

**DOING  
BUSINESS  
IN RUSSIA  
2026**



*Franz Josef Land, an archipelago  
of glaciers and icebergs*





# OUR PROFESSIONAL SERVICES IN RUSSIA

*Krasnoyarsk Pillars, gigantic rocks of dramatic formations in the midst of the taiga*



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### **B1**

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We are a leading professional tax and legal services provider in Russia with 4,000+ employees and partners, 11 offices around the country and broad market coverage across all industry segments.

We advise our clients on the latest changes and challenges in the regulatory and business landscape and offer support with acquisitions and disposals. We also provide advice and guidance on structuring and managing routine business functions in the most efficient way from a tax and legal perspective.

Recent political and market developments in Russia and the wider world have created a great deal of anxiety for shareholders and company managers, but this is also a time of opportunity. We are confident that, with us on their side, our clients will be ideally placed to face present and future challenges and take full advantage of new opportunities as and when they arise.

This guide addresses the key areas of law and regulation impacting investors in Russia.

B1 is about endeavoring together with our clients to be the first in our field, to work as one united team and to be leaders in whatever we do.

In over 35 years in Russia, we have assembled a strong team of professionals with broad expertise and a wealth of experience in delivering challenging projects. B1 Group is based in 11 cities: Moscow, St. Petersburg, Novosibirsk, Ekaterinburg, Kazan, Krasnodar, Rostov-on-Don, Vladivostok, Chelyabinsk, Samara and Togliatti.

We help our clients to find the solutions they need, to grow and transform their businesses and to strengthen their financial and human capital.

# ORGANIZING BUSINESS ACTIVITIES

*Baikal, the deepest lake on the planet*

## TYPES OF BUSINESS PRESENCE

There are several types of business presence a foreign company may have in Russia, depending on the intended scope of activities:

### ▶ **Representative office**

A representative office is considered a subdivision of a foreign company in Russia rather than a separate legal entity. It must still be accredited by the Russian tax authorities. The activities of a representative office must be limited to representing and protecting the interests of its headquarters in Russia.

### ▶ **Branch**

A branch is not considered a separate legal entity. It must be accredited by the Russian tax authorities. However, in contrast to a representative office, a branch may carry out all or part of the functions of the foreign head office, including commercial activities.

### ▶ **New Russian subsidiary or shareholding in an existing Russian company**

A foreign company may establish a subsidiary in Russia. The most common legal forms in Russia are a *limited liability company (LLC)* and a *joint stock company (JSC)* (see below for details). Instead of establishing a new legal entity, a foreign company may also acquire shares in an existing Russian legal entity. A foreign investor (whether a company or an individual) may hold up to 100% of shares in a Russian legal entity.

### ▶ **Simple partnership**

A foreign entity may conclude a joint activity agreement with a local partner and form a simple partnership. A simple partnership allows for the partners' assets to be pooled for the purpose of carrying out joint activities without creating a new legal entity, with one of the partners taking responsibility for managing the partnership and ensuring its statutory compliance.

## BASIC CORPORATE GOVERNANCE REQUIREMENTS

### **RUSSIAN LEGAL SYSTEM**

The Russian legal system is a civil law (codified) system. Unlike common law countries, the main sources of law in Russia are statutes and regulations adopted by legislative and executive authorities.

Legislation in Russia is divided into country-wide (federal) and regional. Regional legislation is subsidiary to federal legislation.

Federal laws are adopted by the Federal Assembly (the Russian parliament) and are applicable throughout Russia. Core legal rules are codified into special federal laws, or “codes” (e.g., the Civil Code, the Tax Code, the Criminal Code, the Labor Code, the Administrative Offences Code, the Family Code, the Land Code, etc.).

Other federal laws elaborate on regulation provided by the codes, i.e., add specific rules to general guidelines (for instance, the Limited Liability Company Law and

the Joint Stock Company Law lay down specific rules in line with general regulation established by the Civil Code), or provide regulation on matters not covered by the codes (for instance, the Currency Control Law, the Competition Law, the Licensing Law, etc.).

The Russian President adopts edicts on particular matters required for the implementation of federal laws. The Russian Government issues decrees and regulations which must comply with federal legislation and the President's edicts.

As the next tier of regulation, state executive authorities (federal ministries, services and agencies) issue regulations on matters within their competence (the Ministry of Transport, the Federal Tax Service, the Federal Antimonopoly Service, the Federal Customs Service, etc.).

Regional legislation is adopted for areas such as the environment, administration and housing, which, under the Constitution, come within the joint competence of the Russian Federation and its regions (as opposed to areas such as criminal activities, the financial system, military matters, etc., which come within the exclusive competence of the Russian Federation). The legislatures of each region adopt regional laws, and regional executive authorities issue regulations which have legal force only in their regions.

Rulings made by Russian courts are considered as decisions on specific cases and are not formally binding on other Russian courts (do not establish legal precedents). In practice, however, judges do consider the legal positions of other courts. The Russian Supreme Court may adopt special acts that interpret laws or summarize cases, serving as guidance for all commercial and non-commercial courts, but it may not create new legal rules.

## COURT SYSTEM

The court system in Russia consists of general and commercial courts. General courts consider cases involving individuals (whether civil, administrative or criminal cases), whereas commercial courts consider cases arising from business relationships of legal entities and individual entrepreneurs, including tax claims, commercial claims and corporate disputes.

The commercial court system is comprised of five instances. A court of first instance renders a judgment, which may be appealed through four appeal instances one after another, i.e., if the appellant misses one of the successive instances, it loses the right to appeal further. The commercial court system consists of:

- a. Regional courts (first instance)
- b. Regional courts of appeal (second instance)
- c. District courts (third instance)
- d. Commercial Bench of the Supreme Court (fourth instance), and
- e. Presidium of the Supreme Court (fifth instance)

The general court system is comprised of up to six instances depending on the type of case. In 2019, it underwent major reform: new appellate and cassation courts were established, and jurisdiction over certain cases was transferred from the regional level to the newly established courts.

The Supreme Court acts as the final appeal instance for both general and commercial courts.

Within the commercial court system, first instance proceedings commonly last from four to six months. However, it is compulsory to file a pre-litigation claim one month ahead of filing a claim with a commercial

court. The duration of proceedings in each appeal instance rarely exceeds three months.

The maximum stamp duty charge for filing a claim with a commercial court is RUB 10,000,000 (approximately USD 100,000). The fee for filing a petition of appeal is RUB 30,000 (approximately USD 300).

A judgment may be enforced unless it is appealed to a second instance court within 30 days, in which case it may be enforced after the second instance court has rendered a judgment, except where the first instance judgment is sent back to the first instance court.

The parties may also refer a commercial dispute to commercial arbitration, either through permanent arbitration institutions or ad hoc arbitration bodies.

International arbitration institutions are treated in Russia as ad hoc bodies.

## **REGISTRATION, CERTIFICATION AND DISCLOSURE**

Russian law requires certain commercial transactions and civil statuses to be officially registered in state registers which are made available to the public. In some cases, state registration is essential for the enforceability of a transaction, while in others it is just an element of mandatory disclosure.

The State Register of Legal Entities contains information about Russian legal entities and their founders, CEOs, share capital, reorganization and liquidation status and, in the case of LLCs, the owners of interests in the company and encumbrances thereon. A company must enter this data in the register (by filing an application to the tax authorities which maintain the register), otherwise the

information in question will be invalid in dealings with third parties. An extract from the State Register of Legal Entities is considered as an official source of information on the current status of a company and its CEO. Any person may request an extract from the register with respect to any legal entity.

The state registers of intellectual property (trademarks, inventions, utility models, industrial designs, etc.) contain information about particular IP assets, e.g., rights holders and any encumbrances that are required to be registered.

Most of the information contained in various state registers is aggregated in a special publicly available web-based register in Russian known as Fedresurs (<http://www.fedresurs.ru/>). Some data is entered by the tax authorities, which are responsible for maintaining the State Register of Legal Entities. This includes information on the establishment, reorganization or liquidation of a legal entity, changes of CEO, share capital or address, and so on. Some data is entered by a company itself: the issuance, suspension or revocation of licenses, pledges of movable property, financial statements (if their publication is required by law), the value of net assets and other information. Certain disclosures are relevant for specific parties, such as the issue of guarantees for guarantors, property leases for leasing companies, factoring agreements for financial agents, etc. A breach of this obligation does not affect the validity of relevant agreements, guarantees or pledges, but may lead to the imposition of administrative penalties on a company and its officers.

Notaries public in Russia are officials who certify (notarize) legal and other documents as well as translation of foreign documents into Russian. Russian law requires certain commercial transactions,

corporate decisions and one-party documents (such as powers of attorney) to be certified by a notary public to be legally valid and enforceable. For instance, any transaction to transfer interests in an LLC is subject to certification by a Russian notary public (including preliminary and principal SPAs, options and pledges).

## REGISTRATION OF RIGHTS IN REAL ESTATE

Rights in real estate typically arise only upon their state registration, i.e., the registration of title to real estate is a mandatory precondition for the execution of any transaction involving that real estate. Registration is also required for most transactions involving real estate:

- a. Sale contracts and other agreements providing for the transfer of title
- b. Leases and subleases exceeding one year

- c. Enterprise leases
- d. Easements
- e. Construction co-investment agreements
- f. Granting of land plots for gratuitous use for a period exceeding one year
- g. Assignment of any agreement subject to state registration

State registration records are entered in the State Register of Real Estate, which is maintained by the Federal Service for State Registration, Cadastre and Cartography. State registration takes up to 12 business days depending on the type of right or agreement being registered. Basic information on every property contained in the register (area, year of construction, title holder, encumbrances and limitations, etc.) is available to the public.

*Lake Ladoga, a freshwater lake in Russia, second largest after Baikal*



# CORPORATE LAW: KEY MATTERS

Russian corporate law provides for two categories of legal entities: (1) commercial legal entities and (2) non-commercial legal entities. Commercial legal entities generally include companies, partnerships and commercial cooperatives, and may be private or public. Non-commercial legal entities include funds, associations, agencies, etc.

A legal entity may be established for a definite or indefinite period of time. An entity is considered as established when a relevant registration entry is made in the State Register of Legal Entities.

Every company must have articles of association setting out general information about the company and regulating the general principles of the company's corporate structure and the status of its shareholders/members. The articles of association and any amendments to them must be approved by the general meeting. The articles of association are made available to the public and must be registered in the State Register of Legal Entities.

Businesses such as LLCs and JSCs must have authorized capital. Matters such as the amount of initial authorized capital, the articles of association, the chief executive officer and the registered address must be approved by the founders in the decision on the incorporation of the company (if there are two or more founders, they must also approve a foundation agreement).

A company may have another single member company as its sole member (shareholder), unless otherwise provided for by law.

## LLC VS JSC

The most common types of companies are a limited liability company and a joint stock company. Only a JSC can become a public company, but a JSC is generally considered non-public unless its public status is directly indicated in the company's name and articles of association. There are a few distinctions between an LLC and a JSC which, depending on business circumstances, make one or the other more suitable for an investor.

Generally, the financial statements of any JSC must be audited annually by an external auditor (there is no such obligation for an LLC).

The maximum number of members in an LLC is 50. The number of shareholders in a JSC is unlimited, but a non-public JSC with more than 50 shareholders is subject to additional obligations involving the publication of an annual report and annual financial statements.

Information about members in an LLC is publicly available in the State Register of Legal Entities. The company must also maintain a list of its members internally or arrange for it to be maintained by the Federal Chamber of Notaries. In case of any discrepancy between the State Register of Legal Entities and the list of members, the register prevails. Except for the initial founders, shareholders of a JSC are not disclosed in the register, but the company must appoint a professional licensed registrar to maintain the register of shareholders.

