Doing Business in Russia
Preface

This guide has been prepared by Baker Tilly Russia, an independent member of Baker Tilly International. It is designed to provide information on a number of subjects important to those considering investing or doing business in Russia.

Baker Tilly International is a top 10 network of independent accounting and business advisory firms by combined fee income, and is represented by 126 firms in 147 countries and over 30,000 people worldwide. Its members provide high quality accounting, assurance, tax and specialist business advice to privately held businesses and public interest entities.

This guide is one of a series of country profiles compiled for use by Baker Tilly International member firms’ clients and professional staff. Copies may be downloaded from www.bakertillyinternational.com.

Doing Business in Russia has been designed for the information of readers. Whilst every effort has been made to ensure accuracy, information contained in this guide may not be comprehensive and recipients should not act upon it without seeking professional advice. Facts and figures as presented are correct at the time of writing.

Up-to-date advice and general assistance on Russian matters can be obtained from Baker Tilly Russia, contact details can be found at the end of this guide.

September 2017
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1 Fact Sheet

Facts and figures as presented in sections 1 through 4 are correct as at 2 September 2017.

**Geography**

Location: Northeast Europe and northern Asia

Area: 17,098,242km²

Land boundaries: Azerbaijan, Belarus, China, Estonia, Finland, Georgia, Kazakhstan, North Korea, Latvia, Lithuania, Mongolia, Norway, Poland, and Ukraine

Coastline: Arctic Ocean and the North Pacific Ocean

Climate: Steppes in the south, humid continental in much of European Russia, subarctic in Siberia, tundra climate in the polar north

Terrain: Broad plain with low hills west of Urals, vast coniferous forest and tundra in Siberia, uplands and mountains along the southern border regions

Time zone: GMT +4 in Moscow. There are nine time zones in Russia ranging from GMT +3 in the west to GMT +12 in the extreme northeast

**People**

Population: 146.80 million (January 2017 estimate)

Religion: Russian Orthodox 68%, Islam 7%, Catholic 1%, Protestant 1%, other 4%, non-believer 19% (2013)

Language: Russian

**Government**

Country name: Russian Federation

Government type: Semi-presidential federation

Capital: Moscow

Administrative divisions: 46 provinces, 21 republics, 4 autonomous regions, 9 administrative territories, 2 federal cities and 1 autonomous province
Political situation

The bicameral Federal Assembly consists of the Federation Council (upper house) with 166 seats, and the State Duma (lower house) with 450 seats. The Head of State is the President, who is elected by popular vote. The Head of Government is the Premier, who is appointed by the President and approved by the State Duma. The cabinet comprises of the Premier, deputy premiers, and ministers, who are appointed by the President.

Economy

<table>
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<th>Statistic</th>
<th>Description</th>
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<tr>
<td>GDP – per capita</td>
<td>US$8,748 (2016)</td>
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<tr>
<td>GDP – real growth rate</td>
<td>-0.2% (2016)</td>
</tr>
<tr>
<td>Labour force</td>
<td>75.72 million (2016)</td>
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<tr>
<td>Unemployment</td>
<td>5.1% (July 2017)</td>
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<td>Currency (code)</td>
<td>Russian Ruble (RUB)</td>
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2 Business Entities and Accounting

2.1 Companies

The main company types in Russia are the joint stock company (public or non-public) and the limited liability company. Other business forms include partnerships, branches, and individual entrepreneurs.

2.1.1 Joint stock companies

A joint stock company may be public or non-public and may be formed by at least one individual or legal entity through the company’s charter. A company consisting of one person may not generally be the sole founder of a joint stock company. The liability of shareholders is limited to their capital contribution. Shareholders who have not fully paid up their shares are jointly and severally liable for the obligations of the company with the unpaid portion of the value of their shares.

The minimum share capital requirement for a public joint stock company is generally RUB100,000. For non-public joint stock companies, the minimum share capital requirement is generally RUB10,000. Public joint stock companies may offer shares to the public; non-public joint stock companies may not.

Joint stock companies are administered by the annual general meeting, a board of directors (supervisory board), and a sole executive alone, or a sole executive with an executive body. Both private individuals and corporations may be appointed to act as a sole executive. Furthermore, under the company’s articles of association multiple persons can be authorised to act as its sole executive (both jointly and separately). Members of the board of directors must be individuals. Joint stock companies are also required to appoint an internal audit committee/internal auditor or an independent external auditor (in the last case only for public joint stock companies).

