



Business Guide Russia

Danske Bank

Mannheimer Swartling

2nd Edition

Danske Bank

Danske Bank is the largest bank in Denmark and a leading player in the Scandinavian financial markets. The Danske Bank Group – which includes Danske Bank, Realkredit Danmark, Danica Pension and a number of subsidiaries – offers a wide range of financial services, including insurance, mortgage finance, asset management, brokerage, real estate and leasing services.

In Denmark, Norway, Sweden, Finland, Northern Ireland, the Republic of Ireland, Estonia, Latvia, Lithuania and Russia, the Group serves 5 million retail customers and a significant part of the corporate, public and institutional sectors. It also has a large number of international corporate clients, particularly in the northern European markets. Some 2.3 million customers use the Bank's online services.

Sampo Bank serves customers of 123 branches in Finland and 46 branches in the Baltic states.

Danske Bank also has branches in London, Hamburg and Warsaw. Moreover, a subsidiary in Luxembourg specialises in private banking services. For more information about Danske Bank go to www.danskebank.com

In Russia, Danske Bank is represented by ZAO Danske Bank (Closed Joint Stock Company Danske Bank which is usually named Danske Bank Russia) and has mission to serve current and potential corporate clients of the Group. Danske Bank Russia offers an extensive package of corporate banking services including cash management, treasury and financing. The Bank is in St. Petersburg, and is fully licensed for all banking operations in all currencies. For more information about Danske Bank Russia go to www.danskebank.ru

Mannheimer Swartling

Mannheimer Swartling is one of the leading law firms in Northern Europe. The firm is a full service Swedish law firm with extensive international practice. With around 420 lawyers in four Swedish offices and eight offices outside Sweden (Frankfurt, Berlin, Moscow, St Petersburg, Shanghai, Hong Kong, Brussels and New York), the firm provides legal advice to many national and multi-national corporations, financial institutions and organisations (Law Firm of the Year, PLC Which Lawyer? – Northern Europe 2007 and 2009).

Mannheimer Swartling has a long history in Russia. The firm opened its first Russian office in 1990 and was the first European law firm in what was then the Soviet Union. The firm's Russian practice involves a broad range of advisory and transactional work, including M&A and corporate/commercial, real estate, banking and finance, arbitration and litigation, as well as competition, labour and migration, intellectual property, tax and customs law. The firm has two full-service offices in Russia located in Moscow and St. Petersburg and employs around 45 Russian and foreign lawyers. The Russian practice is fully integrated in the firm and benefits from the entire firm's experience and expertise.

Mannheimer Swartling offers its clients high quality legal advice in all areas of business law and cross-border transactions.

The firm's Russian M&A and Corporate Practice group regularly acts for clients in relation to corporate establishments, mergers and acquisitions including due diligence and drafting and negotiating of transaction documents, corporate restructurings and winding up of companies.

The firm's Russian Real Estate Practice group advises on real estate transactions with regard to transaction structures, due diligence, public filings and registration and assist in construction projects as well as commercial leases. The firm is also experienced in advising both operators and owners in connection with the construction and management of hotels.

The firm's Russian Banking & Finance Practice group covers all areas of financing such as corporate lending, acquisition finance, project finance, export financing, asset-backed finance, real estate financing, regulatory issues and structured finance.

The firm's Russian Litigation & Arbitration group acts as counsel or arbitrators in international disputes referred to the Arbitration Institute of the Stockholm Chamber of Commerce, the International Chamber of Commerce and the Commercial Arbitration Court at the Russian Federation Chamber of Commerce and Industry. In addition, the group is one of few international law firms that handle court cases in Russian courts.

For further information, go to www.mannheimerswartling.se

1	Facts about Russia.....	6	5.7.4	Post closing notification.....	20
1.1	Overview	6	5.7.5	Sanctions for non-compliance	20
1.1.1	Prospects for the Russian economy	6			
1.1.2	Facts	6	6	Real property	21
1.1.2.1	Politics	6	6.1	Introduction	21
1.1.2.2	Economic indicators and demographics.....	6	6.2	Concept of real property	21
			6.3	Russian real property law	21
			6.4	State cadastre registration	21
2	Judicial system	7	6.5	Categorisation of real property.....	21
2.1	The court system	7	6.6	Ownership of real property.....	21
2.2	The arbitrazh courts	7	6.7	Other rights to real property	22
2.3	Russian courts in practice	7	6.7.1	Lease rights	22
2.4	International commercial arbitration in Russia.....	8	6-7.2	Perpetual inheritable possession.....	22
			6.7.3	Permanent use	22
			6.7.4	Gratuitous fixed-term use	22
			6.7.5	Operational management/financial administration	22
3	Setting up business in Russia	9	6.7.6	Expropriation of private real property	22
3.1	Hiring an individual	9	6.8	State registration of rights to real property	22
3.1.1	Employment vs. civil law (service) contract	9			
3.1.2	Income tax payments and social fees	9	6.9	Acquisition of ownership	23
3.1.3	Office space and office equipment	9	6.9.1	General.....	23
3.2	Representative office and branch office	9	6.9.2	Change of ownership.....	23
3.2.1	Representative office	9	6.9.3	Form of agreements.....	23
3.2.2	Branch office	10	6.9.4	Language requirements	23
3.2.3	Accreditation	10	6.9.5	Due diligence	23
3.3	Company	10	6.9.6	Related costs	23
3.3.1	Limited liability company (OOO).....	11	6.9.7	Currency regulations.....	23
3.3.2	Joint stock companies (ZAO/OAO).....	12	6.9.8	Construction.....	23
3.3.3	Procedure for establishing a Russian OOO and ZAO	13	6.9.9	Taxation	24
			6.9.10	Encumbrances.....	24
			6.9.11	Easements.....	24
			6.9.12	Mortgages.....	24
4	Competition	15	7	Work (employment) authorization	25
4.1	Overview	15	7.1	General.....	25
4.2	Establishment, merger and acquisition of companies	15	7.1.1	General visa requirements.....	25
4.2.1	Pre-closing approval of mergers and acquisitions.....	15	7.1.2	Types of visa.....	25
4.2.2	Pre-closing approval of establishments	15	7.1.3	Business visa.....	25
4.2.3	Post-closing notification	16	7.1.4	Work visa.....	25
4.3	Application review terms	16	7.2	Employment: Quota placement, employment and work permit.....	25
4.4	Intra-group transactions	16	7.2.1	General.....	25
4.5	Joint ventures	16	7.2.2	Quota placement.....	25
4.6	Foreign-to-foreign transactions.....	16	7.2.3	Employment permit	26
4.7	Abuse of dominant position	16	7.2.4	Work permit	26
4.8	Concerted actions and agreements limiting competition.....	17	7.3	Additional immigration formalities	26
4.9	State aid.....	17	7.3.1	Immigration card	26
4.10	Unfair competition.....	17	7.3.2	Notification on arrival and departure.....	26
4.11	Antimonopoly and competition control	17			
4.12	Sanctions.....	17	8	Taxation	27
			8.1	General.....	27
5	New legislation on foreign investments in strategic sectors	18	8.2	Corporate income taxation	27
5.1	Overview	18	8.2.1	Corporate residence	27
5.2	Russia's strategic sectors.....	18	8.2.2	Branch income.....	27
5.3	Foreign investors	18	8.2.3	Income	27
5.4	Transactions covered by the Law	18	8.2.3.1	Inventory	27
5.5	Definition of control.....	19	8.2.3.2	Capital gains.....	27
5.6	Special rules for foreign states and international organisations.....	19	8.2.3.3	Interest and dividends	28
5.7	Procedures	19	8.2.3.4	Foreign income	28
5.7.1	Prior approval of acquisition of control	19	8.2.3.5	Exchange gains and losses	28
5.7.2	Obligations as a condition for approval	20	8.2.4	Deductions	28
5.7.3	Post-closing request for approval	20	8.2.4.1	General.....	28
			8.2.4.2	Loss carryforwards.....	28
			8.2.4.3	Interest.....	28

8.2.4.4	Provisions for doubtful debts.....	28
8.2.4.5	Insurance premiums.....	28
8.2.4.6	R&D expenses.....	28
8.2.4.7	Depreciation and amortisation.....	28
8.2.4.8	Payments to foreign affiliates.....	29
8.2.5	Group taxation.....	28
8.2.6	Tax incentives.....	28
8.2.6.1	Tax accounting.....	28
8.2.7	Withholding taxes.....	28
8.2.8	Tax administration.....	29
8.2.8.1	Returns and payments.....	29
8.2.8.2	Filing.....	29
8.2.9	Other taxes and contributions.....	29
8.2.9.1	Social security contribution.....	29
8.2.9.2	Property tax.....	30
8.2.9.3	Transport tax.....	30
8.3	Individual taxation.....	30
8.3.1	Territoriality and residence.....	30
8.3.2	Gross income.....	30
8.3.2.1	Employment income.....	30
8.3.2.2	Capital gains.....	30
8.3.2.3	Other taxable income.....	31
8.3.2.4	Non-taxable income.....	31
8.3.3	Deductions.....	31
8.3.3.1	Non-business expenses.....	31
8.3.3.2	Personal allowances.....	31
8.3.4	Tax credits.....	31
8.3.5	Tax administration.....	31
8.3.5.1	Returns and payment.....	31
8.3.6	Tax rates.....	31
8.3.6.1	Exchange rates.....	32
8.4	Value added tax.....	32
8.4.1	Import VAT.....	32
9	Banking environment.....	34
9.1	Overview.....	34
9.1.1	The Central bank.....	34
9.2	Danske Bank in Russia.....	34
9.3	Legal & regulatory issues.....	35
9.3.1	Introduction.....	35
9.3.2	Resident and non-resident status.....	35
9.3.3	Account ownership.....	35
9.3.4	Deposit insurance system.....	35
9.3.5	Cash pooling regulations.....	35
9.3.6	Account types and charges.....	35
9.3.7	Currency control.....	35
9.3.8	Money laundering.....	35
9.3.9	Electronic transaction regulations.....	36
9.4	Payment and collection.....	36
9.4.1	Introduction.....	36
9.4.2	Card payments.....	36
9.4.3	Credit transfers.....	36
9.4.4	Direct debits.....	36
9.4.5	Cheques.....	36
9.5	Electronic banking.....	36
9.5.1	Introduction.....	36
9.5.2	EDIFACT / host-to-host solutions.....	37
9.5.3	E-payments.....	37
9.5.4	E-invoice / EBPP.....	37
10	Useful Links - Russia.....	38

1 Facts about Russia

1.1 Overview

Russia is the largest country in the world by total area, covering more than a ninth of the Earth's land area. It has the world's largest energy, mineral and forest reserves. Russian economy is excessively dependent on exports of oil and its prices. With its wide base of natural resources, a population of over 140 million people, a growing middle class and almost unlimited infrastructural needs, Russia is one of the most attractive markets for foreign energy companies, producers and exporters of different goods and technologies. According to United Nation's World Investment Prospects Survey for 2009-2011, Russia is within the top five foreign direct investment destinations for transnational corporations.

1.1.1 Prospects for the Russian economy

Following the crisis of the late 1990s, Russia was one of the world's fastest growing major economies, mainly driven by windfall oil revenues and substantial inflow of foreign investments. After years of high growth, since the end of 2008 the Russian economy has experienced a sharp decline, currency depreciation and outflow of foreign investments. The downturn was a result of the global economic crisis amid contraction of global investments, trade activities and declining commodity prices. As the global economy has stabilized and is gradually improving, there is a clear recovery trend in the Russian economy. Looking ahead, growth will benefit from stable energy prices, capital flows and fiscal stimulus.

To return to high growth and remain competitive among other major emerging economies, Russia will need further improvement of its investment and business environment. Russian government has pledged that it is ready to address the most acute issues, such as corruption, excessive bureaucracy and poor law enforcement. Structural economic reforms aimed at diversification of the economy and diminishing the dependency on exports of natural resources are currently also within top agenda priorities.

1.1.2 Facts

1.1.2.1 Politics

Official name

Russian Federation (founded as an independent state following the dissolution of the Soviet Union in 1991).

Form of government

Federal presidential-parliamentary republic.

Parliament

Bicameral system: the Federal Assembly of Russia, which consists of the Federation Council (upper house) and the State Duma (lower house).

Election system

Universal suffrage for citizens from the age of 18.

Head of state

The president is the head of state, supreme commander-in-chief and holder of the highest office. The president is elected for a four-year term (for a six-year term after 2012 elections). The constitution of Russia restricts the period during which a person can hold the office to two consequent years, although there is no limit to the total number of terms. The current president is Dmitry Medvedev.

Primary political parties

United Russia is the largest party in the State Duma and has constitutional majority. Prime Minister Vladimir Putin is currently chairman of the party. The Communist Party, the Liberal Democratic Party and Fair Russia are other parties represented in the State Duma.

Central bank

The Central Bank of the Russian Federation (Bank of Russia or CBR) is an independent central bank responsible for monetary and exchange rate policies as well as the stability and supervision of the banking system.

International relations

Russia is a permanent member of the United Nations Security Council, a member of the G8, G20, the Council of Europe, the OSCE, and is the leading member of the Commonwealth of Independent States (CIS).

1.1.2.2 Economic indicators and demographics

Population

140 million (2009 est.)

Religion

Russian Orthodox 15-20%, Muslim 10-15%, other Christian 2%

Languages

Russian, many minority languages

Currency

Rouble (RUB)

Social and economic indicators

GDP: USD 2.117bn (est. PPP, 2009), the 6th largest in the world

Foreign reserves: USD 448bn (Nov 2009), the 3rd largest in the world

Accumulated FDI: USD 122bn (2008)

Overall fertility rate: 1.41 children born per woman (2009 est.)

Life expectancy: total population: 66.03 years; males: 59.33 years; females 73.14 years (2009 est.)

Ratings

BBB Stable (Fitch, S & P), Baa1 Stable (Moody's)

2 Judicial system

2.1 The court system

At federal level, the Russian court system consists of the Constitutional Court, the federal courts of general jurisdiction and the arbitrazh (commercial) courts. At Russian-Federation-subject level, for example in Tatarstan and Krasnodarskiy Krai, the system encompasses constitutional courts and magistrates.

The Constitutional Court of the Russian Federation resolves issues of compliance of federal and regional legislation with the Constitution of the Russian Federation, and competence disputes between federal authorities and authorities of the Federation subjects. Furthermore, it interprets the Constitution. Subjects of the Russian Federation may have their own constitutional courts or other special judicial bodies that resolve issues of compliance of regional legislation with the fundamental law of the subject.

Federal courts of general jurisdiction and magistrates hear a wide range of criminal and civil cases as well as administrative cases.

The arbitrazh courts resolve commercial disputes that arise between legal entities or registered entrepreneurs and administrative disputes between companies or registered entrepreneurs and state authorities.

2.2 The arbitrazh courts

The arbitrazh (commercial) courts are state courts that resolve commercial and certain administrative disputes. Their name originates from Soviet times when disputes between state enterprises were heard before the "state arbitrazh". The arbitrazh courts should be clearly distinguished from both domestic and international arbitration.

Today arbitrazh courts are specialised courts that resolve property and commercial disputes between legal entities and registered entrepreneurs. They also examine claims seeking invalidity of governmental acts allegedly violating rights and legitimate interests of registered entrepreneurs or legal entities. Such claims include tax, land and other disputes arising out of administrative, financial and other legal relations. Arbitrazh courts also hear disputes that involve foreign legal entities or citizens.

Rules of procedure in arbitrazh courts are different from procedural rules that apply to civil cases heard in courts of general jurisdiction: In arbitrazh courts the Code of Arbitrazh Procedure applies.

The system of arbitrazh courts operates at four levels. The first level consists of the federal arbitrazh courts that act as courts of first instance.

The second level has 20 arbitrazh appellate courts. The arbitrazh appellate courts fully re-examine cases with respect to matters of both fact and law.

