



START UP RUSSIA
LET'S GET STARTED

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VFBS Inside

VISTA Foreign Business Support is a firm that provides professional legal and consulting services in the field of civil, corporate, tax, accounting, migration, labour and other legislation.

VFBS practice started in 1997. The team consists of multilingual, highly qualified specialists experienced in different fields of legislation and legal practice. Currently VFBS is one of the dynamically growing law firms in Russia.

We establish and support trustful relations with our Clients, what enables us to have deeper knowledge of the Client's needs and provide complex and effective solutions.

We fully understand the level of responsibility while working with our Clients and are confident that professional standards of our services meet expectations of every our Client. We use the most up to date communication technology that enables us to maintain the highest standards of provided services.

Reputation – is everything. We are responsible for the results of our work.

Our Approach

It is our strong conviction that the present is the mould in which the future is taking shape and that understanding of this phenomenon is vitally important. This is why any task or job that must be done has to be evaluated against and tied to the long-term strategic goals of the company. The combination of this approach with highly organized everyday work routine and strong team-spirit is the key to the ongoing success and harmonious growth of the company. Time factor is another essential constructive element of corporate structuring and development.

To operate in the modern business community with any measure of success you have to comply with the ever-increasing standards of corporate philosophy, ethics and business strategy, and that is definitely a positive trend. That is why our activity is based on the following major principles:

Confidentiality
Accuracy
Awareness
Responsibility
Feedback

Our Clients

Among our Clients there are more than 200 companies, 50 of which are Fortune 500 companies.

Our Clients relate to the following industries:

1. Oil and Gas.
2. Information Technology.
3. Pharmaceutical.
4. Financial and Banking.
5. Construction.
6. Consumer Goods.
7. Transportation.

Start your business in Russia

The decision to start a new business is serious anywhere in the world. In Russia, where profits are high and the risks can seem even higher, it can be truly daunting. But at VISTA Foreign Business Support, we know that there are great business opportunities for foreigners in Russia. Since 1997 our firm has helped hundreds of foreign companies and individuals successfully launch and grow their businesses on the Russian market.

Don't let red tape and rumors keep you from pursuing your business dreams. Let the specialists at VISTA help you get off to the right start in Russia – fast, professionally and conveniently.

After years of providing a full range of start-up services to our Clients, VISTA realized that there could be a better way: one fee, full package of services tailored to meet the needs of a business to be started up. Start Up service packages include all the legal, tax, accounting, and administrative support services a company needs to enter the Russian market. We offer three levels of start up packages to meet your needs depending on whether you are at the idea stage or nearly ready to begin work.

Why purchase a start-up service package?

1. You get everything you need from one supplier having years of successful experience. No running around to find ten different specialists, no multiple contracts, no problems with coordination.
2. You get one team of professionals, flexible and committed top specialists from legal experts to professional bookkeepers working with you to meet your goals.
3. You get more for your money. With a VISTA start-up service package you get Moscow's top professionals for a more competitive price than you could get by contracting with several different firms or consultants.
4. You know ahead of time how much it will cost to start your business – no unexpected expenses. And no costly delays. You choose the level of support with a fixed price and get our guarantee of the results you want.
5. You get just what you need. Chose the level of support that's right for you and your company. If you want something extra VISTA can add on services to the basic packages.

Start-up packages

Please note that form of legal presence in Russia influences all aspects of activity including possibility for making deals and tax consequences of the deals, financial and tax accounting and reporting, possibilities under customs, currency control legislation, ability to employ foreign nationals, repatriation of income, application of international treaties and many others. Therefore, particular attention must be paid to Russian business modeling to be made PRIOR setting up a legal presence in Russia.

Silver Start-up Package

Legal services

1. Registration of an entity in Russia*.
 - Representative office of a foreign company.
 - Branch office of a foreign company.
 - Russian Limited Liability Company.
 - Private Joint Stock Company.
2. For any of the above forms, VISTA will:
 - Prepare all the documents necessary for registration.
 - Register your company with all relevant authorities (accreditation chambers, tax authorities, statistics committee, social, medical, pension funds).
 - Represent your company with the state authorities.
 - Open bank accounts.

Consulting services

Consultations on corporate, labor, tax, currency control, and migration legislation (up to 5 hours)** VISTA specialists will give you briefings on the most important aspects of Russian legislation relating to your business.

Administrative support services

Our specialists will provide you with information on services of different providers that you may need while establishing your business. VISTA will provide you with:

1. A general overview of the real estate market in Moscow and provide contact information on the real estate agencies.
2. Information on internet, telephone, mobile and IT service suppliers.
3. Information on banks (including ratings) and overview of the services that they provide so that you could determine whichever better suits your needs.
4. Information on insurance companies and their services.
5. Information on leasing companies and their services.
6. Information on where you can get salary surveys and headhunting companies.

* Choose one entity to be registered

** More consultation is available at VISTA's hourly rates

Gold Start-up Package

Legal services:

1. Registration of an entity in Russia*.
 - Representative office of a foreign company.
 - Branch office of a foreign company.

- Russian Limited Liability Company.
 - Private Joint Stock Company.
2. For any of the above forms, VISTA will:
 - Prepare all the documents necessary for registration.
 - Register your company with all relevant authorities (accreditation chambers, tax authorities, statistics committee, social, medical, pension funds).
 - Represent your company with the state authorities.
 - Open bank accounts.

Accounting services**

For the first three months VISTA will:

1. Develop your company's accounting and tax policy.
2. Handle all bookkeeping.
3. Conduct payroll operations.
4. File all necessary financial and tax reports with the tax authorities.

