (interests in the charter capital) of a Russian or foreign organisation were not contributed (transferred) into the charter capital of an international holding company and were not acquired by such a company as a result of reorganisation within 365 calendar days before or after the date of registration of such a company as an international company.

The first tax (accounting) period for international companies recognised as tax residents of the Russian Federation starts from the date of registration of the foreign organisation as an international company.

10. Incentives in innovation scientific and technological centers

The Innovation Scientific and Technological Center (ISTC) according to the Federal Law of July 29, 2017 No. 216-FZ is a complex of organizations whose main purpose is implementation of scientific and technological activities, and other persons whose activities are aimed at ensuring the functioning of such a center, operating on a territory specified by the RF Government.

The territory of an ISTC may be located on the territory of one or several constituent entities of the Russian Federation and consists of land plots (parts of land plots) with a special legal regime for carrying out activities in accordance with the Law No. 216-FZ, intended for the project implementation.

The project is deemed a complex of measures aimed at achieving the goals of creating and maintaining the functioning of the ISTC.

The project initiator may be an educational or scientific organisation that meets the criteria established by the RF Government, or a national research center.

Project participants can only be legal entities established in accordance with the legislation of the Russian Federation, which meet simultaneously the following conditions:

- a permanent executive body of a legal entity (general director, etc.), other bodies or persons entitled to act on behalf of a legal entity without a power of attorney are permanently located on the territory of the ISTC;
- the constituent documents of a legal entity provide for the implementation of scientific and technological activities in accordance with the Law No. 216-FZ.

The fund, the management company, its subsidiaries are not entitled to act as founders of the project participants.

a) Tax incentives for persons involved in the project

The Federal Law of October 30, 2018 No. 373-FZ provides for substantial tax incentives for organisations that are granted the status of a project participant in accordance with Law No. 216-FZ (project participants), the fund, the management company, subsidiaries of the management company, the project initiator and other persons involved in the implementation of projects in the ISTC territories.

A project participant is exempted from:

- VAT and corporate profit tax within 10 years from the day it was granted the status of a project participant;
- corporate property tax in respect of property recorded on its balance sheet and located on the territory of the ISTC for 10 years from the month following the month of recording of the specified property.

The profit received by the project participant is taxed at a tax rate of 0% after the project participant ceases to use the

right to exemption from the taxpayer's duties if the annual revenue from the sale of goods (works, services, property rights) received by this project participant, exceeded RUB 1 billion, from the 1st day of the tax period in which such an excess occurred.

Project participants that are keeping records of income and expenses in the manner prescribed by Chapter 26.2 of the Tax Code of the Russian Federation, determine the date of receipt of income (expenditure) by the cash method without taking into account restrictions on the amount of revenue from the sale of goods (works, services) VAT exclusive RUB 1 million for each quarter.

Project participants are entitled to apply reduced rates of social insurance contributions: for compulsory pension insurance - at a rate of 14.0%, for compulsory social insurance in case of temporary disability and in connection with maternity, for compulsory health insurance - 0%, within 10 years from the date of being granted the status of a project participant, starting from the 1st day of the month following the month in which they were granted such status.[10]

The exemption from the payment of the state fees is also provided for:

- issuance of a work permit to a foreign citizen who has entered into a labor or civil law contract for the performance of work (provision of services) with a person participating in the project in accordance with the Law No. 216-FZ and arrived in the territory of an ISTC;
- issuance of an invitation to enter the Russian Federation to a foreign citizen who has entered into a labor or civil law contract for the performance of work (provision of services) with a person participating in the project in accordance with the Law No. 216-FZ;
- issuance or extension of a visa to a foreign citizen who has entered into a labor or civil law contract for the performance of work (provision of services) with a person participating in the project in accordance with the Law No. 216-FZ.

Funds, management companies, subsidiaries of management companies recognised as such in accordance with the Law No. 216-FZ are exempt from corporate property tax.

Funds are also exempt from land tax in respect of land plots that are part of the territory of the ISTC.

The relevant changes to the Tax Code of the Russian Federation became effective on 1 January 2019, with the exception of certain provisions for which other terms of entry into force are provided.

b) Reimbursement of costs of customs payments

In relation to goods (excluding excisable goods) imported for the purpose of their use in construction, equipment and technical equipment of real estate on the territory of ISTCs or required by the project participants for the implementation of scientific and technological activities, the management company is entitled to provide services of a customs representative, including payment of customs payments on behalf of legal entities and individual entrepreneurs involved in the project.

In the case of the provision of such services, the costs of persons involved in the project in connection with payment of customs duties and VAT on imported goods are reimbursed to these persons in the form of subsidies which are

[10] Reduced insurance contributions rates will not apply to a project participant from the 1st day of the month following the month in which the total profit of the project participant exceeded RUB 300 million. The total amount of profit is calculated on an accrual basis from the 1st day of the year in which the annual amount of revenue from the sale of goods (work, services, property rights) received by this project participant exceeded RUB 1 billion.

transferred to the management company in the manner prescribed by the budget legislation of the Russian Federation. Which means that the persons involved in the project will not need to pay the respective customs payment at their own expense.

11. Tax incentives in connection with conducting certain types of activities

Taxes	1. Information Technologies
Corporate Profit Tax	Income in the form of exclusive rights to the software for electronic computers, databases, integrated circuits, as well as trade secrets (know-how) formed in the course of performance of a government contract is not included in the tax base for the profit tax. Russian legal entities (a) that received state accreditation as an organisation that carries out activities in the field of information technologies, (b) the share of income of which from the sale of services and services in the field of information technology is at least 90% of all revenues for the period and (c) the average number of employees of which for the tax period is not less than 50 people, have the right not to apply the amortisation with respect to electronic computers established art. 259 of the Tax Code of the Russian Federation. In this case, the expenses of entities for the purchase of electronic computing equipment are recognised as the material costs of the taxpayer.
VAT	VAT does not apply to the sale, transfer in the territory of the Russia of exclusive rights to the software for electronic computers, databases, integrated circuits, trade secrets (know-how), rights to use of the said results of intellectual activity under a license agreement.
Insurance contributions	Reduced rates of insurance contributions (to the SIF, the PFR and the MHIF) are applied by: - business companies and business partnerships whose activity is the practical application (implementation) of the results of intellectual activity (computer programs, databases, inventions, utility models, industrial designs, breeding achievements, integrated circuit topologies, production secrets (know-how), exclusive rights to which belong to the founders, participants (including jointly with other persons) of such business entities, participants of such business partnerships - the budget science institutions and autonomous scientific institutions or educational institutions of higher education, which are budget institutions, autonomous institutions; - Russian organisations that carry out activities in the field of information technologies, develop and implement computer programs developed by them, databases on a tangible medium or in the form of an electronic document via communication channels regardless of the type of contract and (or) provide

	services (perform work) to develop, adaptations, modifications of computer programs, databases (software and information products of computers), install, test and maintain computer programs, databases.
	2. Agriculture
Corporate Profit Tax	For agricultural producers and fish-arming organisations the tax rate for activities related to the sale of agricultural products produced and processed thereby is 0%. Income in the form the price of reclamation and other objects of agricultural purpose obtained by agricultural producers and built at the expense of the budgets of all levels is not included in the tax base. The right to apply to the basic depreciation norm a special coefficient, but no more than 2, in respect of own depreciable fixed assets of taxpayers - agricultural organisations of industrial type (poultry farms, cattle-breeding complexes, fur-bearing animal sovkhozes, greenhouse complexes).
VAT	In Russia, VAT does not apply to: - transactions for the sale of own products of the companies engaged in the agricultural production, where the share of sales income in the total amount of income is not less than 70%, as in-kind labour compensation and in-kind distributions for labour compensation, as well as catering for workers involved in agricultural works; - sale (transfer for own needs) of breeding cattle, breeding pigs, sheep, goats, horses, poultry and some of their products under the list of codes of products in accordance with the National Classifier of Products approved by the Government of Russia; - importation into the territory of Russia and other territories under its jurisdiction of marine fishery products caught and(or) processed by fishing enterprises (organisations) of Russia; breeding cattle, breeding pigs, sheep, goats, horses, poultry and some of their products under the list of codes of products in accordance with the Uniform Commodity Nomenclature of Foreign Trade of the Eurasian Economic Union approved by the Government of Russia. Sale of cattle and poultry on a live weight basis, meat and meat products (except for some delicacies), milk and dairy products, eggs and egg products, vegetable oil, grain, feed, feed mixes, cereal waste, oilseeds and by-products, cereals, flour, live fish (except for certain valuable species), vegetables (including potatoes), is taxable at the rate 10%.
Transport and Land Taxes	Tractors, self-propelled harvesters of all brands, special vehicles registered to agricultural producers and used for agricultural works for production of agricultural products are not subject to tax transport tax. The land tax is withheld at a reduced rate - no more than 0.3%.