The third level comprises ten federal circuit arbitrazh courts. Each of them functions as a court of cassation dealing only with questions of procedural and substantive law.

The fourth level is the Supreme Arbitrazh Court of the Russian Federation, which is the superior judicial body for deciding commercial disputes and other cases handled by the arbitrazh courts. The Supreme Arbitrazh Court enjoys a right to review, at request of the parties, cases heard by the arbitrazh courts of the Russian Federation after legal judgments have come into force. It also ensures consistency in interpretation and application of law by the arbitrazh courts.

In a recently decided case, the Supreme Arbitrazh Court declared that its interpretation of law in that case would be binding on all other courts in similar cases. Although there is no explicit provision in the legislation authorizing the Supreme Arbitrazh Court to attach such powers to its interpretations, a resolution of the Supreme Arbitrazh Court, adopted in 2008 and recognized as constitutional in 2009 by the Constitutional Court, makes the decisions of the Supreme Arbitrazh Court binding on all arbitrazh courts. It also allows cases that have previously been decided differently by the Supreme Arbitrazh Court to be re-opened. In practice, lower courts have for a number of years already tended to follow the interpretation given by the Supreme Arbitrazh Court.

Historically, the rules of civil procedure in Russia have been inquisitorial as the rules of other continental law jurisdiction and not adversarial. However, the new Code of Arbitrazh Procedure, adopted in 2002, significantly limited the power of the courts to collect evidence independently of the parties' initiative, thus taking the procedure in a more adversarial direction.

In contrast to courts of general jurisdiction, arbitrazh courts tend to rely primarily on documentary evidence rather than on witness and expert statements.

A relatively short trial period is one of the main advantages of the arbitrazh courts. The law provides for a three-month period starting on receipt of the statement of claim and ending at the rendering of a final judgment. This period is, however, usually longer but rarely exceeds one year.

2.3 Russian courts in practice

While every national court system has its own characteristics, the Russian court system works differently from courts in western jurisdictions. Russian courts operate within the framework of Russian society, and the limitations of the Russian administration are mirrored in the working of the courts. Leaving aside political and economic factors, some specific features of the Russian court system deserve to be mentioned.

First, it is important to bear in mind that many Russian judges certainly match the professional standards of their western peers, but others, notably those trained in different time under a different regime, may be less

familiar with many of the principles that characterise a nation under the rule of law. One obvious trait among many Russian judges is their tendency to apply statutes and contractual provision literally, even in situations where the result will appear odd. Arguments related to the purpose and systematics of statutes or contractual provisions will usually be trumped by a literal interpretation of the wording. Therefore, it is advisable to explicitly state contractual obligations and not to rely on a general duty of the parties to do everything to fulfil their contractual claims. For example, successful suing because of a violation of unwritten side duties will be difficult.

While court proceedings in all countries have a tendency to be conducted by the parties like a chess game, this is even more so the case in Russia: The parties have to send their briefs only three days before a hearing, and distribution of briefs to the parties by courts is not common. Judges may have 30-40 cases to prepare for a hearing day and may choose not to take into account lengthy arguments that are not easy to explain.

When deciding to litigate in Russia, it is important to know whether litigation will take place in St. Petersburg or in Moscow or in other regions. In the latter case, a lower level of legal professionalism can be expected, and judges in such cases have a tendency to side with more formalistic arguments. Also, suing the main employer in a region may lead the court to take into account non-legal considerations in its decision.

In short, while achieving justice in Russia is not impossible, obstacles exist that are not present in western jurisdictions. But the picture is not as bleak as is commonly assumed – majority of the claims made against tax authorities are successful.

2.4 International commercial arbitration in Russia

As an alternative to the arbitrazh courts, parties may refer their commercial disputes to ad-hoc arbitration or arbitration institutes located in or outside Russia. Russia is a party to multiple bilateral investment treaties under which investment disputes can be referred to arbitration.

Russia is a party to the 1958 New York Convention on Recognition and Enforcement of Foreign Arbitral Awards (New York Convention). Under the convention, foreign arbitral awards can be enforced in Russia, while arbitral awards rendered in Russia can be enforced in jurisdictions of other states that are parties to the New York Convention.

Russia is also a party to the European Convention on International Commercial Arbitration of 1961.

The Russian Law on International Commercial Arbitration of July 7, 1993, is based on the Model UNCITRAL Law.

Russia's leading arbitration institution is the International Commercial Arbitration Court at the Russian Federation Chamber of Commerce and Industry (ICAC).

One of the advantages of arbitration at ICAC is low costs in comparison with foreign arbitration institutions.

Arbitrability of disputes is a contradictory issue in Russian legislation. In accordance with the provisions of the Code of Arbitrazh Procedure, arbitrazh courts have exclusive competence over the following disputes with a foreign party:

- Disputes over state property, privatisation of state property and compulsory alienation of property for state needs
- Disputes over real property located in Russia
- Disputes over granting and registration of intellectual property rights
- Disputes over invalidation of entries to state registers
- Disputes over organisation, registration and winding-up of legal entities or registered entrepreneurs in Russia as well as disputes related to the challenging of resolutions made by management organs of legal entities in Russia.

Many courts take the position that the disputes listed above are not only excluded from jurisdiction of foreign public courts but also are not arbitrable. In practice, this means that even if a party to a dispute has an award rendered in its favour in arbitration abroad, the Russian courts may deny enforcement stating that the dispute is non-arbitrable under Russian law.

History is full of decisions by Russian courts denying enforcement of foreign arbitral awards. Several of these decisions were based on grounds which are not in conformity with the general practice of courts in western jurisdictions. While enforcement of foreign awards in Russian is possible and occurs in practice, it is not a smooth process that has a positive result in all cases.

3 Setting up business in Russia

Generally, a foreign entity has three options when setting up its business in Russia:

- Hire a Russian individual to act for the company in Russia
- Set up a representative office or branch office
- Set up a company (wholly foreign-owned or co-owned with a Russian company or individual)

The choice of strategy has both management and tax consequences, and while some entities, for example a representative office or a branch, may be a good solution in the initial phase, they may not be legal or suitable for further expansion of the company's business.

3.1 Hiring an individual

The fastest way for a foreign entity to start business in Russia is often simply to hire an individual without establishing a registered presence through a subdivision or company. Employing a person for this purpose requires careful screening and good knowledge of the individual.

Generally, an individual may be hired either as a consultant under a civil law (service) contract or as an employee under an employment contract. These two options are described below.

3.1.1 Employment vs. civil law (service) contract

Employment agreements are governed by the Russian Labour Code. The code lays down a number of rules that must be observed if the employee is a Russian citizen and the work is performed in Russia. These rules are at least as beneficial to the employee as are the labour law provisions in the Scandinavian countries. Service contracts, on the other hand, are governed only by general civil law. In practice, this means that the contracting parties are free to contract as they wish, and normally, consultants rendering services under civil law contracts do not enjoy the protection of the Labour Code. No mandatory rules apply to salary, overtime, vacation or termination of contract.

Generally, the advice to a foreign entity that does not yet maintain a presence in Russia but wishes to hire an individual for its services is to hire an individual as a civil law consultant and not as an employee. This will allow greater flexibility in the entity's relations with the individual. It will also allow the entity to avoid the mandatory rules of Russian labour legislation. Furthermore, it is recommended that the civil law consultant be registered as an individual entrepreneur for the reason described below.

3.1.2 Income tax payments and social fees

An entity that hires a Russian person to perform work in Russia either as a civil law consultant or as an employee would normally have to withhold and pay income tax and pay social fees for that person. But if an individual hired under a civil law (service) contract has registered with the Russian authorities as an individual

entrepreneur, the foreign entity does not need to withhold or pay any taxes or social fees in Russia. Instead, the individual entrepreneur must make these payments, and the entity that hired the individual cannot be made liable for amounts due. Obviously, it is vital that a foreign entity which hires a person as an individual entrepreneur carefully checks that the person is duly registered.

3.1.3 Office space and office equipment

Under Russian law, a foreign entity may rent an office and maintain office equipment there.

A better solution in many cases is to have the Russian individual lease the office space and the office equipment directly from the landlord and reimburse the individual for the lease payments. This will limit the exposure of the foreign entity in Russia. Having the individual lease the office space and the equipment also has the advantage of further reducing the risk that the individual will be regarded as an employee and thus be covered by the Labour Code because the leasing of office and equipment shows that the individual is prepared to take a business risk.

3.2 Representative office and branch office

While hiring an individual on a consultancy basis may be a suitable first step into Russia, activities on a larger scale or the need of the foreign investor to show a more visible presence in Russia will require registration of an entity in Russia. The two simplest and most common forms of a registered presence in Russia is a representative office or a branch office. While they share many characteristics, there are also a few differences worth noting, as described below.

3.2.1 Representative office

A representative office is an office of a foreign entity opened to perform support functions for that entity. It is not a legal entity but a sub-division of the foreign entity that established it. This means that representative office is entitled to carry out liaison and ancillary functions in order to promote the business of the foreign entity – its founder. A representative office of a foreign entity may engage in activities that involve co-operation between Russian and foreign entities, such as finance and investment, science and research, transport, tourism, and marketing and promotion.

Representative offices are not expected to generate profits, engage in full-scale commercial activity (such as production, warehousing and export/import operations etc) and are not subject to profits tax, unless their activities give rise to a "permanent establishment" for tax purposes (when a foreign company engages in general commercial activity through its representative office). The founder of the representative office is liable for the debts and obligations of its representative office in the same way as it is liable for own debts and obligations.

In reality, however, many representative offices do engage in commercial activities, most often by rendering consultancy services, but they are effectively barred

from commercial activities which entail import or export of goods. The Russian authorities have accepted this practice for more than two decades on the assumption that representative offices carrying out commercial activities pay all taxes associated with such activities. The tax rules for a representative office carrying out commercial activities are very similar to those that apply to a Russian company. Tax regulation is described in more detail in Section 6.

Representative offices may employ local personnel and rent office space. Representative offices can open Russian bank accounts only of the types that may be used for their own internal needs, and the use of these accounts is limited to payments directly related to the activity of the representative office.

A representative office of a foreign entity must be accredited by the relevant Russian authority. There are several such authorities, and accreditation is always carried out in Moscow regardless of where the representative office will be located. An accreditation is valid for a maximum of three years, after which it can be prolonged. Prolongation of an accreditation has traditionally never been a problem. The representative office must also be registered with the tax authorities regardless of whether it carries out commercial activities or not. It is also required by law to comply with all Russian accounting rules and principles.

3.2.2 Branch office

Just as the representative office, a branch office is a subdivision of a foreign entity. As such, it does not constitute a legal entity; it is merely a part of the entity that created it and therefore remains liable for its debts and obligations. However in contrast to the representative office, a branch office may fulfil all or part of the functions of its founder. These functions include contracting with Russian entities with payments in foreign currency and roubles, sales and marketing and other business activities.

As is the case with representative offices, a branch office must keep accounts that accurately reflect its financial activities. It must also be registered with the tax authorities whether or not the activities are recognised as yielding taxable profits (income).

However, a branch office has less flexibility in selecting an accrediting authority in Russia, compared to a representative office. An accreditation to a branch office is granted for a maximum of five years, after which it can be prolonged.

3.2.3 Accreditation

Accreditation of representative offices is generally granted by the State Registration Chamber at the Ministry of Justice of the Russian Federation (the "SRC") or by the Chamber of Commerce and Industry of the Russian Federation (the "CCI"). Accreditation of branch offices is granted only by the SRC. The terms of accreditation for companies performing specific business (credit organizations, airline companies and other) may vary.

Foreign legal entities that want to establish a representative office or a branch in Russia, must provide documents, notarized and apostilled / legalised in the country of execution. Any of the documents provided for registration in a language other than Russian must be provided with a Russian translation which must have a notarized certification. To become fully operative a representative office and a branch office must carry out a post-accreditation procedure, which includes obtaining registration documents from the tax authorities, State Statistics Committee and Russian social security funds.

3.3 Company

Most foreign entities that contemplate a permanent presence in Russia and commercial activities of any scale will eventually need to consider setting up a company. One important factor to consider is that often a company is the only set-up that allows the founding legal entity to separate itself from debts and obligations incurred through its Russian operation.

The most popular types of companies for foreign investors are a limited liability company (abbreviated OOO) and a joint stock company, which can take two forms: a closed joint stock company (abbreviated ZAO) and an open joint stock company (abbreviated OAO). With a few exceptions, both the limited liability company and the joint stock company provide limited liability for the parent company, meaning that the parent company (the shareholder) is not liable for the debts or obligations of the limited liability company or closed joint stock company.

Limited liability companies and joint stock companies may be founded in Russia by legal entities, such as other companies and/or individuals, irrespective of nationality. One founder alone is sufficient to establish a company. No particular restrictions apply to foreign founders. Under a peculiar provision of Russian law, a solely owned company (a wholly-owned subsidiary of another company) may not itself be the sole founder of a limited liability company or a joint stock company.

The main differences of practical importance between a limited liability company and a joint stock company to consider are the following:

- Establishment of an OOO is less complicated than establishment of a ZAO/OAO (since the OOO's charter capital is divided not into shares, but in participatory interest, and there is no legal requirement to issue and register shares in an OOO);
- Participants in an OOO, who either individually or collectively hold at least a 10% interest in the company's charter capital, can apply to a court seeking the expulsion of another participant who grossly violates its obligations or impedes the company's activities;
- It is quite easy to increase the charter capital of an OOO, while an increase of the charter capital of a ZAO/OAO is a complicated and time-consuming procedure;

- The Russian corporate law provides for a large number of issues which require a unanimous voting decision of all of the participants;
- The legislative provisions on minority protection are well developed and sophisticated in relation to a joint stock company but much less so in relation to a limited liability company;
- The LLC Law provides that transfer of participatory interest in OOO to third parties may be prohibited by the company's charter or may be subject to participants or company's consent. This makes an OOO less open to third parties than a joint stock company;
- Transfer of shares in joint stock companies is not subject to notarization. In a limited liability company, transfer of a participatory interest is subject to certification by a Russian notary and is only reflected in a shareholders register.

As a rule of thumb, a limited liability company is a better choice for a single shareholder who does not intend to invite other persons to become shareholders of the company. A joint stock company may be a better solution if a company has more than one shareholder, for example a joint venture with one or more Russian partners (shareholders).

The two company forms are described in more detail below.

3.3.1 Limited liability company (OOO)

A Russian limited liability company has its equivalent in many European countries, for example GmbH in Germany and SARL in France, and continental European laws on limited liability companies also seem to have served as a model for Russia. OOO's are regulated by some sections of the Russian Civil Code and by the Law on Limited Liability Companies dated February 8, 1998.

The main difference between a limited liability company and a joint stock company is that the share capital of the company is divided not into shares but so-called participatory interest. An OOO therefore cannot issue shares or other similar securities. However subject to certain conditions an OOO can issue bonds.

Following changes in the Law on Limited Liability Companies brought in force in July 2009, the charter (articles of association) is the only foundation document of an OOO. The charter does not reflect the structure of participants and participatory interest. The list of participants which an OOO must maintain is not of such legal significance as the shareholders register, for example, it does not ultimately certify the participants right to the interest in the company's capital. The most reliable instrument to verify the structure of participants and interest is an extract from the Unified State Register of Legal Entities.

If the company is established by several participants, a so-called foundation agreement must be prepared. Despite the fact that since July 2009 foundation agreements are no longer recognised by law as "foundation document" and are not submitted for registration, the founders must still enter into such an

agreement to describe the procedure of establishment (e.g. procedure of payment of the capital).

The participatory interest is subject to pre-emptive rights, meaning that a participant who wishes to sell will have to offer his part to the other participants before selling to a third party. A limited liability company cannot be listed on a stock exchange.

Company structure and funds

The participants of an OOO may be both individuals and legal entities. The number of participants may range between 1-50.