3 reasons to outsource accounting services

1. Experienced and bilingual accounting personnel is required. Why?
 - Russian financial and tax accounting standards differ from generally accepted worldwide.
 - Accounting should be made in Russian and with use of special statutory forms and accounts.
 - Transformation of Russian accounting data into a form understandable by Shareholders may be required.
2. Accounting requires deep and extensive knowledge in other areas including civil law, taxation, currency and exchange transactions rules, operations at customs, labor and migration issues and etc. Why should you employ much staff? Employ VFBS which has all specialists and may guarantee full compliance of accounting and reporting without wasting extra time and money.
3. Liaison with the tax authorities is troublesome.

Consulting services

Consultations on corporate, labor, tax, currency control, and migration legislation (up to 10 hours)*** VISTA specialists will provide more detailed advice on the most important aspects of the Russian legislation pertaining to your business.

Administrative support services

Our specialists will provide you with information on services of different providers that you may need while establishing your business. VISTA will provide you with:

1. A general overview of the real estate market in Moscow and contact information on real estate agencies.
2. Information on internet, telephone, mobile and IT service suppliers.
3. Information on banks (including ratings) and an overview of services they provide so that you could determine whichever better suits your needs.
4. Information on insurance companies and their services.
5. Information on leasing companies and their services.
6. Information on where you can get salary surveys from and headhunting companies.

* Choose one entity to be registered

** Accounting services provided at a fixed fee for initial three month period, provided no sales are made during this period (which can be provided for an additional fee). VISTA can continue providing accounting services after the start-up period.

*** More consultation is available at VISTA's hourly rates.

Platinum Start-up Package

Consulting services (up to 30 hours)*

Consultations on the most appropriate legal form of business presence in Russia covering all aspects of activity including possibility for making deals and tax consequences of the deals, type of financial and tax accounting and reporting, possibilities under customs, currency control legislation, ability to employ foreign nationals, repatriation of income, application of international treaties and many others.

Legal services:

1. Registration of an entity in Russia**
 - Representative office of a foreign company.
 - Branch office of a foreign company.
 - Russian Limited Liability Company.
 - Private Joint Stock Company.

For any of the above forms, VISTA will:

- Prepare all the documents necessary for registration.
 - Register your company with all relevant authorities (accreditation chambers, tax authorities, statistics committee, social, medical, pension funds).
 - Represent your company with the state authorities.
 - Open bank accounts.
2. Application for and receipt of work visas for up to three foreign employees***

Accounting services****

For the first three months VISTA will:

1. Develop your firm's accounting and tax policy.
2. Handle all bookkeeping.
3. Conduct payroll operations.
4. File all necessary financial and tax reports with the tax authorities.

3 reasons to outsource accounting services

1. Experienced and bilingual accounting personnel is required. Why?
 - Russian financial and tax accounting standards differ from generally accepted worldwide.
 - Accounting should be made in Russian and with use of special statutory forms and accounts.
 - Accountants of a foreign company subsidiary should speak English, at least to communicate with the Headquarters. BUT professionals speaking foreign languages are rare and, thus expensive.
 - Transformation of Russian accounting data into a form understandable by Shareholders may be required.
2. Accounting requires deep and extensive knowledge in other areas including civil law, taxation, currency and exchange transactions rules, operations at customs, labor and migration issues and etc. Why should you employ much staff? Employ VFBS which has all specialists and may guarantee full compliance of accounting and reporting without wasting extra time and money.
3. Liaison with the tax authorities is troublesome.

Administrative support services

Our specialists will provide you with information on services of different providers that you may need while establishing your business. VISTA will provide you with:

1. A general overview of the real estate market in Moscow and contact information on real estate agencies.

2. Information on internet, telephone, mobile and IT service suppliers.
3. Information on banks (including ratings) and an overview of services they provide so that you could determine whichever better suits your needs.
4. Information on insurance companies and their services.
5. Information on leasing companies and their services.
6. Information on where you can get salary surveys from and headhunting companies.
7. VISTA will also represent your interests with all the above mentioned providers and help to negotiate the contracts.

* More consultations are available at VISTA's hourly rates

** Choose one entity to be registered

*** More foreign employees can be registered for an additional fee

**** Accounting services provided at fixed fee for initial three month period, excluding sales (which can be provided for an additional fee). VISTA can continue providing accounting services after the start-up period.

Legal and tax overview

Overview of Russian Corporate Law

Russian law in general is based on statutes. Only laws and sublaws (so-called instructions issued by the relevant ministry on the basis of an authorization under a law) are regarded as source of law. Case law is not a source of law. In practice, however, judges use precedents or prior decisions on similar cases when preparing their decisions. If certain situations are not regulated by laws and sublaws, a judge, when preparing his decision in a court case, normally refers to court practice. Nevertheless, when drafting adjudications he may refer only to laws and sublaws and not to case law on similar matters, with the exception for the Constitutional Court resolutions.

Company Law forms part of the Civil Law. The main source of Company Law is the Civil Code of the RF. Where appropriate, the Code makes references to statutes, among which the most important are Federal Law 208-FZ of 26 December 1995 "On Joint-Stock Companies" and Federal Law 14-FZ of 8 February 1998 "On Limited Liability Companies".

The Civil Code, which was introduced by Federal Laws 52-FZ of 30 November 1994, 15-FZ of 26 January 1996 and 147-FZ of 26 November 2001, provides a closed list of legal entities which may be registered in Russia.