Special Tax Regime	Agricultural producers are entitled to apply a single agricultural tax (ESKH) at a rate of 6% from the difference between income and expenditure (Article 346.4, paragraph 1 of Article 346.8 of the Tax Code). Organizations that are taxpayers of the unified agricultural tax are exempt from the obligation to pay corporate profit tax (except for tax paid on income taxable at tax rates provided for in paragraphs 1.6, 3 and 4 of Article 284 of the Tax Code) and corporate property tax with respect to the property used in the production of agricultural products, primary and subsequent (industrial) processing and sale of these products, as well as in the provision of services to agricultural commodities drivers.
	3. Social Services, Public Health and Educational Services
Corporate Profit Tax	0% corporate profit tax rate can be applied by taxpayers engaged in priority medical and educational activities in accordance with the list of activities approved by the Government of Russia subject to the following conditions: - availability of a license (licenses) for conducting the relevant activities; - income of the organisation for the tax period earned from educational activities, child care and (or) medical activities, as well as from scientific research and(or) development activities taken into account for determining the tax base shall constitute not less than 90% of its revenue, or if the organisation has no income for the tax period; - number of certified medical staff in the total number of employees of the organisation is not less than 50% continuously during the tax period; - the organisation has at least 15 employees in a staff continuously during the tax period; - the organisation does not engage in transactions with promissory notes and derivative financial instruments in the tax period. Organisations engaged in social services for population are also entitled to apply 0% tax rate.
VAT	Tax exemption applies to sales (and transfer, performance, rendering for own needs) in the territory of Russia of, in particular: - the most important and essential medical devices and other medical products of domestic and foreign origin under the list approved by the Government of Russia; - health care services except for cosmetic, veterinary and sanitary services; - educational services provided by non-profit educational organisations engaged in the implementation of general education and(or) professional education programs (basic and(or) further), and training programs; - social services for minor children; support and social services for senior citizens, people with disabilities, abandoned children and other citizens who are recognised as requiring such social services;

	- training, retraining and advanced training services rendered by instruction of the employment authorities; - drugstore services for the production of medicines for medical use, as well as for the manufacture or repair of eyewear (except sunglasses), repair of hearing aids and prosthetic and orthopaedic products, prosthetic and orthopaedic care services; - services of sanatorium-resort, wellness and recreation facilities and recreation organisations as well organisations of kids rest and improvement provided by vouchers. Tax exemption also covers imports into the territory of the Russian Federation and other territories under its jurisdiction of: - materials for the production of immune-biological medicines for the diagnostics, prevention and(or) treatment of infectious diseases (according to the list approved by the Government of Russia) - unregistered medicines for salvage medical care by health states of certain patients, and hematopoietic stem cell and bone marrow for unrelated transplantation; - consumables for researches, which analogues are not produced in Russia, according to the list and in the procedure approved by the Government of Russia. The reduced tax rate of 10% is applied to the sales of: - book products connected with education, science and culture, except for the books of advertising and erotic nature; - medical products of domestic and foreign origin.
Corporate Property Tax	Property of organisations, whose main activity is the production of pharmaceutical products used thereby for the production of veterinary immune-biological medicines for combating epidemics and animal diseases, as well as the property of special prosthetic and orthopaedic enterprises and the property of organisations having the status of state research centres are exempted from the property tax.
Insurance contributions	Reduced rates of insurance contributions may be applied by: - companies and individual businessmen enjoying the Simplified Tax System, the main activity (according to the National Classifier of Economic Activities) of which is research and developments; education; health care and social services; retail sale of pharmaceutical and medical products, orthopaedic products; - UTII payers - pharmacy organisations and individual businessmen possessing the license for pharmaceutical activity; - non-profit organisations enjoying the Simplified Tax System and which in accordance with their constituent documents perform activities in the area of social services for citizens, research and development, education, health care, art and culture, and sport (except for professional sport).

	4. Transport
Corporate Profit Tax	Income of foreign organisations not related to their activities in the Russian Federation through a permanent establishment: from the use, maintenance or rental (freight, sublease) of ships, aircraft or other mobile vehicles or containers for international transportation; international transport, is taxed at the rate of 10% (clause 2 of clause 2 of article 284, clause 1 of article 310 of the Tax Code).
VAT	Tax exemption applies to the sale (as well as the transfer, performance, rendering for own needs) in the territory of the Russian of the services for passengers' transportation by public urban transport (except for taxi), as well as sea, river, rail and road transport (except for taxis) of suburban communication provided that such transportation of passengers is performed on a single tariff involving all benefits for travel approved in a due manner.
	The tax rate of 0% is applicable to the sale of, in particular: - services for international transportation of goods; - services for provision of railway vehicles and(or) containers, as well as freight forwarding services provided by Russian organisations or individual businessmen, for transportation by railway vehicles of the exported products or by-products, provided that the point of departure and destination point are within the territory of the Russian Federation; - works (services) performed (rendered) by organisations of inland waterway transport in respect of goods exported under the export customs procedure when transporting goods within the territory of Russia from the point of departure to the point of unloading or reloading (transhipment) to marine vessels, mixed (river - sea) vessels or other types of transport; - services for transportation of goods by aircrafts provided by Russian organisations or individual businessmen where the point of departure and destination point are outside of the territory of the Russian Federation, if the aircraft is landed in the territory of Russia, provided that the place of arrival and place of departure of the goods into and from the territory of Russia is the same; - freight forwarding services in the arrangement of services for railway transportation or shipment of goods transported through the territory of Russia from the territory of a foreign state, which is not a member-sate of the Customs Union; - services for transportation of passengers and baggage, provided that the point of departure or destination point is located outside of the territory of Russia, when the travel are based on the uniform international carriage documents; - works related to the regular transportation of passengers and baggage by road and urban land electric transport at regulated tariffs on the basis of a state or municipal contract; - services for domestic air transportation of passengers and baggage, provided

	that the point of departure or destination point is located in the Republic of Crimea, or in the federal city of Sevastopol. Taxation at a reduced rate of 10% applies to the sale of: - services for domestic air transportation of passengers and baggage; services for transportation of passengers and baggage by the long-distance railway public transport.
Transport Tax	Passenger and cargo sea, river and air crafts owned by (under the right of economic management or operational management) organisations and individual businessmen, which main activity is passenger and(or) cargo transportation, are not subject to the transport tax.

C. Are there any restrictions with respect to foreign investors?

In relation to foreign investors, federal laws in Russia may establish restrictions only to the extent necessary to protect the foundations of the constitutional order, morality, health, rights and legitimate interests of others, ensure the country's defence and state security.

In particular, restrictions have been imposed on the participation of foreign investors in the authorized capital of Russian legal entities that carry out activities in certain areas, the establishment and operation of legal entities with foreign investments in certain territories in Russia, as well as the ownership of land by foreign entities and citizens.

1. Banking Business

Under the Federal Law No. 395-1 dated 2 December 1990 'On Banks and Banking Activities' the amount of participation of foreign capital in the aggregate charter capital of credit organisations holding the banking license shall be calculated as the ratio of foreign investments of non-residents to the charter capitals of credit organisations licensed for banking operations and the aggregate charter capital of the said organisations.

The Bank of Russia calculates the amount of participation of foreign capital in the aggregate charter capital of credit organisations licensed for banking operations on 1 January each year and publishes the relevant information in Bulletin of the Bank of Russia and on the official website of the Bank of Russia not later than 15 February of a current year.

When the limited amount of participation of foreign capital in the aggregate charter capital of credit organisations licensed for banking operations equal to 50% (quota) is reached, the Bank of Russia shall:

1) refuse to register the credit organisation with foreign investments and to grant thereto a license to conduct banking operations;
2) impose a ban on the increase of the charter capital of a credit organisation licensed for banking operations at the expense of non-residents and on the sale of shares (interests) of a credit organisation to non-residents, if these actions result in the excess of the quota.

In the case of a transaction(s) aimed at disposal (acquisition) of shares (interests) of a credit organisation in violation of the ban, the Bank of Russia is entitled to file a claim for invalidation of the relevant transaction(s). At the same time, shares (interests) of a credit organisation disposed of (sold) in violation of the ban, become not voting and are not taken

into account when determining the quorum of the general meeting of shareholders (participants) of the credit organisation during the period of the ban.