The company's charter capital must be at least RUB 10,000 (around EUR 260). The participatory interest may be paid in cash or by contribution in kind, such as machinery or other equipment. Half of the charter capital must be paid before the registration of an OOO. Each participant must pay for his part within a year from the registration of the company.

Rights and obligations of participants

Participants in a limited liability company are not liable for the company's debts (except for special cases specified by the law). Participants of limited liability companies have the following general rights and obligations:

- Participate in the management of the company in accordance with the LLC Law and the company's charter;
- Sell or otherwise assign their participation interest in the charter capital, or a part thereof, to one or more of the participants in the company in accordance with the procedure established by the LLC Law and the charter. Should a participant wish to sell its interest to a third party, the other participants have a pre-emptive right to buy the participatory interest at the same price as agreed with the intended buyer;
- Receive dividends;
- Receive a part of the assets left after settlement with the company's creditors in the case of a liquidation of the company;
- Initiate proceedings to exclude another participant if such a participant does not fulfil its obligation to act properly as a participant of the company (only participants holding at least 10% of the charter capital may start such proceedings);
- If an OOO has several participants, a participant may withdraw from the company if such option is provided by the charter;
- Participants may enter into a so-called agreement on participants rights (a remote analogue of a shareholders' agreement). Agreement on participants rights may determine voting procedure on general meetings, sale price for participatory interest between participants and other issues related to the procedure of exercising rights and obligations of participants.

The participants in an OOO also have other rights and obligations provided by the LLC Law, and may have additional rights and obligations set forth in the charter.

Transactions with participatory interests

A participant may sell or otherwise dispose of his participation interest (or part of it) to other participants or to third parties. The consent of the other participants is not required, unless otherwise provided by the charter.

Participants of an OOO enjoy pre-emptive rights; a participant who wishes to sell its participatory interest in the company has to offer its interest to the other participants before selling it to a third party. The offer price for the other participants may be indicated in the charter of the company and it remain unchanged regardless of the price offered by any third parties.

Disposal of participatory interest is subject to notarization. New participants enjoy their rights to participatory interest only after notarisation of the transaction.

Participants may pledge their participatory interest to other participants or, if provided by the charter, to third parties. The pledge agreement is subject to notarisation.

Management bodies

The management bodies of a limited liability company are the participants' meeting, the board of directors (or the supervisory board) and the executive body (either a CEO or a CEO and a collegial executive body). The board function is not mandatory and many founders conclude that, from a management point of view, a board is not practical. Most OOO's have only the participants' meeting and the CEO.

The participants' meeting is the company's supreme decision-making body. The participants' meeting must be held at least once a year, but not earlier than two months before and not later than four months after the completion of the annual accounts. Participants holding more than 10% of the charter capital may convene extraordinary participants' meetings.

The number of board members is unlimited. The competence of the board is outlined in the LLC Law and may be amended, within the limits permitted by the Law, in an OOO's charter. The board may appoint an executive body that may consist of only one person or of a CEO and several persons in a collegial body. Members of a collegial body may also join on the board but the number of such members must not exceed 1/4 of the total number of board members.

The CEO is elected by the participants' meeting (unless the charter requires that this decision be made by the board). The CEO is solely, or together with the executive body, if any, responsible for the day-to-day business of the company. The CEO is always the authorised signatory of the company. The board is not authorised to sign on behalf of the company. The CEO may, however, also authorise other persons to sign for the company. The functions of the CEO may also be delegated to a management company.

Annual reports and auditing

A limited liability company with more than 15 participants must be audited annually by an independent auditor. Other limited liability companies may be subject to auditing.

Book-keeping and accounting in a limited liability company are carried out by the chief accountant. After the CEO, the chief accountant is formally the most important person in a Russian OOO. A foreign entity wishing to establish a limited liability company in Russia should therefore assign a chief accountant as early as possible, and preferably before the company is registered.

3.3.2 Joint stock companies (ZAO/OAO)

Russian joint stock companies may have the form of "closed" or "open" companies (abbreviated ZAO and OAO). These forms correspond to the types of private and public joint stock companies that exist in many European countries. The differences between a ZAO and an OAO are for the most part not significant. The most important difference is, however, that the shareholders of an OAO are always entitled to sell their shares freely to a third party without first offering them to the other shareholders of the company. The large majority of Russian joint stock companies are ZAO's, and unless special considerations, such as a plan to have the company listed on a stock exchange, exist, there is very rarely any reason for a private foreign investor to create a wholly-owned open joint stock company. This section will therefore deal only with closed joint stock companies.

Joint stock companies are governed mainly by the Russian Civil Code and the Law on Joint Stock Companies dated January 1, 1996.

Establishment and share capital

A ZAO may be established and owned by both natural and legal persons. The number of shareholders cannot exceed 50. (ZAO's with more than 50 shareholders must be transformed into an OAO within one year.) A company establishing a wholly-owned ZAO must have more than one shareholder.

The minimum share capital in a ZAO is RUB 10,000 (around EUR 260). The share capital may be paid in cash securities or through contribution in kind. At the formation of the company, the shareholders themselves may agree on the value of the assets contributed in kind. Should there be additional in-kind contributions after the establishment of the company, they must be valued by a special appraiser.

A company's foundation document, i.e. its charter, does not include information on the company's shareholders. All joint stock companies are required to maintain a shareholders' register reflecting the current number of shareholders and the distribution of shares by number and category.

A ZAO can issue securities (shares, bonds, etc.). Such securities must be registered with the Federal Service for the Financial Markets of the Russian Federation.

Rights and obligations of shareholders

The shares of the company may either be ordinary shares or preferred shares. The total value of the preferred shares may not exceed 25%. Holders of ordinary shares have equal rights to participate and vote at a shareholders' meeting, and receive dividends and part of the company's funds upon liquidation. Preferred shares may be issued in different categories with different rights to dividends, voting rights, etc. These rights should be stipulated in the charter of the company. Unless otherwise provided, preferred shares carry the same rights to dividends as ordinary shares, however they carry voting rights only in respect of the company's reorganisation and liquidation.

The shareholders may sell their shares to other shareholders without the consent of other shareholders or the company. Should a shareholder wish to sell shares to a third party, the other shareholders have a pre-emptive right to buy such shares at the price agreed with the potential buyer.

Shareholders may enter into a shareholders' agreement in which they may undertake to vote in a particular manner at general meetings, agree on voting options with other shareholders, acquire or dispose of shares at a pre-determined price and/or upon the occurrence of certain events, etc.

Some practical aspects of enforceability of provisions of shareholders agreements may be difficult since the Russian court practice, regarding shareholders agreements is still not developed.

Management bodies

The management bodies of a ZAO are usually the shareholders' meeting, the board of directors and the executive body: either a CEO or a CEO and a collegial executive board. In case number of shareholders/owners of the voting shares is less than 50, the board of directors is not mandatory and the company management bodies may thus consist only of the shareholders' meeting and the CEO.

The shareholders' meeting is the company's supreme decision-making body. Shareholders' meetings must be held at least once a year, but not earlier than two months before and not later than six months after the completion of the final annual accounts. Owners of 10% or more may convene an extraordinary shareholders' meetings.

The Law specifies the competence of the board of directors.

The executive management body may consist of either a CEO or a CEO and a collegial executive board. The CEO and members of the collegial executive board may be elected on board of directors but may not occupy more than 25% of the board seats. A CEO cannot act as chairman of the board.

A ZAO is usually a better company form for a joint venture. If a foreign investor wants to establish such a company together with a Russian party, the foreign

investor should, however, try to secure a majority holding of at least 75% of the votes. For example, a 75% majority is required in the following cases:

- Amendments to the charter;
- Reorganisation;
- Liquidation;
- Determination of the maximum share capital permitted and
- Entering into certain extraordinary transactions.

Audits and disclosure

A joint stock company must set up an internal audit committee or elect an internal audit or to oversee its financial and economic activities. These bodies are to be formed by the general meeting of shareholders. A joint stock company must be audited annually by an independent external auditor. As in an OOO, the chief accountant plays a crucial role, and a foreign investor wishing to establish a ZAO in Russia should assign a chief accountant before applying for registration.

An OAO must disclose its annual report and annual accounting and issue prospectuses and certain other information. A ZAO must disclose similar information only for the purpose of public securities offering.

Share-capital increase

The share capital of a Russian joint stock company may not be increased until the original share capital has been paid in full. The increase may thereafter be executed by raising the par value of the existing shares or by issuing new shares. Increasing the share capital is a complicated procedure which requires registration with the Federal Service for the Financial Markets (or if the company is a credit organization, with the Russian Central Bank).

3.3.3 Procedure for establishing a Russian OOO and ZAO

A company is deemed founded on the date of its registration. From this date the company is considered a legal entity.

Registration of companies is governed mainly by the Law on State Registration of Legal Entities dated 8 August 2001. Under this law the Federal Tax Service is the authority for registration of companies in Russia. All documents, except for the company's charter must be notarised and legalised/apostilled by a notary. Documents have to be translated into Russian and notarised.

A foreign entity wishing to establish a company in Russia is expected to prepare the following documents, most of them to be filed with the Russian authorities:

- An application for registration;
- Minutes of founders meeting/Resolution of the founders regarding establishment;
- The charter of the company;
- Copy of the passport of the proposed CEO / General Director;
- Powers of attorney issued by the founder(s) for actions related to the establishment of the company ;
- Powers of attorney issued by the founder(s) for filing the application for registration;

- Documents confirming legal status of the founder (e.g. registration certificate, certificate of good standing etc.);
- Articles of association of the founder – foreign legal entity;
- Tax registration certificate of the founder – foreign legal entity;
- Confirmation of payment of the founders contribution to the charter capital;
- Confirmation of payment of the statutory registration fee;
- A “guarantee letter” from the lessor to the registration authority. This “guarantee letter” is not a guarantee in the legal sense, but a letter which declares the intention of the lessor to conclude a lease agreement for the office space for the new company.

4 Competition

4.1 Overview

The significance of competition law is increasing in many countries, and non-compliance with legislation results in ever-increasing penalties. Russian competition legislation, better known as antimonopoly legislation, is still in a stage of formation and adaptation to a new economic system. The first modern antimonopoly legislation was adopted in 1991 but has been significantly amended a number of times since then, most importantly through the enactment of Federal Law No. 135-FZ on protection of competition (the Law), which took effect on October 26, 2006.

The main objective of Russian antimonopoly legislation is the same as that of EU legislation, which is to ensure fair competition in the goods, services and works markets and in the financial markets by preventing behaviour that is incompatible with an undistorted, consumer friendly market. The Federal Antimonopoly Service (FAS) is a state body that, together with other bodies, is in charge of antimonopoly regulation.

Foreign companies doing business in Russia must pay special attention to antimonopoly requirements, since failure to comply with such requirements may result in substantial liability and significant penalties, both commercial (fines, invalidation of transactions and foundation of a company) and personal (administrative and criminal). Russian competition law contains strict requirements and mandatory restrictions that must be observed.

In the financial markets, the relations include activities of credit and other financial organisations (antimonopoly regulation of financial organisations, including credit institutions, is outside the scope of this guide, however).

Antimonopoly regulation in Russia covers the following areas:

- Establishment, mergers and acquisitions of companies
- Abuse of dominant position
- Concerted actions and agreements restricting competition
- State aid
- Unfair competition

Given the complexity of antimonopoly regulation, the following section gives a simple overview of the requirements for LLCs, unless stated otherwise, that covers the majority of legal entities and scenarios:

4.2 Establishment, merger and acquisition of companies

To prevent uncontrolled concentration of market power, Russian competition law stipulates that establishment, merger or acquisition of LLCs that meets certain financial criteria must be approved by FAS prior to closing or notified to FAS after closing.

4.2.1 Pre-closing approval of mergers and acquisitions

Financially important transactions require approval by FAS prior to closing, including:

4.2.1.1

Acquisition by a person and the group to which the person belongs (as defined in the Law) of more than 1/3 of participatory interests in an LLC or any increases of ownership exceeding thresholds of 1/2 and 2/3 of the participatory interests in an LLC.

4.2.1.2

The acquisition by a person and the group to which the person belongs of the assets (as defined by the law) of an entity if the balance-sheet value of the assets exceeds 20% of total assets.

4.2.1.3

The acquisition by a person and the group to which the person belongs of the rights to determine the conditions of business activity of an entity or to exercise the powers of its executive body.

To require pre-closing approval, transactions must also exceed one of the following thresholds:

4.2.1.4

The aggregate asset value of the acquirer together with its group and target together with its group exceeds RUB 7 billion (around EUR 180 million) or

4.2.1.5

the total annual revenues of the acquirer together with its group and the target together with its group for the preceding calendar year exceed RUB 10 billion (around EUR 250 million) and (applies to both thresholds in 4.2.1.4 and 4.2.1.5), the total assets of the target together with its group exceed RUB 250 million (around EUR 6 million).

4.2.1.6

Regardless of whether the financial thresholds described in 4.2.1.4 and 4.2.1.5 are met, the market share may be decisive: If the acquirer, target or any entity within the acquirer's group or target's group is listed in the FAS register of business entities having a share of a certain market exceeding 35%, pre-closing approval of the transaction is required.

4.2.2 Pre-closing approval of establishments

Similarly, to prevent uncontrolled concentration of market power and to safeguard fair and undistorted competition, the establishment of an entity must be pre-approved by FAS if the establishment meets at least one of the following conditions:

4.2.2.1

The charter capital of the entity is paid in shares and/or assets that give the newly-founded entity an amount of assets or shares with corresponding rights as specified in item 4.2.1.1 to 4.2.1.3.

Alternatively, pre-approval is required if one of the following requirements is met:

4.2.2.2

The aggregate value of assets held by the founders (and their respective groups) and by the entities (and their respective groups) whose shares and/or assets are

contributed to the charter capital of the newly-founded entity exceeds RUB 7 billion (around EUR 180 million) or

4.2.2.3

the total annual revenues of the founders (and their respective group) and the entities (and their respective groups) whose shares and/or assets are contributed to the charter capital of the newly-founded entity for the preceding calendar year exceed RUB 10 billion (around EUR 250 million) or

4.2.2.4

the entity whose shares and/or assets are contributed to the charter capital of the newly-founded entity is listed in the FAS Register as holding a market share of more than 35 %.

4.2.3 Post-closing notification

The following mergers and acquisitions of companies which do not meet the thresholds mentioned above and therefore do not have significant impact on competition as explained above require post-closing notification to FAS (within 45 days of closing):

4.2.3.1

The merger and/or acquisition by a person and group to which the person belongs of the assets (as defined by the law) of an entity if the balance-sheet value of the assets exceeds 20% of total assets provided that

4.2.3.2

the aggregate asset value or total annual revenues of the acquirer with its group and the target together with its group for the completed preceding year exceed RUB 400 million (around EUR 10 million) and

4.2.3.3

the total assets of the target together with its group exceed RUB 60 million (around EUR 1.5 million).

4.3 Application review terms

The Law specifies a 30-day review period for pre-closing approval of transactions. The review period may be extended for another two months if FAS believes that the prospective transaction might restrict competition in a particular market.

Such extended transaction reviews must be posted on FAS official website. Parties potentially affected by such transactions may then provide FAS with information about the effect of a transaction on a particular market. FAS has significant discretion in deciding what comprises a particular market both in terms of geographical boundaries and types of product or service.

4.4 Intra-group transactions

Russian merger control also covers transactions between entities belonging to the same group of persons. The Law does not generally exempt intra-group transactions from merger control, but it provides for a simplified procedure under which intra-group transactions that normally require a pre-closing approval, are subject only to post-closing notification. For a group to benefit from this simplified procedure, the following preconditions must be met: (a) a list of all the members of the group of persons must be submitted to FAS at least one month before the

relevant transaction. The list will be published on FAS's official website; (b) as of the date of performance of the relevant transaction, the list must be correct and up-to-date without any changes in the group; and (c) the relevant transaction must be implemented within the group only.