The Code distinguishes between commercial and non-commercial organizations. Commercial legal entities may take any of the following forms (collectively known as "economic partnerships and corporations"):

- Public joint-stock company (otkrytoe akcionerное obshchestvo, OAO).
- Private joint-stock company (zakrytoe akcionerное obshchestvo, ZAO).
- Limited liability company (obshchestvo s ogranichennoj otvetstvennost'ju, OOO).
- Additional liability company (obshchestvo s dopolnitel'noj otvetstvennost'ju).
- General partnership (polnoe tovarishchestvo).

- Limited partnership (komanditnoe tovarishchestvo).
- Industrial cooperative (proizvodstvenyj kooperativ).
- State and municipal unitary enterprise (gosudarstvennoe and municipal'noe unitarnoe predpriyatje). In addition to the above-mentioned legal entities, individuals, simple and silent partnerships (which are not considered legal entities) may be engaged in commercial activities. Non-profit organizations may take the form of institutions, public associations, consumers' cooperatives, social funds and religious associations.

The most important forms of legal entities are the limited liability

company, the private joint-stock company and the public joint-stock company. In all three cases, the liability of the shareholders for the company debts is limited to the amount of their contributions to the nominal capital of the company. Foreign investors may establish fully foreign-owned companies of any form, with the exception of unitary enterprises. Foreign companies may also register Representative offices (for auxiliary and preparatory activities) or Branch offices (for commercial activities). Please find below the table comparing the most commonly used types of entities and offices.

Type of Companies

Again we would like to highlight the importance of Russian business modeling to be made PRIOR setting up legal presence in Russia, because form of legal presence in Russia influences all aspects of activity including possibility for making deals and tax consequences of the deals, financial and tax accounting and reporting, possibilities under customs, currency control legislation, ability to employ foreign nationals, repatriation of income, application of international treaties and many others.

In the comparison table below you can find general description of main types of legal forms you can choose to start your business in Russia

Russian legal entity		Subdivision of a foreign company	
Limited liability company (LLC)	Private joint stock company (PJSC)	Representative office (RO)	Branch
Legal Status			
<p>LLC and PJSC are Russian legal entities. They may conduct any form of commercial activity, provided it is not prohibited by the Russian legislation. For conducting any licensed type of activity it is necessary to obtain the relevant license (p. 7).</p> <p>The number of shareholders/participants in PJSC/LLC can not exceed 50. Any Russian and foreign companies and individuals may be founders or shareholders in any number of Russian companies. A company may be established by a single founder, as long as the founder is not a company owned by a single legal entity or individual. Some peculiarities exist for companies with single founder. For more detailed information please see Sole Ownership (p. 7).</p>		<p>RO and Branch of a foreign legal entity are not considered to be separate legal entities. RO and Branch are subdivisions of a foreign company. They are considered to be Russian non-resident entities for currency control purposes.</p>	
		<p>RO is a subdivision of a foreign legal entity that represents the foreign legal entity's interests in Russia. ROs officially are not allowed to undertake commercial activity in Russia.</p>	<p>On the contrary, Branch is a subdivision of a foreign legal entity that may conduct commercial activity.</p>
Registration and Accreditation			
<p>Registration is done by the Tax Authorities, which keep the Consolidated State Register.</p> <p>A company also is to be registered with the State Statistics Committee and three non-budgetary funds (Pension fund, Obligatory Medical Insurance fund and Social Security fund).* Please also see description of the registration process and list of documents (p.12).</p>		<p>ROs and Branches may be accredited at several state authorities, such as the State Registration Chamber (GRP), Chamber of Trade and Commerce and various Ministries of the Russian Government, although the Consolidated State Register of ROs and Branches is kept by the GRP. ROs and Branches are also to be registered with the Tax Authorities, State Statistics Committee and the three non-budgetary funds (Pension fund, Obligatory Medical Insurance fund and Social Security fund). Please also see description of the registration process and list of documents (p. 12).</p>	

Registration and Accreditation duties and charges		
<p>Registration duty is 2000 rubles (~70 USD).</p> <p>There are also charges for registration of the company's seal, registration at the State Statistics Committee, which amount in overall up to no more than ~80 USD.</p>	<p>The GRP accreditation charges depend on the term for which a RO is set up</p> <p>1 year – 1000 USD 2 year – 2000 USD 3 year – 2500 USD.</p>	<p>Accreditation charges of the GRP depend on the term for which a Branch is set</p> <p>1 year – 500 USD 2 year – 1000 USD 3 year – 1500 USD 5 year – 2000 USD.</p> <p>There is also a state duty which is 60,000 rubles (~2150 USD).</p>
Authorized capital		
<p>Minimum authorized capital for an LLC and PJSC is 10,000 rubles (~370 USD).</p>		<p>Under the Law there is a requirement to form assets, but the amount is not stipulated.</p>
<p>At least 50 per cent of the authorized capital must be paid-up prior to the company registration.</p>	<p>50 per cent of the authorized capital must be paid-up within 3 month upon the registration.</p>	
Management structure		
<p>LLC and PJSC have a three-tier management structure consisting of (1) General Assembly, (2) Board of Directors, and (3) Executive Body**. General Assembly is the highest management body and it must meet at least once a year.</p> <p>Board of Directors effects general supervision of the company's business activities which are not referred to the competence of the General meeting. Executive Body of a company may be represented by either an individual or a collective body. The Executive Body acts pursuant to the Charter document and doesn't need a Power of Attorney.</p>		<p>For both RO and Branch the Executive Body (Head of RO or Branch) should be appointed by the foreign legal entity. Executive Body acts pursuant to a Power of Attorney issued by the foreign legal entity.</p>
Shares/Units		
<p>Authorized capital is divided into shares/units which represent rights and obligations of shareholders/participants.</p>		
<p>A unit is not a security. A unit can be sold to anyone, but a pre-emption right of other shareholders to purchase the unit may be stipulated in the incorporation documents.</p>	<p>A share is a security. Public subscription is prohibited. The shares allotment shall be registered with the relevant state authorities.</p>	
Accounting and Tax Compliance		
<p>Companies are to file accounting and tax reports with the Tax Authorities on a quarterly basis. Reports on VAT shall be filed every month. For more information please see Reporting compliance table (p.13).</p>		<p>There is almost no distinction between a Branch (or taxable RO, Permanent Establishment) and a Russian legal entity in terms of tax compliance. A RO which carries out auxiliary and marketing activity also should submit reports on it's activity and possible income and all reports related to payroll and social security taxes. Reporting is, generally, made every quarter with exception for VAT (monthly) to the special tax inspectorate, which deals only with RO and Branches. For more information please see Reporting compliance table (p.13).</p>