The measures mentioned in items 1 and 2 above, do not apply to foreign investments, which were made into the charter capitals of Russian credit organisations licensed for banking operations:

- financed by the income of such organisations earned in the Russian Federation or repatriated to the Russian Federation from abroad;
- by subsidiaries of foreign credit organisations holding the license for banking operations, as well as all subsequent investments of the above organisations into the charter capitals of Russian credit organisations holding the license for banking operations.

The measures provided for in item 2 above do not apply to foreign investments to the charter capital of credit organisations licensed for banking operations, which are determined in accordance with the regulations of the Bank of Russia on the basis of international treaties of the Russian Federation.

The Bank of Russia also may:

- upon agreement with the RF Government, to impose restrictions on banking operations for credit organisations with foreign investments, if the respective foreign states impose restrictions on establishment and operation with respect to banks with Russian investments and branches of Russian banks (unless otherwise provided for by international treaties of the Russian Federation);
- to establish according to the procedure specified by the Federal Law 'On the Central Bank of the Russian Federation (the Bank of Russia)' additional requirements for credit organisations with foreign investments regarding the procedure for providing reports, endorsement of managing personnel and the list of banking operations performed.

2. Media Business

The Law of the Russian Federation No. 2124-1 dated 27 December 1991 'On Mass Media' establishes the ban with respect to (unless otherwise provided for by an international treaty of the Russian Federation):

a) a foreign state, an international organisation, institutions under their control, a foreign legal entity, a Russian foreign-invested legal entity, a foreign citizen, stateless person, a citizen of the Russian Federation, having another state citizenship (hereinafter - the 'dual nationality person') - to act as a founder (participant) of the media, be a media desk (i.e., engage in production and release of the media), as well as a broadcasting company;

b) a foreign state, an international organisation, institutions under their control, a foreign legal entity, a Russian legal entity with the share of foreign participants over 20%, a foreign citizen, stateless persons, dual nationality persons - to exercise ownership, management or control, directly or indirectly (including through controlled entities, or by possession in the aggregate of more than 20 % of shares in any entity) in respect of more than 20% of shares (interests) in the charter capital of the entity being a participant (member, shareholder) of a founder of the media, media desk, broadcasting company.

The entities referred to in item (a) above are also not entitled to establish any other form of control over the founder of

the media, media desk, broadcasting company, as well as over the entities being participants (member, shareholder) of a founder of the media which results in the acquisition by the said entities of the rights to own, manage, directly or indirectly, such media founder/desk/company, to control them and in fact determine their decisions.

The above requirements apply starting from 1 January 2017 to foreign legal entity and Russian legal entity, where the share of foreign participation is over 20%, if the following conditions are simultaneously met:

1) such entities jointly or individually, directly or indirectly (including through controlled entities, or by possessing over 20% of shares (interests) of any entity) engage in ownership, management or control over more than 20% of shares (interests) in the entity being a media founder/desk/broadcasting company (legal entity); and
2) one or more Russian entities, which directly or indirectly (through third parties) have in each of such entities dominant participation of 80% or more.

In case of violation of these requirements the participants (founders) of the media founder/desk/broadcasting company are notentitled to exercise certain rights of participants of the legal entity and their corresponding votes shall not be taken into account in determining the quorum of the general meeting of participants (members, shareholders) and in vote counting. Any transactions resulting in a breach of these requirements are void.

3. Insurance Business

The Law of Russian Federation No. 4015-1 dated 27 November 1992 "On the Organisation of Insurance Business in Russia" provides for the following limitations with regard to foreign insurance companies' subsidiaries operating in Russia:

1) Insurance organisations being subsidiaries of foreign investors (principal organisations) or those with a share of foreign investors in the charter capital exceeding 49% may not carry out: life insurance; mandatory insurance; mandatory state insurance; property insurance connected with the supplies of goods or the performance of contractual works for state needs; the insurance of the property interests of state and municipal organisations.
2) In the event the size (quota) of the share of foreign capital in the charter capital if insurance organisations exceeds 50%, the insurance supervision authority shall cease to issue licenses for insurance activities to insurance organisations being subsidiaries of foreign investors or those with a share of foreign investors in the charter capital exceeding 49%.
3) An insurance organisation must obtain a preliminary approval from the insurance supervision authority of an increase of the amount of its charter capital at the account of foreign investors and/or subsidiaries thereof and for assignment of its shares (participation interests) to a foreign investor, and Russian shareholders (participants) must obtain such preliminary approval to assign the shares in an insurance organisation (participation interests) possessed by them in favour of foreign investors and/or subsidiaries thereof.
4) Foreign investors may pay for shares in insurance organisations (participation interests) exclusively in monetary form in Russian roubles.
5) Persons carrying out the functions of a sole executive body and a chief accountant of an insurance organisation with foreign investments must permanently reside within the territory of Russia.

6) An insurance organisation being subsidiary to a foreign investor may conduct insurance activities in Russia if the foreign investor is an insurance organisation carrying out its activities in accordance with the laws of the respective country during at least fifteen years and has been participating in the activities of insurance organisations established within the territory of Russia during at leasttwo years.

7) Insurance organisations being subsidiaries of foreign investors (principal organisations) or with a share of foreign investors in the charter capital of more than 49% may open branches within the territory of Russia and participate in subsidiary insurance companies subject to a preliminary approval of the insurance supervision authority.[11]

4. Extraction of Diamonds

According to the Federal Law No. 41-FZ dated 26 March 1998 "On precious metals and precious stones" the Russian Federation and organisations established without direct or indirect participation of foreign persons, stateless person and foreign legal entities must possess the majority (50%+1) of voting rights taken into account at decision-making by management bodies of organisations conducting extraction of diamonds in the territory of Russia.

5. Aviation

According to the Air Code of the Russian Federation No. 60-FZ dated 19 March 1997, Article 61 p. 2, an aviation enterprise may be established in Russia with participation of foreign investors subject to the following conditions:

- a share of foreign investors in the charter capital of the aviation enterprise does not exceed 49%;
- a chief of the aviation enterprise is a citizen of the Russian Federation;
- a number of foreign citizens in the management body of such enterprise does not exceed 1/3.

6. Private detective and security service

The Law No. 2487-1 dated 11 March 1992 "On private detective and security service in the Russian Federation", Article. 15.1, establishes the prohibition, unless otherwise is provided for by international treaties of the Russian Federation, on:

- making a contribution into the charter capital of a private security service organisation (in particular at establishment) by foreign citizens, Russian citizens with other countries' citizenship, stateless persons, foreign legal entities as well as organisations among shareholders of which are such citizens and entities;
- disposal of shares (contributions) by shareholders of a private security service organisation to foreign citizens and entities.

[11] The restrictions specified in paragraphs (1), (4), (5), (6) and (7) above shall not apply to insurance organizations which are subsidiaries of foreign investors (principal organizations) of member states of the European Communities being parties to the Agreement on Partnership and Co-Operation establishing a partnership between the Russian Federation, of the one part, and the European Communities and their states-members, of the other part, dated June 24th, 1994, or having a share of such foreign investors in their charter capitals of more than 49 %, morality, health and rights of persons, or in order to ensure state security and defense.

7. Activity in closed administrative territorial units

According to the Law No. 3297-1 dated 14 July 1992 "On closed administrative territorial units" in the territory of a closed administrative territorial unit establishment and activity of organisations the founders of which are foreign citizens, stateless persons, foreign legal entities, non-profit making non-governmental organisations, subdivisions thereof as well as activity of international organisations (associations) are not allowed.

8. Investments in Strategic Companies

Under the Federal Law No. 57-FZ "On Procedures for Foreign Investments in Companies of Strategic Significance for National Defence and Security of the Russian Federation" (the "Strategic Companies Law") transactions involving establishment of control by foreign investors over companies engaged in activities which are deemed of strategic importance for the state defense and security ("Strategic Companies") are subject to a preliminary approval.