A member in an LLC may sell or transfer its interest to a third party only subject to pre-emptive rights enjoyed by other members (and the company if provided by its articles of association) at the price offered by the third party or stipulated in the articles

of association. In addition, the articles of association of an LLC may make it mandatory to obtain the consent of other members and the company for such third party transactions or even completely prohibit them. However, on 1 September 2025, the Limited Liability Company Law was amended and now requires that any contract providing for the transfer of an interest in an LLC should be subject to certification by a Russian notary public.

In a JSC, the pre-emptive right is not a default legal rule, but it may be stipulated in the articles of association of a non-public JSC (the establishment of pre-emptive rights for public JSCs is prohibited unless specifically provided for by law).

Russian law allows both members in an LLC and shareholders in a JSC to make “asset contributions” that do not impact the company’s authorized capital and are not returnable to the contributors. In effect, such contributions are a form of legitimized corporate gift. In-kind contributions to assets are limited to tangible assets, shares in other companies, intellectual property, and state and municipal bonds.

Members in an LLC also benefit from a specific exit mechanism. If expressly provided for by the articles of association of an LLC, a member is entitled to “withdraw” from the company at any time. The withdrawal is executed by submitting a relevant application to the company and does not depend on the will of the company or other members.

If a member opts to withdraw from an LLC, the company acquires its interest and is obliged to pay the member within three months the “actual value” of its stake calculated as a corresponding portion of the value of the company’s net assets as shown in the financial statements. Shareholders in a JSC do not have the option of withdrawal.

## **AUTHORIZED CAPITAL**

For both LLCs and JSCs, the minimum authorized capital is RUB 10,000 (approximately USD 100). The minimum authorized capital for a public JSC is RUB 100,000 (approximately USD 1,000). There is no maximum amount.

For example, the initial authorized capital of an LLC must be paid in within four months of its state registration. 50% of the initial authorized capital of a JSC must be paid in within three months of its registration and the other 50% must be paid in within one year of its registration. The founder of the company may not be exempted from the obligation to pay an interest in the company’s authorized capital. In the event of incomplete payment of an interest in the authorized capital of the company within such terms, the unpaid portion of the interest shall transfer to the company. It must be disposed of by the company in the manner and within the terms established by law.

After a company has been established, authorized capital may be increased through contributions made by members/shareholders in cash or in kind (subject to the same limitations as for in-kind contributions to assets) provided that initial authorized capital has been fully paid in. In an LLC, authorized capital is increased by increasing the nominal value of some or all interests, while in a JSC shareholders may decide to increase authorized capital either by issuing additional shares or by increasing the par value of existing shares. Debt-to-equity conversion (where capital is paid in by offsetting debt owed to a shareholder/member) is permitted. Any decision to increase or reduce authorized capital must be made by the general meeting.

In an LLC, authorized capital is divided into a number of interests equal to the number of members. Each member has one interest with a nominal value proportionate to the amount of its contribution to authorized capital.

The authorized capital of a JSC is divided into shares of equal nominal value. Unlike interests in an LLC, shares in the authorized capital of a JSC have the status of securities, and each issue of shares in a JSC must be registered with the Bank of Russia. A JSC may issue both common and preferred shares. Various types of preferred shares are allowed, but the total nominal value of preferred shares may not exceed 25% of the JSC's authorized capital. At the time of initial placement, shares are distributed among shareholders and/or third parties by either private or public subscription.

## **NET ASSETS**

Russian law obliges LLCs and JSCs to keep their net assets (calculated on the basis of the company's books) at a level equal to or exceeding their authorized capital. When a company is established, it has two years to commence its business. Starting from the second year, the company is obliged to check annually whether the value of its net assets is less than the amount of authorized capital. If the value of net assets falls below the amount of the company's authorized capital, shareholders/members have one year to increase them. If, after one year, the value of net assets is still less than the amount of authorized capital, shareholders/members have six months to pass a resolution to reduce authorized capital. If the value of net assets falls below the minimum authorized capital, shareholders/members must pass a resolution to liquidate the company.

## **PUBLIC COMPANIES**

A public company is obliged to disclose information in the manner prescribed by law and must have a board of directors within its corporate structure.

If a shareholder or a third party (together with its affiliates) acquires over 30%, 50% or 75% of shares in a public company, it must make a public offer to all other shareholders. If the stake of an individual shareholder exceeds 95% in a public offer, the shareholder is entitled to exercise a squeeze-out right with respect to the remaining shares; conversely, the remaining shareholders have the right to force a mandatory buyout of their shares.

## **CORPORATE GOVERNANCE**

Corporate governance in Russian companies is CEO-focused: the competence of any other management body of a company must be set out in the company's articles of association, and all decisions outside that competence fall within the authority of the CEO. The general meeting is the highest management body but is typically convened only occasionally to decide on fundamental issues, while the board of directors (if established) acts as a supervisory rather than executive body.

## **GENERAL MEETING**

The general meeting must be convened annually. In an LLC, the annual general meeting must be convened between 1 March and 30 April, while in a JSC it must be convened between 1 March and 30 June. Any other general meeting is considered to be an extraordinary meeting.

The competence of the general meeting is divided into exclusive (decisions which may be taken only by the general meeting) and non-exclusive (decisions which may be taken by the general meeting or another management body of the company, depending on the company's articles of association). The exclusive competence of the general meeting includes decisions on fundamental matters such as liquidation, reorganization, changes to authorized capital or the articles of association, and the payment of dividends. Matters falling within the non-exclusive competence of the general meeting are limited to those specified in the articles of association.

## **BOARD OF DIRECTORS**

In a non-public company, the board of directors is not a mandatory corporate body. The competence of the board of directors must be expressly laid down in the articles of association and may include any matters other than those falling within the exclusive competence of the general meeting.

The requirement to appoint independent members of the board of directors applies to certain public companies only.

## **CHIEF EXECUTIVE OFFICER**

The chief executive officer (who may have the title of general director, director, president or otherwise as provided by the company's articles of association) is the only body entitled to act on behalf of the company without a power of attorney.

The chief executive officer may be represented by: (1) an individual; (2) two or more individuals acting jointly as one chief executive officer; (3) two or more individuals acting separately as two or more chief executive officers; and (4) a legal entity acting as a management company.

In LLCs and JSCs, the chief executive officer cannot take the position of chairman of the board of directors.

The decision to elect (appoint) the chief executive officer must be notarized. This provision does not apply to companies established in accordance with Russian securities legislation.

## **MANAGEMENT BOARD**

Russian law allows LLCs and JSCs to establish a collective executive body (management board, executive board, etc.) alongside the chief executive officer. The authority of the management board must be expressly laid down in the articles of association, and the chief executive officer acts as the chairman of the board.

## **FIDUCIARY DUTIES OF MANAGEMENT**

CEO-focused corporate governance has for a long time impaired the protection of shareholders in Russian companies. CEOs are deemed as "decision kings," and this has led to numerous cases of abuse. Although CEOs have a duty to act reasonably and in good faith, shareholders have historically found it very difficult to prove that damage to the company was caused by the actions of management.

The situation changed in 2013 when the Supreme Commercial Court issued a ruling establishing that, in certain cases (for instance, where the CEO ignored the usual approval procedures or did not disclose a conflict of interest), the CEO should be deemed to have acted unreasonably or in bad faith and the burden of proof should switch to them, requiring them to justify their actions. This led to a major shift in case law, and the number of cases where CEOs have been found liable has since then grown by a third each year.

## PIERCING THE CORPORATE VEIL

Russian law limits the liability of shareholders in a company to the amount of their stakes in authorized capital (a shareholder that has not fully paid for its stake will be jointly liable with the company to the extent of the unpaid share). Shareholders or persons controlling a company may also be held jointly and severally liable for the company's obligations if the company goes bankrupt through their fault.

In recent years, the legal framework has changed to expand the application of joint and several liability. For instance, the rules allowing the imposition of joint and several liability under the Bankruptcy Law have been significantly elaborated, and the Limited Liability Company Law (which regulates the most common form of companies in Russia) now expressly allows the imposition of subsidiary liability on management or controlling persons of a company if it has been struck off the corporate register owing to inactivity.

## SHAREHOLDERS' AGREEMENTS

Shareholders in a Russian company may enter into a shareholders' agreement ("corporate contract") that includes an undertaking to vote in a particular manner at general meetings and special provisions

regarding the disposal of shares and other matters. The agreement may be governed by Russian law or by foreign law provided that there is a foreign element involved (i.e., where some or all of the shareholders are non-Russian persons). An agreement governed by foreign law must be compliant with mandatory provisions of Russian law. For example, under Russian law, it is not permissible for the exclusive competence of the general meeting to be delegated to a lower level authority, there is no alternative/deputy CEO, and the mandatory voting threshold cannot be lowered.

The majority of contract law instruments provided for in Russian law and discussed in the "Contract law" section may be used in a shareholders' agreement (representations, indemnities, securities, etc.). In addition, the particular characteristics of individual companies must be taken into account. Since any deal to transfer an interest in an LLC must be notarized, a shareholders' agreement with incorporated call/put options must likewise be notarized in order to be enforceable.

A shareholders' agreement may be concluded by all shareholders in a company or only some of them. Russian law also allows creditors of a company and other third parties with a legitimate interest (for



*Stone Mushrooms of Altai, a crop of massive rock formations in the Akkurum area*

instance, a person possessing an option to buy a share in the company) to become parties to such an agreement. At the same time, the company itself may not be a party, and shareholders may not be obliged under Russian law to act in accordance with the instructions of the company's management.

A shareholders' agreement is a confidential document and is not disclosed to third parties or the authorities unless the agreement places restrictions or special conditions on the disposal of shares/interests or grants the parties rights that are disproportionate to their stakes in the company's capital. In such cases, the fact that the company has a shareholders' agreement must be recorded in the State Register of Legal Entities. The company itself must in any case be notified of the shareholders' agreement. Failure to make such disclosure allows parties not bound by the agreement to claim damages against the parties to the agreement.

Russian law allows the parties to a shareholders' agreement to challenge corporate decisions made in violation of the agreement (if all the company's shareholders are bound by the agreement) or a transaction made in violation of the agreement (if it is proved that the other party knew or should have known about the violation).

Any disputes arising from or in connection with a shareholders' agreement in a Russian company are deemed to be corporate disputes. If the agreement is silent about competent forum and jurisdiction, the Russian state commercial court operating in the company's locality will review and settle such disputes. The opportunity to refer such disputes to arbitration is limited because Russian law allows only some of them to be considered by permanent arbitration institutions (for more information about arbitration, please refer to the "Court system" section).

## **EXTRAORDINARY TRANSACTIONS**

Russian law lays down special rules for obtaining corporate approvals for two types of transactions of an LLC and a JSC: major transactions and related party transactions. Unless specified below, these rules are mandatory, apply by default and cannot be changed by a company's articles of association: nor can a transaction be entered into by a company's CEO or authorized representative on behalf of the company in the absence of relevant corporate approval obtained from the competent management body of a higher level (i.e., the general meeting, the board of directors or the management board as the case may be). A corporate approval may be granted in the form of prior consent or subsequent approval.

In addition to the provisions of the Limited Liability Company Law and the Joint Stock Company Law, a company's articles of association may contain a list of additional transactions that require corporate approval. It is standard business practice to restrict the powers of the company's CEO through the expansion of the range of matters reserved for higher management bodies. Depending on the essence of the company's business, the list may include, inter alia, transactions involving real estate, intellectual property, share capital or securities of other companies, either irrespective of the transaction amount or where the total price/book value exceeds a certain threshold.