Foreign Staff

In order to employ foreign nationals a company has to obtain an Employment permit. Afterwards every foreign employee is to obtain a personal Work permit. A work visa is also required. For more detailed information please see Employment of Foreign Nationals (p. 10-11).

RepOffices and Branches of foreign companies also have to obtain the Employment permit. Every foreign employee also has to obtain personal Work permit. A foreign employee visa (a type of work visa) is required. For more detailed information please see Employment of Foreign Nationals (p. 10-11).

** Effective from 1 January 2004, the registration procedure for Russian legal entities is simplified by introduction of the "one window" approach and the tax authorities are now responsible for registration of companies with the non-budgetary funds.*

*** A company with a sole owner has a management structure different from the structure of companies having several owners. See the information in Sole Ownership below.*

Sole Ownership

As it was mentioned before a Limited Liability Company or a Private Joint Stock Company can be founded by an individual (Russian or foreign) or by a legal entity. The incorporation document of a solely owned company is a Charter. Such a company doesn't have any management bodies like General Assembly of Shareholders. There is no Board of Directors. All decisions are taken up by the sole owner. Accordingly the legal requirements to call General Assembly and apply other procedural issues are not applicable to such a company. The management of the company is carried out by means of written decisions of the owner. If the owner is also the General Director of the company decisions are made up by issuing orders. One should though keep in mind that such a company is a separate legal entity, its assets are legally isolated from the assets of the owner.

Licensing and Certification

Russian legal entities (including entities with foreign ownership) and Branches of foreign legal entities may carry out any activity which is not prohibited by the legislation. For instance, the Russian legislation does not allow foreign companies and private Russian companies to own and sell some strategic objects, weapons and nuclear products. Some activities also require special permission – license, and some goods may require certification.

Licensed activities are listed by Law "On Licensed Activities" No 128 FZ dated 8 August 2001 and some other laws and include:

- Banking, insurance, investment.
- Customs brokerage, transportation, logistics, vehicles, aircrafts repair and maintenance.
- Medicine and pharmaceuticals, production of medical equipment.
- Education.
- Telecommunications.
- Notary services.
- Construction and maintenance of dangerous objects.
- All activities related to weapons (non-strategic), drugs, poisons.
- Travel agency and some other similar activities.

Medicines, detergents, medical equipment, telecommunication equipment and some other goods require certification before importation and sale in Russia.

Customs

Customs procedures are governed by the Customs Code introduced on 28 May 2003 by Law No 61-FZ and a number of subordinate laws and instructions detailing the provisions of the Customs Code.

Under the general rule goods may be imported and exported by all entities and offices. Representative offices of foreign legal entities, naturally, may import only for personal use and often apply temporary importation regime. In respect of importation/exportation by Branches of foreign legal entities there is a condition that goods for further resale may not be imported by Branches within a contract between the foreign and Russian legal entities, i.e. there should be no international trade deal.

Some relieves from customs duties and import VAT may be obtained under temporary importation and similar customs regimes. The relief may be total or partial (with payment of a percentage of customs duties and import VAT every month). It is declared that the paid duties under the temporary importation regime are refundable upon exportation, however, in practice, no refund usually happens. Goods under the temporary importation should be exported in the condition they were imported with consideration for depreciation. Importation of a number of goods requires certification and the examples are provided above. Software on media can not be separated by value for customs duties and VAT purposes. Some equipment, e.g. telecommunication, may be imported only by licensed companies. Importation of goods as contribution to charter capital are exempted from customs duties and VAT under certain condition. There are also other exempted goods, mostly, socially or economically important.

Currency Control

Currency and exchange transactions in Russia are governed by Law "On Currency Regulation and Control" No 173_FZ dated 10 December 2003. Under the general rule Russian residential companies and individuals are not allowed to make transactions in foreign currency between each other. Foreign currency transactions with non-residential companies and foreign national individuals are allowed with certain restrictions pertaining to terms of deals and special controlling documental procedures. There are also hedge mechanisms applicable for violation of contractual terms or for deals considered as capital transactions, e.g. reservation of part of the deal value, special bank account to be opened for the transactions, preliminary registration of the deal, provision of guarantee, letter of credit, e.g.

Financial and tax accounting is made in rubles and, thus, all foreign currency transactions are converted into rubles for the accounting purposes.