4.5 Joint ventures

As the Law does not set out specific rules for the establishment of joint ventures, a joint venture is treated as an acquisition of assets, shares or rights by the joint venture company from its founders and/or third parties. In many cases, the notification requirements for the establishment and merger of entities may apply to the establishment of a joint venture (see section 4.2.1 Pre-closing approval of mergers and acquisitions).

4.6 Foreign-to-foreign transactions

Russian competition law may also apply to foreign-to-foreign mergers. A transaction is subject to merger control if the transaction (i) relates to shares/participatory interests in Russian entities or assets located in Russia, and (ii) may result in restriction of competition in the Russian Federation. According to the current position of FAS, it will decide on (ii) at its own discretion.

4.7 Abuse of dominant position

Russian competition law includes criteria to determine whether an entity together with its group or several unrelated entities have a "dominant position" on a particular market. The position of an entity depends on the size of its market share, the structure of the market and participants in the market as described in the Law. Dominant companies are subject to certain activity restrictions of which they are not always aware.

A dominant position exists if a company

- can have dominant influence on the general conditions of the circulation of their goods on a market,
- can remove other companies from such market, or
- can impede another company's access to such market.

A dominant position on a particular market has far reaching consequences for a company. If a company has a dominant position, it must refrain from any behaviour that restricts competition, including but not limited to the following activities:

- Price fixing
- Withdrawal of goods from circulation resulting in price increases
- Dictating terms unfavourable to a counterparty or irrelevant to the subject-matter of the agreement
- Reduction or termination of production of goods for non-financial or non-technological reasons if demand for the goods exists so long as the goods can be produced at a profit
- Refusal to enter into an agreement with particular buyers or customers if the goods can be produced or supplied
- Fixing of disparate prices (tariffs) for the same goods for non-financial or non-technological reasons
- Creation of discriminatory conditions
- Creation of barriers to enter or exit a particular market
- Carrying out any other activities that result or may result in the prevention, limitation or elimination of competition and/or the infringement of interests of other persons

4.8 Concerted actions and agreements limiting competition

The Law defines “concerted actions” as actions taken by more than one entity with the prior knowledge of the other entity or entities, the result of which promotes the interests of such entities, if such action has been instigated by one of the entities. The Law generally prohibits any concerted action or agreement of entities on a market that results or may result in certain restrictions of competition for such market. The Law prohibits the following concerted actions: fixing or maintaining prices (tariffs), discounts, extra charges or margins; co-ordination of bids for auctions or tenders; division of a market by territory, volume of sales or purchases; refusal to enter into an agreement with certain buyers (customers) for non-financial or non- technological reasons and others.

The Law does not only prohibit explicit agreements between entities, regardless of whether such arrangements are in writing or oral, but also any tacit co-ordination of entities which results in a behaviour not permitted.

The Law does, however, expressly permit vertical agreements – agreements between customers/potential customers and producers/potential producers who do not compete with each other – if they relate to commercial concessions or as long as each party does not control more than 20% of a market.

4.9 State aid

The Law defines state aid as granting a company certain privileges, ensuring more favourable conditions for its activity by transferring property and (or) civil rights or providing priority access to information. The Law regulates the procedure of providing state (or municipal) aid for certain purposes, such as carrying out fundamental scientific research, environmental protection, cultural development and conservation of the cultural heritage, and agricultural production. State aid is granted with preliminary written approval by FAS unless such aid is directly granted by law, a regulatory act of a local government on budget, from reserve funds of the executive body of a constituent entity of the Russian Federation or local-government reserve funds.

4.10 Unfair competition

Unfair competition is defined as any action aimed at acquiring competitive advantages in commercial activity that do not comply with competition law, business customs, good-faith, reasonableness and fairness, and that may cause losses to other market participants. Unfair competition is prohibited. Examples of unfair competition include distribution of false information; misleading consumers about the nature, methods and place of production; incorrect comparison by a commercial entity of goods produced or sold by this entity with the goods of other commercial entities; and receipt, use and disclosure of scientific and technical, production or trade information without the consent of the commercial entity to which this information belongs.

4.11 Antimonopoly and competition control

FAS is a state body which performs competition and antimonopoly control by way of administrative procedures and, if necessary, by referring requests or matters to the law enforcement bodies.

FAS may run regular inspections (once in every three years) as well as extraordinary on-site inspections of a company or an individual (for instance, a company's officer). During such inspections FAS is entitled to:

- access and examine a company's or individual's territory, premises (except for residential premises), documents, things and belongings; and
- request documents, explanations and information and also to question the company's employees and officers.

When making regular inspections, FAS must issue a written notice and serve it on the company at least 3 working days before the inspection. In the case of an extraordinary inspection, the written notice must be served no later than 24 hours before the inspection.

Examination of a company's or individual's territory, premises (except for residential premises), documents, things and belongings must be carried out in the presence of no less than two witnesses who may not be FAS' officers. FAS has the right to do photo- and video-recordings, take copies of documentation and engage experts. The company's representatives are entitled to participate in the examination procedure. Upon completion of examination FAS must draw up a written protocol.

Where a criminal offence may be suspected, FAS may refer the matter to the law enforcement bodies for investigation. FAS may also engage the competent law enforcement bodies if it intends to run any special procedures (such as surveillance, interrogation and seizure).

4.12 Sanctions

If a transaction (or foundation of a company) that requires a pre-closing approval or a post-closing notification is performed without such approval or with procedural violations, it may be contested in court by FAS and declared invalid (a newly-founded company may be involuntarily reorganised or liquidated).

All revenue earned through violations of the antimonopoly legislation may be levied from the violating company by court.

In cases of systematic violations of the antimonopoly legislation, FAS may ask the court to split the entity. To be considered systematic, such violations must take place at least twice during three consecutive years.

Penalties may be levied on entities and individuals engaged in violations of the antimonopoly legislation. The penalties range from fines imposed on individuals, entities and their senior officers to imprisonment of senior officers for up to seven years if evidence exists of their participation in monopolistic activities connected with physical violence and destruction of a third party's property.

5 New legislation on foreign investments in strategic sectors

5.1 Overview

In 2008 foreign investments in the Russian strategic sector were codified in a single act – the Federal Law on Foreign Investment in Companies Having Strategic Importance for State Security and Defence, No. 57-FZ, dated 29 April 2008 (the Law)) that came into force on May 7, 2008. Previously, foreign investments in strategic sectors were regulated by many separate un-coordinated legislative acts. The rules relating to foreign investments were unclear and, in addition, the Government had intervened in a number of high-profile transactions on an ad-hoc basis.

The Law was presented as an act to protect Russia's national security and defence. It lists the sectors of the national economy which are deemed strategic and where foreign investments are subject to restrictions or special approval procedures. The authors of the Law have stressed the fact that the Law was enacted during a time characterised by focus on strengthening governmental control over investments in national economies.

Notably, the Law has extraterritorial effect in the sense that it is applicable not only to direct acquisition of Russian undertakings, but also to foreign-to-foreign transactions if they result in establishing indirect control over a Russian strategic company.

After 2008 several changes have been introduced to the Russian corporate legislation and legislation on foreign investments aimed at harmonising it with the rules on strategic sector.

Since the time of enactment of the Law, some of the deficiencies in the Law have been revealed. In particular, there has been a discussion about the definition of a “group of entities” – a term borrowed from the anti-monopoly legislation. The definition is so broad that technically any Russian group of companies having any foreign subsidiary falls under the Law's requirement to seek a governmental permit in case of acquisitions in the Russian strategic sectors, even if such acquisitions do not concern the foreign subsidiaries of a group. Some reports now claim that the major Russian purchases by such Russian giants as Gazprom, Novatek and Sistema may be held invalid since no governmental permit was obtained. The state officials have already expressed their understanding of the issue and promised to work out more elaborate amendments to the Law. Further, as far as the practice is concerned, although it has been reported by the officials that dozens of applications by foreign investors have been considered by the authorised governmental commission, there is still no reliable statistics or reports which would evidence whether the investment climate in Russia has been dramatically affected by the Law.

5.2 Russia's strategic sectors

The Law lists 42 types of activities that are considered to be of strategic significance to national security and defence. These activities may be grouped as follows:

- Natural monopolies, particularly oil and gas, rail transport, services at transport terminals, ports and airports
- Nuclear energy and nuclear waste industry
- Activities related to aviation and aircraft safety
- Geological exploration and extraction of natural resources at sites of federal importance
- Defence industry
- Space industry
- TV and radio broadcasting on territory covering more than half of the Russian population
- Large-scale printing and publishing
- IT and telecommunications industry: activities related to coding and cryptographic equipment; telecom operators (except for Internet providers) holding a dominant position in Russia (for mobile telecom operators the share is considered dominant if exceeds 25%) or fixed-line telecom providers who hold a dominant position in at least five Russian regions or in the cities of Moscow and St. Petersburg.
- Cryptography and encrypted information systems

5.3 Foreign investors

Pursuant to the Law, foreign investors whose acquisitions are subject to control are defined as

- any non-Russian resident, including foreign legal entities, organisations, individuals, governmental and international organisations
- a group of companies which includes a foreign company.

5.4 Transactions covered by the Law

Acquisition of the following types of control of a company within a strategic sector (strategic company) is governed by the Law:

- Direct or indirect control of more than 50% of the votes in a strategic company (or more than 10% of the votes in a strategic company engaged in subsoil activities of federal importance)
- Right to appoint the CEO of a strategic company
- Right to appoint 50% or more of the members of the board of directors or supervisory board of a strategic company (or more than 10% of the members of the board of directors in a strategic company engaged in subsoil activities of federal importance)
- Right to perform the functions of the management company of a strategic company
- Right to make the decisions of the management bodies of a strategic company

Under the Law, acquisition is defined as any type of transaction involving sale and purchase agreements, gifts, swaps, management or any other types of agreement.

Intra-group transfers are also caught by the Law if the group has foreign participants.

The Law also applies to situations where control is acquired through re-distribution of votes as a result of redemption of the strategic company's shares, conversion of shares, etc.

5.5 Definition of control

Indirect control means a foreign investor's or its group's right to exercise voting rights in a strategic company through third parties.

Control means a foreign investor's or its group's right to directly or indirectly, through any of the following rights, determine the decisions of a strategic company:

- The right to more than 50% of the votes in a strategic company (more than 10% of the votes in a strategic company engaged in subsoil activities of federal importance)
- The right to less than 50% of the votes in a strategic company, if the distribution of voting shares is such that a foreign investor may still determine the decisions of the strategic company
- The right to sit on the board of directors, management board or other management body of a strategic company
- The right to perform the functions of the management company of a strategic company
- The right to appoint the CEO of a strategic company
- The right to appoint 50% or more of the members of the management board of a strategic company (or more than 10% of the members of the management board of a strategic company engaged in subsoil activities of federal importance)
- The right to appoint 50% or more of the members of the board of directors or other collective body of a strategic company (or more than 10% of the members of the board of directors or other collective body in a strategic company engaged in subsoil activities of federal importance)
- Other rights to determine the decisions of a strategic company

The right to block resolutions means that the foreign investor or its group may directly or indirectly prevent resolutions by a management body of a strategic company that may be passed only by a qualified majority.

5.6 Special rules for foreign states and international organisations

Foreign states and international organisations are not allowed to acquire control over strategic companies. Foreign states and international organisations must obtain prior approval of transactions resulting in direct or indirect acquisition of 25% or more of the voting rights, the right to block resolutions, or acquisition of 5% or more of the voting rights in strategic companies engaged in subsoil activities of federal importance.

Notably, in 2008 the Federal Law On Foreign Investments in the Russian Federation dated 9 July 1999 was amended with a rule saying that an acquisition by a foreign state or international organisation or by a company under their control of more than 25% of votes in, or other rights to block decisions of, any Russian company (regardless of whether such company belongs to a strategic sector) shall be subject to an approval procedure envisaged by the Law.

International agreements on investments ratified by Russia may provide exemption from these limitations.

5.7 Procedures

The Law establishes the following procedures relating to investments in a strategic company:

- prior approval of acquisition of control, or
- post-closing request for approval, or
- post-closing notification

The state agency which handles applications for prior approval and post-notifications is the Russian Federal Antimonopoly Service (FAS).

5.7.1 Prior approval of acquisition of control

The foreign investor (or its group) must obtain approval of an acquisition of control over a strategic company (or a series of transactions resulting in such acquisition) prior to the conclusion of the acquisition. If it is not clear whether a prior consent is required, the foreign investor can submit an inquiry to FAS. FAS must send its answer within 30 days.

Step 1

The process starts with the foreign investor's filing of a standard form application with FAS. FAS must review the application within 14 days from the day of filing with the aim to identify whether the contemplated transaction will result in the foreign investor acquiring control over a strategic company.

Step 2

Should the result of FAS's first review be positive, FAS must continue with the procedure by sending requests to the following state agencies within three days:

- The Federal Security Service (the FSB): a request to check whether the contemplated acquisition may result in any threat to Russia's defence and security. The FSB must reply to such request within 20 days.
- The Inter-departmental commission on protection of state secrets (the Commission): If the strategic company holds a license to work with state secrets, the Commission must establish whether Russia has an international treaty with the relevant country that would allow the foreign investor's officers and employees to work with state secrets. The Commission must reply to such request within 14 days.

Step 3

FAS must submit the application together with the answers from the FSB to the Governmental Commission on Control on Foreign Investments in the Russian Federation (the Control Commission). The Control Commission must make its decision within 30 days, but in exceptional cases, it may extend this period for up to three months. The Commission can make one of the following decisions:

- Grant prior approval of the acquisition of control
- Grant prior approval of the acquisition of control subject to the foreign investor's agreement to undertake certain obligations imposed by the Control Commission
- Refuse approval

The applicant may challenge the Control Commission's decision in the High Arbitrazhny (Commercial) Court of Russia. FAS's actions may be challenged in court in accordance with the regular procedure.

5.7.2 Obligations as a condition for approval

The Law lists eight types of obligation, any or a combination of which may be set by the Control

Commission as a condition for granting prior approval to the foreign investor.

These obligations include obligations to ensure that the strategic company's management bodies are formed by persons who are allowed to work with state secrets, that the strategic company continues to provide supplies for state defence orders, that the strategic company keeps a defined number of employees, that the foreign investor prepares a business plan to be submitted to FAS together with an application etc.

The foreign investor's undertaking to perform such obligations must be formalised in an agreement with FAS.

The agreement must be entered into within 20 days of the day when the Control Commission informed FAS of the need to sign such an agreement, and it must remain in force as long as the strategic company is under the foreign investor's control. Refusal by the foreign investor to conclude the agreement is a ground for refusal of a prior approval.

The entire procedure described above must not exceed three months from the filing date, but in exceptional cases, the Control Commission (see Step 3 above) is allowed to extend the review period for up to three additional months.

5.7.3 Post-closing request for approval

A foreign investor must file with FAS a post-closing request for approval, if such investor has acquired control over a strategic company as a result of:

- (i) re-distribution of votes following redemption of the strategic company's shares,
- (ii) conversion of a strategic company's shares, or
- (iii) other transactions envisaged by the Russian law.

In such case the foreign investor must file with FAS a request for approval of the acquisition within three months of the day when control was established. If, as a result of consideration of the notification, FAS refuses to give the foreign investor acquiring control over the strategic company, the foreign investor must dispose of a sufficient number of shares within three months after the date of refusal to reduce holdings to a size that does not give control over the strategic company.

5.7.4 Post closing notification

A foreign investor must inform FAS about an acquisition of at least 5% but no more than 50% of the shares of a strategic company

A foreign investor who owned 5% or more of the shares of a strategic company at the date the Law came into force, should have notified FAS to that effect by 7 November 2008.