### **Major transactions**

Major transactions are any types of transactions (sale/purchase of assets, cash borrowing/lending, issue of sureties/guarantees, property lease/rental, etc.) that meet either the quantitative or the qualitative criterion. The first refers to the ratio of the transaction amount/the book value of the subject of a transaction

to the value of the company's assets (25% or more). The second applies when the transaction is outside the ordinary course of a company's business. This means that the company, in entering into the transaction, is not operating in the ordinary course of business as carried out prior to the transaction, and the transaction results or may result in the termination of the company's activities or a significant change in the nature or scale of its business. If these two conditions are met, the transaction must be approved in accordance with special rules.

The rules vary slightly for LLCs and JSCs. If the transaction amount or the book value of the subject of a transaction exceeds 50% of the company's assets, the transaction must be approved by the company's general meeting. If the ratio is from 25% to 50%, it must be approved by the company's board of directors (in JSCs – by law, in LLCs – if provided by the company's articles of association).

The relevant company decision must specify the parties, the subject, the price and other material terms of the transaction. Russian law allows the decision to set minimum and maximum parameters of the transaction rather than exact figures and to approve alternative terms and conditions, a series of identical transactions, etc. The decision may also specify the validity period of the relevant approval (if the decision is silent, the approval will remain in force for one year).

The Limited Liability Company Law and the Joint Stock Company Law set forth certain exceptions where these rules do not apply (e.g., when a company enters into a transaction under the terms set forth in a preliminary agreement properly approved in advance or a transaction that a company is required to undertake by law).

A major transaction concluded in breach of Russian law may be invalidated at the suit of the company, a member of its board of directors or a shareholder/ shareholders holding at least one per cent of the total voting power in the company. This may be done within one year from the date when the claimant became or should have become aware that the company entered into the transaction in breach of the rules.

### **Related party transactions**

Where certain persons affiliated with a company have a conflict of interest regarding a particular transaction, special notification and approval rules apply. Such persons include members of the company's board of directors and management board, the CEO, and controlling persons or persons with the right to give mandatory instructions to the company (i.e., through a shareholders' agreement, silent participation agreement, etc.). For these purposes, a "controlling person" is a person who holds directly or indirectly (through a shareholding or an agreement) more than 50% of the voting rights at the general meeting of a controlled company or the right to appoint its CEO and more than 50% of its management board.

By default, Russian law does not require mandatory approval for such transactions, but a special procedure must be observed. Any persons who have a conflict of interest must inform the company's general meeting and its board of directors of legal entities which are controlled by them or in which they hold management posts and in transactions with which they may be recognized as related parties (the same applies to their close family members).

If a transaction is deemed to be a related party transaction, the company (i.e., its CEO) must notify shareholders and members of the board of directors

and the management board in advance. They may request additional information from the CEO.

A transaction must be approved by a competent superior management body only at the special request of any of the following persons: the company's CEO, a member of the board of directors or the management board, or a shareholder/shareholders holding at least one per cent of the total voting power in the company. If no request is filed, the transaction does not need to be approved.

If approval is requested, a relevant decision must be made by the company's general meeting if the transaction amount or the book value of the subject of the transaction exceeds 10% of the company's assets. In other cases, the transaction must be approved by the board of directors (in JSCs – by law, in LLCs – if provided by the company's articles of association).

The Limited Liability Company Law and the Joint Stock Company Law set forth a number of exceptions where these rules do not apply (e.g., where all shareholders have an interest in the transaction and there are no other reasons for the transaction to be deemed a related party transaction, etc.).

Notwithstanding the above, the articles of association of a non-public company may establish a different procedure for approving related party transactions or may determine that the relevant legislative provisions do not apply to that company at all.

A related party transaction may be invalidated if it is detrimental to the company's interests, the other party knew or should have known that the transaction was a related party transaction, and requested corporate approval was not obtained. Other rules for challenging such transactions are the same as for challenging major transactions.

### ***Representation of foreign companies***

Foreign companies may operate in Russia through the establishment of a branch, a representative office or a separate subdivision without creating a local legal entity. Such branches/representative offices/separate subdivisions are not bound by any Russian corporate law rules on corporate governance, net assets, extraordinary transactions, and so on.

#### **Branch**

A branch of a foreign company must be accredited with the tax authorities (and with the Chamber of Commerce and Industry as part of the accreditation process). The accreditation is unlimited in time. In addition, a branch of a foreign company must be registered with the tax authorities, social funds and other state bodies.

A branch must have a manager or head who acts on the basis of a power of attorney issued by its parent company. Since a branch is not considered to be a separate legal entity, all obligations and rights accrue to the legal entity which created the branch. A branch may be inappropriate for certain activities, such as those requiring licenses which are issued only to Russian legal entities.

#### **Representative office**

Under Russian law, representative offices are not allowed to carry out commercial activities, their main purpose being to gather information about the Russian market and generally to promote their parent companies. Representative offices are subject to the same accreditation/registration procedures that are applicable to branches of foreign legal entities..

## CONTRACT LAW

For years, Russian contract law was applied quite rigidly. Every provision of the Civil Code that was not qualified by the words “unless the contract provides otherwise” was treated by courts as a mandatory provision that could not be changed by the parties. For instance, a contractor and its client could not enter into a risk-sharing agreement, since Russian law mandated the reimbursement of a contractor’s costs in any situation, while long-term service contracts were compromised because Russian law had an imperative rule that service contracts could be terminated at the discretion of any party at any time.

In addition, courts were very reluctant to grant protection to contractual mechanisms such as representations, indemnities, options or break-up fees, as they were not distinctly regulated by the Civil Code.

However, the situation has changed in the last few years, primarily due to important amendments introduced to the Civil Code in 2015 as part of a major reform aimed at bringing the Civil Code closer to the civil law concepts that are commonly used in standard business practice. The Russian Supreme Commercial Court has also played an important role by issuing a number of rulings in which it defended the freedom of contract and instructed lower courts to limit the number of cases in which legal rules were treated as mandatory.

### NEGOTIATING AND EXECUTING A CONTRACT

Russian law establishes the freedom of contract: parties are free to enter into a contract and determine its terms and conditions. A contract is deemed to be concluded if the parties have reached agreement on all essential conditions of the contract as prescribed by law or

expressly specified by the parties (typically, Russian law treats only the subject matter as essential, i.e., the item to be sold, the property to be leased, the service to be rendered, etc.). There are principal contracts that set out specific obligations of the parties, framework contracts that only set out general contractual relations, and preliminary contracts that record the parties’ intention to enter into a principal contract.

Russian law requires the parties to negotiate a contract in good faith. The sudden and unjustified termination of negotiations that the other party could not reasonably expect is regarded as bad-faith conduct, which gives the other party a right to claim damages. The parties may also enter into an agreement establishing the procedure for conducting negotiations, allocating negotiation costs, etc.

All contracts must be made in writing except for contracts between individuals for a maximum amount of up to RUB 10,000 (approximately USD 100). A contract is concluded when the party making an offer receives acceptance of the offer from the other party. Russian law allows parties to sign a separate option agreement where one party makes an irrevocable offer to another party (for or without consideration) to enter into a principal contract under particular terms and conditions.

If, before, during or after the conclusion of a contract, a party makes a representation to the other party concerning circumstances relevant to the conclusion, performance or termination of the contract, and that representation proves to be incorrect, the party concerned must compensate or pay a penalty or damages to the non-breaching party. If the representation has crucial importance for the non-breaching party, the latter is also entitled to seek the termination of the contract. If a false representation

is made by a business entity, the latter will face the consequences irrespective of whether it knew that the representation was false.

Representations may relate to the terms and conditions of a contract (e.g., specific characteristics of the subject matter), the legal status and authority of the parties, the legal effect of a contract, etc.

Russian law allows parties to agree on various types of contract performance:

- a. Alternative performance, where a party may choose to exercise any options specified in the contract to fulfil its obligations under the contract
- b. Substitute performance, where a party may choose to use a method other than the one provided for by the contract terms to fulfil its obligations under the contract, and
- c. Optional performance, where the obligee may request the other party to perform at any time at its discretion

Failure to fulfil an obligation under a contract gives the affected party a right to claim damages or a penalty, or to terminate the contract (depending on the terms of the contract and specific legislative provisions). Force majeure is acknowledged as a legitimate excuse for the failing party.

Russian law also allows business entities to indemnify the other party against losses arising out of or in connection with certain circumstances agreed by the parties.

If such circumstances have occurred, the indemnified party must prove this fact only. This is much easier than recovery of damages, which, under Russian law, requires the affected party to prove the amount of

damages and the causal link between the damages and the actions of the defendant. The indemnified party must not act in a way that may increase losses sustained.

## **INVALIDATING OR TERMINATING A CONTRACT**

Under Russian law, a contract may be declared invalid only in certain cases specified in the Civil Code (such as fraudulent or sham transactions, contracts made by an incapable person, under duress, in violation of law, etc.). Besides these cases, a contract is void when the parties have not been able to reach an agreement on all essential conditions stipulated by law or by the parties themselves.

However, Russian law contains an estoppel principle whereby a party to a contract that has accepted performance by the other party cannot claim the contract as void by reason of the absence of essential terms if this contradicts the principle of good faith and fair dealing. Nor may a party challenge a transaction if it knew or should have known of the circumstances on which the challenge is based when it expressed its intention to enter into the transaction.

As a general rule, a contract may be amended or terminated only by agreement between the parties. Unilateral amendment or termination of a contract is possible only when the other party has materially breached it (meaning that the damage suffered by the affected party substantially deprives it of the benefit it expected to derive when it entered into the contract) or in cases specifically provided by law or the contract.

A contract between business entities may allow for a unilateral waiver of obligations. If the party that is entitled to waive some or all of its obligations notifies

the other party of its intention to do so, the contract is deemed either amended or terminated. The exercise of this right may be subject to the payment of a special break-up fee agreed by the parties in a special break-up fee clause. However, such a clause would be void if a party's right to claim early termination or modification of the agreement is established by mandatory legislative provisions.

## **SECURING A CONTRACT**

Russian law provides for various types of security for commercial and/or corporate obligations, which may generally be classified into two groups: (i) those specified in the Civil Code (the most common are pledge, suretyship, independent guarantee and security payment) and (ii) other legal instruments used as security in business practice.

Russian law has evolved substantially over recent years, making the regulation of security instruments more diverse and flexible. For instance, an escrow mechanism has been introduced whereby parties may deposit cash, securities and other movable assets with an escrow agent (any person chosen by the parties). With another development, a suretyship now remains valid if the debtor is liquidated provided that the creditor has presented a claim to the surety in advance (earlier, the suretyship terminated upon the liquidation of the debtor). Russian law allows any person to issue a guarantee of performance by another person, whereas previously only banks could issue guarantees.

It is essential to consider the formal requirements for the execution of pledges under Russian law. A pledge of real estate (mortgage) is subject to official registration in the State Register of Real Estate. No mortgage exists for third parties until it is registered in the manner required by law. A pledge of shares in a JSC must be registered in a non-public register of shareholders kept by a specialized registrar. A pledge of interests in an LLC is subject to state registration in the State Register of Legal Entities, and the pledgee's right of pledge arises from the date of such registration. Official registration is also required for a pledge of intellectual property (IP) rights in cases where IP assets (e.g., trademarks, patents, etc.) are subject to state registration in publicly accessible state registers.

A pledge of movable property does not require any state registration to be enforceable, but it may be recorded by a Russian notary in a special register upon the pledgee's or pledgor's application. The absence of such a record does not affect the validity of the pledge, but if a pledged asset with missing registration is acquired by a bona fide third party, the pledge will terminate. Therefore, registration is highly advisable for such pledges as well.