Russian Tax System Overview

Tax Code

In general, the taxes levied at all levels are regulated by the Tax Code, which sets out the structure of each tax (e.g. taxpayer, tax base, maximum tax rates, tax exemptions, administrative matters). The Russian regions are authorized to set their own rates within the framework provided by the Tax Code. Introduction of the Tax Code resulted in systematization of the tax legislation inherited from the Soviet Union time and simultaneous abolishment of a number of turnover taxes and ineffective duties. Moreover, it centralized the fiscal function within the Tax Authorities. The Tax Code was introduced in 2001 with the General and VAT chapters and was then added up with chapters on other taxes in 2002, 2003 and 2004. Therefore it is continuously under verification of its parts with each other with subsequent corrections and still contains a lot of loopholes and ambiguities, requiring further clarifications to be done by the fiscal governmental authorities (the Ministry of Finance) or by courts.

Laws

The Tax Code often refers to other legislation composed of other Codes and hundreds of subordinate laws and regulations part of which is dated back to the Soviet Union time.

Tax Law Interpretations

Interpretations of the law by the Ministry of Finance and the Federal Tax Service or the tax authorities are not binding on the taxpayer or on the courts, but the tax authorities must follow such interpretations. Generally, court decisions on tax cases, including the decisions of the

Supreme Arbitration Court, do not establish a binding precedent. However, the information letters on recent judicial practice issued by the Supreme Arbitration Court and the Supreme Court are binding on lower courts. The Constitutional Court's decisions on the constitutionality of particular legislation establish a binding precedent.

Taxes

Russian taxes on usual corporations may be grouped as follows:

- I. Income taxes
 1. Corporate Income tax – 24%.
 2. Withholding Corporate Income Tax on Russian source passive income of foreign legal entities (interest, dividend, rent, royalty and similar)- from 10% to 24%.
 3. Withholding tax on dividends paid to Russian legal entities – 9%.
 - II. Indirect taxes
 1. Value-Added Tax (VAT) -10% on the value of socially important goods and 18% on the value of most of goods and services.
 - III. Payroll taxes (Payroll taxes are paid by employers only).
 1. Unified Social Tax from 26% to 2%.
 2. Insurance against Industrial Accidents and Professional Deceases – from 0.2% – 8.5%.
 - IV. Property Taxes
- All property taxes are regional and the rates are established by the regional authorities but can not exceed the following limits established by the Tax Code:
1. Property tax on fixed assets -2.2%.
 2. Transport tax on owned vehicles, vessels and aircrafts- tax amount depends on engine capacity and is calculated per horse power or similar merit.
 3. Land tax on owned land plots – rate varies from 0.3% to 1.5% of the land book value and depends on the type of plot.

Individuals are liable to:

1. Individual Income tax: 13% for tax residents and 30% for non-residents; special rates are established for interest, material gain and insurance income – 35%, for dividend income of residents – 9%.
2. Property tax on immovable property (insignificant).
3. Land tax – similar to corporations.
4. Transport tax – similar to corporations.

There are other taxes and duties applied on specific products and activity and for making certain procedures by notaries and governmental authorities.

1. Excises.
2. Tax on Mineral Resources Extraction.
3. Customs Duties.
4. Water Tax.
5. Duty on Usage of Fauna.
6. Gambling Tax.
7. Stamp Duties.

There are also special tax regimes for small, agricultural businesses and agreements on product sharing used for mineral resources extraction. Under small and agricultural regimes a unified tax, generally, from 6% to 15% (or a fixed contribution) is paid. But certain conditions should be satisfied to apply such regimes.

Brief Overview of Taxes on Income and Transactions

Corporate Income Tax

The corporate income tax is the major tax on business income (nalog na pibyl' organizacij, CIT). Dividend distributions are taxed by way of withholding. Legal entities registered under Russian laws are liable to tax on their worldwide income. Foreign legal entities are subject to taxes only on income derived from business activities of a permanent establishment (which should be registered as a Branch) within Russia and on certain particular Russian_source income. All types of income are included in gross income.

Unless specifically exempted from taxation the taxable income is composed of:

- Profits from sale of goods and supply of services which are computed as the difference between sales revenues, excluding VAT, and directly and indirectly related expenses.
- Revenue in kind from sale of goods or supply of services, or from property rights which must be accounted for on the basis of the fair market value of the goods, services, rights in conformity with the transfer pricing rules, established by the Tax Code.
- Profits from non-sales transactions which comprise lease payments, dividends received from other companies, interest on bonds, royalties, compensation received for losses, less any non-sales expenses.

From 2002 the accrual method is generally applied.

All documented and economically justified expenses are deductible unless specifically disallowed for deduction by the Tax Code. Branch offices of foreign legal entities may deduct related expenses incurred by the Headquarters if so prescribed by the relevant international treaty on double tax avoidance (DTT).

Tax payment is monthly but may be done in a form of estimated advance tax payments or based on actually received profit for a month. Reporting depends on the form of the tax payment chosen and is quarterly in the first instance and monthly in the latter case.

Withholding Tax and Tax Agent Obligations

A resident company paying dividends (to any company) and interest, royalties and similar (to a foreign company without presence in Russia) is required to withhold tax at source. DTTs generally establish lower withholding tax rates.

Withholding tax is reported by the tax withholding agents together with the corporate income tax.

Individual Income Tax

Individuals, irrespective of nationality should pay Russian individual income tax on:

- Worldwide income, if the individual is considered as Russian tax resident, i.e. physically spends 183 or more days in Russia in a calendar year.
- Income for work in Russia or from Russian property and investment,

if the individual is considered as tax non-resident, i.e. spends fewer than 183 days in Russia in a calendar year.

Individual Income tax of 13% is applied to most types of income of Russian tax residents with the following exceptions:

- Interest income in excess of the allowed limits (9% for foreign and 13% for Russian currency) – 35%.
- Material gain on interest free or low interest loans (interest levels are similar to the above) and arising from receiving benefits in-kind at a below market price or free – 35%.
- Dividend income – 9%.