2.1.2 Limited liability companies

A limited liability company may be formed by one or more individuals or legal entities through the company’s charter. Business entities consisting of one person may not generally be the sole founder of a limited liability company. The maximum number of members is 50. The liability of members is limited to value of their shares in the authorised capital. Members who have not fully paid up their shares are jointly liable for the obligations of the company with the unpaid portion of the value of their shares.
The minimum share capital requirement for a limited liability company is RUB10,000. Limited liability companies are administered by the annual general meeting, a board of directors (supervisory board) which is optional, and by a sole executive alone, or by a sole executive with an executive body. Both private individuals and corporations may be appointed to act as a sole executive. Furthermore, under the company’s articles of association multiple persons can be authorised to act as its sole executive (both jointly and separately). An internal audit committee or internal auditor must also be appointed if there are more than 15 members. These functions can also be performed by an independent external auditor (if allowed by the articles of association).

2.1.3 Licensing, registration and taxation

Business activities in certain areas require a licence. Companies must apply for state registration, which is generally complete within five working days of submission of the relevant documentation. Companies become separate legal entities upon registration. Companies are taxed at the corporate level and are subject to corporate income tax.

2.2 Partnerships

A general partnership exists where two or more partners engage in business activities in accordance with the memorandum of association. There is no minimum share capital requirement. Partners have unlimited liability for the debts/liabilities of the partnership, jointly and severally. Profits and losses are divided between the partners in proportion to their capital contribution, unless the partners agree otherwise.

A limited partnership may be formed by two or more partners, and is governed by the memorandum of association. There is no minimum capital requirement. There must be at least one general partner and at least one limited partner. The maximum number of limited partners is 20. General partners have unlimited liability for the debts/liabilities of the partnership. Limited partners are liable to the extent of their capital contribution. Limited partners are not permitted to take part in the management of the partnership. Limited partners are entitled to receive profits in relation to their share of the share capital as prescribed by the memorandum of association.

Business activities in certain areas require a licence. General partnerships and limited partnerships must apply for state registration, which is generally complete within five working days of submission of the relevant documentation. General partnerships and limited partnerships are separate legal entities.
General partnerships and limited partnerships are taxed at the corporate level and are subject to corporate income tax.

Simple partnerships, which are not separate legal entities, are also available, and are taxable at the level of the partners.

2.3 Branches and Representative Offices

A foreign company may generally conduct business in Russia through a branch. A branch is not a separate legal entity, and the foreign parent company is responsible for the debts and liabilities of the branch. The activities of the branch must match those of the parent company. Branches must be accredited by the Russian Federal Tax Service or the Ministry of Justice of Russia, the Central Bank of Russia, the Federal Agency for Air Transport, etc., depending on the type of foreign entity establishing a branch and the activities carried out through it, and may also be required to register with other authorities, such as registration with the local tax inspectorate for tax purposes.

A representative office is not a separate legal entity, and is permitted to represent the interests of the parent company. Representative offices must be accredited by the Russian Federal Tax Service or the Ministry of Justice of Russia, the Central Bank of Russia, the Federal Agency for Air Transport, etc., depending on the type of foreign entity establishing a branch and the activities carried out through it, and may also be required to register with other authorities, such as registration with the local tax inspectorate for tax purposes.

The profits of a branch or representative office are subject to corporate income tax if the branch/representative office is considered to be a permanent establishment; otherwise, the income received from sources in Russia may be subject to withholding tax, subject to the terms of any relevant tax treaty.

2.4 Individual Entrepreneur

An individual entrepreneur is an individual who independently owns and operates a business. An individual entrepreneur is not a separate legal entity and the owner has unlimited liability for the debts and liabilities of the business. An individual entrepreneur must apply for state registration, which is generally complete within five working days of submission of the relevant documentation.

Individual entrepreneurs are taxed under the personal income tax regime, or under one of the special tax regimes if the relevant eligibility criteria are met.
2.5 Audit and Accounting Requirements

Companies are required to maintain accounting records. Simplified accounting methods may be used by small businesses (as defined). Annual financial statements should provide a fair representation of the financial position of the company, and include the balance sheet, income statement, and annexes.