The activities of strategic importance include:

- works having an active impact on geophysical processes;
- works related to hydro-meteorological processes and events;
- activities in connection with geological research of subsoil and/or mineral exploration and extraction of federal subsoil;
- activities in the nuclear industry and the storage of nuclear and radioactive materials;
- activities in connection aviation equipment and security;
- space activities;
- activities in connection with the production, trade, repair and utilisation of weapons and military equipment, and their spare parts and ammunition (excluding bladed weapons, civil and service weapons) and explosive materials for industrial purposes;
- activities in connection with television or radio broadcasting on a territory, where half or more of the population of a constituent entity of Russia resides;
- services provided by a company included in the register of natural monopolies (excluding natural monopolies in the public telephone and wireless communication and postal communications fields, and services for the supply of heat energy and electrical energy through the distribution grid);
- activities in connection with encryption and licensed encryption techniques (excluding distribution and maintenance of encryption techniques and related services performed by Russian banks that are not directly owned by the Russian Federation);
- activities in connection with confidential obtaining of information in premises and equipment used for these purposes (excluding activities performed for the purposes of the security of legal entities);
- printing performed by a profit-making entity if it is capable of printing not less than 200 million pages a month; and
- performance of editorial office activities and/or activities of a periodical publisher, publishing publications with individual circulations of not less than 1 million;
- production and sale of metals and alloys with special properties, raw materials and materials used in the

production of weapons and military equipment.

For the purposes of Law No. 57-FZ, a foreign investor is deemed:

- a foreign legal entity, foreign organization not being a legal entity, the legal capacity of which is determined in accordance with the legislation of the state in which it is established, and which has the right to invest in the territory of Russia in accordance with the legislation of the specified state;
- an organization under the control of a foreign investor, including one established in Russia;
- a foreign citizen whose legal capacity is determined in accordance with the laws of the state of his/her citizenship and who is entitled, in accordance with the laws of the said state, to invest in Russia;
- a citizen of the Russian Federation who has another citizenship;
- a stateless person who permanently resides outside Russia, whose legal capacity is determined in accordance with the laws of the state of his/her permanent place of residence and who is entitled to invest in Russia in accordance with the laws of the said state;
- foreign states in accordance with the procedure determined by federal laws;
- an international organization that is entitled, in accordance with an international treaty of the Russian Federation, to invest in Russia.

It is expressly prohibited to foreign states, foreign organizations not being legal entities that do not submit to the federal executive body authorized to perform the functions of monitoring the implementation of foreign investment the information about their beneficiaries, beneficial owners and controlling persons (foreign investors not providing information), international organizations, including those established in the Russian Federation, as well as legal entities registered in offshore zones (offshore companies), and organizations under the control of foreign investors not providing information, foreign states, international organizations, including those established in the territory of the Russian Federation, to enter into transactions involving the establishment of control over Strategic Companies and (or) transactions for the acquisition into the ownership, possession or use by them of property constituting the main production assets of the Strategic Companies with the value is 25 percent or more of the balance sheet value of the company's assets as of the last reporting date according to the accounting (financial) statements.

The following transactions involving the acquisition of control over Strategic Companies are subject to the preliminary approval of the Government Commission for Strategic Investments:

1) acquisition by a foreign investor or a group of persons:
   a) directly or indirectly more than 50% of the voting shares in a Strategic Company which does not conduct geological surveys on the subsoil and/or explore and extract minerals on federal subsoil plots (i.e. not “operating on federal subsoil plots”)
   b) the right to appoint (a) the chief executive officer, and/or more than 50% of the members of the board of directors or another collective executive body of the Strategic Company not operating on federal subsoil plots;
2) acquisition by a foreign investor or a group of persons of:
   a) directly orindirectly not less than 25% and nomore than 75% of the voting share sofa Strategic Company operating on federal subsoil plots (except for transactions as the result of which the share of such investor

or such group of persons in the charter capital of such Strategic Company is not increased if such transactions are entered into in the course of increase of the charter capital of such company or entered into by persons being under control of the person controlling the Strategic Company);

b) the right to appoint the chief executive officer, and/or 25 or more per cent of the members of board of directors or another collective executive body of a Strategic Company operating on federal subsoil plots;

3) agreements on exercising by a foreign investor or a profit-making entity or individual entrepreneur of its group of persons of the functions of a management body of a Strategic Company;

4) transactions aimed at the acquisition by a foreign state, international organisation, a foreign investor not providing the required information or organisation controlled by them, of the right to dispose directly or indirectly of more than:

a) 5% of the total number of votes at shareholder level - for Strategic Companies operating on federal subsoil plots; or

b) more than 25% of the total number of votes at shareholder level - for Strategic Companies engaged in strategic activities other than operating on federal subsoil plots;

5) acquisition into property, ownership or use of fixed production assets of a Strategic Company the price of which amounts to 25 and more percent of the balance sheet assets of such company according to accounting (financial) statements as of the latest reporting date;

6) other transactions or actions aimed at the acquisition by a foreign investor or group of persons of the right to determine the decisions of the management bodies of a Strategic Company, including the rights to determine its business activities.

The following transactions do not require a preliminary approval or subsequent notification:

- intergroup transactions between foreign investors that under control of one and the same person;
- transactions between foreign investors that possess more than 75% and more in the charter capital of a Strategic Company operating on federal subsoil plots;
- transactions between companies being controlled by a constituent entity of the Russian Federation.

The standard term for obtaining of a preliminary approval for any of the abovementioned transactions is three months from the date of submission of the application with the Federal Antimonopoly Service (FAS) which may be extended for three months. If a preliminary approval is obtained, the transaction should be entered into within the term provided for in the respective approval.

Furthermore, in the event of acquisition of 5% or more of the shares (whether voting or not) in a Strategic Company the acquirer should file a notification on such transaction with the FAS within 45 days following its closing.

Transactions entered into in a breach of the Strategic Companies Law are deemed void and the persons who sustained the respective breaches may be brought to administrative liability.

D. Are there any restrictions for foreign legal persons in connection with the acquisition of the ownership and land use rights to land?

Under the Land Code of the Russian Federation foreign citizens, persons without citizenship and foreign legal entities:

- are not entitled to own the land plots located on the border territories recorded in the list approved by the President of Russia and on the other territories of Russia specified by the Federal Laws;
- are entitled to acquire land plots into property only for payment, with the rate thereof being set by the Land Code.

Furthermore, under the Federal Law No. 101-FZ dated 22 July 2002 "On Circulation of Agricultural Land" foreign citizens, foreign legal entities, stateless persons as well as legal entities more than 50% of the charter capital of which is owned by the latter may possess agricultural land plots only on the right of lease.

Under the Federal Law No.261-FZ dated 8 November 2007 On Sea Ports in the Russian Federation and amending other laws Federation foreign citizens, persons without citizenship and foreign legal entities may not own the land plots located within the boundaries of a sea port.

E. Which transactions require an approval of the antimonopoly authority?

Under the Federal Law on Protection of Competition No. 135-FZdated 26 October 2006 (the "Competition Law") the following transactions require preliminary approval of FAS:

1) the establishment of a company (either Russian or foreign) if its charter capital is paid with the shares and/or property of a Russian legal entity and the new company acquires as the result:
   a) more than 25%/50%/75% of the shares in a Russian JSC or
   b) more than $^1/_3$ / 50% / $^2/_3$ of the participatory interests in a Russian LLC, or
   c) where the company acquires more than 20% of the main production (fixed) assets and (or) intangible assets located in Russia (exclusive of most types of buildings and land plots) of another legal entity, if the aggregate asset value of the founders of the company (their group of persons[12]) and the total amount of assets according to the latest balance sheet of the founders of the company (their groups of persons) and of the entities whose shares or assets are being contributed to the charter capital (their group of persons) exceeds RUB 7 billion or the aggregate revenue earned by the abovementioned entities from the sale of goods during the past calendar year exceeds RUB 10 billion;
2) merger of profit-making entities (except for financial organisations) or accession to a profit-making entity of one or more profit-making entities (except for financial organisations) if the aggregate asset value of the entities participating in the merger or accession and their group of persons exceeds RUB 7 billion or the aggregate revenue earned by the entities and their group of persons from the sale of goods during the past calendar year exceeds RUB 10 billion;
3) acquisition of more than 25%/50%/75% of the voting shares in a Russian JSC or more than $^1/_3$/50% / $^2/_3$ of the participatory interests in a Russian LLC (the target company) where:

[12] In the meaning provided for by the Competition Law

- the aggregate book value of the assets of the acquirer together with its group of persons and the target together with its group of persons exceeds RUB 7 billion and the balance sheet value of the total assets of the target and its group exceeds RUB 400 million; or
- the aggregate revenue earned by the acquirer together with its group of persons and the target company together with its group of persons from the sale of goods over the past calendar year exceeds RUB 10 billion and the balance sheet value of the total assets of the target company and its group exceeds RUB 400 million;

4) acquisition of rights conferring the ability to determine the commercial activity of the target company (including as a result of change of indirect control over the target company) or the right to perform the functions of its executive bodies where the financial thresholds specified in p. (3) above are met;
5) acquisition of the right of ownership or the right to use the main production (fixed) assets located in Russia or intangible assets of a Russian or foreign entity (subject to certain exceptions provided in the Competition Law), if the acquired assets account for more than 20% of the aggregate book value of the main production (fixed) assets and intangible assets of the selling entity where the financial thresholds specified in p. (iii) above are met;
6) acquisition of more than 50% of the voting shares of, or any right of control over, a legal entity incorporated outside Russia, or the right to perform the functions of its executive bodies where:
   - such foreign legal entity controls a Russian subsidiary, or such foreign legal entity supplied goods to the Russian Federation worth more than RUB 1 billion during the year preceding the transaction; and
   - the financial thresholds specified in p. (3) above are met;
7) entering into an agreement on joint activities by entities - competitors within the territory of the Russian Federation the aggregate asset value of such entities and their group of persons exceeds RUB 7 billion or the aggregate revenue earned by the entities and their group of persons from the sale of goods during the past calendar year exceeds RUB 10 billion.