Non-residents should pay tax on all types of income at 30% tax rate.

Russian individual income tax provides for exemptions from taxable income of Russian tax residents related to acquisition and sale of real estate and other property. There are also professional deductions related to creation of intellectual property or provision of non-employee services.

Individual income tax is withheld at source and, if withholding is impossible, paid by the individual upon submission of an annual declaration (by April, 30 of the following year) by July, 15.

There is no family taxation.

VAT

In general, revenue originating from supply of goods, works and services in the territory of the Russian Federation and import of goods is subject to VAT unless specifically exempted by the Tax Code. Russia applies the destination principle, i.e.:

- VAT is imposed in Russia if the products or services are consumed or used in Russia.
- exemptions are granted for exported goods or services used outside Russia.
- VAT is imposed on imports.

A taxpayer may be exempted from VAT upon application, provided that the taxpayer's turnover for the preceding 3 months does not exceed RUR 2 million.

The amount of VAT payable is the difference between the VAT due on the supply of goods, works or services and the amount of input tax incurred. The deductible input VAT is the VAT payable to other taxpayers according to invoices for goods, works or services actually received and related to the taxable transactions of the taxpayer, including transactions liable to VAT at zero rate. VAT paid on imported goods and capital assets may be deducted as input VAT on the date the assets are accounted for. Input VAT offset or refund rules are complex and in most cases require thorough financial planning and contracts structuring.

A VAT deduction is not available if VAT is paid in respect of transactions exempted from VAT and transactions performed by taxpayers relieved from VAT payer status. In these cases, input VAT constitutes part of the expenses deductible for the corporate income tax purposes.

If the amount of deductible input tax exceeds the amount of VAT payable on outputs, the excess may be used to offset other tax liabilities of a

taxpayer in the consecutive period of 3 months. On the expiry of this period, the excess may be refunded at the request of the taxpayer. The application must be processed within 2 weeks of submitting the necessary documents. The same time limit is applied to the subsequent refund payment. The taxable amount for imports is the sum of the goods value, customs duties, excise taxes and customs fees.

Export of goods and certain services from the customs territory of Russia is zero rated by virtue of the destination principle, regardless of the state of destination. The same principle applies to re-exported goods and the goods exported following the completion of services pursuant to a contract under which the previously imported goods have been improved, processed or converted.

Zero rating of exports is subject to certain documentation requirements, i.e. a taxpayer must submit the correspondent documents to the tax authorities.

VAT is paid and reported monthly.

Russian Labor Legislation Overview

Labor legislation is composed of the Labor Code and a number of subordinate laws and regulations. The Labor Code strictly governs almost all aspects of labor relationships and its provisions are obligatory for employers and employees, i.e. worse conditions even agreed by employers with employees and fixed in labor contracts become void.

The labor legislation strictly regulates reasons and conditions for employment, dismissal and change of employment conditions, work and holiday terms, extra or special regime work and business traveling compensations, treatment of employees under 18 years old, pregnant women or women having children and etc. Labor legislation is very protective as it pertains to interests of employees.

The Russian labor legislation provides for a rule due to which labor relationship started beyond the bounds of the Russian Federation and still continuing on the territory of the Russian Federation must be regulated by the Russian labor legislation. Namely, regulation of a labor activity of a foreign employee, having entered a labor contract with a foreign company which assigns this employee afterwards to its Representative or Branch office in Russia, must be exercised in accordance with the Russian labor legislation. In case a labor contract, concluded between a foreign employee and a foreign company, contradicts Russian labor legislation, the latter is applied.

This also means that labor activity of such foreign employees must be documented in the same way as labor activity of Russian employees. Hence, an employer company must compile personnel record documentation for enrolling foreign employees.

Russian Migration Legislation Overview

Russian legislation, establishing equal rights for Russian and foreign employees, however, stipulates certain restrictions concerning work activity of foreign nationals in Russia. On July 25, 2002 President of the Russian Federation approved Federal Law "On legal status of foreign nationals in the Russian Federation" # 115-FZ. The Law defines the legal status of foreign nationals in the Russian Federation and also covers issues of entry, exit, stay, and employment of foreign nationals in Russia.

The Law sets forth the procedure according to which each foreign national must obtain a personal Work permit for conducting labor activity in Russia (under either a labor or civil law contract). It is the employer company who is obliged to obtain the Work permit for its foreign employee. Besides, prior application for Work permits the employer company must obtain an Employment permit in order to have the right to employ foreign nationals.

A foreign national doesn't need a Work permit if he/she:

- Is a journalist, accredited in the Russian Federation.
- Is a student studying in Russia and working at spare time.
- Is a lecture or teacher invited by educational organization.

For other cases the Russian Government annually adopts quotas for employment of foreign nationals to come to work to the Russian Federation.

Temporary Residency

A temporary residing foreign national is a person having obtained a Temporary Residence Permit (TRP). TRP is a document proving the right of a foreign national to reside in Russia before obtaining of a Residence Permit. TRP is issued for 3 years and should be issued within 6 months from the date of application. TRP can be issued to a foreign national within a quota established by the Federal Government.

Rights and obligations of a temporary residing foreign national:

1. A temporary residing foreign national can not change, at his/her wish, his/her place of residence for any other not indicated in (permitted by) TRP.
2. A temporary residing foreign citizen doesn't need a work permit to work on the territory of the region where he/she obtained a TRP but has to obtain one to work outside of such region.
3. If a foreign national wants to exit Russia he/she should every time apply for a single exit/entrance visa.