*Shaytan Lake, a water reservoir known for its spontaneous water sprouts and floating islands covered with bushes and small trees*



## INTELLECTUAL PROPERTY LAW: KEY MATTERS

The primary legislative act governing IP matters in Russia is Part IV of the Civil Code. The Civil Code protects a wide range of IP items, which are divided into two categories:

(1) Results of intellectual activity:

- ▶ Scientific, literary and artistic works
- ▶ Software and databases (protected as copyrighted works)
- ▶ Performances, phonograms and broadcasts of radio or television programs
- ▶ Inventions, utility models and industrial designs;
- ▶ Selective breeding results
- ▶ Integrated circuit topographies
- ▶ Trade secrets (know-how)

(2) Means of individualization of companies, goods, works and services:

- ▶ Trademarks and service marks
- ▶ Appellations of origin and geographical indications

- ▶ Company names and trade names

Russia is a party to various international IP treaties (including the Convention Establishing the World Intellectual Property Organization, the Agreement on Trade-Related Aspects of Intellectual Property Rights, the Berne Convention for the Protection of Literary and Artistic Works and the Paris Convention for the Protection of Industrial Property), ensuring that IP regulation in Russia aligns with global standards.

### COPYRIGHT

Part IV of the Civil Code protects intellectual creations in the fields of science, literature and arts (copyrighted works), which are the outcome of human creativity. The absence of novelty, distinctiveness or uniqueness does not negate the creative nature of a work, nor does it deprive it of copyright protection. Copyright protection arises automatically upon the creation of an artistic or literary work, with no obligation for formal registration.

An author is entitled to personal (moral) and proprietary (exclusive) rights:

- ▶ Personal (moral) rights include the right of attribution, the right to be identified as the creator, the right to disclose the work to the public and the right to uphold the integrity of the work. These moral rights are inseparable from the author (who must be a natural person) and may not be transferred or renounced.
- ▶ Proprietary (exclusive) rights grant the author control over reproduction, distribution, importation, public display, performance, translation, adaptation and other forms of use. These exclusive rights can be either assigned or licensed.

The duration of copyright protection extends through the author's lifetime and an additional 70 years after their death (or the death of the last surviving co-author). Moral rights are protected indefinitely.

Software programs and databases receive copyright protection akin to literary works. This encompasses source code, object code, multimedia elements and preparatory materials generated during software development. While formal registration is not a prerequisite for copyright protection, creators may choose to register software or databases with Rospatent. The transfer of exclusive rights in registered software and databases must also be registered. The right to use software may be granted through a software license agreement without registration.

Civil liability for exclusive right infringements includes the payment of damages or, alternatively, the payment of compensation calculated in one of the following ways:

- ▶ As an amount from RUB 10,000 to RUB 10,000,000 to be determined at the discretion of the court based on the nature of the violation
- ▶ As an amount equal to double the value of counterfeit copies of the copyrighted work
- ▶ As an amount equal to double the value of the right to use the copyrighted work

## PATENT LAW

In Russia, patents may be obtained for inventions, utility models and industrial designs.

An invention is a technical solution in any field of technology, which may relate to a product (e.g., a device, substance, composition, system, microbial strain or cell culture of plants and animals) or a method/process, including the use of a known product or method for a new purpose. Patent protection is granted for an invention if it satisfies the criteria of novelty, inventive step (non-obvious from prior art), industrial applicability and sufficiency of disclosure in the description of its implementation. The maximum term of patent protection for an invention is 20 years from the filing date, subject to the payment of annuities beginning in the third year from the filing date and only after patent protection has been granted.

A utility model is a technical solution characterized by a single device. Patent protection is granted for a utility model if it satisfies the criteria of novelty and industrial applicability, and if it is disclosed in the description of its implementation. The term of protection for a utility model is 10 years from the filing date, subject to the payment of annuities starting from the first year.

An industrial design refers to the external appearance of a product of industrial or handicraft origin.

Patent protection is granted to an industrial design if it meets the criteria of worldwide novelty and originality. The term of protection for industrial design patents is five years, extendable up to four times in five-year increments (for a total of up to 25 years).

The patent owner has the exclusive right to use the invention, utility model or industrial design protected by the patent. Without the consent of the patent owner, no one may commercially use the patented object in any manner, including, but not limited to, importation, manufacture, application, offer for sale, sale or other means of commercialization, or storage for these purposes.

An invention is deemed to be used in a product or method if the product contains or the method uses each feature of the invention stated in a separate item of the invention formula contained in the patent, or a feature equivalent thereto that became known as such in the relevant field of technology before the invention's priority date.

A utility model is deemed to be used in a product if the product contains each feature of the utility model stated in a separate item of the utility model formula contained in the patent.

An industrial design is deemed to be used in an article if the article contains all the essential features of the industrial design or a set of features that makes the same general impression on an informed consumer as would be made by the patented industrial design, provided that the article has a similar purpose.

Civil liability for exclusive right infringements includes the payment of damages or, alternatively, the payment of compensation calculated in one of the following ways:

- ▶ As an amount from RUB 5,000 to RUB 10,000,000 to be determined at the discretion of the court based on the nature of the violation
- ▶ As an amount equal to double the value of the right to use the invention, utility model or industrial design

## **TRADEMARK LAW**

Trademarks are designations used to individualize the goods or services of legal entities, individual entrepreneurs or individuals. A trademark may consist of words, designs, three-dimensional signs or any combination of such elements. A trademark can also be registered in any color or color combination.

Legal protection for trademarks is granted upon their registration with Rospatent or through international treaties to which the Russian Federation is a party (namely, the Madrid System). Trademark protection lasts for 10 years from the filing date and may be renewed indefinitely for subsequent 10-year periods, with renewal occurring during the last year of the current term.

The trademark holder has the exclusive right to use the trademark in any manner, including:

- ▶ Placement of the trademark on goods, including labels and packaging of goods that are placed into commerce in Russia
- ▶ Use of the trademark in the provision of work or services
- ▶ Inclusion of the trademark in documentation related to the placement of goods into commerce
- ▶ Use of the trademark in sales offers, advertisements and announcements

- ▶ Display of the trademark on the Internet, including in domain names

However, there are certain exceptions to exclusive rights. For instance, parallel imports are permitted in Russia for certain categories or products/brands listed by the Russian Government. Also, it does not constitute a violation of a trademark holder's exclusive right for other parties to use the trademark in relation to goods that have been placed into commerce in Russia directly by the trademark holder or with their consent (the so-called "exhaustion of rights" doctrine).

Civil liability for exclusive right infringements includes the payment of damages or, alternatively, the payment of compensation calculated in one of the following ways:

- ▶ As an amount from RUB 50,000 to RUB 10,000,000 at the discretion of the court based on the nature of the infringement
- ▶ As an amount equal to double the value of the goods on which the trademark has been illegally placed or double the value of the right to use the trademark assessed on the basis of the price normally charged in comparable circumstances for the legal use of the trademark

## KNOW-HOW

Confidential information may be protected in Russia as know-how. Know-how refers to information of any nature (e.g., production, technical, economic, organizational) related to: (i) the results of intellectual activity in scientific and engineering fields, and (ii) professional activities. Such information is protected as intellectual property under the Civil Code if it meets the following criteria:

- ▶ The information has actual or potential commercial value not known to third parties.
- ▶ There is no free legal access to such information for third parties.
- ▶ The owner of the information takes reasonable measures to maintain its confidentiality, including the establishment of a special commercial secret regime.

For an exclusive right to know-how to arise, confidentiality measures must be taken. No registration or other formal actions with public authorities are required. The period of protection for know-how is not time-bound; the exclusive right remains valid as long as the confidentiality of the information is maintained.

It is highly advisable to consider the requirements of Federal Law No. 98-FZ "On Commercial Secrets" as "best practice" when taking measures to protect the confidentiality of information:

- ▶ Creating a list of information constituting commercial secrets
- ▶ Limiting access to commercial secret information by establishing and enforcing control procedures
- ▶ Creating a list of individuals, such as employees and counterparties of the owner, that are granted access to the information
- ▶ Regulating the use of commercial secret information by employees under employment agreements and by contractors under civil agreements
- ▶ Marking tangible media (documents) containing commercial secret information with the "commercial secret" designation, along with a reference to the owner's full name and address

## DATA PROTECTION AND PRIVACY

Personal data protection in Russia is governed by Federal Law No. 152-FZ “On Personal Data.” As a general rule, the law applies to all personal data processing in the Russian Federation. Since 2022, it has also had extraterritorial effect and may apply to foreign companies where the processing is based on a contract or other arrangement with a Russian citizen, or on a Russian citizen’s consent.


The competent supervisory authority is Roskomnadzor. Prior to commencing personal data processing, operators are generally required to submit a notification to Roskomnadzor. In addition, operators must ensure ongoing compliance with statutory requirements, including the implementation of organizational, technical and legal safeguards, the adoption of internal policies (including a privacy policy), the appointment of a responsible person, and periodic internal compliance reviews.

A key requirement for foreign companies dealing with Russian personal data is the personal data localization rule. When collecting personal data of Russian citizens, including via the Internet, such data must be initially recorded, systematized, accumulated and stored in

databases located in Russia. The use of databases located outside the Russian Federation at the stage of collection and primary storage is prohibited, unless an explicit statutory exception applies.

At the same time, Russian law permits the cross-border transfer of personal data, provided that the data was lawfully collected in Russia in compliance with the localization requirement. A cross-border transfer is defined as the transfer of personal data to a foreign recipient and/or to a database located outside the Russian Federation. As a general rule, before initiating such a transfer, the operator must notify Roskomnadzor by submitting a cross-border transfer notification specifying, among other things, the recipient jurisdiction, categories of personal data and purposes of the transfer.

This combined approach requires companies to structure their data flows so that personal data of Russian citizens is first collected and stored in Russia, while subsequent transfers abroad are made in a controlled manner and following the established notification procedure.



*Burlinskoye, a pink-colored lake in Altai, with a train running through it to collect and transport salt*

# FINANCIAL SYSTEM

Credit institutions, non-state pension funds, insurance companies and investment funds are the major pillars of the Russian financial system.

The Central Bank of the Russian Federation (the Bank of Russia) acts as the single financial mega-regulator responsible for oversight of the entire financial segment of the Russian economy, with its authority extending from the supervision and licensing of financial institutions, including exchanges, to the regulation and registration of securities offerings. In addition, the Bank of Russia is vested with the exclusive right to issue the Russian national currency – the Russian ruble – and is in charge of overall monetary policy in Russia.

## BANKING SYSTEM

Banking operations in Russia may be carried out only by licensed credit institutions, which include banks and non-bank credit institutions. Banking operations are listed in the relevant statute and include taking deposits (in cash and precious metals) from legal entities and individuals, placing funds and precious metals, opening and maintaining bank accounts (in cash and precious metals) for legal entities and individuals, making money transfers and electronic money transfers, and providing cash collection and foreign currency exchange services.

## INSURANCE COMPANIES

Insurance services in Russia may be provided only by licensed insurance companies. The types of activities that are subject to licensing include property insurance, liability insurance, accident insurance, health insurance, life insurance and business risk insurance, as well as reinsurance and insurance brokerage.

An insurance company may not simultaneously hold licenses to provide life insurance (a “life insurance company”) and property, liability and business risk insurance (a “property insurance company”). However, both types of insurance companies may provide health and accident insurance.

## “KNOW YOUR CUSTOMER” PROCEDURES

The Anti-Money Laundering Law is the primary legislative act in Russia aimed at preventing money laundering activities and the financing of terrorism. It is supported by numerous recommendations, binding instructions and regulations issued by the Bank of Russia and other authorities.

The Anti-Money Laundering Law requires institutions that engage in monetary transactions, including all kinds of financial institutions, to establish mandatory internal protocols for client and payment acceptance.

## Digital assets and digital rights in Russia

Russian law regulates several key categories of rights to assets in the digital environment. The principal legislative act in this area is Federal Law No. 259-FZ “On Digital Financial Assets, Digital Currency and Amendments to Certain Legislative Acts of the Russian Federation” of 31 July 2020 (the “DFA Law”). This law distinguishes between three main categories: digital financial assets, digital currency and foreign digital rights.