Other financial thresholds are established for the preliminary approval of FAS for financial organisations involved in the abovementioned transactions.

FAS considers an application for a preliminary approval of transactions or other actions subject to such approval within 30 days from the date of its receipt and, if it is necessary, this term may be extended for 2 months. Upon consideration of the application FAS may take a decision:

- to satisfy the application; or
- to satisfy the application and to give to the applicants and/or the persons of its group and/or an entity the shares (participatory interests) or assets of which are acquired and/or an entity being established the prescription for performance of actions aimed at providing for competition; or
- refuse to satisfy the application if the transaction or another action may lead to restriction of competition.

A preliminary approval for a transaction or another action issued by FAS is effective within a year.

In the event a transaction is entered into without FAS preliminary approval it may be rendered invalid upon a court's decision, a legal entity established - liquidated upon a court's decision. An administrative fine may be imposed on the responsible parties in the amount of up to RUB 500,000 on legal entities and up to RUB 20,000 on their officers for a

failure to file an application for a preliminary approval with FAS or provision of false data in such application or a breach of the term for filing an application.

F. How a foreign investor may finance its Russian subsidiary?

Generally, shareholders/participants of a Russian JSC or LLC have the following options to provide financing to the respective company (at the initial stage or thereafter, if necessary):

1) increase of the charter capital by means additional contributions of the shareholders/participants and/or third parties, with or without share premium, which requires adoption of the decisions of the general meeting of shareholders/participants on increase of the charter capital and on the approval of the results of the increase of the charter capital and of the changes to the foundation documents, the state registration of the respective changes, and with respect to a JSC - the state registration of the additional shares issue, in terms provided for by the law;
2) granting a loan (the interest rate needs to be determined with the account taken of "thin capitalisation" requirements of the Tax Code of the Russian Federation);
3) transferring property without consideration for the purpose of increasing net assets.
4) contributions into the company's property upon the decision of the general meeting of shareholders/participants on making such contributions (in a non-public JSC - also under an agreement between the company and shareholders to be approved by the board of directors).The contributions are to be made by all the shareholders/participants proportionally to their participation interest in the charter capital, unless otherwise is provided for by the company's charter.

G. Is it possible to reduce income tax rates on income earned in Russia by a foreign investor?

Russian law allows foreign persons to reduce the companies' profits tax and the personal income tax rate or fully exempt income received in Russia from local taxes by applying the provisions of the bilateral treaties for the avoidance of double taxation (hereinafter - DTT) to which Russia is a party. Currently, Russia has signed and ratified DTT with 87 states, including most of the CIS and European countries, India, China, the USA, Canada and Japan.

Starting from 1 January 2017, in order to avail itself of the provisions of a DTT of the Russian Federation a non-Russian company, in addition to confirmation of its permanent place of business in the country with which Russia has a DTT, should provide to a tax agent that remits income to that company documents confirming the right of the company to receipt of the respective income.

H. Which documents (work permits, visas, etc.) should be obtained to employ foreign citizens in Russia?

As the general rule, in order to employ foreign citizens, Russian employers must obtain:

- a permission to hire foreign citizens;
- a work permit or a patent; and
- a work visa for every foreign citizen, before such foreign citizen is employed and/or actually commences

work in Russia.

Citizens of foreign member states of the EAEU (Armenia, Belarus, Kazakhstan and Kyrgyzstan) are engaged in employment activities in the Russian Federation under the provisions of the EAEU Treaty (Article 97), in particular:

1) when hiring such individuals, employers are not obliged to follow the restrictions related to the permissible share of foreign workers employed in certain sectors of the economy, which is annually established by the RF Government;
2) such citizens are not required to obtain a work permit or a patent in order to engage in employment activities in the Russian Federation;
3) for the purposes of engaging in employment activities by the citizens of the EAEU member states in the Russian Federation, the education certificates issued by education organisations (educational institutions, educational organisations) shall be recognised without going through the procedures for the recognition of the education certificates established by the legislation of the Russian Federation (except for the cases where such citizens aspire to engage in the educational, medical or pharmaceutical activities in Russia).

A foreign employee may be hired provided that he/she has a medical insurance agreement (policy) or the right to receive medical aid on the basis of an agreement entered into between the employer and a medical organisation for provision of paid medical services to the employee, unless otherwise is provided for by the Federal Laws or international treaties of the Russian Federation with respect to temporary residing foreign citizens.

1. Permission to hire foreign citizens

Permission to hire foreign citizens is issued by the federal executive authority in the domain of migration (currently the Ministry of Internal Affairs of Russia) or its territorial body (hereinafter referred to as the "Migration Authority").

An employer or a customer of works (services) may employ foreign citizens without permission to hire foreign citizens and such citizens may work in Russia without work permits, in particular, if they refer to the following categories:

1) citizens permanently or temporarily residing in the Russian Federation;
2) participants of the State Program for Rendering Assistance to the Voluntary Movement to the Russian Federation of Compatriots, Residing Abroad, and of Their Family Members, Moving Together with Them to the Russian Federation;
3) members of the diplomatic representations, workers of the consular institutions of foreign states in the Russian Federation, and workers of international organisations, and also private domestic servants of the above persons;
4) workers of foreign legal entities (producers or suppliers) performing installation (contract supervision) works, servicing and guaranteed servicing, as well as the post-guarantee repairs of the technical equipment supplied to the Russian Federation;
5) journalists accredited in the Russian Federation;
6) citizens studying in the Russian Federation in the educational institutions and higher educational institutions and working (rendering services) during vacations;
7) citizens studying in the Russian Federation in educational institutions and higher educational institutions and working in their spare time as auxiliary teaching personnel in those educational institutions where they study,

or in economic companies or partnerships established by those educational institutions;

8) citizens invited to the Russian Federation as a scientific and teaching staff, when invited to engage in research or teaching activities on the state-accredited educational programs of higher education by higher educational institutions and other research organisations, which have dissertation councils, or by other research and innovative organisations, in accordance with the criteria and(or) the list approved by the Government of the Russian Federation, or as teaching staff for training in other organisations engaged in educational activities, except for persons arriving to Russia to engage in teaching activities in religious educational institutions;
9) citizens invited to the Russian Federation on a business or humanitarian purpose or to engage in employment activities and involved, in addition, to engage in teaching activities on the state-accredited educational programs of higher education in scientific organisations and higher educational institutions, except for the religious educational institutions;
10) citizens invited to the Russian Federation as medical, teaching or research staff if invited to engage in the relevant activities in the territory of the international medical cluster;
11) accredited professionals of representative offices of foreign legal entities accredited in the territory of the Russian Federation on the basis of the principle of reciprocity, in accordance with international treaties of the Russian Federation;
12) citizens engaged in employment activities being under the age of eighteen in organisations of cinematography, theatres, theatre and concert organisations, circuses or as sportsmen.

The decision on the issue a permission to the employer (works, services customer) for hiring foreign citizens or on refusal to issue the permission is taken within 30 calendar days after the receipt by the Ministry of Internal Affairs of the Russian Federation or its territorial body (hereinafter - Migration Authority) of the documents required. If the decision requires the expertise of the documents provided by the employer (work/service customer), the period for decision making may be extended, but not more than for the next 30 business days.

2. Work permits

A work permit is not required for foreign citizen listed in the items 1-12 of paragraph 1above.

Work permits for foreign citizens are issued within a quota which is established every year by the RF Government and distributed by the Ministry of Employment among the constituent entities of the Russian Federation and professional groups.