Permanent Residency

A permanently residing foreign national is a person that obtained a Residence Permit in Russia. Having obtained TRP and resided in Russia for a year a foreign national may apply for a Residence Permit. A Residence Permit is issued to a foreigner for 5 years' term. A Residence Permit enables a foreign national to work in Russia without a Work permit and to leave Russia and return without a visa.

Types of Russian Visas

Visa is a document issued on the basis of an invitation to enter the Russian Federation. Visa determines a period for a foreign national to stay in Russia. All foreign nationals except for nationals of the countries – members of the Commonwealth of Independent States (most of the former Soviet Union Republics) need to have a visa to enter and stay in Russia. Nationals of Turkmenistan and Georgia also require a Russian visa.

Type of visa	When it is issued	Inviting authority	Ground for issue	Term of visa
"Work" visa	When a foreign national comes to Russia to work for a Russian company or a subsidiary company of a foreign legal entity.	Russian employing company.	Foreign national's Russian Work permit.	Such a visa is issued for a period of 12 months and is usually registered in Russia for 6 or 12 months. This visa can be prolonged for another 12 month period without the necessity to exit Russia provided that the foreign individual's Russian Work permit has not expired and new Work permit has been obtained in time.
"Foreign employee" (work) visa	When a foreign national comes to Russia to work at a Representative or Branch office of a foreign company.	The authority with which a Representative or Branch office is accredited.	The foreign national's personal accreditation card and Work permit.	Usually such a visa is issued for a period of 12 months and is registered in Russia for 6 or 12 months. This visa can be prolonged for another 12 month period without the necessity to exit Russia.
"Business" visa	When a foreign national comes to Russia for holding meetings, and negotiations, participation in exhibitions and going through personal development and retraining programs.	It should be the authority (company) where the foreign national actually travels to for business.	Invitation issued by the inviting authority (company).	"Business" visa may be issued up to 12 months but it allows a foreign national to stay in Russia for not more than 180 days continuously.

Registration upon Arrival and Stay

A foreign national having entered Russia is obliged to register at the address of staying (residence address) within 3 working days as from the day of arrival. To do so the inviting company should provide an application issued by the owner of the residence (where the foreigner is to reside during the stay in Russia) legalized at local DEZ (House Managing Service) or local REU (Department of Repair and Exploitation). The application should be signed by the Head of DEZ or REU with obligatory indication of the name of the signatory legalizing the application.

A foreign national must register within three working days again in case he/she changes the residence address in Russia. Registration of children under 18 is conducted at the same time as the registration of parents.

Start up toolkit

Establishment of a Business Presence

There are several forms for a foreign investor to start business in the Russian Federation. A foreign investor may set up a Russian legal entity in the forms of a limited liability company, a joint-stock company (which can be private or public) or a partnership. The other way is to open a Representative or Branch office of a foreign company in Russia.

List of documents required from a company – non-resident:

1. Certificate of Incorporation or extract from the Trade Register of the country of origin.
2. Memorandum and Articles of Association.
3. Resolution of the Company's Executive (Managing) Body on the appointment of the Head of the new company or a Power of Attorney to a person authorized by the Company.

The documents mentioned above require Consulate legalization or apostille with notarized translation into Russian.

List of documents required from a foreign national:

1. Passport.
2. Russian visa (if any).

Representative and Branch office accreditation. General information. List of documents required from a foreign legal entity:

1. Memorandum and Articles of Association of the foreign legal entity (charter, bylaws).
2. Certificate of Incorporation of the foreign legal entity or Extract from the Trade Register.
3. Reference Letter provided by a Bank that services the foreign legal entity in the country of incorporation that proves the legal entity's solvency.
4. Resolution of the foreign legal entity on creation of the Representative or Branch Office and appointing of the Head.
5. A power of Attorney given to the Head of the Representative or Branch office.
6. Certificate of registration of the foreign company with the tax authorities (or its analogue) in the country of its establishment.

Documents mentioned above require Consulate legalization or apostille with notarized translation into Russian.

Legislation Compliance

Registration of a Russian legal entity. General information.

Stage	Terms
1. Registration with the Tax Authorities	5–7 working days
2. Registration with the State Statistics Committee	2–5 working days
3. Company Seal production	2–5 working days
4. Registration with the non-budgetary funds (Pension Fund, Social Insurance Fund, Obligatory Medical Insurance Fund)	is done by the tax authorities
5. Opening of bank accounts	depends on the bank
6. Registration with the Federal Service for Financial Markets* of shares emission	24–30 working days

*Is applicable only to Private and Public Joint Stock Companies.

Representative and Branch Office Accreditation. General Information.

Stages of accreditation:

Stage	Terms
1. Accreditation with the accreditation authority	14–21 working days
2. Office Seal production	2–5 working days
3. Registration with the State Statistics Committee	2–5 working days
4. Registration at the Tax Authorities	5–7 working days
5. Registration with the non-budgetary funds	is done by the tax authorities
6. Opening of bank accounts	depends on the bank