5.7.5 Sanctions for non-compliance

The Law provides for the following sanctions for non-compliance with procedures for obtaining an approval of acquisition:

- The court may declare a transaction null and void
- The court may deprive the foreign investor of its voting right at the general meeting of shareholders
- The court may declare null and void those resolutions of the shareholders' general meetings which were taken while a strategic company was under unlawful control
- The court may deprive the foreign investor of voting rights attached to the foreign investor's shares if the foreign investor is in breach of the agreement made with FAS (see 5.7.2).
- In addition, FAS may impose fines for failure to submit necessary information or to comply with its orders.

6 Real property

6.1 Introduction

The Russian real property market has been booming in recent years, but the global financial turmoil has severely affected the market and many ongoing development projects have been delayed or put on hold due to lack of financing.

The market uncertainties have also led to a halt in real property transactions. Many real property experts are pessimistic in their views on the Russian real estate market in 2010, but expecting some recovery of the market during the end of the year and beginning of 2011.

In addition, market consolidation will lead to further restructuring of many real property companies, possible corporate ownership changes. Some companies active in other sectors than the actual real property business may be expected to enter into sale-and-leaseback transactions to generate additional working capital (given the continued difficulties to obtain bank financing).

6.2 Concept of real property

Under Russian law, real property includes land plots, subsoil plots, buildings and structures, and everything that is securely attached to the land, i.e. any object which cannot be relocated without damaging the object and making it unsuitable for its purpose. Therefore, the main characteristic of real property under Russian law is its inseparable attachment to the land.

6.3 Russian real property law

Russian real property law is relatively new and still subject to frequent changes (with new and old regulations sometimes overlapping). Also, sometimes it is not clear how and whether specific rules may be enforced by authorities.

Property rights are set forth primarily in the Russian Federation Constitution, the Civil Code and the Land Code.

6.4 State cadastre registration

Under Russian law, every real estate object must undergo cadastre registration and be assigned a unique state cadastre number. Only registered real property may be the object of a commercial transaction, such as a sale or a lease.

Recent legislative developments introduced a new cadastre register, which started operating in 2008 and integrates cadastre registration of major types of real property, including, buildings, facilities, premises and objects of unfinished construction. The new cadastre contains information about real property objects but do not include rights over subsoil areas.

All information about the cadastre registration of real property must be entered in the Unified State Register of Rights to and Transactions with Immovable Property (the Real Estate Register). This information is available to all interested persons.

6.5 Categorisation of real property

Real property is broken down into categories depending on its intended use. Buildings are generally classified as residential or non-residential, whereas land is divided into the following categories depending on their designated purpose: (i) agricultural land; (ii) land of centres of population; (iii) industrial land; (iv) protected land; (v) forestry land; (vi) water front land; and (vii) reserve land.

The Land Code requires that each category of land be used in accordance with its designated purpose. Normally, developers of commercial and residential development need to have the land plots on which their buildings/structures are to be located categorised as land intended for centres of population or industrial land.

Land within each particular category is also subject to specific requirements for the use of such land established by federal, regional and local laws. For example, land in urban areas is subject to specific zoning, including residential, administrative and business, industrial, engineering and transport infrastructure, recreational, agricultural, special purpose and military zones.

Following a specific procedure, the land may be converted from one category to another.

6.6 Ownership of real property

Russian law recognises municipal, state and private ownership to real property, such as buildings and land plots. Transfer of land and buildings from one person to another as well as transfer of real property from state or municipal authorities to private legal entities and individuals (privatisation) are permitted.

Although ownership of land is allowed under federal law, in practice it is rare in many parts of Russia, including the city of Moscow.

Anyone, including foreign legal entities, may own a building without any discriminatory restrictions. An owner of a building is generally permitted to sell or lease it without any requirement to obtain a regulatory, approval unless the transaction value reaches certain thresholds which make it subject to approval by the Federal Antimonopoly Service.

As a general rule, foreign citizens and legal entities are permitted to own land plots subject to the same restrictions as Russian citizens and legal entities. However, Russian law prohibits foreign citizens and legal entities to own land located in zones near national borders. In addition, foreign citizens, foreign legal entities as well as Russian legal entities which have a foreign ownership share of more than 50% are not permitted to own agricultural land.

Even if buildings are inseparably attached to the land, the land plot and the building located thereon are considered separate objects. Under Russian law, the owner of a building is granted exclusive right to lease or acquire the state or municipal land plot on which the building is located. In case of private land, the owner of a building located on another person's private land has a priority right to buy or lease such underlying land.

6.7 Other rights to real property

Apart from ownership rights, Russian law recognises the following rights to real property:

6.7.1 Lease rights

Under Russian law, a lessee is entitled to use and possess the leased property as agreed between the parties.

A lease agreement for immovable property must contain sufficient information to identify the leased property. The absence of such data entails a risk that the lease agreement will be considered null and void.

Lease agreements for a term equal to or exceeding one year are subject to mandatory state registration. Such agreements come into force at the time of registration. Short-term lease agreements for a term of less than one year or lease agreements for an indefinite term do not require state registration and come into force at the time of execution by the parties. Subleasing of buildings/ premises is permitted only upon a consent of the landlord. In case of subleasing of a state/municipal land plot, a tenant who concluded a lease agreement for more than five years is entitled to sublease the land without obtaining a consent of the landlord.

Sublease agreements are common in Russia. The general rule is that the rights of the tenant under a sublease agreement cannot exceed those provided to the tenant under the primary lease agreement.

It is important to note that leases survive changes in ownership by landlords and/or ownership of the building in which the premises are located.

Agreements made between individuals for the lease of residential premises are called “agreements for hire” and not lease. Agreements for hire of residential premises are not subject to state registration. A legal entity must, however, lease residential premises under a lease agreement which is subject to state registration on the conditions that apply to all lease agreements.

It is prohibited to use residential real property for commercial (including office) purposes.

6.7.2 Perpetual inheritable possession

This type of right applies to individuals only. These rights were created before the Land Code was introduced and can no longer be granted to individuals. But rights granted before the enactment of the Land Code are still valid.

6.7.3 Permanent use

Individuals and companies used to enjoy the right of permanent use of land, but with the enactment of the new Land Code, such rights of use may be granted only to state and municipal entities and authorities. The right of permanent use does not entitle the holder of this right to dispose of the land. Legal entities other than state and municipal entities and authorities are obliged at their discretion to re-register the right of permanent use into ownership or lease before January 1, 2012.

6.7.4 Gratuitous fixed-term use

A gratuitous fixed-term use differs from a lease since it always involves use of land free of charge. It also differs from “permanent use of land” since the use is temporary.

6.7.5 Operational management/financial administration

State and municipal unitary enterprises and institutions can hold real property under the right of financial administration or the right of operational management. Holders of these rights can use the real property, but are generally not entitled to dispose of it (lease it to third parties for example) without the approval of the state/ municipal authorities.

6.7.6 Expropriation of private real property

Private land may be expropriated for state or municipal needs provided that the state authorities can prove in court that these needs cannot be achieved without expropriation. In addition, if the state authorities can prove that expropriation of the land plot is impossible without expropriation of the building located thereon, the authorities are permitted to expropriate such building as well.

The owner of expropriated real property is entitled to one year’s advance notice together with payment of the full market value of the real property and compensation for any other losses suffered. If the state authorities and the owner of the real property cannot reach an agreement about the compensation, such dispute must be settled in court.

6.8 State registration of rights to real property

Under Russian law, transfer of ownership and other certain transactions that involve immovable property require state registration, and such transactions come into effect only as of the moment of registration in the Real Estate Register. The Real Estate Register is currently maintained by the Federal Service on State Registration, Cadastre and Cartography (the Registration Service). An entry in the Real Estate Register is considered a confirmation of the ownership right to the real property.

Ownership rights to real property acquired before 1998 are rare but valid without registration. State registration is required only in case of transactions that involve such unregistered property. Real property acquired before 1998 can, however, be registered in the Real Estate Register on a voluntary basis. Therefore, the Real Estate Register may not be considered a comprehensive register of all real property in Russia since ownership rights acquired before 1998 may not appear in the Real Estate Register.

The Real Estate Register contains data about the owners of real property, transactions with such property and registered encumbrances. This information is available to the public for a small administrative fee, and the Real Estate Register must reply to a request for information within five business days. The owner of the real property or his authorised representative acting under a notarised power of attorney can apply to the Registration Service for more detailed information from the Real Estate Register.

The correctness of the information in the Real Estate Register is not guaranteed by the state, and it can be challenged in court. Although the Real Estate Register is continuously improving, it is important to perform legal due diligence of the real property to minimise the risk of legal defects of title and similar risks.

6.9 Acquisition of ownership

6.9.1 General

The right of ownership to real property may be based in a sale and purchase agreement, donation, barter agreement or other agreement on alienation of real property.

Special procedures apply to concluding a sale and purchase agreement with state or municipal authorities in the course of privatisation. For example, it is required to follow a specific procedure which normally includes a tender.

In respect of buildings, ownership rights can also be acquired by means of constructing a new building.

Under Russian law, a seller is deemed to provide a guarantee for the quality of the real property being transferred. Should the purchaser find defects of which he was not informed, the purchaser is entitled to claim:

- a proportional reduction of the purchase price
- remedy of the defects within a reasonable period at the expense of the seller, or
- compensation for expenses for the remedy of defects incurred by the purchaser.

If the real property has serious defects which cannot be remedied or result in disproportionate costs of repair, the purchaser has a right to refuse fulfilment of the sale and purchase agreement and demand repayment of the purchase price.

6.9.2 Change of ownership

The acquirer's ownership to real property is created when the ownership right is registered in the Real Estate Register. The registration is made on the basis of the transaction documents submitted to the Registration Service.

6.9.3 Form of agreements

Agreements regarding real property must be executed in writing but do not require notary certification. The agreements must be filed with the Registration Service and serve as grounds for exercising the rights to the real property.

As mentioned above, real property sale and purchase agreements take effect from the moment of signing, but the acquirer's ownership arises at the time the ownership right is registered in the Real Estate Register. In addition, lease agreements executed for a term equal to or exceeding one year, mortgages, easements and some other agreements require state registration to take effect.

6.9.4 Language requirements

All agreements subject to state registration must be executed in Russian. The authorities accept a Russian

translation of agreements certified by a notary. A bilingual text of the agreement can be filed to the Registration Service too. We recommend that the Russian version of such bilingual agreement prevails in case of a contradiction with the English text.

6.9.5 Due diligence

It is important to perform a comprehensive legal due diligence review of the real property as well as the company that owns the real property. Due diligence must focus on aspects such as historical transactional documents serving as a ground for transfer of rights to the real property, current status of rights (including inquiries to state agencies), approvals, encumbrances, zoning and permitted use.

6.9.6 Related costs

The Registration Service's fee for registration of ownership right is usually paid by the purchaser, and expenses for real property consultants incurred by the parties are usually paid by each party independently, although this is for the parties to decide. The agreement should reflect the parties' decision.

6.9.7 Currency regulations

Purchase price or rent payments made by a foreign entity can be denominated in foreign currency. Payments between Russian residents must be made in Russian roubles.

6.9.8 Construction

A person or a legal entity may acquire ownership to a building or other immovable construction (a new object) as a result of erecting such an object in compliance with relevant legislation.

In order to construct a new real estate object, a person or a legal entity must have a valid right to use the land plot on which the new object will be erected. In addition, a number of administrative permits and approvals must be obtained before construction begins.

Development of real property in Russia is governed by both federal and regional legislation, which sometimes may be contradictory.

Technically, regional legislation must not contradict federal legislation, but in practice regional authorities require compliance with regional regulation even if that sometimes contradicts federal law. At the same time, regional legislation may provide for more detailed regulation of the development process. Such provisions are valid as long as if they do not contradict federal law.

In practice, development of real property in the Russian Federation is a multi-stage process, which involves compliance with burdensome regulatory requirements, co-ordination of work between many specialists and authorisations from a large number of authorities at federal, regional and local levels. It is therefore advisable to consult reputable legal and technical consultants before commencing a constructing project.

6.9.9 Taxation

VAT of 18% (with few exceptions) is added to the purchase price in a direct sale of real property. VAT is not charged only on the sale of land or on acquisitions involving property-owning companies.

Property tax on buildings may be set by regional legislation at a rate not exceeding 2.2% of the book value of the property. The property tax varies depending on the type of taxpayer and/or property. Land tax may be set by municipal authorities at a rate not exceeding 1.5% of the land cadastral value and varies depending on the type of land and its permitted use.

Rent under lease agreements is subject to 18% VAT. Rent for office or residential premises paid by accredited representative offices of foreign companies may be exempt from VAT, provided that either such VAT exemption is set in a bilateral agreement between Russia and the foreign country where such company is domiciled, or on the basis of reciprocity if a similar VAT exemption for Russian companies/individuals is granted in the foreign country. There is a list compiled by the Russian authorities which contains more than 100 countries for whose companies a VAT exemption is available in Russia.

6.9.10 Encumbrances

Real property can be encumbered, in particular, by easements, rights of third parties under various rights-of-use agreements, pre-emption rights and mortgages.

6.9.11 Easements

For example, easements may be imposed to enable

- owners/users of neighbouring land plots to access their land plots
- construction of communication lines to neighbouring land plots (and, in certain cases, other land plots)
- owners of communication lines to use the land plot to maintain/repair such communication lines.

Easements must be registered in the Real Estate Register.

6.9.12 Mortgages

A mortgage of real property represents security which gives the creditor a priority right to satisfy its claim from the value of the mortgaged real property in case of default of the debtor. A mortgage may be enforced only on the basis of a court decision unless the mortgagee and the mortgagor agree on so-called out-of-court settlement procedure. Such agreement must be certified by a notary and may be concluded together with the mortgage agreement (previously an out-of-court settlement could be agreed only after the occurrence of an event of default).

A mortgage agreement must be made in writing and is subject to mandatory state registration in the Real Estate Register.

Upon the request of any person, the Registration Service can issue an extract from the register to confirm whether or not a mortgage on a property exists.

The mortgaged property can be alienated by the mortgagor to a third person by way of sale, gift, exchange, contribution in the share capital of a company or in other ways, provided that the mortgagee consents to such transfer or the mortgage agreement permits such transfer.

Buildings and facilities can be mortgaged only together with the land plots on which the buildings or facilities are located. If they are leased, they can be mortgaged only if the lease includes lease rights to the land plots where the buildings or facilities are located.

The mortgagor can, without consent of the mortgagee, construct buildings and facilities on mortgaged land, and the mortgage automatically extends to such buildings and constructions unless otherwise provided in the mortgage agreement.

7 Work (employment) authorization

7.1 General

Generally, a foreign citizen is allowed to work in Russia only if he or she holds a work visa and an individual work permit and simultaneously his/her employer holds a permission to employ foreign nationals (employment permit).

7.1.1 General visa requirements

All foreign citizens are required to obtain a visa for entry to the territory of the Russian Federation (except citizens of those countries that do not have a visa regime with Russia). In order to obtain a visa, a foreign citizen must apply for it in the Russian Consulate in the country of origin. Before obtaining a visa, the applicant must receive a letter of invitation issued by the Russian Federal Migration Service on the basis of the relevant application of the inviting (host) party or prospective employer.

In order for the Russian company acting as an inviting (host) party to apply to the Federal Migration Service for issuance of a letters of invitations on its behalf, such company must previously have obtained a one-year registration with the respective department of the Federal Migration Service. Within the registration period a legal entity can apply for an unlimited number of invitations on its behalf. The registration term can be prolonged before its expiration.

7.1.2 Types of visas

Business visa and work visa usually needed by foreign citizens who travel on business to Russia or work there.

7.1.3 Business visa

Citizens of countries that have a visa regime with Russia must obtain a business visa prior to entering Russia for business purposes. Such business visa can be obtained by a foreign citizen on the basis of an invitation letter issued by the Federal Migration Service following an application of the inviting (host) party.

