



**PURCHASE OF THE STATE AND MUNICIPAL PROPERTY BY  
OFFSHORE COMPANIES IS PROHIBITED IN RUSSIA**



On 1 July 2017, amendments to the Federal Law 'On Privatisation of the State and Municipal Property' and the Federal Law 'On the Procedure for Foreign Investment in Business Entities of Strategic Importance for National Defense and State Security' introduced by the Federal Law No. 155 dated 1 July 2017 became effective.

Pursuant to the amendments, the following entities are not permitted to purchase state and municipal property:

- offshore companies, i.e. legal entities registered in the state or territory included in the list of states and territories granting preferential tax treatment and(or) not providing for disclosure and provision of information for financial transactions, approved by the Ministry of Finance of the Russian Federation;
- legal entities controlled by an offshore company or a group of entities, which includes an offshore company.

These restrictions apply to buyers of the state or municipal property, the notification on the sale of which is published on the official website of the Russian Federation for information on tenders after 1 July 2017 and do not apply to owners of real estate not being unauthorised buildings and located on land plots being state or municipal property, where such owners buy these land plots.

Besides, offshore companies and legal entities under their control are prohibited from entering into transactions resulting in the establishment of control over companies of strategic importance for ensuring the national defence and security, as well as transactions involving the acquisition, possession or use of property being fixed production assets of such companies and amounting to 25 and more percent of the balance sheet value of their assets.

The prohibition on the abovementioned transactions does not apply to relations with the participation of offshore companies and organisations under their control that arose before 1 July 2017.

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Best Regards,

GRATA International Law Firm (Moscow)

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What we do:

- legal support in obtaining of the preliminary consent of the Federal Antimonopoly Service of Russia for the transactions and other actions with the assets of Russian financial institutions located in the territory of Russia, fixed production and(or) intangible assets, voting shares (interests), rights in respect of the Russian commercial and non-profit organisations as well as foreign entities and(or) organisations;
- legal support in obtaining of the preliminary consent or further notification of the Governmental Committee on Monitoring of Foreign Investments in the Russian Federation due to the acquisition by a foreign investor of shares/interests of a company of strategic importance for national defence and security, in accordance with the Federal Law No. 57 dated 29 April 2008 'On Foreign Investments in Business Entities of Strategic Importance for the National Defence and Security';
- development/review for compliance with the antimonopoly laws and coordination with the Federal Antimonopoly Service of the Russian Federation of the conditions of distribution or other contracts and agreements restricting or may be restricting competition in Russia;
- development/review of the procedure for selection of counter-parties, commercial/trade policies, in view of the requirements of antitrust and tax authorities.

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