### ► *Digital financial assets*

Digital financial assets (DFAs) are digital rights that may include monetary claims, rights under issue-grade securities, share rights in joint stock companies, or the right to demand the transfer of issue-grade securities, as provided for in the DFAs

issuance decision. The issuance, recording and circulation of DFAs are permitted exclusively through entries made (or amended) in an information system based on distributed ledger technology or other qualifying information systems. As a result, DFAs exist and are transferred only within regulated digital infrastructures recognized under Russian law.

► *Digital currency*

Digital currency is defined as a set of electronic data (digital code or designation) contained in an information system that is offered and/or may be accepted as a means of payment or as an investment. Digital currency is not recognized as the official currency of the Russian Federation or a foreign state, or as an international monetary or settlement unit. A key feature of digital currency under Russian law is the absence of an issuer liable to each holder, except for system operators or nodes that are responsible solely for ensuring compliance of issuance and record-keeping procedures with the rules of the relevant information system.

► *Foreign digital rights*

The DFA Law also introduces the concept of foreign digital rights (FDRs). These are contractual or other rights that are issued, recorded and circulated in an information system organized under foreign (non-Russian) law, excluding foreign securities. FDRs may be admitted to circulation in Russia as DFAs, provided that the following two conditions are met simultaneously: (i) FDRs comply with the statutory requirements applicable to DFAs; and (ii) they are recognized as such by the relevant information system operator.

In addition, the Bank of Russia has established special eligibility criteria for FDRs. These

requirements significantly narrow the range of foreign instruments that may qualify. In particular, FDRs must not:

- Certify a right to demand the transfer of digital currency or other FDRs not admitted to circulation in Russia
- Be linked to securities issued by “unfriendly” issuers, or
- Contain any provisions allowing for potential blocking by the issuer, payment agents or entities controlling them

Together, these rules reflect a cautious and highly regulated approach to digital assets in Russia, aimed at maintaining control over digital infrastructures while allowing limited integration of foreign digital instruments under strict conditions.

### **Antimonopoly regulation: establishment of companies and joint ventures and M&A**

Russian antimonopoly regulation is governed by the Competition Protection Law. It requires prior approval from the Federal Antimonopoly Service (FAS) for certain corporate actions, including the establishment of companies and joint ventures (JVs) and M&A transactions, where statutory thresholds are met.

► *Establishment of companies and JVs*

- Prior approval from FAS is required, in particular, for:
- Mergers or consolidation of companies, where combined assets exceed RUB 7 billion or combined revenue exceeds RUB 10 billion
  - Establishment of a company funded by shares or key assets (including intangible assets) of another company, where the same financial thresholds are met, and

- JV agreements between competing companies exceeding the above asset or revenue thresholds

JV agreements must not restrict competition. In particular, they may not include provisions on price fixing, bid coordination, market or customer allocation, production limitations or refusal to deal. At the same time, Russian law allows JVs to include non-compete obligations limited to the markets and territories where the joint activity is carried out.

▶ *Merger control*

Mandatory merger control clearance is required if any of the following thresholds are met:

- Combined assets of the parties exceed RUB 7 billion.
- Combined revenue exceeds RUB 10 billion, and the target's assets exceed RUB 800 million.
- The transaction value exceeds RUB 7 billion.

If these thresholds are met, FAS approval is required for acquisitions resulting in the crossing of statutory control thresholds in JSCs and LLCs (e.g., 25%, 50% or 75% of voting rights), acquisitions of key production or intangible assets exceeding 20% of their book value, acquisitions of rights to determine business activity or management, and acquisitions of control over foreign entities with effects on the Russian market.

▶ *Intragroup exemption*

Transactions within a corporate group are generally exempt from prior approval if all parties are directly or indirectly controlled (more than 50%) by the same parent company. Other intragroup transactions may still be subject to notification requirements.

Overall, Russian antimonopoly rules impose strict pre-closing clearance obligations and require an early assessment of thresholds and the transaction structure in company establishment, JV and M&A projects.

## Licensing

▶ *Permits for certain activities*

Under Russian law, certain types of activity may be carried out only by a person who has obtained the relevant license or other type of permission. Licenses allow their holders to engage in a particular activity on a permanent basis (typically, over a lifetime). There are various statutes regulating licensing requirements.

▶ *Licenses for subsurface access*

A person intending to extract minerals must obtain a license from the state: all mineral resources located in Russia or on its continental shelf and lying beneath the surface are deemed to be the property of the state.

A license is granted to a specific person for a specific subsurface area to search for, explore or extract a specific mineral over a specific period of time and may be transferred to another person only in certain cases specified by law.

▶ *Environmental permits*

Under Russian law, any activity that may have an adverse impact on the environment is subject to (a) the issuance of a special permit or license, (b) the establishment of limits with respect to the amount of such impact/pollution, (c) the payment of a fine for negative impact, and (d) liability for violations.

# CURRENCY CONTROL

Russian currency control rules differentiate between requirements for Russian currency residents and currency non-residents, and currency residence criteria are different from those established for tax purposes. Under Russian legislation, Russian currency residents include:

- ▶ Russian legal entities
- ▶ Foreign branches and representative offices of Russian legal entities
- ▶ Russian citizens (regardless of time spent abroad)
- ▶ Foreign citizens and stateless persons permanently residing in Russia based on residence permits
- ▶ Other categories specified in Federal Law No. 173-FZ (the Currency Control Law)

Currency non-residents include all entities and individuals not classified as currency residents, e.g., foreign companies and their branches registered in Russia, and foreign citizens temporarily staying in Russia.

Russian law imposes a variety of restrictions and compliance requirements for certain transactions depending on the status of counterparties (i.e., currency resident vs. currency non-resident) and the types of transactions.

Russian currency residents, in particular, are subject to the following obligations:

- ▶ Registration of foreign trade contracts and loan agreements with an authorized bank
- ▶ Submission to an authorized bank of documents and information related to currency transactions

- ▶ Notification of the tax authorities about the opening/closing of a foreign account (deposit)
- ▶ Submission of notifications and reports on movement of funds on foreign accounts
- ▶ Proper performance or termination of foreign trade contracts and loan agreements/repatriation of proceeds

All of the aforementioned obligations affect a resident's conduct of foreign trade activities. Meanwhile, the repatriation requirement has the most significant impact, obliging residents to transfer to their account in a Russian bank the amounts due under foreign trade contracts or loan agreements with non-residents. This limits the parties' ability to terminate the obligation through offset, debt forgiveness or other methods.

## **Proper performance or termination of foreign trade contracts and loan agreements with non-residents**

Currently, the repatriation rule is temporarily not applied to currency residents that are legal entities and individual entrepreneurs. Nevertheless, this does not mean that such entities have no obligations regarding contracts. They must ensure proper performance or termination of obligations under such contracts by any means permitted by Russian legislation.

Individual residents are still required to comply with the repatriation requirement.

Failure by residents to fulfill the repatriation obligation or ensure proper performance or termination of obligations under foreign trade contracts may result in administrative liability and, in some cases, criminal liability.


# COUNTER-SANCTIONS

During 2022–2025, the President of the Russian Federation issued acts establishing restrictions on certain transactions and operations of residents with foreign persons and Russian companies controlled by foreign persons (counter-sanctions). These include, but are not limited to:

- ▶ Sale of securities and shares in the authorized capital of Russian limited liability companies
- ▶ Sale of real estate
- ▶ Sale of intellectual property assets
- ▶ Issue and repayment of loans, and
- ▶ Dividend payments

Depending on whether the beneficiary of the resident's counterparty is from an “unfriendly” or “friendly” state, such operations may require compliance with a special procedure, be restricted or completely prohibited.

“Unfriendly” states include EU countries, Japan, the USA and other countries listed in Government Resolution No. 430-r. All other countries are considered “friendly” for counter-sanctions purposes.



*Kurilskoye Lake, a unique water body in the caldera of Ilyinsky, an ancient volcano*

# HOW CAN B1 HELP?

At B1 Law, we have developed client-focused legal services which we offer in close collaboration with other service lines to provide our clients with high-quality, multi-disciplinary advice in a cost-competitive manner. Our services cover the areas outlined below and many more.

- ▶ Company law:
  - Day-to-day advice to companies of all legal forms on any corporate and commercial legal matters
  - Effective planning and implementation support for incorporation, state registration, corporate reorganization and liquidation
  - Domestic and cross-border corporate transactions, including mergers, acquisitions and joint ventures, as well as equity investments and change-of-control transactions
  - Support and advice on devising and implementing corporate compliance programs
  - Corporate legal secretarial services
- ▶ Corporate governance
- ▶ Commercial law
- ▶ M&A support
- ▶ Shareholder controversy
- ▶ Antimonopoly compliance
  - Agreements with anti-competitive provisions
  - Anti-competitive activities
  - Improper pricing of goods or services
  - Limitation of access to goods or services in a certain market or segments thereof
- ▶ Currency control compliance
  - Restructuring of intragroup debt
  - Russian subsidiaries' obligations
- ▶ Counter-sanctions restrictions
  - Analysis of the feasibility of using property or funds, taking into account counter-sanctions restrictions
  - Assistance in preparing applications for approval from the Government Commission or the Bank of Russia
- ▶ Assistance in preparing requests for clarifications from authorized bodies on counter-sanctions restrictions
- ▶ Comprehensive IP services
  - Brand protection strategy development and implementation (including registration of “non-standard” trademarks)
  - IP asset management system implementation (including identification and review of IP rights)
  - IP due diligence, including compliance with open-source licenses
- ▶ Effective solutions for HNWIs
  - Top holding structures for business and private assets (setting up and restructuring)
  - Structuring of personal investments (JVs, LP/GP structures, debt financing)
  - Succession planning
  - Family law advice (prenuptial agreements and division of assets)
  - Restrictions applicable to Russian residents
  - Reporting requirements for Russian residents
  - Sale and lease of residential real estate
  - Currency control advice
- ▶ Full-scope legal support with all real estate-related issues
  - Real estate transactions
  - Real estate investment and financing

- Construction and EPC
- Brownfield and greenfield development
- Legal due diligence of land plots, buildings and premises
- Leases
- Real estate private equity and investment funds
- Regulatory requirements
- Support with registration of title to real estate
- Green buildings
- Hospitality
- PPP and concession
- ▶ Assistance with implementation of infrastructure and PPP projects
  - IP/IT
  - Transport (roads, highway maintenance, airports, ports, railways)
  - Social infrastructure (educational institutions, courts, prisons and social services)
  - Healthcare
  - Conventional and renewable electricity generation
- Waste and wastewater treatment
- PPP secondary market (project execution, renegotiation of agreements, disputes, etc.)
- ▶ Personal data services
  - Advising on a broad range of personal data protection and privacy matters, including complex and multi-layered regulatory issues, development of risk mitigation approaches, and assessment of practical options for bringing business activities into compliance with applicable data protection laws
  - Analysis of a company's personal data processing, including identification of data flows and categories of individuals potentially liable for violations
  - Drafting personal data documentation from scratch, as well as reviewing and updating existing internal policies, personal data processing consents and privacy notices
  - Ongoing support in establishing and maintaining an internal personal data compliance framework within the company



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# ACCOUNTING AND TAX COMPLIANCE, REPORTING REQUIREMENTS

*Manpuner, mysterious stone pillars in the Komi Republic*

# MAIN STATUTORY REQUIREMENTS FOR RUSSIAN LEGAL ENTITIES

All companies registered in Russia must follow Russian accounting and tax rules in maintaining accounting and tax records and preparing financial statements, tax returns and other reports required by Russian law.