A bilateral agreement between Russia and European countries with some exceptions) allows citizens of some European countries to obtain a business visa in the Russian consulate abroad on the basis of a direct invitation issued by the inviting (host) party prepared on such party's letterhead with indication of certain simple details (without participation of the Federal Migration Service).

A foreign citizen, staying in Russia on the basis of a business visa, is allowed to perform business and/or commercial activities on behalf of a foreign company (employer) in Russia including but not limited to participation in seminars and exhibitions, holding negotiations and signing agreements, delivering lectures. A foreign citizen shall not receive any remuneration/ payment from the Russian party for performing his or her activities; otherwise a work permit may be required.

The types of business visa that may be applied for vary depending on the expected visit period. A business visa may be valid for 30, 90, 180 or 365 days. A 30- or

90-day business visa can be single-entry or double-entry. A business visa valid for 180 or 365 days allows its holder to enter Russia an unlimited number of times from the date of issuance to the date of expiry. It is important to remember that a business visa valid for 180 or 365 days allows its holder to stay in Russia for a limited period of time only, that is, 90 days in total within a six-month period.

Holders of business visas cannot change their immigration status to another one while being present in Russia.

The processing time and fees for a business visa vary depending on the country where the application is made.

7.1.4 Work visa

To work legally in Russia, foreign citizens must, in addition to a work permit, obtain a work visa.

Generally, a work visa is valid for a period of 12 months and allows its holder to enter Russia an unlimited number of times from the date it is issued until the date it expires. A work visa does not limit the number of days its holder is allowed to stay in Russia.

The application for a work visa must be submitted to the Russian embassy in the country of origin of the applicant on the basis of an invitation issued by the Russian Federal Migration Service on behalf of the Russian employer. The processing time and fees vary depending on the country where the application is made.

7.2 Employment: quota placement, employment and work permit

7.2.1 General

Russian legal entities (companies, representative offices and branches of foreign companies) that wish to employ non-Russian citizens must apply for a quota placement, obtain an employment permit and an individual work permit for the foreign citizens they would like to hire. Only after the above permits and visas have been obtained the non-Russian citizen may legally be appointed to a particular position and commence working in Russia.

7.2.2 Quota placement

Currently employment permits and individual work permits are issued in accordance with a quota system. Russian companies that wish to employ foreign citizens must submit to the relevant authorities, before a certain deadline, an application for a quota placement. The application must include information about the number of non-Russian citizen the company wants to employ for the next calendar year, the nationality of the citizens, their intended positions and the approximate expected monthly salary. Based on the total number of applications, the relevant authorities will establish an employment quota for non-Russian citizens for the following calendar year. The quota is usually equal to the aggregate number of foreign citizens indicated in all the applications, however, depending on the economic situation at the time when the quota is determined the number of approved positions could be either increased

or reduced (in 2009 Russian employers in Moscow requested approximately 1.3 million work permits and only around 250,000 were approved). The quota is the maximum number of employment permits that the relevant authorities will issue for the following calendar year.

Two quotas exist: one for citizens of countries without a visa regime with Russia (mostly former Soviet republics, so called CIS countries) and another for citizens of countries that have a visa regime with Russia (non-CIS countries, for example, from EU).

Quota placement applications for a certain calendar year must be submitted no later than May 1 of the previous year. Hence, May 1, 2010, is the deadline for 2011. Information regarding approval of an application for a quota placement is normally available at the end of the year.

If an employer's application is not approved or the state authorities approve a lower number of employees than a company requested or an employer requires more foreign employees than it has previously reserved, it is possible to apply to the relevant authority for additional quota placement and go through a special procedure. The same rule applies for employers which did not exist (has not been registered) before the submission deadline and require foreign labour.

Any Russian company that has applied for quota placement is entitled, when the time comes, to apply for employment permits for the non-Russian citizen(s) in question and employ the number of foreign citizens indicated in the employment permit.

Starting from 2008 migration authorities annually approve a list of non-quota positions. Such positions are primarily management positions (e.g. General Director of a Limited Liability Company, Head of the Representative Office, etc.) and a company planning to employ foreign citizens to such positions is entitled to go ahead with the employment without a prior quota placement.

The quota system described above was introduced in Russia in 2006.

7.2.3 Employment permit

To employ non-Russian citizen(s), a Russian company must usually apply for an employment permit, allowing it to employ foreign labour, after having obtained a quota placement. When applying for such a permit, the draft employment agreement(s) must be submitted to the relevant authorities along with other required documents.

The employment permit is, generally, valid for one year or for any shorter period of time. Employment permits may be renewed.

Citizens of countries that do not have a visa regime with Russia can be employed without obtaining an employment permit.

7.2.4 Work permit

The Russian employer must apply for a work permit for its non-Russian worker(s). It should be noted that a work permit cannot be obtained for a non-Russian worker who wishes to work in Russia through a secondment arrangement.

The work permit is generally valid for one year after which it can be renewed.

Work permits for citizens of countries which have a visa regime with Russia must be obtained by and at the expense of the prospective employer. Such work permit allows a foreign citizen to work only with a particular employer and in a region indicated in a work permit.

Work permits for citizens of countries that do not have a visa regime with Russia can either be obtained by and at the expense of the prospective employer or the company can employ such a foreign citizen who already holds a permit.

Citizens of Republic of Belarus are allowed to work in Russia without a work permit.

7.3 Additional immigration formalities

7.3.1 Immigration card

When crossing the Russian border at an entry port (e.g. an airport) a foreign citizen must fill in an immigration card with indication of his or her name, passport details, purpose of entry, etc.

Migration card consists of two parts. One part is detached and kept by customs officer at the place of entry. The second part must be kept by a foreign citizen during the whole period of stay in Russia. This part must be returned to customs officials when leaving the country.

7.3.2 Notification on arrival and departure

Within 3 days upon arrival of a foreign citizen to Russia an inviting (host) party must notify the migration authorities of the arrival of the foreign citizen. If a foreign citizen arrives to Russia on a basis of business or work visa, the notification on arrival must be performed by the company which invited such foreign citizen or an employer. If a foreign citizen stays in a hotel, notification on arrival will be processed by this hotel. A document confirming notification of migration authorities on a foreign citizen's arrival (tear-off part of notification) must be kept by this foreign citizen during the whole period of stay in Russia.

If the duration of a foreign citizen's visit does not exceed 3 days, the notification on arrival is not required.

Before departure from Russia a foreign citizen must return the tear-off part of notification on arrival to the inviting (host) party. Within 2 days upon departure of a foreign citizen from Russia an inviting party must notify the migration authorities on his or her departure by sending this tear-off part of notification to the migration authorities.

8 Taxation

8.1 General

Corporate taxation has changed constantly as new legislation has been implemented in the wake of the reforms that began more than ten years ago. Taxpayers have experienced many inconsistencies in tax administration at both federal and regional levels, and to improve the situation, the government launched a comprehensive tax code. Currently, almost all parts of the new code are in effect, including the general part and the parts on VAT, excises, personal income tax, profits tax from organisations, natural resources exploration tax, property tax from organisations, special taxation of production sharing arrangements, transport tax, gambling tax, special taxation of small and medium-sized businesses and producers of agricultural products, land tax and stamp duty. Customs duty, social contribution and property tax for individuals are currently governed by separate legislative acts.

This business guide provides only a general overview of taxation, and although no landmark changes to major components of the tax code are expected, some changes will occur.

8.2 Corporate income taxation

Profits earned by enterprises are taxed at a rate not exceeding 20%, of which 2% is paid to the federal budget and 18% is paid to the regional budgets. Regional legislative authorities are allowed to reduce, for certain categories of taxpayers, the tax payable to their respective budgets by up to four and a half percentage points. In some regions of Russia, the regional portion of profits tax may therefore be lowered to 13.5%.

8.2.1 Corporate residence

The tax system in Russia distinguishes between entities incorporated in Russia and entities incorporated abroad. Foreign entities are subject to Russian tax on profits from activities conducted through permanent establishments in the territory of the Russian Federation and on income from sources in Russia. Russian entities are taxed on their worldwide income. Certain concessions apply under double taxation treaties.

All taxpayers are required to obtain a tax registration and will be assigned a taxpayer identification number, regardless of the taxability of their activities.

8.2.2 Branch income

The term “permanent establishment” (PE) is defined as a bureau, office, division, agency, or any other permanent place where regular business activity is carried on and/or is connected with exploiting natural resources, executing work under contract on the construction, installation, erection, assembly, adjustment, and maintenance of equipment, supplying services or carrying out other work. Organisations and individuals in the territory of the Russian Federation authorised to represent foreign legal entities on the basis of a contract, act on behalf of foreign legal entities, conclude contracts in the name of foreign legal entities or negotiate significant terms of contracts are also considered to constitute a PE of a foreign legal entity.

If a Russian legal entity or an individual acts as an agent in the course of its ordinary business, this entity is not considered a PE. Profit earned by a foreign legal entity through a PE in the Russian Federation is subject to tax.

The definition of branch income is similar to the definition of income by a Russian legal entity, with the exception that in the case of a branch, only income from activity in the Russian Federation is subject to tax. Profit from business activities of a PE in the Russian Federation is calculated according to the profits tax chapter of the tax code based on tax accounting records using the direct method. The indirect method is allowed only for preparatory and auxiliary activity in favour of third parties on a free-of-charge basis.

8.2.3 Income

Taxable profit is broadly defined as total income less expense/loss allowances. The total income is sales income, that is income from sale of goods, works, services, property and property rights, plus non-sales income (all other types of income). Foreign currency income is converted into roubles at the rate of exchange set by the Central Bank of the Russian Federation.

The accrual method applies by default. There are special rules for the recognition of income from the transfer of title, transfer of results of work and provision of services as well as interest income, royalties, and rents. The cash method can be used only if average quarterly sales for the past four quarters do not exceed RUB 1 million.

Free-of-charge receipts of property, cash, services, works, and property rights are subject to profits tax. Income is recognised at market price, which cannot be lower than the residual value (for depreciable property) and production (acquisition) costs (for goods, works and services). Transferors may not deduct costs related to free-of-charge transfers.

The receipt of property from a Russian or non-Russian individual or legal entity owning more than 50% of the recipient's capital is not, however, subject to tax provided that the property (other than cash) is not transferred to third parties within one year from receipt. This exemption applies only to Russian legal entities.

8.2.3.1 Inventory

Several methods to calculate the value of purchased goods exist (FIFO, LIFO, weighted-average, and historical value of a unit). FIFO and historical value of a unit may be applied to securities but not the weighted-average and LIFO methods.

8.2.3.2 Capital gains

Profit from the sale of fixed assets and other property is calculated as the difference between the sales price and the historical cost of the asset (net book value for fixed assets and intangible assets subject to depreciation/amortisation). Losses on such sales reduce taxable income and may be deducted on a monthly basis by equal amounts during a period equalling the time difference between the useful life of the asset and the actual time in use.

8.2.3.3 Interest and dividends

Dividends distributed by Russian entities are taxable at a rate of 9% if the dividends are paid out to Russian residents. Dividends to non-residents are taxed at a rate of 15% subject to double taxation treaties. The rate of 9% also applies to dividends paid out to Russian parent companies of foreign subsidiaries. Tax is withheld by the paying entity. A special offset mechanism applies to dividends paid out by group companies to its shareholders. This mechanism does not apply to distributions to recipients outside Russia.

Dividends received by a Russian entity may be exempt from taxation in Russia under the participation exemption rule, provided that certain conditions are met, for example that the shareholder owns not less than 50% of subsidiary's capital. Special requirements to the minimum cost of investment (RUB 500 million) will cease to apply starting from 1 January 2011. The participation exemption rule does not apply to dividends received from a number of countries (see list established by the Ministry of Finance).

Interest on state and municipal bonds is taxed at 15% with certain exemptions that stipulate tax rates of 9% and 0%. Other interest income is generally taxed at 20%.

8.2.3.4 Foreign income

Tax payable by legal entities under the law of the Russian Federation is calculated on the basis of their worldwide income. Non-Russian taxes paid by such enterprises on profits earned outside the Russian Federation can be offset against the profits tax payable in Russia in an amount not exceeding the profits tax payable in Russia. Foreign taxes paid on dividends received from abroad are not deductible under domestic law.

8.2.3.5 Exchange gains and losses

Exchange gains and losses on the revaluation of monetary assets and liabilities, payables, and receivables in hard currency are generally taxable/deductible for profits tax purposes. Securities denominated in foreign currency are disregarded for these purposes.

8.2.4 Deductions

8.2.4.1 General

Tax deduction is available if expenses are financially justifiable, supported by underlying documentation and relate to income-generating activity. Documentary support is vital. Certain expenses must be capitalised or deferred (development of natural resources, R&D, losses on sales of fixed assets). Although an open list of deductible expenses exists, there are also some specific non-deductible expenses and statutory limits for deductibility of certain expenses, including representation expenses, compensation for the use of private cars for business purposes and certain advertising costs.

8.2.4.2 Loss carryforwards

Loss carryforward provisions are available for total tax losses. Special rules apply to the utilisation of losses on operations related to securities and derivatives and some other operations. The carryforward period is ten years. Loss carrybacks are not allowed. A surviving company may utilise the losses of a liquidated company in a reorganisation.

8.2.4.3 Interest

Interest on business loans is deductible regardless of source and use (current and investment) subject to the following limitations:

- Deduction is allowed within a $\pm 20\%$ limit of the average interest rate for similar loans.
- In the absence of a similar loan type, or at the taxpayer's choice, interest may be deducted at a rate not exceeding the 110% central bank refinancing rate for roubles, and the 15% rate that applies to foreign currency.

Thin capitalisation rules apply to loans provided by non-Russian owners (direct or indirect) who own more than 20% of the share capital or by Russian entities affiliated with such owners, and to loans provided by third parties but guaranteed by such owners or affiliated Russian entities thereof. If the above criteria are met, the maximum deduction on such loans is calculated at a 3:1 debt/equity ratio.

8.2.4.4 Provisions for doubtful debts

Provisions for doubtful debts may be made by a taxpayer based on an inventory of debtors prepared at the end of the reporting (tax) period. A doubtful debt is any debt (other than loans) arising from the sale of goods, works or services that is not repaid within the period agreed on and for which no collateral or guarantee has been provided. For debts outstanding for more than 90 days, provisions for the full amount may be set aside. For debts outstanding for 45 to 90 days, provisions made may equal up to 50% of the debt outstanding. Provisions may not be established for debts outstanding for less than 45 days. If a newly created provision exceeds the provisions balance of the preceding period, the difference must be recognised as an expense incurred in the current reporting period. Provisions cannot exceed 10% of the revenue generated in the reporting (tax) period. Taxpayers (except for banks) are not allowed to deduct provisions for overdue interest.

8.2.4.5 Insurance premiums

Expenses for mandatory insurance are deductible subject to existing state tariff limitations. Certain types of expenses for voluntary insurance, mainly various types of property insurance, are also deductible. Expenses for third-party-liability insurance are deductible provided the insurance represents a condition established by international obligation of the Russian Federation or customary international business practice. Long-term life and pension insurance is deductible within 12% of the payroll fund. Voluntary medical insurance is deductible within 6% of the payroll fund. Accident and injury insurance of employees is deductible within a limit of RUB 15,000 per annum per employee.

8.2.4.6 R&D expenses

Generally, R&D costs as defined by law, including expenses for R&D that has not yielded positive results, are generally fully tax deductible one year from completion. Deductions must be distributed evenly during the period.

8.2.4.7 Depreciation and amortisation

Two methods of depreciation (amortisation) for profits tax purposes (at the option of taxpayer) exist: straight line method (evenly over the useful life of assets) and non-linear method which allows significant depreciation in the first

years of use. This method cannot be used for buildings and facilities with useful lives of more than 20 years.