Regardless of the quota work permits are issued to the following persons:

- foreign citizens being employed at the professions (specialties, positions) included in the list approved by the Ministry of Employment;
- foreign citizens being employed for the purposes of Skolkovo project;
- highly qualified specialists and members of their families;
- citizens of the Ukraine and stateless persons permanently residing in the Ukraine that arrive in Russia in mass order due to an extreme situation.

A work permit is issued for the term of temporary residence of a foreign citizen in Russia or for the term of an employment contract or a contract for provision of services or performance of works but no more than one year from

the date of arrival of the foreign citizen in Russia, except for certain cases.

An employer or customer of services/works, as the general rule, may engage a foreign citizen according to the profession (specialty, position) specified in the work permit and only in the constituent entity of the Russian Federation within the territory of which the permit is issued.

In order to obtain a work permit a foreign citizen who arrived in Russia on visa-free basis should apply in person or through authorised representatives to the Migration Authority with an application and the required documents. Work permits for foreign citizens who arrived in Russia on the basis on visas should be obtained by the employer in question.

The decision on the issue of a work permit or refusal to do so is taken within 15 business days after the receipt of the application and all necessary documents. If the applicant submits documents for the work permits simultaneously with the documents for a permission to hire foreign citizens, the joint decision is issued within 30 calendar days.

3. Patents

Starting from 1 January 2015, foreign citizens who arrive in Russia on visa-free basis (except for certain categories of citizens) may be employed on the basis of patents instead of work permits, according to the Federal Law No. 357-FZ dated 24 November 2014. A patent is a document confirming the right of a foreign citizen to be temporarily employed in the territory of a certain constituent entity (region) of the Russian Federation.

The following categories of employers and customers are granted the right to engage foreign citizens who have reached the age of 18, lawfully stay in the territory of Russia and have the respective patents:

1) legal entities or individual entrepreneurs who previously engaged foreign citizens under work permits, except for temporarily staying on the territory of the Russian Federation on a visa-free basis:
   - highly qualified specialists and members of their families, as well as those who are studying in the Russian Federation in full time in a professional educational organization or educational organization of higher education on a state-accredited basic professional educational program (except for certain citizens specified in the law) who still need to obtain a work permit;
   - foreign citizens who obtained a work permit before January 1, 2015 (such permits are recognized as valid until expiration or cancellation
2) private notaries, lawyers or other persons whose professional activities are subject to state registration and(or) licensing;
3) Russian citizens - for personal, household and similar purposes not related to the business activity performed by the employer or customer.

To obtain a patent, a foreign citizen within 30 calendar days from the date of arrival in Russia must submit personally or through an organisation authorised by the Migration Authority an application for issuing of a patent and other required documents, including an identity document, a migration card indicating work as the purpose of his/her visit and marked by the customs control authority on the entry of the foreign citizen in Russia, or with the stamp of the Migration Authority on the issue of the migration card, a voluntary medical insurance agreement (policy) valid in the territory of Russia for the duration of the employment.

If the Migration Authority decides to issue a patent, the patent will be issued to a foreign citizen within 10 business days after the receipt of the application and necessary documents.

A patent is issued to a foreign citizen for a period from 1 to 12 months. The patent validity term may be repeatedly extended for a period of 1 month, provided that the total term of the patent may not exceed 12 months from the date of its issue taking into account all the extensions.

A foreign citizen may not work outside of the constituent entity of Russia where he/she was granted the patent. In order to have the right to work in the territory of another constituent entity of the Russian Federation, a foreign citizen must apply for a patent to the Migration Authority in the respective constituent entity.

If the term of a patent has not been renewed or a patent was revoked, the foreign citizen upon the expiry of his/her temporary stay in Russia must leave its territory.

A foreign citizen when applying for a work permit or a patent should confirm knowledge of Russian language, history of Russia and fundamentals of Russian law by the respective certificate or a nationally recognised document on education and/or qualification (unless otherwise is provided for by an international treaty of the Russian Federation). Highly qualified specialists, journalists working for mass media that publish in foreign languages and foreign citizens who are studying and working in Russia are exempted from this obligation.

4. Visas

Foreign citizens are not permitted to work in Russia if they have business visas rather than work visas.

A business visa is issued specifically for business trips to Russia (e.g. conducting negotiations, entering into contracts, or participating in conferences, exhibitions and other business events). Foreign citizens are entitled to stay in Russia on a business visa for no more than 90 calendar days out of a 180-day period.

A common business visa is issued for a term of up to one year (for foreign citizens - representatives or employees of a major foreign company investing in Russia or a company involved in the implementation of projects for the creation of the Skolkovo Innovation Center or the international financial center in Russia meeting the criteria established by the Government Russia - for 5 years).

A common work visa is generally issued for the duration of the employment contract or a civil contract for works (services) performance, but no more than for 1 year; as to highly qualified specialists, the common work visa is issued as a multiple entry and for the duration of the employment contract or civil contract for works (services) performance, but for no more than 3 years from the date of arrival of the respective foreign citizen into the Russian Federation.

To obtain a common work visa, it is necessary to issue to a foreign citizen an invitation to enter the Russian Federation in order to carry out work. Such invitations are issued by the Migration Authority within the quota established annually by the Government of the Russian Federation, on the basis of the application of the employer or the customer of the works (services), as a general rule, within 20 working days from the date of filing the application. The quota does not apply to invitations to:

- highly qualified foreign specialists and their families;
- foreigners engaged to work for the Skolkovo project.

The term for issuing an invitation to enter Russia for a subsequent obtaining a visa is no more than 20 business days from the date of registration with the migration service of the inviting party's application with all necessary documents attached, if the application is submitted by the inviting party for issuing an invitation to a highly qualified specialist - no more than 14 business days.

5. Highly qualified specialists

The procedure for obtaining work permits and work visas is simplified with respect to highly qualified specialists (HQS) - foreign employees with professional skills, knowledge and the proper qualifications in a specific area, the monthly remuneration of each of which is:

- at least RUB 83,500 million gross per month - for foreign citizens employed by legal entities conducting activities in Crimea and Sevastopol, for scientific professionals or tutors invited for scientific and research or pedagogical activity under educational programs with the state accreditation; specialists being engaged by residents of industrial, tourist-recreational, port special economic (except for individual entrepreneurs), Russian profit-making organisations, Russian scientific organisations and other organisations engaged in activities in IT domain and having the state accreditation as such (except for organisations with the status of a resident of a technology and innovation special economic zone);
- at least RUB 58,500 gross per monthy for foreign citizens employed by residents of a technical research and implementation zone (except for individual entrepreneurs);
- at least RUB 1 million gross per year (365 calendar days) - for medical, pedagogical and scientific professionals invited for being engaged in the respective activities in the territory of an international medical cluster;
- at least RUB 167,000 gross per month for any other categories of employees (except for the foreign nationals participating in the implementation of Skolkovo project which are exempt from the requirements to the amount of salary).

To engage an HQS to work in Russia, the employer (services, works customer) is not required to obtain a permission to hire foreign citizens. Moreover, an HQS is not subject to:

- quota for the issue of invitations to enter the Russian Federation for work;
- quota for the issue of work permits to foreigners;
- restrictions related to the permissible share of foreigners employed by business entities in certain economic activities.

A work permit and a multiple entries business visa for an HQS may be issued for the term of the employment contract or the services/works contract with such HQS but up to 3 years; the work permit may be later extended for the same period.

Furthermore, if an HQS is supposed to work in the territories of several regions of Russia, the work permit will be issued to be effective in the respective regions.

Employers and customers of works (services) engaging for employment activities HQSs and other foreign nationals as the general rule should notify the Migration Authority in the constituent entity where the respective foreign nationals are employed, on entering and termination (rescission) of the employment contracts or works/services contracts in term not later than 3 business days from the date of entering or termination (rescission) of the contract.

Employers and customers of works (services) engaging for employment activities HQSs are also under the obligation to notify the Migration Authority on quarterly basis on performance of their obligations on payment of salary (fees) to HQSs.

6. Migration control

Every time a foreign citizen enters Russia or leaves for another region of Russia (changes his/her residence in Russia) the migration control requirements apply: upon arrival to the destination the foreign citizen should provide to a receiving party (an employer/a person who provided support in connection with obtaining a visa or the administration of a hotel where he/she stays or the landlord) the identity document and the migration card filled in at the Russian border and the receiving party is obliged to submit the notification on arrival of the foreign citizen to the migration authority within 7 business days from the date of his/her arrival.