Russia has a complex accounting and tax environment. Key issues to be considered are highlighted below. The information provided is general in nature and should not be relied upon as professional advice.

## ORGANIZATION OF STATUTORY AND TAX ACCOUNTING

The director of a company has a duty to organize the maintenance of accounting records and the storage of accounting documents. The director must assign responsibility for maintaining accounting records to a chief accountant or another executive officer of the company or conclude a contract for the provision of accounting services. In some cases, the director themselves may assume responsibility for maintaining accounting records.

Guided by Russian accounting and tax legislation and regulations of bodies in charge of accounting and tax matters, companies must independently develop and approve accounting policies based on their structure, industry requirements and other aspects of their activities.

Companies must ensure the proper storage of their documentation during periods determined by state archiving rules. Primary documents, accounting and tax ledgers, and tax returns must be retained for at least five years after the reporting year. Financial statements and auditor's reports on financial statements must be retained permanently. A company must keep accounting documents, information and databases in Russia.

## PRIMARY DOCUMENTS

Every transaction or event must be supported by a primary document (acceptance certificate, delivery note, etc.). It must be drawn up when the transaction or event occurs or, if this is not possible, immediately after its occurrence.

Primary documents must be prepared using either prescribed standard forms of primary accounting documentation or forms developed by the company itself and approved as part of its internal accounting policies.

Primary documents must be stored in the form in which they were originally prepared (on paper or electronically).

## ACCOUNTING AND TAX LEDGERS

Data contained in primary documents must be promptly recorded and stored in accounting and tax ledgers, which are the sole basis for compiling statutory reports.

Accounting records must be maintained using the double entry system based on the Chart of Accounts approved by the Russian Government. Every company must have a working chart of accounts tailored to its business and approved as part of the company's internal accounting policies.

A Russian company as a taxpayer is obliged to maintain tax ledgers which record information needed to calculate tax bases for various taxes applicable to the company. This means that, in addition to statutory accounts and ledgers, companies must keep separate tax records and ledgers which are sourced from the same primary documents and in which tax adjustments are made as and when a transaction is



*Putorana Plateau, a unique rock massif with canyons and waterfalls*

recorded. Accounting and tax ledgers must be kept in electronic or paper form, contain mandatory fields and be drawn up in the Russian language and in Russian currency, i.e., the Russian ruble.

Federal Accounting Standard (FAS) 27/2021, clause 25, requires Russian companies, including subsidiaries of MNEs, to keep their accounting documents, information and databases on servers physically located in Russia starting from 1 January 2024.

## **STATUTORY REPORTING REQUIREMENTS**

Russian companies must prepare and submit mandatory statutory reports to state bodies within the established deadlines. The templates of financial statements, tax returns and statistical reports are prescribed by Russian law. All reports must be prepared in the Russian language using the Russian ruble as the reporting currency.

The fiscal year corresponds to the calendar year from 1 January to 31 December. The first reporting period depends on the date of the company's official registration.

## UNIFIED TAX ACCOUNT

Taxpayers pay taxes, tax advances, levies, insurance contributions, penalties, fines and interest according to the rules governing unified tax accounts. Funds are transferred to a taxpayer's unified tax account in the form of a unified tax payment using the same payment details. To enable the operation of the unified tax account system, tax reporting deadlines have been synchronized and uniform tax payment deadlines

have been established. In addition, taxpayers are required to prepare and submit to the tax authorities a notification of the calculated amounts of taxes, advance tax payments and insurance contributions if payment is due before the submission of a tax return (computation) or where the Tax Code does not require the submission of a tax return (computation).

Key reporting requirements are presented in the table.

REPORT NAME	FREQUENCY	REPORTING DEADLINE
<b>Financial statements</b> (balance sheet, statement of income, appendices to the balance sheet and the statement of income (statement of cash flows, statement of changes in equity, explanatory notes to the balance sheet and the statement of income)	Yearly	No later than three months after the end of the reporting period
<b>Auditor's report</b> (where an audit is mandatory)	Yearly	The auditor's report is submitted together with financial statements or no later than 10 business days from the day following the date of the auditor's report, but no later than 31 December of the year following the reporting year, unless otherwise provided by other federal laws
<b>Profit tax return (25%)</b>	Quarterly	25 April, July, October and March of the following year
<b>VAT return</b> (VAT-exempt, 0%, 10%, 22%; 18.03% – for electronic services; 5%, 7% – for VAT payers applying the simplified tax system; 9.09%, 18.03% – for online trading platforms acting as tax agents)	Quarterly	25 April, July, October and January of the following year

REPORT NAME	FREQUENCY	REPORTING DEADLINE
<b>Corporate property tax return</b> (max. 2.2%/max. 2.5% if the cadastral value exceeds RUB 300 million)	Yearly	25 February of the following year
<b>WHT return</b> (standard rate 25%; special WHT rates apply to different types of income sourced from Russia)	Quarterly	25 April, July, October and March of the following year
<b>CbCR notification</b> (for members of an MNE group)	Yearly	Eight months after the end of the financial year of the headquarters
<b>Transfer pricing notification</b> (for controlled transactions)	Yearly	20 May of the following year
<b>Notification of amounts of calculated taxes:</b> <ul style="list-style-type: none"> <li>▶ Corporate property tax</li> <li>▶ Transport tax</li> <li>▶ Land tax</li> <li>▶ Withholding tax</li> <li>▶ Personal income tax</li> <li>▶ Social fund contributions</li> </ul>	Monthly	25th day of each month
<b>Statistical reports/reports to the Bank of Russia</b>	Monthly/quarterly/ yearly	The exact list of reports should be checked monthly on the Rosstat and Bank of Russia official websites; there may be more than 100 reports per year

## AUDITING REQUIREMENTS

Companies are subject to mandatory audit where tax revenue for the year preceding the fiscal year exceeds RUB 800 million OR where the total amount of

balance sheet assets at the end of the year preceding the fiscal year exceeds RUB 400 million.

## HOW CAN B1 HELP?

The core scope of accounting and tax compliance services includes:

- ▶ Outsourcing of accounting and tax functions in accordance with Russian legislation and the client's corporate requirements, i.e., bookkeeping services, including computer-based recording of all the company's transactions based on copies of primary documents using 1C or the company's corporate ERP system
- ▶ Assistance in preparing payment orders and ensuring compliance with currency control legislation
- ▶ Preparation and submission of local financial statements and statistical and management reports
- ▶ Preparation and submission of tax returns, including preparation of tax ledgers and calculation of tax payments
- ▶ Review of tax returns prepared by clients
- ▶ Tax reconciliations with the tax authorities, receipt of reconciliation reports, statements of settlements with the budget and tax certificates
- ▶ Preparation and provision to the tax authorities of explanations relating to tax returns
- ▶ Tax support during the liquidation or reorganization of representative offices or branches of foreign entities, including as part of comprehensive legal and tax services
- ▶ Performance of controlling functions in accordance with corporate standards
- ▶ Support of transition to new accounting systems/ localization of accounting databases, including documentation of processes and preparation of user instructions, testing and migration of initial balances
- ▶ Other accounting and tax compliance services



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# VAT AND EXCISE DUTIES

## VAT RATES

<b>Standard</b>	20%
<b>Reduced</b>	10%
<b>Other</b>	22/122%, 10/110%, 5/105%, 7/107% – inclusive rates; 5%, 7% – special rates for VAT payers applying the simplified tax system; 9.09%, 18.03% – inclusive rates for online trading platforms acting as tax agents; 0%, VAT-exempt

## TAXABLE PERSONS

A taxable person is any individual entrepreneur or legal entity (including a foreign legal entity) that makes taxable supplies of goods (work and services) and/or property rights in the Russian Federation. Starting 1 January 2026, taxpayers applying the simplified tax system whose income for 2025 exceeded RUB 20 million are required to calculate and pay VAT. Where the above-mentioned income threshold is not met, taxpayers are exempt from VAT obligations until the income threshold is crossed.

All taxable persons are subject to general tax registration with respect to all taxes. Separate VAT registration is not permitted except for foreign legal entities that provide e-services to Russian customers. Foreign e-service providers (including those that are VAT-registered in Russia) which render e-services to B2B customers in Russia are not obliged to be VAT-registered for the provision of such services. For foreign e-service providers/foreign intermediaries which are contracted to collect payments for e-services rendered to Russian B2C customers, the VAT registration and compliance rules remain unchanged in Russia in 2026. Foreign suppliers from EAEU countries that sell goods to Russian B2C customers via foreign online

trading platforms are obliged to be VAT-registered in Russia (based on an application and other documents submitted for VAT registration to the Russian tax authorities in electronic form). Therefore, VAT-registered foreign suppliers are obliged to calculate and pay Russian VAT upon selling goods via online trading platforms to customers in Russia. In addition, foreign companies that own online trading platforms and act as intermediaries for the sale of foreign suppliers' goods through those online platforms under agency agreements (commission, commercial mandate and similar contracts) are also required to calculate and pay Russian VAT, acting as tax agents on behalf of foreign suppliers.

## VAT RECOVERY

A taxable person may recover input tax charged on goods (work and services) and property rights supplied for use in VATable activities and for the export of services which are not exempt from VAT in Russia.

## EXCISE DUTY

Excise duty is payable on domestic sales of certain goods produced in or imported into Russia. The list of goods subject to excise duty includes alcohol, beer, tobacco, cars, motorcycles, aeroplanes, petrol, diesel fuel, motor oil, straight-run petrol, sugar-containing beverages, pharmaceutical ethanol, alcohol-containing medicines, raw nicotine, tobacco-free nicotine-containing mixture for heating and natural gas for ammonia production. The rates are generally set in rubles per unit or as a percentage of the price and vary significantly. Imported alcohol and tobacco are cleared through customs only if they bear excise stamps. With some exceptions, export sales are exempt from excise duty.

## HOW CAN B1 HELP?

We are happy to provide the following types of support:

- ▶ Guidance on adjusting business operations and documentation in connection with transitioning to the new standard VAT rate (22%) effective from 1 January 2026
- ▶ Analysis of domestic and cross-border transactions from the perspective of both Russian VAT legislation and indirect tax legislation of the Eurasian Economic Union
- ▶ Analysis and restructuring of various types of contracts to achieve VAT efficiency
- ▶ Analysis of the applicability of VAT exemption or other VAT reliefs
- ▶ Tax support in pre-trial disputes with the tax authorities on any VAT issues
- ▶ Assistance with VAT recovery and refund procedures
- ▶ Assistance in obtaining VAT registration for the provision of B2C e-services and performing VAT compliance obligations
- ▶ Assistance as cash payment agents with payment of VAT (penalties, late payment interest) for e-services provided by a foreign company in Russia
- ▶ Provision of VAT tools, e.g., to automate VAT return preparation and tax risk checks on vendors
- ▶ Assistance with application of new VAT rules under the simplified tax system (for instance, VAT rates, VAT calculation method and payment mechanism, input VAT recovery, recommendations regarding tax clauses in contracts with taxpayers applying the simplified tax system, etc.)



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## OIL AND GAS TAXES

Oil and gas producers are subject to special taxes such as:

- ▶ Mineral extraction tax (MET), which is levied on extracted minerals and calculated for oil, gas and gas condensate using various complex formulas based on the produced quantity determined according to the approved measurement and accounting procedure. The formula parameters depend on various factors, such as field characteristics, macroeconomic figures, etc. As a production-based tax, MET imposes a constant fiscal burden throughout a field's lifecycle, in contrast to profit-based taxes such as additional income tax (AIT).
- ▶ AIT, which is imposed on additional income received by companies that hold exploration and production licenses and engage in hydrocarbon production at certain subsurface sites. AIT is determined as deemed income from the sale of hydrocarbons minus related actual and deemed costs. The tax rate is set at 50% of the tax base. AIT is calculated based on the long-term economics of developing a hydrocarbon deposit over the entire investment period. At the same time, unlike MET, AIT is assessed based on the performance of individual licensed areas, which makes it possible to develop low-margin fields containing hard-to-recover reserves.