Russian Financial and Tax Compliance Table

Type of Reports	Representative Office*		Legal Entity and Branch** Office	
	Payment of tax	Filing	Payment	Filing
Balance Sheet with Annexes	N/A	N/A	N/A	Quarterly
Income Statement	N/A	N/A	N/A	Quarterly
Report on Change in Capital	N/A	N/A	N/A	Quarterly
Cash Flow Report	N/A	N/A	N/A	Quarterly
Report on Use of Funds(for Russian Budgetary Financing)	N/A	N/A	N/A	Quarterly
Account Policy	N/A	N/A	N/A	Annually
General Tax Reports				
Corporate Income Tax Report (including Withholding Tax information)	N/A	Quarterly	Monthly	Monthly or Quarterly
VAT Report (inclusive of special forms for import/export operations)	N/A	N/A	Monthly	Monthly
Individual Income Tax reporting	Monthly	Annually	Monthly	Annually
Unified Social Tax Report	Monthly	Quarterly	Monthly	Quarterly
Pension Fund Contributions Computation	N/A	Quarterly	N/A	Quarterly
Provision of employees' personal data to Pension Fund	N/A	Annually	N/A	Annually
Pension Fund Report	N/A	Annually	N/A	Annually
Social Insurance Fund Report	N/A	Quarterly	N/A	Quarterly
Industrial Accident Insurance	Monthly	Quarterly	Monthly	Quarterly
Property Tax Report	Quarterly	Quarterly	Quarterly	Quarterly
Transport Tax Report	Annually	Annually	Annually	Annually
Special Taxes and Tax Regimes Reporting				
Land Tax Report	N/A	N/A	Quarterly	Quarterly
Mineral Extraction Tax Report	N/A	N/A	Monthly	Monthly
Excises	N/A	N/A	Monthly	Monthly
Simplified Tax Regime reporting***	N/A	N/A	Quarterly	Quarterly
Gambling Tax reporting	N/A	N/A	Monthly	Monthly
Reports to Statistics Committee				
Report on sold goods (P1)	N/A	N/A	N/A	Monthly
Report on investments (P2)	N/A	N/A	N/A	Quarterly
Report on financial statement (P3)	N/A	N/A	N/A	Monthly
Report on personnel number, salary and movement(P4)	N/A	N/A	N/A	Monthly

* A representative office with auxiliary and representation function only, i.e. having no commercial activity

** For the purposes of Russian Financial and Tax Compliance a Repoffice that creates a permanent establishment is called a Branch

*** Inapplicable to Branches

Other services provided

Corporate Services

- ▮ Incorporation of legal entities.
- ▮ Corporate restructuring.
- ▮ Antitrust.

Corporate Securities

- ▮ Preparation of corporate securities emission.
- ▮ Consultations on operations with stocks (shares) on the secondary market.
- ▮ Legal advice on any other matters related to corporate securities emission, registration, allotment and operations.

Tax Services

- ▮ Evaluation of corporate and contractual schemes designed to reveal tax risks.
- ▮ Development of tax saving models based on tax benefits.
- ▮ International tax planning.
- ▮ Representing the interests of the Client during tax revisions.
- ▮ Preparation of disagreement acts and claims during and after tax revisions.
- ▮ Preparation of documents and representation of the Client's interests on the pretrial stage, in trial and during the execution process.

Accounting and Tax consulting

- ▮ Full or partial bookkeeping for Representative or Branch offices of foreign and Russian legal entities.
- ▮ Formation of accounting and tax policy.
- ▮ Creation of initial accounting documents.
- ▮ Formation of financial and tax accounting registers in accordance with the Russian legislation.
- ▮ Payroll calculations, including payments to the non-budgetary funds.
- ▮ Preparation and submission of reports and tax returns to the non-budgetary funds.
- ▮ Preparation and submission of tax returns on other kinds of taxes to the Tax Authorities.
- ▮ Representation of the Client's interests with the Tax Authorities and the non-budgetary funds of the Russian Federation.
- ▮ Preparation of financial reports for the Head company.

Property Law

- ▮ Legal support of real estate transactions.
- ▮ State registration of rights for real estate and real estate transactions.
- ▮ Related services.
- ▮ Land services.
- ▮ Legal support of construction.

Contract Law

- ▮ Drafting of contracts depending on the purpose of a transaction.
- ▮ Expert evaluation of the contracts with preparation of a written legal opinion.
- ▮ Legal support of the contract implementation.
- ▮ Legal support during the negotiations.

- ▮ Consultations on international private law.
- ▮ Drafting of international contracts.

Labor Law

- ▮ Russian labor law consulting.
- ▮ Personnel record management services.
- ▮ Payroll services.
- ▮ Consulting of foreign employees on labor issues.

Migration Law

- ▮ Russian migration law consulting.
- ▮ Receipt of Employment and Work permits.
- ▮ Visa support.

Litigation

- ▮ Pretrial settlement of disputes.
- ▮ Preparation of documents for trial procedure.
- ▮ Representation of the Client's interests at state courts of arbitration.
- ▮ Representation of the Client's interests in arbitrated disputes at the International Commercial Court Arbitration, private arbitration, including ad hoc and while execution procedure.

Intellectual Property

- ▮ Drafting of copyright and license agreements.
- ▮ Legal analyses of copyright and license agreements and possible risks therein.
- ▮ Registration of trademarks and service marks.
- ▮ Registration of license agreements.
- ▮ Registration of patents.
- ▮ Consultations on protection, assignment and descent of copyrights.
- ▮ Consultations on patent law.

Customs Law

- ▮ Consultations on import/export operations.
- ▮ Consultations on the issues of goods evaluation, customs duties and taxes.
- ▮ Optimization of customs payments.
- ▮ Liaison with the customs authorities.
- ▮ Holding negotiations on recover of overpaid customs duties and customs deposits.
- ▮ Representation of the Client's interests in the case of customs rules breach.
- ▮ Preparation of applications and claims on the decisions of the customs authorities.
- ▮ Assistance in litigations pertaining to customs operations.

Environmental Law

- ▮ Review of applied environmental standards and pollution criteria.
- ▮ Support in obtaining of an ecological expert evaluation of an entity's business activity compliance with the Russian Environmental legislation.
- ▮ Obtaining required certificates.
- ▮ Ecological evaluation of commercial projects.

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Important Information

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