The consolidated financial statements of listed companies, credit institutions, insurance companies and certain other entities must generally be prepared using the International Financial Reporting Standards (IFRS); separate financial statements must also be prepared using Russian Accounting Standards (RAS). Other companies are generally required to use RAS.

The annual financial statements of the following entities are generally subject to a statutory audit:

- Joint stock companies
- Listed companies
- Credit institutions and certain other financial institutions
- Companies (subject to exceptions) whose annual revenue in the preceding year exceeded RUB400m, or assets on the balance sheet at the end of the preceding year exceeded RUB60m
- Companies (subject to exceptions) that publish their financial statements or consolidated financial statements, and
- other entities as established by legislation.

Companies are generally required to maintain accounting records, annual financial statements, and the auditor’s report (if applicable) for a period of at least five years following the year to which they relate.

2.6 Filing Requirements

Annual financial statements must be submitted to the tax authority within three months of the end of the accounting year (which is the calendar year).
3 Finance and Investment

3.1 Exchange Control

Foreign currency transactions between residents and non-residents may generally be carried out without restriction. However, purchases and sales of foreign currency (including cheques) may only be conducted through authorised banks if the nominal value is in a foreign currency. Foreign currency transactions between residents are generally prohibited, except in circumstances set out in legislation, including certain transactions involving foreign securities, and the majority of foreign currency transactions between residents and authorised banks. There are generally no restrictions on foreign currency transactions between non-residents.

Anti-money laundering and anti-terrorist financing legislation requires certain organisations and individuals to establish the identity of their clients, and to report transactions where there is sufficient evidence that they relate to money laundering or terrorist financing. The Federal Financial Monitoring Service is responsible for combating money laundering and terrorist financing.

3.2 Banking and Sources of Finance

The Central Bank of the Russian Federation is responsible for (amongst others) monetary policy, financial stability, and issuing banknotes and coins.

Commercial banks operating in Russia provide the majority of financial services.

There are generally no restrictions on foreigners opening bank accounts in Russia, or on accounts containing foreign currency.

The Moscow Exchange provides a marketplace for listing and exchanging securities.

The Russian Venture Capital Association (RVCA) provides details of private equity and venture capital investors.
3.3 Investment Incentives and Restrictions

There are generally no restrictions on foreign business investment in Russia; however, restrictions may apply to certain sectors, such as banking and insurance, and areas deemed strategically important.
4 Employment Regulations

4.1 General Employment Matters

Legislation provides minimum rights and conditions of employment in Russia, including maximum weekly working hours, rest periods, paid annual leave entitlement, and the minimum wage. Working terms and conditions may also be determined by a collective agreement.

Two copies of an employment contract must generally be prepared in writing and signed by both parties. The contract of employment must include:

- Names of the employer and the employee
- Place and date of the contract of employment
- Place of work
- Date that work commences
- For fixed term contracts – the duration of the contract and reason for concluding a fixed term contract
- Terms of remuneration
- Working hours and rest periods, and
- Details of any applicable collective agreement, if agreed by the parties.

An employee may generally terminate a contract of employment by providing two weeks’ notice. An employer may terminate a contract of employment in specific circumstances, such as liquidation of the business (with two months’ notice), or gross misconduct by the employee.

The statutory monthly minimum wage is RUB7,800.

4.1.2 Pensions and other benefits

Social security contributions generally provide associated benefits.
4.2 Visas

Citizens of certain countries do not require a visa for visits to Russia. Visas available for entry to Russia include:

- Tourist Visa
- Special Purpose Tourist visa
- Business Visa
- Multiple Entry Business Visa
- Transit Visa
- Private Visa
- Humanitarian Visa
- Student Visa
- Work Visa

For further information on visa requirements, visit www.fms.gov.ru.

There are generally no restrictions on foreigners purchasing real property in Russia. However, ownership of certain types of land is restricted, such as agricultural land and land in border territories.

4.3 Trade Unions

Trade unions may negotiate collective agreements with employers. It is not compulsory for employees to be a member of a trade union.
5 Taxation

We have comprehensive tax guides covering 150 countries. To be sent these guides, please confirm which countries are of interest by email to tax.desk@bakertillyinternational.com
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