



## DELOVOY PROFIL

BUSINESS SOLUTIONS WORLDWIDE

### TAX REGIME IN RUSSIA

#### 1. General Tax Regime

Includes payment of the following taxes and duties at the following basic rates:

- value added tax at the rate of 18%;
- tax on profits at the rate of 20%;
- payroll taxes (physical persons income tax) — at the rate of 13%;

insurance contributions to Pension Fund of the Russian Federation, Social Security Fund of the Russian Federation, Federal Compulsory Medical Insurance Fund and territorial compulsory medical insurance funds) — at common rate of 26%.

Property tax — at the rate of 2%.

#### 2. Special Regimes including: Simplified Tax System (STS).

The main advantage — taxpayer shall pay single tax and contributions for compulsory insurance.

There are two ways of tax object generation in case of single tax payment:

1. Income (earnings) — at the rate of 6%.
2. Income less Expenses — at the rate of 15%.

The Tax Code of the Russian Federation prescribes the number of restrictions

for organizations which apply STS in particular:

- income shall not exceed 45 million rubles;
- participation share of a foreign company shall not exceed 25%, other members shall be physical persons;
- etc.

### BUSINESS LEGAL STRUCTURES

The most encountered forms are limited liability company and joint-stock company.

The limited liability company is a company incorporated by one or several persons the share capital of which is divided into participation shares of a determined size in accordance with constituent documents.

The joint-stock company is a company share capital of which is divided into a determined number of shares. The joint-stock company whose shareholders may alienate their shares without consent of other shareholders is deemed open joint-stock company.

The joint-stock company the shares of which are subject to distribution only to its founders or other predetermined persons is considered as closed joint-stock company.

The number of shareholders of closed joint-stock company shall not exceed fifty.



## SOCIAL SECURITY

In Russia there are State Pension Fund, Social Security Fund, Federal and Territorial Compulsory Medical Insurance Funds between which insurance contributions mentioned above shall be distributed. These funds make relevant payments to the population.

Working week in Russian Federation consists of 40 hours. The minimum wage amounts to 4 330 rubles.

### ANY FOREIGN COMPANY MAY ORGANIZE ITS BUSINESS IN RUSSIA IN THE FOLLOWING FORMS:

#### 1. To conclude a contract on performance of works, rendering services, sale of products with a Russian company.

Having entered into a contract (agreement) with Russian organization relating to rendering services, performance of works, purchase of products by the later a foreign person will be exempted from tax payments in the territory of the Russian Federation. As to the revenues the Russian legal entity will pay for foreign company taxes in respect of concluded contracts in the territory of the Russian Federation.

#### 2. To found a representative office, branch in Russian Federation.

A representative office (branch, office etc.) of a foreign legal entity is created for the purposes of exercising activity in the territory of the Russian Federation

which is exercised by parent organization on the ground of resolution of foreign legal entity which is parent company (Federal Law «On Foreign Investments in Russian Federation»).

When exercising activity in Russia representative offices of foreign companies have potential privileges in particular as to taxation.

In addition representative offices of foreign companies conducting business in Russia at the same time may perform a number of functions which are not connected with commercial activity (i.e. preparatory and (or) secondary functions).

#### 3. To exercise activity through sole proprietor.

Sole proprietors are physical persons registered according to the established procedure and exercising commercial activity without incorporation of legal entity.

#### 4. To found Russian organization which or a share of which will be owned by foreign company.

Forms of ownership of a legal entity may include joint-stock company or limited liability company.

The regime and rules of taxation in many cases depend on:

- functions (commercial activity, secondary activity, activity in the interests of a third person etc.);
- volume of earnings;
- direction of activity;
- form of business organization;
- share in business.