With hydrocarbon deposits switched to AIT, MET is reduced by approximately 40%.

- ▶ Excise duty, which is levied on the sale of certain excisable goods (crude oil, motor gasoline, diesel fuel, engine oils, straight-run gasoline, middle distillates, etc.) and calculated using various complex formulas. Processing companies that actively invest in modernizing and construction of new production facilities under agreements with the Ministry of Energy are eligible for a double deduction – a refundable excise duty with a multiplier. Furthermore, legislative amendments now allow companies processing Russian oil on a tolling basis abroad to claim a refundable excise duty under an arrangement similar to that applied to refineries within the Russian Federation.

In addition, special tax and customs regimes apply to certain offshore hydrocarbon development projects. The concepts of operators, offshore hydrocarbon deposits and hydrocarbon extraction activities are now incorporated in the Tax Code and customs legislation, allowing special profits tax, mineral extraction tax and customs regimes to be established for qualifying activities. Such activities, when performed by the holder of the relevant mineral license or a qualifying operator, are subject to special ring-fencing rules.

*Chara Sands, a real desert with barchans in the middle of the snow-clad taiga*

## HOW CAN B1 HELP?

We have extensive practical experience in advising and supporting oil and gas companies and investors in the oil and gas business:

- ▶ Developing tax accounting methodologies for hydrocarbon exploration and development activities
- ▶ Providing support in developing (adapting) economic models based on MET, AIT and excise duty parameters
- ▶ Identifying potential tax savings or checking that all available tax reliefs are fully and correctly used
- ▶ Advising on complex tax issues requiring technical analysis of production processes
- ▶ Advising on and conducting a comprehensive review of tax mechanisms, including the application of reverse excise duty (including for toll processing arrangements) and the eligibility criteria for the multiplier
- ▶ Organizing seminars and webinars on economic and tax developments in the oil and gas industry and preparing regular legislative updates



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# TRANSFER PRICING

Transfer pricing (TP) regulations are contained in Articles 105.1 to 105.25 of the Tax Code (in effect since 2012). Even though Russia is not a member of the OECD, Russian TP regulations are largely based on the principles laid down in the OECD Guidelines. However, the OECD Guidelines do not have the force of law and Russian law prevails if there are any differences.

Russia adopted BEPS Action 13 documentation requirements in November 2017 (applicable to financial years starting on or after 1 January 2017).

Russian TP rules focus primarily on related party transactions, but certain third party transactions (such as sales of global exchange-traded commodities or transactions in which any of the parties belongs to a blacklisted jurisdiction<sup>1</sup> or jurisdiction with a corporate income tax rate at or below 15%) are also subject to TP

control. In 2022–2026, a threshold of RUB 120 million has been applied for cross-border transactions to be classified as controlled. Domestic transactions that meet certain conditions and exceed a threshold of RUB 1 billion per year are also subject to TP control in Russia.

In November 2023, new amendments aimed at strengthening TP control were introduced for transactions commencing from 1 January 2024. The amendments are on a comparable scale to the introduction of Section V.1 of the Tax Code in 2012 and include increased penalties, a modified approach to the calculation of the interquartile range, requirements to disclose additional information and other changes, which apply to transactions occurring after 1 January 2024.

## RUSSIAN TRANSFER PRICING REPORTING REQUIREMENTS

REPORT NAME	WHEN TO REPORT?	WHAT TO REPORT?	PENALTIES
<b>Notification of controlled transactions</b>	No later than 20 May of the year following the reporting calendar year	Detailed transaction data, such as counterparties, nature of transactions, volumes, prices, measurement units, etc. (all in Russian). Starting from the 2024 reporting period, the range of information required to be disclosed in the notification of controlled transactions is significantly expanded	RUB 100,000 for non-submission or submission of inaccurate information <i>(RUB 5,000 before 2024)</i>

<sup>1</sup> Please contact us for the current blacklist of jurisdictions.

REPORT NAME	WHEN TO REPORT?	WHAT TO REPORT?	PENALTIES
<b>Local file/TP documentation</b>	May be requested from 1 June of the year following the reporting calendar year and must be provided within 30 business days of the request (for transactions involving particular commodity groups <sup>2</sup> and conducted after 1 January 2024, special TP documentation is required together with the notification of controlled transactions); for controlled transactions occurring in 2024, a transitional period is set – TP documentation must be provided by 1 December 2025)	Company overview, detailed information on controlled transactions, functional analysis, comparability analysis, financial analysis and other information as required by TP rules (all in Russian). Starting from the 2024 reporting period, the range of information required to be disclosed in the local file/TP documentation is significantly expanded	RUB 1,000,000 for non-submission or late submission of the local file RUB 500,000 for non-submission of documentation for specific transactions RUB 1,000,000 for non-submission of financial statements/provision of inaccurate information from the financial statements of an MNE group member <i>(RUB 100,000 for non-submission of the local file before 2024)</i>
<b>Notification of membership in an MNE group</b>	No later than eight months after the end of the MNE's financial year	Information on the taxpayer and its ultimate (or surrogate) parent entity for CbCR purposes (all in Russian)	RUB 500,000 for non-submission, late submission or submission of inaccurate information <i>(RUB 50,000 before 2024)</i>
<b>CbC report</b>	No later than 12 months after the end of the MNE's financial year. A Russian subsidiary of a foreign MNE may be exempt from filing a CbC report if (i) its ultimate (or surrogate) parent entity has submitted a CbC report in its jurisdiction and (ii) that jurisdiction has activated the exchange of CbC reports with Russia. Otherwise, the CbC report must be submitted in Russia within three months of the request	Key financial indicators (revenue, profit, income taxes assessed/paid, personnel, capital, retained earnings and assets) by jurisdiction, as well as a description of the business activities of MNE members (all in Russian)	<i>RUB 1,000,000 for non-submission, late submission or submission of inaccurate information</i> <i>(RUB 100,000 before 2024)</i>
<b>Master file</b>	May be requested no earlier than 12 months and no later than 36 months after the end of the MNE's financial year and must be provided within three months of the request	Key information about the MNE group, including the organizational structure, a description of the MNE's industry and business, functional analysis, TP policies, etc. (all in Russian)	RUB 1,000,000 for non-submission or late submission <i>(RUB 100,000 before 2024)</i>

<sup>2</sup> Please contact us for the list of commodity groups.



*Belukha Mountain, the highest peak in Siberia, believed to be the gateway to Shambhala in esoteric tradition*

If the tax base for transactions concluded after 1 January 2024 is required to be adjusted as a result of a TP audit, the adjustment will be made by reference to the median value of the market price/profit margin range (before 2024, adjustments were made by reference to the highest or lowest value of the range).

The Tax Code also establishes a penalty if a TP assessment is made as a result of a TP audit. The penalty amounts to 40% of the amount of unpaid tax (not less than RUB 30,000), with a grace period granted for 2022–2023. Starting from 2024, the penalty for cross-border controlled transactions amounts to 100% of the unpaid amount of tax on income calculated in accordance with clause 6.1 of Article 105.3 of the Tax Code<sup>3</sup> (not less than RUB 500,000). A TP penalty exemption is available if the taxpayer has provided compliant TP documentation/local file supporting the arm's length level of prices (starting

from 2024, this exemption is available for domestic transactions only) or if prices were set in accordance with an advance pricing agreement (APA). Controlled transactions are subject to special TP audits, which are separate from general tax audits and must be conducted by the Federal Tax Service.

The Tax Code allows for the conclusion of an APA (which may be multilateral if Russia has a double tax treaty with the foreign jurisdiction concerned) by Russian entities classified as major taxpayers. Starting from 2024, APAs are available to all taxpayers for controlled transactions in excess of RUB 2 billion over a calendar year where such transactions involve particular commodity groups.<sup>4</sup> If a TP adjustment is made by the tax authorities, available dispute resolution mechanisms include litigation or a mutual agreement procedure (MAP).

<sup>3</sup> When an adjustment of the tax base gives rise to income for a foreign related entity, that income is equated with dividends received from the Russian company and is taxed at source unless the taxpayer adjusts the tax base before relevant tax is paid or after it is paid but before the tax authorities initiate an audit (with penalties charged in the latter case).

<sup>4</sup> Please contact us for the list of commodity groups.

## HOW CAN B1 HELP?

▶ **TP COMPLIANCE AND DOCUMENTATION:**

Documenting intercompany transactions is the first line of defense when your TP practices are challenged. The tightening of Russian transfer pricing rules makes it more important than ever to be able to show that transfer prices are compliant. We have a dedicated team to support you in defending your TP policies and help with the preparation of full-scope TP compliance forms.

▶ **TP IMPLEMENTATION – INTERCOMPANY**

**EFFECTIVENESS:** B1 has developed a structured and scalable framework for improving TP implementation and building integrated systems and processes across tax functions, business units and operations. Our flexible approach can help you develop sustainable practices to execute, monitor and report intercompany transactions.

▶ **TP PLANNING AND OPERATING MODEL**

**EFFECTIVENESS:** Our multidisciplinary operating model effectiveness (OME) team works with you on operating model design, business restructuring, system implications, TP, direct and indirect taxes, customs, human resources, finance and accounting. We can help you build and implement the model that makes sense for your business, improve your processes and manage the cost of doing business.

▶ **TP CONTROVERSY:** B1 assists clients in building

controversy strategies that help accomplish their objectives. Such strategies often involve robust upfront planning, preventive (TP) controversy advice where needed, consideration of APAs, audit defense work followed by a domestic administrative appeal, review of alternative dispute resolution opportunities, preparation and follow-up control of a request for assistance by a competent authority under the MAP article in a tax treaty, and litigation support.



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# AUTOMATION OF STATUTORY AND TAX ACCOUNTING AND REPORTING

Russian statutory and tax reporting rules differ in some respects from those of other countries. In addition, local rules are still evolving and are subject to change. As a result, many foreign businesses entering the Russian market face difficulties in adapting their corporate ERP/accounting systems to local requirements. Localization is also increasingly embedded within the operational framework. This trend is driven by both strategic business decisions and regulatory mandates concerning critical information infrastructure, personal data and other sensitive areas. In practice, foreign businesses choose one or a combination of the following approaches:

- ▶ Localization of a globally integrated solution
- ▶ Implementation of a local statutory module for Russian accounting and tax purposes integrated with a global solution used for other business processes, or
- ▶ Use of a locally developed solution (1C, as the most common but not the only option, Turbo, Galaktika, etc.)

## HOW CAN B1 HELP?

We have market-leading experience in the turnkey localization of statutory and tax reporting, the implementation of operational modules and the integration of our solutions into the corporate IT landscape. Our team has in-depth knowledge of modern IT solutions and a long history of working with top Russian integrators and government authorities. We have a full range of competencies and roles – project and program managers, system and functional architects, business analysts, developers and testers.