Citizens of Armenia and Kazakhstan are exempt from the obligation to register with the migration authorities if a period of their stay in Russia is less than 30 days from the date of entry. The citizens of Belarus may reside in Russia without registration with the migration authorities for up to 90 days from the date of entry (Article 3 of the Agreement between Russia and Belarus dated 24 January 2006).

The period of temporary stay (residence) in the territory of Russia by nationals of Belarus, Kazakhstan and Armenia, who arrived in Russia for work or employment, is determined by the duration of their employment (civil) contract.

HQSs and members of their families are exempt from the migration control procedures, if they arrive and stay in Russia for a period not exceeding 90 days (30 days if they travel to another region in Russia). Should HQSs and their family members stay in Russia for more than 90 days (or 30 days traveling in another region), they should register with migration authorities within 7 days from the date of arrival.

7. Liability for breaches of the requirement for employment of foreign nationals

The Code on Administrative Offences of the Russian Federation (Administrative Code) establishes the liability for, in particular:

1) engagement in employment activities in the Russian Federation of a foreign citizen, if he/she does not have a labour permit or a patent, when such permit or patent are required under a the federal laws, or engagement of a foreign citizen to work in the Russian Federation by profession (occupation, position, activity) not specified in the work permit or patent, if the work permit or patent provides for such information, or engagement of a foreign citizen to work outside of the constituent unit of the Russian Federation in which territory the foreign citizen was given the work permit, patent or temporary residence permit;
2) engagement in employment activities in the Russian Federation of a foreign citizen without receiving a permission to hire and use foreign employees in the established procedure, if such a permission is required under the federal laws;
3) failure to notify or improper notification of a FMS territorial unit on entering into or termination of an employment contract or civil contract for work (service) performance with a foreigner within the period not exceeding 3 business days after the date of conclusion/termination of the respective contract, if such notification is required under the federal laws, an administrative fine for the employer in the amount of up to RUB 800,000 (up to RUB 1 million if a breach is committed in Moscow, Moscow Region, St. Petersburg or Leningrad Region) or suspension of its activities for up to 90 days and a fine in the amount of up to RUB 50,000 (up to RUB 70,000 if a breach is committed in Moscow, Moscow Region, St. Petersburg or Leningrad

Region) for the employer's officers.

Non-notification of the Ministry of Internal Affairs of Russian Federation, or its authorized territorial body or violation of the established procedure and (or) notification form by the employer or customer of works (services) engaging highly qualified specialists, about the fulfillment of obligations to pay salaries (remuneration) to highly qualified specialists involves an administrative fine for the employer's officers in the amount of up to RUB 70,000; for legal entities - up to RUB 1 million.

Employment without a work permit or a patent by a foreign citizen in Russia where such work permit or patent is required under the federal law or employment by a foreign citizen in Russia under the profession (specialty, position, type of employment activity) which is not specified in the work permit or the patent or employment by a foreign citizen in Russia not in the territory of the constituent entity of the Russian Federation where the work permit or the patent or the residence permit is issued to the foreign citizen leads to sanctions being imposed on the foreign citizen as well. Administrative fine in such a case amounts up to RUB 5,000 (RUB 7,000 if the breach is committed in Moscow, Moscow Region, St. Petersburg or Leningrad Region), deportation of the foreign citizen being another consequence of the breach.

A breach by a foreign citizen of the term for applying for a patent involves an administrative fine in the amount from RUB 10,000 to RUB 15,000.

I. How trademark protection is effected in Russia?

To enjoy legal protection be in Russia, the trademark needs to be registered with the Federal Service for Intellectual Property (Rospatent) in the Register of Trademarks. Alternatively, it may be protected in Russia provided that it is registered in accordance with the Madrid Agreement Concerning the International Registration of Marks dated 1891 and the Protocol Relating to the Madrid Agreement.

The maximum period of trademark protection is 10 years starting from the date of filing of the application with Rospatent. The trademark registration may be renewed subject to filing of the respective application and payment of the state duty.

Trademark protection may be terminated partially or on the whole before the expiry of the term of the registration of the trademark, in particular, in the following cases:

- rendering invalid of granting the trademark protection on the basis of a claim filed by an interested person with the Chamber of Patent Disputes under Rospatent;
- use of a collective trademark on the goods which do not have uniform characteristics - upon a court's decision on the basis ofa claim filed by an interested person;
- a failure to use the trademark sufficiently during any three consecutive years after the date of its registration - upon a court's decision on the basis of a claim filed by an interested person upon expiry of these three years.

The Federal Customs Service of the Russian Federation (FCS) maintains the customs register of the intellectual property objects which is formed on the basis of the applications of the right holders. FCS includes in this customs register trademarks and other intellectual property objects which are protected in the territory of Russia.

Furthermore, in accordance with the Treaty on the Uniform customs register of the intellectual property objects of the

member states of the Customs Union dated 21 May 2010 the respective Uniform register of Russia, Armenia, Belarus, Kazakhstan and Kyrgyzstan is formed. Trademarks, service marks and copyright objects (hereinafter - "intellectual property objects") protected in each of the member states of the Customs Union are included in this register on the basis of an applications of the right holder filed with the central customs authority of one of the member states.

In the event a Russian customs authority detects any signs of a violation of the intellectual property rights in the course of customs clearance of the goods that contain intellectual property objects included either in the Russian customs register or the Uniform customs register the customs authority in question shall suspend release of the goods in question for the term 10 business days; the term may be extended by the customs authority upon request of the right holder or its representative.

In the event of unlawful use of a trademark a person who sustained this breach shall be obliged to compensate the damages caused to the right holder or, upon a demand of the latter, to pay the compensation:

- in the amount from RUB 10,000 to RUB 5 million determined by a court; or
- in the amount of two amounts of the price of the goods on which the trademark is placed or two amounts of the fees to be paid for the right to use the trademark.

The right holder may as well demand those counterfeit goods, packages, labels of the goods on which the trademark is unlawfully placed be seised and destroyed at the account of the person who sustained the breach or the trademark be removed from counterfeit goods, packages, labels of the goods.

Unlawful use of a trademark, service mark, appellation of the place of origin of goods or similar designation (hereinafter - the "means for individualisation") for individualisation of homogenous goods also involves:

- an administrative fine in the amount up to RUB 50,000 on companies' officers and in the amount up to RUB 200,000 on entities, as well as confiscation of the items containing the means for individualisation in question, materials and equipment used for their manufacturing and other tools for committing a breach;

or, if such breach was sustained more than once or caused damage in a large amount (exceeding RUB 250,000),

- criminal liability in the form of a fine in the amount up to RUB 300,000 or the salary or another income of a convicted person for the period of up to 2 years, or mandatory work for the period of up to 480 hours or corrective labor for the period of up to 2 years, or imprisonment for the period of up to 2 years with a fine in the amount up to RUB 80,000 or the salary or another income of a convicted person for the period of up to 6 months.

J. How disputes are settled in Russia?

If the parties cannot reach an agreement by negotiations, they may apply to a Russian court or an international arbitration provided that there is an arbitration agreement between the parties and that the respective dispute does not fall within categories of disputes that may not be referred to an arbitration under Article 33 of the Arbitration Procedural Code of the Russian Federation (APC RF) (in particular, disputes in connection with convocation of the general meeting of participants of the legal entity; disputes related to the acquisition and redemption by a company of shares, disputes related to the invalidation of interested party transactions; disputes on the expulsion of participants of a legal entity).

The parties may also settle their disputes through a mediation procedure subject to a mediation agreement among them.

The judicial system of the Russian Federation consists of federal courts (the Constitutional Court of the Russian Federation, courts of general jurisdiction, and state arbitration (commercial) courts) and the courts of the Russian Federation's constituent entities (constitutional courts and justices of peace).

Economic disputes and other cases with the participation of legal entities and individual entrepreneurs, and in the cases provided for by the Federal Laws, with the participation of state and municipal bodies, other bodies, officials, and formations which do not have the status of a legal entity, and citizens which do not have the status of an individual entrepreneurs are settled by state arbitrazh (commercial) courts and the other disputes - by courts of general jurisdiction and justices of peace.

Since June 1, 2016, with respect to all the disputes arising out of civil law relations, which are not included in the list of exceptions (Article 5 of the APC RF), before applying to the arbitrazh court, it is mandatory to observe the pre-trial claim settlement procedure. Pre-trial settlement is not mandatory, in particular, with respect to corporate disputes, as well as cases:

- on the establishment of facts of legal significance;
- on awarding compensation for violation of reasonable time limits for legal proceedings or enforcement of judicial acts;
- on bankruptcy;
- on the protection of the rights and legitimate interests of a group of persons.