Accounting depreciation (amortisation) is not taken into account for profits tax purposes. Property with initial value lower than RUB 20,000 is not considered depreciable property. Revaluation of fixed assets for tax purposes after January 1, 2002, is not possible. Tangible depreciable property is broken down into ten groups by statutory useful life. The useful life of fixed assets is determined on the basis of the statutory-life classification. Intangible assets (intellectual property and exclusive rights to it, except goodwill) are amortised on the basis of their useful life, or ten years by default. In some cases, a special coefficient may be applied to calculate the general depreciation allowance:

- Up to 2 for fixed assets used in aggressive environments.
- Up to 3 for fixed assets that are objects of financial leasing. This acceleration co-efficient does not apply to assets in groups 1-3.

8.2.4.8 Payments to foreign affiliates

No special tax provisions address the deductibility of payments to foreign affiliates for services provided. Royalties (periodical payments for non-exclusive rights), payment for the provision of personnel, management service fees, information, consultancy, legal and similar fees, and lease payments are deducted in full, subject to transfer pricing rules. Deductibility of audit fees other than fees for Russian statutory audit, for example IFRS or US GAAP, is questionable. General and administrative expenses incurred by foreign affiliates may be deductible, but care must be taken to ensure documentary support.

8.2.5 Group taxation

In general, Russian tax law does not include provisions for consolidated reporting by affiliates or group relief. Furthermore, PEs of a foreign legal entity report separately for profits tax purposes. Under special permission from the Federal Tax Service, a foreign legal entity with several PEs in Russia carrying on activity within a “unified technological process” can, however, consolidate computation and payment of profits tax.

8.2.6 Tax incentives

Regional authorities may introduce tax concessions in the form of reduced profits tax rates for their part of profits tax, but the regional tax rate cannot be lower than 13.5%. Regional authorities may introduce property tax concessions. Tax exemptions for income received by certain taxpayers (non-commercial organisations, organisations financed from the Russian budget, religious organisations and other qualifying organisations) exist. Certain tax concessions apply to residents of special economic zones.

8.2.6.1 Tax accounting

Tax accounting has been mandatory since January 1, 2002. Tax accounting may be based on statutory accounting records or separate tax accounting may be prepared.

8.2.7 Withholding taxes

Under profits tax law, passive income (such as dividends, interest, royalties), income from sale of immovable property and shares in companies with immovable property accounting for more than 50% of assets, lease income, and freight income from international transport received by foreign legal entities from sources in Russia are subject to withholding of profits tax at source provided that profits are not earned through a PE of a foreign legal entity (in such case, income is taxed via the PE). Any other income received by foreign legal entities that do not have PEs in Russia is not subject to withholding tax. Unless lower treaty rates apply, the domestic withholding rate for dividends is 15%. Other income earned by a foreign legal entity, including interest, income from intellectual property, such as royalties, copyrights, licences, rentals, gains on the sale of immovable property and shares and other types of income listed in the tax code (excluding freight income, which is taxed at 10%) from sources in the territory of the Russian Federation is taxed at 20%. To enjoy double taxation treaty benefits, a foreign legal entity must provide a Russian tax agent (a company paying income) with a residence certificate from the tax or other competent authorities.

The Russian tax authorities recognise the terms of treaties made with the former USSR until renegotiated by the Russian government. The tax treaty network is continuously being updated.

8.2.8 Tax administration

8.2.8.1 Returns and payments

Legal entities may choose between two profits tax payment systems: quarterly assessment of tax with monthly advance payments or monthly payment of tax on actual profit. The quarterly assessment system without monthly advance payments may be applied only by entities with average quarterly revenues of less than RUB 3 million (calculated on the basis of revenue generated in the preceding four quarters), organisations financed from the Russian budget, PEs of foreign legal entities, and some other organisations. The method chosen must be applied consistently through the year.

8.2.8.2 Filing

An annual declaration must be filed by March 28 of the year following the end of the reporting year. Interim declarations (quarterly or monthly) must be filed within 28 days following the end of a reporting period. The same deadlines apply to payment of profits tax. Foreign companies operating through a PE are required to submit a return by March 28 of the year following the calendar year. Because of the regional tax systems, companies are required to file tax returns in each place in which they conduct business.

8.2.9 Other taxes and contributions

8.2.9.1 Social security contribution

Starting from January 1, 2010 unified social tax (UST) was abolished and replaced by mandatory social insurance contributions payable to the pension fund, the social insurance fund and the mandatory medical

insurance funds. Generally, the insurance contributions are charged according to the same principles as UST was. Nevertheless, insurance contributions are not deemed taxes. Hence, they are administrated separately by the pension fund and the social insurance fund (not by tax authorities).

1. All Russian and foreign legal entities registered in Russia are required to pay insurance contributions for their employees and contractors. Insurance contributions are calculated on the basis of remuneration, bonuses, and other income paid in cash or in kind accrued by an employer in favour of employees, as well as remuneration paid under civil law contracts for provision of works/services and copyright agreements. The amount payable is calculated for each individual. Insurance contributions are the liability of the employer only; employees are not liable to make any social security contributions.

The maximum total rate of insurance contributions is 26% (34% starting from January 1, 2011). The rate is flat. Insurance contributions apply up to the amount of RUB 415,000 per year in respect of each individual.

Payment of insurance contributions in respect of non-Russian nationals depends on their migration status. Insurance contributions for non-Russian nationals who permanently or temporarily reside in Russia are payable in accordance with the rates above. Payments to non-Russian nationals who temporarily stay in Russia are exempt from insurance contributions.

2. Statutory accident insurance – Employers must contribute to an insurance scheme covering accidents at work and work-related diseases. The rate of this contribution varies from 0.2% to 8.5% of the payroll fund, depending on the type of activity of the employer.

8.2.9.2 Property tax

Property tax is imposed on property located in Russia and owned by Russian and non-Russian citizens. The tax applies to buildings, houses, and flats and is levied at a rate of 0.1% to 2% of the value of the property. It should be noted that the “inventory value” of property used for tax calculation is usually less than market value.

8.2.9.3 Transport tax

Transport tax is imposed on cars, motorcycles, buses, vans, planes, helicopters, yachts, boats, ships, and other water, air, and land transport registered in Russia and owned by Russian and non-Russian individuals. Fixed rates per unit of horsepower, gross ton, or unit of transport differentiated on the basis of engine capacity, gross tonnage and type of transport apply. The tax rate may also depend on ecological class of a vehicle and/or year of its manufacturing.

8.3 Individual taxation

8.3.1 Territoriality and residence

According to the tax residence rules effective since January 1, 2007, an individual is a Russian tax resident if he/she spends 183 days or more in Russia during a

period of 12 consecutive months (instead of 183 days within a calendar year under the previous rules). Days of arrival in Russia are considered days spent in Russia, and days of departure from Russia are counted as days spent in Russia.

Letters from the Russian Ministry of Finance imply, however, that the “final” tax residence status of an individual taxpayer is determined by counting the number of days spent in Russia within the relevant fiscal year (calendar year).

Consequently, the approach remains the same as under previous legislation: To benefit from the 13% resident rate, a taxpayer must spend at least 183 days in Russia in a given calendar year. The new residence rules essentially affect only tax agents and bring with them additional complications because employees’ movements must be tracked to ensure that the correct withholding tax rate is applied.

Russian residents are taxed on total worldwide income received in a calendar year, while non-residents are taxed on income received from sources in Russia. Some tax treaties provide for periods of exemption from Russian taxation of Russian-source income received by non-residents. Consequently, it is important to check the details of any applicable tax treaty before commencing work in Russia.

Income from Russian sources includes income received from property located in Russia, dividends received from Russian legal entities, remuneration for activity performed in Russia (also if it is paid by a foreign legal entity from abroad).

8.3.2 Gross income

8.3.2.1 Employment income

Income from employment received in the course of a calendar year is subject to personal income tax. Income includes all earnings, bonuses and other forms of payment or remuneration in cash or in kind. For expatriates, taxable income includes allowances paid to employees living in Russia and compensation for school fees, food, travelling expenses incurred by employees and their families on holidays and expenses for other non-business purposes. Benefits in kind are taxed at their monetary equivalent (market price).

8.3.2.2 Capital gains

A special tax rate for capital gains does not exist. Instead, gains from the sale of property and assets are subject to income tax at the normal rate. The taxable amount is calculated as the difference between sale proceeds and historical cost. Statutory exemption applies, however, to property sold during a calendar year with a limit of RUB 1 million on real property and RUB 250,000 on other property. Proceeds received from the sale of property are fully excluded from taxation if the property is owned for three years. This statutory exemption does not apply to gains on assets disposed of in the course of entrepreneurial activities.

Additionally, legislation sets special rules for securities transactions.

8.3.2.3 Other taxable income

Other types of income taxable in Russia include

- interest income from deposits outside Russia
- dividends on shares
- income from property leasing, both in Russia and abroad
- royalties from the creation, publication, performance, and use of works of literature, art, and science, as well as from inventions, discoveries, and industrial prototypes (subject to deductions)
- interest and gains on deposits with banks and other credit institutions in Russia (only interest that exceeds the interest calculated using the Central Bank of Russia refinancing rate plus five percentage points (for deposits denominated in Roubles) or that exceeds 9% (for deposits denominated in foreign currency) is taxable)
- material benefits (the difference between interest paid on all loans and a notional interest amount calculated with reference to a benchmark rate set by the tax code).

8.3.2.4 Non-taxable income

The following types of income are not taxable:

- In limited circumstances, reimbursement by an employer of expenses arising from a work-related change of domicile
- Payments by an employer to compensate for injury or damage to health suffered in the performance of employment duties
- Severance payments upon dismissal (within established limits)
- Business travel expenses (within established limits and conditional on compliance with certain documentary requirements)

8.3.3 Deductions

8.3.3.1 Non-business expenses

Donations to qualifying charities are deductible from taxable income (within a limit of 25% of the individual's income).

Deductions for expenditures incurred by an individual on the acquisition or construction of a flat or house and payment of interest on mortgage loans are allowed up to RUB 2 million plus the full amount of interest. This is an once-in-a-lifetime exemption.

8.3.3.2 Personal allowances

Individuals are granted a deduction of RUB 400 per month. This deduction applies until the individual's cumulative annual income reaches RUB 40,000. Furthermore, individuals are entitled to a monthly allowance of RUB 1,000 for a child or a dependent. This deduction applies until the individual's cumulative annual income reaches RUB 280,000. Individuals can also deduct fees paid for their own and their children's education in Russian-licensed institutions, fees for medical services (for themselves and close relatives) and medication expenses. The total amount of deduction related to education and healthcare as stated

above may not exceed RUB 120,000 per year (except for payments for children's education which are subject to RUB 50,000 limit per a child and may be deducted on top of RUB 120,000).

8.3.4 Tax credits

Residents of Russia are entitled to a tax credit against their Russian tax liabilities if provided by a relevant double taxation treaty. The credit cannot exceed tax payable in Russia.

To make a foreign tax credit claim, an individual must provide the Russian Tax Authorities with supporting documentation to obtain approval of the credit for taxes paid in another country. Documentation must be submitted to the Russian tax authorities by December 31 of the year following the reporting year.

8.3.5 Tax administration

8.3.5.1 Returns and payment

Tax on employment earnings and certain other payments must be withheld at source by the entity making the payment. This includes tax on income from the performance of labour under civil law contracts. Individuals receiving income from non-Russian sources and some other types of income on which tax is not withheld at source have a duty to report taxable income and pay Russian tax.

Income must be reported no later than on April 30 of the year following the reporting year. Tax payments are generally due no later than on July 15 of the year following the reporting year. Payment must be made in cash or from the taxpayer's personal rouble account with a Russian bank. With effect from January 1, 2007, tax payments from abroad in a foreign currency are no longer possible. Tax overpaid may, at the taxpayer's request, be either refunded or credited against future liabilities.

The actual income received during a stay in Russia must be reported one month prior to permanent departure from Russia. Joint returns with a husband or wife are not permitted. There is no provision for a taxable year other than the calendar year.

8.3.6 Tax rates

Income tax is payable in roubles at the rates applicable to certain income categories.

Income in foreign currency is converted into roubles at the exchange rate of the Central Bank of the Russian Federation on the date the amount is received. The flat tax rate is 13% for all types of income received by residents, except the following:

1. Dividends received by tax residents are taxed at 9%. A special offset mechanism applies to dividends paid out by group companies to its shareholders.
2. A tax rate of 35% applies to the following types of income:
 - The value of any awards and prizes received during contests, games, and other events conducted for the

purpose of advertising goods, work, and services, in excess of the set limits.

- Interest on deposits with Russian banks in excess of the amount calculated using the central bank's current interest rate plus five percentage points for rouble deposits during the interest-accrual period and 9% annual interest on foreign currency deposits.
- The difference between interest paid on all loans and a notional interest amount calculated with reference to a benchmark rate set by the tax code.

Income, except dividends, received by individuals that are non-residents of the Russian Federation is taxed at rate of 30%. Dividends received by non-residents since January 1, 2008, are subject to a flat rate of 15%.

8.3.6.1 Exchange rates

For tax calculation purposes, foreign income is translated into roubles at the exchange rate quoted by the Central Bank of the Russian Federation on the date income is received.

8.4 Value added tax

VAT was introduced in Russia with effect from 1992. The current VAT legislation took effect on January 1, 2001. The VAT system, while not originally based on the EU model system, is gradually moving toward it. VAT applies to the value added by each element in the chain of production from producer to consumer. The standard rate is 18% (with a lower rate of 10% applying to certain basic foodstuffs, children's clothing, drugs and medical goods, and printed publications). The same VAT rates apply to goods imported into the territory of Russia. Exports and directly related services are taxed at a zero rate.

Taxpayers (except taxpayers selling excisable goods) can be exempt from VAT if sales proceeds for the three preceding months do not exceed RUB 2 million (excluding VAT).

The list of exempt goods and services includes basic banking and insurance services, educational services by certified establishments, certain vitally important medical equipment, a range of domestic passenger transport services, and certain other socially important services. Accredited representative offices of foreign legal entities may be exempt from VAT on property rental payments when they act as lessees. Similarly, citizens of accredited states may also benefit from the VAT exemption that applies to property rented by them. Most exemptions from VAT carry no right to input credit in Russia. Instead, input VAT may be deductible for profits tax purposes.

Most taxpayers apply an EU-type input-output VAT system, under which VAT payers add VAT to their selling prices and deduct VAT added to costs of inventory and related expenses. Since January 1, 2006, VAT has been calculated on an accrual basis only.

While VAT on inventory and services acquired can generally be reclaimed at purchase and documented by a VAT invoice, VAT on a fixed asset acquired also requires that the asset be booked in the taxpayers accounts. Since January 1, 2006, input VAT related to capital construction

have generally been recoverable in accordance with the general input VAT recovery rules. Furthermore, taxpayers are obliged to account for VAT on construction activities using the taxpayers' own resources.

Exports of goods to destinations outside Russia, including to the CIS (Commonwealth of Independent States) countries, transport and other services related to exports of goods from and imports of goods into Russia, international passenger transport, sales to diplomatic functions, and certain other transactions are zero-rated with a right to offset input VAT. To apply the zero rate and achieve input credit for exported goods, presentation of proof of actual export is required. A significant volume of documents have to be submitted to the tax authorities within 180 days to confirm application of the zero rate.

Russian VAT legislation includes a reverse-charge mechanism. With this mechanism, a Russian entity is required to account for VAT on any payment it makes to a non-tax-registered foreign entity if the payment is connected to the sale of goods (works and services) supplied on the territory of the Russian Federation. VAT falls due to the state budget on the day the taxpayer pays the foreign supplier for the supply. The VAT withheld may be considered an input VAT credit to the Russian taxpayer subject to the normal rules for input VAT recovery. A foreign supplier may offset Russian VAT paid through the reverse-charge mechanism, Russian VAT paid at import of supplies and on domestically acquired supplies only by registering for taxes in Russia. No special VAT registration applies.