Disputes over the establishment and validity of intellectual property rights and contesting the acts and decisions in the intellectual property domain are considered by the Court of Intellectual Property Rights which is a specialised court within the system of Russian arbitration courts authorised to consider such disputes at first instance. The decisions this Court come into force immediately, and can be appealed to the Presidium of the Court of Intellectual Property Rights.

K. Which disputes fall within the exclusive competence of Russian arbitrazh (state) courts?

The competence of Russian arbitrazh courts comprises subject matter jurisdiction (that is, the competence of arbitrazh courts and not of common jurisdiction courts or justices of peace to consider certain disputes) and court jurisdiction (that is, division of the jurisdiction among arbitrazh courts depending, in particular, on their location).

Russian arbitrazh (state) courts have the subject matter jurisdiction, in particular, over the following:

1) economic disputes and other cases arising from civil legal relations and connected with the exercise by organisations and citizens of business and other economic activities, with the participation of legal entities and individual entrepreneurs, and in the cases provided for by the Federal Laws, with the participation of other organisations and citizens;
2) economic disputes, arising from administrative and other public legal relations, in particular, in connection with disputing the normative legal acts and the non-normative legal acts, decisions and actions (a failure to act) of the state and municipal bodies, other bodies and organisations, officials, infringing upon the applicant's rights and lawful interests in the domains of business and other economic activities;

3) in special proceedings, cases on establishing legally important facts in connection with vesting, changing and terminating of the rights of organisations and citizens in the domains of business and other economic activities (e.g. rights to immovable assets);
4) cases on disputing awards of arbitration tribunals on the disputes arising in the exercise of business and other economic activities and on issuing writs of execution concerning enforcement of such arbitral awards;
5) cases on recognition and en for cement decisions of foreign courts and foreign arbitral awards with regard to disputes arising in the exercise of business and other economic activities;
6) the following cases (regardless of whether the parties are legal entities, individual entrepreneurs or other organisations or citizens):
   - on insolvency (bankruptcy);
   - corporate disputes connected with the establishment of a legal entity, its management or participation in a profit-making organisation, as well as in a non-profit partnership, association (union) of profit-making organisations, other associations of profit-making organisations and/or individual entrepreneurs, a non-profit self-regulating organisation;
   - disputes related to the refusal in state registration or evasion of state registration by legal entities and individual businessmen;
   - disputes resulting from the activities of custodians which is connected with registration of rights to shares and other securities;
   - disputes resulting from the activities of state corporations;
   - disputes concerning protection of intellectual rights with participation of the organisations engaged in collective management of copyright and allied rights, as well as on disputes referred to the scope of jurisdiction of the Court for Intellectual Rights;
   - on protection of business reputation in the domains of business and other economic activities.

The general rule is that a claim shall be filed with an arbitrazh court of a constituent entity of the Russian Federation at the location or place of residence of the defendant.

An exclusive court jurisdiction which cannot be changed by an agreement of the parties to a dispute is established, in particular, in the following cases:

1) Claims for the rights to immovable property and applications for establishing facts of legal importance for vesting, change or termination of rights to immovable property which shall be filed with an arbitrazh court at the location of the immovable property;
2) Claims for the rights to sea and air vessels, inland navigation vessels and non-terrestrial objects shall be filed with an arbitrazh court at the place of the state registration thereof;
3) A claim against the carrier under a contract of carriage of cargoes, passengers and their luggage shall be filed with an arbitrazh court at the location of the carrier;
4) An application for declaring a debtor bankrupt shall be filed with an arbitrazh court at the location of the debtor;
5) A statement of claim or an application concerning a corporate dispute shall be filed with an arbitrazh court at

the location of the respective legal entity;

6) An application for establishing facts of legal importance (except for those connected with rights to immovable property) shall be filed with an arbitrazh court at the location or place of residence of the applicant;
7) Applications related to disputes between Russian organisations exercising activities or having property of the territory of a foreign state which are not registered in the territory of the Russian Federation shall be filed with an Arbitrazh Court of the Moscow region;
8) An application for recognition and enforcement of judgements of foreign courts, as well as of foreign and international arbitral awards granted in the territory of Russia, shall be filed with an arbitrazh court of the constituent entity of the Russian Federation at the location or place of residence of the debtor or, if the location or place of residence of the debtor is unknown, at the location of the debtor's property (upon agreement of the parties to an arbitration proceedings an application for recognition and enforcement of an arbitral awards may be filed with an arbitrazh court of the constituent entity of the Russian Federation in the territory of which the arbitral award is granted, or an arbitrazh court of the constituent entity of the Russian Federation in the territory of which the party to the benefit of which the arbitral award is granted resides);
9) A counter-claim, regardless of the court jurisdiction thereof, shall be filed with an arbitrazh court at the place of considering the original claim.

L. Are arbitral awards and foreign courts judgements enforceable in Russia?

Foreign arbitral awards are enforceable in Russia since it is a party to the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards, dated 10 June 1958, and the European Convention on International Commercial Arbitration, dated 21 April 1961.

A foreign court's judgement may be recognised by a Russian court and, consequently, enforced in Russia according to a relevant international treaty, or on the basis of reciprocity (which is applied on a case by case basis). Russia is a party to the Convention on the Procedure for Resolving Disputes Relating to Business Activities dated 20 March 1992 (the Kiev Convention) under which judgments rendered by state courts of Kazakhstan, Belarus, Azerbaijan, Armenia, Kyrgyzstan, Moldavia, Tadjikistan, Turkmenistan, Uzbekistan and the Ukraine are enforceable in Russia, as well as to a number of bilateral agreements concerning the recognition and enforcement of courts' judgments.

To enforce ajudgment of a foreign court or a foreign arbitral award the party to the dispute, in favor of which the decision was taken (hereinafter - the "exactor") should file an application for the recognition and enforcement with the arbitrazh court of the constituent of the Russian Federation at the debtor's place of stay or of residence or, if the debtor's place of stay or of residence is unknown, at the location of the debtor's property.

The arbitrazh court shall refuse to recognise or enforce a judgment of a foreign court, fully or in part, if:

1) the judgment has not entered into force in conformity with the law of the state on whose territory it is adopted;
2) the party against which the judgment is adopted was not duly and timely notified on the proceedings or was not able to submit to a court its explanations for other reasons;

3) the case is subject to the exclusive competence of the court in the Russian Federation;
4) a Russian court passed a decision on a dispute between the same persons on the same object and on the same grounds which has entered into force;
5) a Russian court is considering a dispute between the same persons, on the same object and on the same grounds, the legal proceedings on which were initiated before the institution of the action at law on the case in the foreign court, if the Russian court was the first to accept for its proceedings an application on the dispute between the same persons, on the same object and on the same grounds;
6) the term of limitation for the enforcement of the judgment/award (3 years from the date of its entry into legal force) has expired, and this term was not restored by the arbitration court;
7) the enforcement of the judgment would contradict the public order in the Russian Federation.

The arbitrazh court may refuse in recognition or enforcement of an arbitral award irrespective of where it was granted, fully or in part, in the event:

1) the party against which the arbitral award was granted shall provide to a court the evidence that:
- the arbitral award was granted on the basis of the arbitration agreement one of the parties to which was to a certain extent legally incapable; or
- the arbitration agreement is invalid under the governing law chosen by the parties, and if there is no governing law clause - under the laws of the country in which it was granted; or
- the party against which the arbitral award was granted was not duly and timely notified on the proceedings or was not able to submit to the arbitration its explanations for valid reasons; or
- the arbitral award was granted on a dispute that was not provided for by the arbitration agreement or not covered by its terms and conditions, or contains decisions on the matters which are beyond the scope of the arbitration agreement; or
- the composition of the arbitration or the arbitration clause did not comply with the agreement of the parties or the laws of the country in which the arbitration took place; or
- the arbitral award granted in the territory of a foreign state has not yet entered into force for the parties to the arbitration proceedings or has been reversed or its enforcement was suspended; or

2) the competent court shall establish that:
- the dispute considered by the foreign arbitral tribunal cannot be considered thereby under the Federal Law; or
- the enforcement of the judgment/award would contradict the public order in the Russian Federation.

Should the arbitrazh court satisfy the application for the recognition and enforcement of a judgment of a foreign court or a foreign arbitral award, it shall issue the respective court order on the basis of which a writ of execution shall be issued to the exactor which needs to be submitted to the bailiff service for further execution.

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The information contained in this document is as of February 2019 and of a general nature. We recommend that no one should act on the basis of such information without appropriate professional advice after a thorough examination of the particular situation.

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