Furthermore, EU-type of place-of-supply rules exist for determining where services are supplied for VAT purposes. These rules divide services into different categories. For example, certain services are supplied at the place of performance, some at the location of the "buyer" of the services, and others at the location of certain property.

All Russian-registered taxpayers that are providers of goods and services must be able to issue a VAT invoice for VAT purposes. A standard-format invoice must be issued within five days of the supply of goods (services). The duplicate copy of the invoice is registered in a sales journal, and incoming invoices are to be recorded in a purchase book. Compliance with invoicing and accounting procedures is critical to the supplier's ability to recover input VAT.

Quarterly filing of VAT returns has been mandatory since January 1, 2008. With effect from the VAT period ended on September 30, 2008, any amount due on the return filed has been payable in three equal instalments on the 20th day of each of the three months following the return period.

Individual entrepreneurs are VAT payers and liable to VAT reporting requirements. Individual entrepreneurs and companies generating quarterly revenues of less than RUB 2 millions may be exempt from VAT liability on application to the tax authorities.

8.4.1 Import VAT

A limited range of goods is exempt from import VAT.

The list of such goods includes humanitarian aid and goods designated for the diplomatic corps. Exemption from import VAT is available on a range of technological equipment (including their components and spare parts) analogues of which are not produced in Russia. List of such equipment is approved by the Russian government.

9 Banking environment

9.1 Overview

Despite enormous economic potential and years of very high growth, the Russian banking sector remains relatively small with total assets of about 1 trillion US dollars or 46% of GDP. The total number of banks is about 1 100, many of them are very small, only about 350 banks have capital exceeding USD 10 million.

The banking system of Russia developed rapidly starting from 1990. At the beginning of 1992 about 1 500 banking licenses were issued. Bank registrations totalled 2 500 at the peak of the sector's expansion in 1996 when for enterprises and organisations it was popular to establish their own banks. The sector has gone through a substantial transformation since then. Many banks have defaulted on their obligations and gone into bankruptcy. Because of the recent financial crisis the number of banks has decreased even further as a result of insufficient liquidity, tightened capital, anti-money laundering or other regulations.

The sector is concentrated and controlled by state banks: about half of the total banking assets and total capital belongs to the 5 largest banks, all of which are state-controlled (Sberbank, VTB, Gazprombank, Rosselhozbank and Bank of Moscow). Sberbank, with about a quarter of the total banking assets and capital, plays a dominant role, especially in retail deposits (more than 50% of the market) and about a quarter of the lending market. The state directly or indirectly keeps control over more than 20 other banks, including several relatively large banks which were rescued during the 2008 - 2009 financial crisis.

Participation of foreign capital in the Russian banking sector currently amounts to about 25% of the total capital. During Soviet times, foreign banks were only permitted to open representative offices. When the liberalisation process started in the late 1980s, some of these representative offices were transferred into subsidiary banks. At the end of 2009, there were 118 foreign-controlled banks operating in Russia, of which 82 banks had a 100% foreign capital participation. Nevertheless, the presence of foreign-owned banks in Russia is still relatively low. Historically such banks serviced multinational companies operating in Russia. Recently foreign-owned banks have become more active in the retail and corporate sectors.

2009 was a year of challenges for the Russian banking system. The state supported the system by impressive amounts. About 1 trillion roubles (USD 33 billion) were injected via different support programmes, including the Ministry of Finance liquidity support programme via state-owned Vneshekonombank. Public support measures ensured stability of state-controlled and larger private-owned banks. However, the system is still facing uncertainty as to non-performing loans which amount may be higher than official data suggest (partly due to methodological differences). Capital shortage may force further deleveraging process and negatively affect the domestic demand recovery prospects.

Russia's banking system, despite its recent expansion, is still relatively underdeveloped, but this also creates some scope for the financial deepening process in the country and probably investment opportunities in this area.

9.1.1 The Central Bank

Background

The Central Bank of the Russian Federation (CBR) is an independent legal entity accountable only to the State Duma. It was founded in 1990 and operates in accordance with the Constitution of the Russian Federation and the Federal Law on the Central Bank of the Russian Federation (Bank of Russia). In 1991 it substituted Gosbank, the former State Bank of the USSR, which allocated funds from the state budget.

Responsibilities

The CBR is responsible for monetary and exchange rate policies as well as the stability of the banking system. The principal function of the CBR is to protect the stability of the Russian rouble. The CBR also supervises the Russian banking sector and has the role of financial supervisory authority. This supervisory function is rather uncommon among central banks in Europe.

Exchange rate policy

The Russian rouble is currently pegged to a basket composed of US dollars (55%) and euros (45%). The CBR sets the exchange rate between the rouble and the basket and allows a certain fluctuation corridor. After some years of currency stability and moderate appreciation, at the end of November 2008, the CBR allowed a depreciation of the rouble by almost 30%, although since March 2009 the rouble has strengthened by about 15% (39.5 RUB/EUR and 29 RUB/USD in the mid of April 2010).

Exchange rates for the most prominent foreign currencies are calculated daily, based on RUB/USD quotes in the domestic foreign exchange market and other currency quotes against the US dollar in the global exchange market.

Strategic challenges

In 2010 the CBR started to deliver its monetary policy guidance. This suggests that the CBR is gradually changing and starting to be more transparent, as a typical central bank. It is expected that in the coming years the CBR will shift from a monetary policy based on exchange-rate management to an interest-rate-managed policy - in line with most developed countries.

9.2 Danske Bank in Russia

ZAO Danske Bank (Danske Bank Russia) forms part of the Danske Bank Group, one of the largest banks in northern Europe.

The bank's products and services include those most widely used by subsidiaries of non-Russian companies that have been established in Russia. The bank offers:

- accounts and payment services
- international payments through SWIFT
- rouble clearing

- credit and deposit facilities
- treasury products, including FX derivatives
- trade finance
- cash management solutions
- electronic banking services
- corporate customs cards
- currency control services

The bank offers deposit accounts and loan facilities in roubles and all other major currencies, and provides domestic and international transfer services, including SWIFT.

Most companies thinking of setting up business in Russia will find that local conditions and regulations are quite different from what they are used to. Therefore, the assistance of a professional financial service provider is worth considering for companies that are planning to enter the Russian market.

Danske Bank Russia knows the ins and outs of Russian business life, and can help customers set up banking transactions that comply with local legal requirements.

The financing of activities in Russia will often be easier if handled by a bank operating locally. From the office in central St. Petersburg, the customers are offered a targeted range of products and services based on deep insight into the local business environment in Russia.

Danske Bank Russia is licensed for all banking operations in all currencies, and the staff is trained specifically to help and advise non-Russian customers trading or doing other types of business in Russia.

See www.danskebank.ru for further information.

9.3 Legal & regulatory issues

9.3.1 Introduction

Regulations develop in step with the state of the Russian economy. The following is general information only, and individual legal advice should be sought.

9.3.2 Resident and non-resident status

Resident organisations include legal entities, established under Russian laws and located in Russia, such as financial partnerships, companies, production co-operatives, state and municipal unitary enterprises as well as non-profit organisations.

Non-resident organisations include foreign legal entities, companies and other corporate associations with a civil legal capacity set up in accordance with the legislation of foreign states, international organisations, their branches and representative offices set up on the territory of the Russian Federation.

9.3.3 Account ownership

Accounts in roubles as well as in foreign currency can be held by residents, domestically and abroad, and non-residents that have registered with the relevant local tax office in Russia. The tax office has to be notified of each bank account opened with a Russian bank.

Effective from June 2005, Russian resident companies are allowed to open accounts in OECD and FATF countries (from January 2007 also in other countries) without the permission of the CBR but subject to subsequent notification to the tax authorities.

Usually Russian banks do not charge any commission for opening of accounts but charge fees for account maintenance, servicing of banking cards, money transfer to accounts of other banks, cash withdrawals from bank accounts in ATMs of other banks.

9.3.4 Deposit insurance system

Most of the banks in Russia are covered by the federal deposit insurance system. Members of the deposit insurance system have to make contributions to a special deposit insurance fund. In case of an insurance event, all individuals will have the right to a 100% reimbursement of their deposits up to a maximum amount of 700,000 roubles (approximately 17,500 EUR). Currently more than 900 banks participate in this deposit insurance system.

9.3.5 Cash pooling regulations

There is no specific legislation on cash pooling and no specific restrictions to the accounting and tax treatment of pooling arrangements. At the same time, each arrangement requires good understanding of all legal, tax and operational aspects. Therefore no common cash pooling market practice exists.

9.3.6 Account types and charges

Banking transaction fees are not standardised and banks follow their own individual policies. Fees can vary substantially depending on the relationship between the bank and the customer as well as on the transaction. Russia has not adopted the IBAN system.

9.3.7 Currency control

The CBR applies currency control. As a general rule, export proceeds of Russian residents must be repatriated to Russia, save for certain exceptions (e.g., if the proceeds are to be used for repayment of loans from foreign creditors from OECD or EATF countries with a maturity exceeding two years).

The establishment of foreign financial institutions or acquisitions of capital in such institutions by Russian banks require a permit from the CBR. All transactions between Russian residents and non-residents must be reported to the CBR.

9.3.8 Money laundering

Russia has implemented anti-money laundering legislation (Law RF 115-FZ on Combating Legalisation (Laundering) of Criminally Gained Income and Financing of Terrorism in 2002 and article 174 of the Criminal Code).

Russia is a Financial Action Task Force (FATF) member and observes most of the FATF-49 recommendations.

Russia is also a member of the Council of Europe's MONEYVAL Select Committee and the Eurasian

Regional Group on Combating Money Laundering and Financing of Terrorism (EAG). Russia has established a financial intelligence unit (FIU), the Federal Financial Monitoring Service (FFMS), which is a member of The Egmont Group.

Financial institutions in the broadest sense must record and report suspicious transactions to the authorities (FFMS). They must also identify their customers and report transactions exceeding RUB 600,000 (around EUR 15,000) involving cash, bank deposits, precious materials, life insurance payments, gambling and entities in certain “high-risk” countries to the authorities.

Account operating procedures require full identification. Correspondent relationships with non-resident credit institutions that do not have a physical presence in the country of incorporation are not permitted. All foreign financial institutions must operate solely through subsidiaries incorporated in Russia subject to domestic supervision. Banks are required to keep all records for at least five years after account closing.

9.3.9 Electronic transaction regulations

Russian legislation does not regulate electronic banking specifically. On 10 January 2002, Federal Law No. 1-FZ on Electronic Digital Signature came into force. Under this act, an electronic digital signature can be used to sign all civil law contracts unless specifically prohibited by legislation. For example, real-property purchase agreements must be drafted in the form of a physical document and signed by the parties.

In most cases electronic signing cannot be used for documents submitted to government authorities or documentation that will subsequently need to be registered by state authorities or notarised.

Electronic Banking in Russia includes information services (account balances, payments information, etc.), payments for utilities, money transfers, FX, and deposits.

9.4 Payment and collection

9.4.1 Introduction

Paper-based payment methods are rapidly being replaced by electronic solutions. Electronically processed payments represent more than 77%, measured by volume, and 90%, measured by value, of all domestic payments. In the CBR payment system, this figure is higher than 99%. Nonetheless, the importance of cash payments is still considerable, although decreasing. Credit transfers are the dominant payment instrument in terms of both volume and value.

The retail credit card market in Russia is developing fast, and banks in Russia are issuing an increasing number of credit cards. The infrastructure of the payment card industry is fairly developed. Businesses are now well aware of the advantages of using corporate cards instead of cash for corporate expenses.

Both debit and credit cards are used for corporate purposes and the use is expanding rapidly.

9.4.2 Card payments

While the use and issuance of payment cards have increased steadily in recent years, Russia remains essentially a cash-based economy. The CBR Regulation of December 24, 2004, No. 266 P on The Issue of Bank Cards and Payment Card Operations further facilitated expansion of the payment card market. The number of cards issued by credit institutions increased by 6% to 126 million (119 million in 2008), while the number of payment card operations reached 2,468 billion (up 17%) in 2009, and their value totalled RUB 9,883 trillion (an increase of 7%).

Since the introduction of credit cards in 2001, their popularity has continued to increase. By 2008, the number of credit cards had increased by 4% (9.3 million cards), while the number of credit card operations had risen by 53% and their value expanded also by 53%. Despite this growth, credit card operations accounted for only 8% of total payment card operations.

9.4.3 Credit transfers

Payment orders are the dominant cashless payment instruments in Russia in terms of both volume and value. Credit transfers can be paper-based or automated, but electronic credit transfers account for the majority of transfers. Nearly all interbank transactions are effected electronically based on written agreements between the banks.

9.4.4 Direct debits

Direct debits (payment requests), standing orders, collection orders and letters of credit account for a very small proportion of cashless payments in Russia.

9.4.5 Cheques

Cheques as a means of payment are used only to withdraw cash from corporate accounts because it is required by law.

There is no interbank cheque clearing system in Russia.

9.5 Electronic banking

9.5.1 Introduction

Electronic banking services are offered by leading Russian banks as well as international banks. There is currently no electronic banking standard. Banks either offer standard platforms provided by local or foreign vendors (such as Germany's MultiCash system) or their own proprietary software (which usually does not feature multibank functionality) for corporate banking purposes.

Internet banking for retail customers is becoming widespread in larger Russian cities. The Russian electronic banking system has been used to establish corporate-to-bank connectivity for many years. Recent trends include solutions for connectivity between corporate enterprise resource planning (ERP) systems and electronic banking systems, and global solutions that link accounts across different countries.

9.5.2 EDIFACT/host-to-host solutions

Businesses' growing effort to streamline payment processing is supported by a number of banks. Host-to-host (H2H) solutions are available that provide direct connectivity between the customer's ERP system and the bank's processing engine with no bank software in between.

9.5.3 E-payments

Micropayments are offered by domestic and global players, such as Webmoney, Yandex.Money, E-Gold, E-port, Rapida, Assist, CyberPlat, PayPal, MoneyMail, Rupay, Moneybookers and Internet. In general, such solutions rely on two important prerequisites: (1) prepayment and (2) settlement by cash, debit or credit card.

9.5.4 E-invoice / EBPP

No industry-wide electronic bill presentment and payment (EBPP) solutions exist on the market, although various providers operate in Russia.

10 Useful Links – Russia

Foreign embassies in Russia

Embassy of Denmark in Russia www.ambmoskva.um.dk	Embassy of Lithuania in Russia http://ru.mfa.lt
Embassy of Estonia in Russia www.estemb.ru	Embassy of Norway in Russia www.norvegia.ru/norsk/ambassaden
Embassy of Finland in Russia www.finland.org.ru	Embassy of Poland in Russia www.polandemb.ru
Embassy of Germany in Russia www.moskau.diplo.de	Embassy of Sweden in Russia www.swedenabroad.com
Embassy of Ireland in Russia www.embassyofireland.ru	British Embassy in Russia www.britaininrussia.ru
Embassy of Latvia in Russia www.am.gov.lv/moscow	

Embassies of Russia abroad

Embassy of Russia in Denmark www.denmark.mid.ru	Embassy of Russia in Lithuania www.lithuania.mid.ru
Embassy of Russia in Finland www.finland.mid.ru	Embassy of Russia in Norway www.norway.mid.ru
Embassy of Russia in Estonia www.estonia.mid.ru	Embassy of Russia in Poland www.poland.mid.ru
Embassy of Russia in Germany www.germany.mid.ru	Embassy of Russia in Sweden www.sweden.mid.ru
Embassy of Russia in Ireland www.ireland.mid.ru	Embassy of Russia in UK www.great-britain.mid.ru
Embassy of Russia in Latvia www.latvia.mid.ru	

Lawyer -Accountant - Consultant

Mannheimer Swartling www.mannheimerswartling.se

Danske Bank
Holmens Kanal 2-12
DK-1092 Copenhagen K

Tel. +45 45 12 00 00
www.danskebank.com