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*Wrangel Island, placed on the very border of the  
Western and Eastern Hemispheres*

# TAX MONITORING

## TAX MONITORING (TM) – CO-OPERATIVE COMPLIANCE REGIME

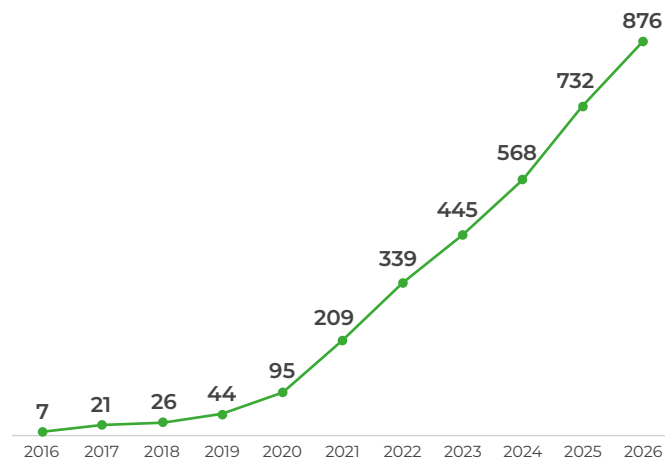
Russia introduced a co-operative compliance regime known as tax monitoring (TM) as a pilot program in 2013 and established corresponding regulations in 2016. From a starting point of just five pilot companies (B1 Group was one of them), the number of participants rose to 870+ companies in 2026. They include some of the largest Russian-headquartered state and private corporations and international investors from major industries (oil & gas, energy, banking, transport, telecom, FMCG, retail, trading, manufacturing, etc.). Russia's Federal Tax Service has a strategy to develop this regime (the relevant strategic plan approved by a government order) and aims to embrace the majority of major taxpayers in the nearest future.

In 2026, adoption of the TM regime is voluntary for companies (except for companies that have concluded an IPPA (Investment Protection and Promotion Agreement)) and subject to their meeting quantitative thresholds for revenue (over RUB 800 million), assets (over RUB 800 million) and taxes paid (profits tax, excise duty, mineral extraction tax, VAT, personal income tax and social contributions totaling at least RUB 80 million) based on the Russian statutory statement of income and balance sheet for the preceding year.

The key benefits for companies that have signed up for tax monitoring over the traditional form of tax control are:

- ▶ Release from traditional tax audits (both desk and field audits), except for transfer pricing audits

### INCREASING NUMBER OF TM PARTICIPANTS



- ▶ “Fast close” of the tax period, with the tax inspectorate finalizing audit procedures by 1 October of the year following the reporting year with limited grounds for a follow-up audit
- ▶ Possibility to obtain a “reasoned opinion” from the tax authorities (very similar to the international “private letter ruling” concept) for a particular tax position in a tax return or agree on the tax treatment of an expected transaction

The application for TM (together with the required documentation) must be submitted to the tax inspectorate no later than 1 September of the year preceding transition to the regime.

## HOW CAN B1 HELP?

B1 has best-in-class experience providing end-to-end assistance in transitioning to the tax monitoring regime. We have a successful track record of 170+ projects delivered to more than half of the regime's participants and launched accounting processes on various platforms (SAP, 1C, Oracle, etc.).

Our core package of services includes:

- ▶ Supporting clients through all stages of their TM transition
- ▶ Gap analysis of a company's readiness for TM transition
- ▶ Development of measures to improve business processes, controls and IT systems in accordance with tax monitoring requirements
- ▶ Preparation of all required documentation
- ▶ Implementation of a tax data mart – a special IT system to be integrated with the tax authorities' IT system in the course of tax monitoring
- ▶ Assistance in negotiations with the tax authorities and the Federal Tax Service of Russia



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*Avacha Bay, a magnificent Pacific Ocean bay, one of the largest in the world*

# TAX ADMINISTRATION AND TAX CONTROL MEASURES

## TAX AUDITS AND PRE-AUDIT CONTROL

The general purpose of tax audits (field and desk audits) and pre-audit tax control measures is to check compliance with tax legislation, including checking that taxes, levies and insurance contributions have been correctly calculated and paid.

A **desk tax audit** is conducted in relation to a tax return. It takes three months, except for an audit of a VAT return, which takes two months. A desk tax audit of a tax return filed by foreign entities that provide electronic services takes up to six months.

A **field tax audit** is conducted in relation to a taxpayer's activities for a period of up to three years. The standard duration of a field tax audit is two months but, allowing for various extensions and suspensions, it may take up to 15 months.

Pre-audit tax control (pre-audit analysis) is not regulated by the Tax Code but serves as an initial “filter” for the tax authority to decide whether to initiate a field tax audit and as a source of information on the taxpayer.

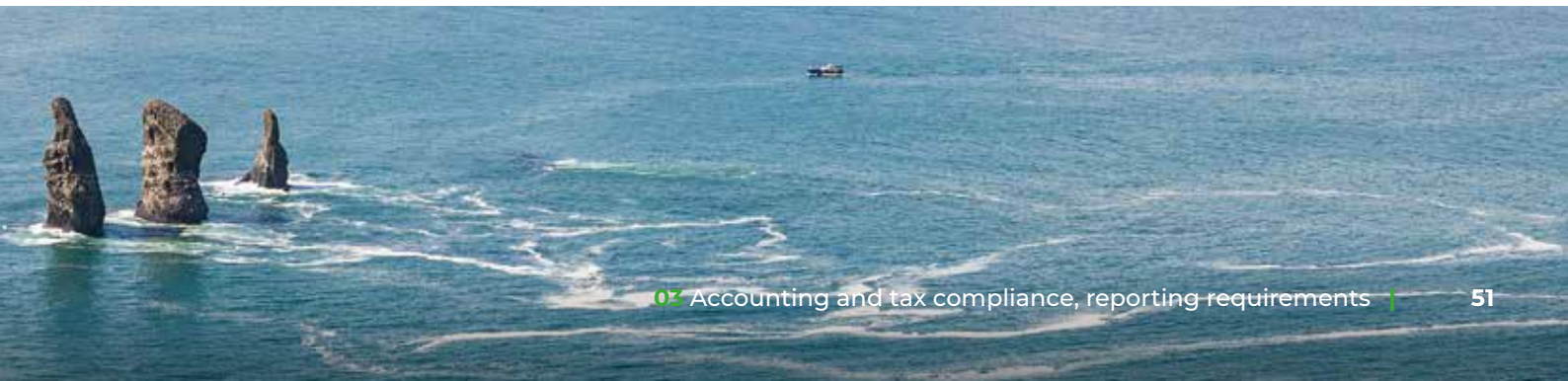
A desk tax audit may be assigned to a territorial office designated by the Central Office of the Federal Tax Service, with the taxpayer being notified within five days. Documents can be submitted either to the tax office where the taxpayer is registered or to the designated office.

## RESULTS OF TAX AUDITS

Any underpayment identified by the tax authority is penalized with a fine of 20% (or 40% if it is classed as tax evasion) and late payment interest. Where circumstances exist that mitigate the liability, penalties for violations may be reduced, though no more than ten-fold.

In the event of non-payment of taxes or understatement of the tax base, the tax authority issues a tax audit report and then adopts a decision. When the decision comes into force, the tax authority issues a demand for payment. If the taxpayer does not pay voluntarily, the relevant amounts will be collected through enforcement action.

The results of tax audits may be appealed through an obligatory administrative (pre-trial) appeal procedure and then through courts. Starting from 2025, reports (except for results of tax audits) and actions (omissions) of tax authorities may be appealed through a simplified administrative procedure. In 2026, extraterritorial consideration of appeals against tax audit results will be introduced.



*Lena Pillars, natural rock formations along the banks of the Lena River*



## HOW CAN B1 HELP?

- ▶ Identifying and assessing potential tax risks and providing recommendations to mitigate them
- ▶ Support during pre-tax audit analysis
- ▶ Support during tax audits from initiation to receipt of the tax audit decision
- ▶ Support with pre-trial and judicial appeals against the results of tax audits and other control measures
- ▶ Legal support for tax monitoring
- ▶ Legal support for tax debt restructuring
- ▶ Protection of management and controlling persons from subsidiary and other liability for the company's tax debts



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# FOREIGN INVESTORS RECEIVING INCOME FROM RUSSIAN SOURCES

Foreign investors investing (directly or indirectly) in Russian assets and receiving (directly or indirectly) income from such assets may be exposed to various tax implications, including tax registration, tax reporting and tax payment requirements in Russia.

Russian legislation relating to the taxation of foreigners investing in Russia is complex and often ambiguous.

Key issues which may need to be considered are outlined below. The information is general in nature, does not represent professional advice and may not be entirely applicable to non-Russian unincorporated structures. Investors should seek individual tax advice which would take into account their status and operating circumstances.

## I. TAX IMPLICATIONS FOR FOREIGN INVESTORS THAT ARE FOREIGN ORGANIZATIONS

A foreign organization may be subject to taxation in Russia in any of the following cases: (1) it carries on activities in Russia through a permanent establishment, (2) it is recognized as a Russian tax resident, or (3) it receives Russian source income.

### Permanent establishment

A foreign organization is deemed to have a permanent establishment (PE) in Russia if it undertakes entrepreneurial activities in the country on a regular basis through a fixed place of business or a dependent agent. PE rules are vaguely worded and there is uncertainty in relation to the interpretation of certain concepts, such as the “regularity” of activities, “link to a geographical location,” “single business process related to business activities,” etc. In practice, therefore, the Russian tax authorities may attempt to interpret the respective concepts in a manner less favorable to taxpayers.

If and when a PE is created, a foreign organization must register with the Russian tax authorities. Failure to register will result in a fine determined as a certain percentage of income earned by the foreign organization as a result of its activities in Russia.

Currently, profits of a Russian PE are subject to profits tax in Russia at the rate of 25%. As a rule, profits attributable to a Russian PE must be determined based on the actual

activities (functions) carried on by the PE, economic (commercial) risks assumed in connection with those activities, and assets deployed. It is worth noting that, in the absence of detailed and properly supported calculations, the Russian tax authorities may attempt to attribute the entire profits of a foreign organization to its Russian PE.

If and when a PE of a foreign organization is created in Russia, the PE must comply with tax reporting/compliance requirements indicated above in this section, except for the financial statements and audit opinion requirements, which are not applicable. A PE may also give rise to other taxes, e.g., value added tax, property tax, personal income tax, etc. Additionally, a PE of a foreign organization must file an annual statement of activities and details of shareholders and beneficiaries.

Examples of circumstances which may need to be carefully analyzed from the perspective of PE risks arising for a foreign organization in Russia include (but are not limited to) the following:

- ▶ Algorithmic trading by a foreign organization in the Russian market which involves software located in Russia
- ▶ Traders located in Russia who execute trades in the interest of a foreign organization

- ▶ Sales specialists located in Russia who advertise and market activities/products of a foreign organization
- ▶ Owning of immovable property located in Russia
- ▶ Employees of a foreign organization working remotely from Russia
- ▶ Involvement of a foreign organization in mining activities in Russia, etc.

### **Tax residency**

Under Russian tax legislation, a foreign entity is deemed a Russian tax resident if (1) it is deemed to be such under an applicable double tax treaty – for the purposes of the application of that treaty, or (2) its place of management is in Russia, unless an applicable double tax treaty stipulates other criteria. Russian tax residency status may be determined with reference to the basic criteria relating to the operational management of a foreign organization or (if the basic criteria are met in respect of two countries simultaneously) with reference to additional criteria relating to financial and management accounting, recordkeeping and day-to-day personnel management.

There are a number of exceptions relating to certain functions which, if undertaken in Russia, should not per se lead to the recognition of a foreign company as a Russian tax resident.

Where a foreign legal entity is deemed to be a Russian tax resident, it is liable to Russian profits tax on worldwide profits at the standard rate of 25%. Russian tax resident status may also result in the obligation to pay other Russian taxes (e.g., VAT, payroll taxes, property taxes, etc.). When deemed a Russian tax resident, such a foreign organization must comply with tax reporting requirements indicated above in this section in the same way as Russian organizations.

### **Withholding tax**

Where a foreign organization that does not have a PE in Russia and is not recognized as a Russian tax resident receives Russian source income, that income is subject to Russian WHT. The list of types of Russian source income established by Russian tax legislation includes various types of passive income (e.g., dividends, interest, royalties, capital gains from the sale of certain types of shares/interests, etc.). This list also includes income derived from digital financial asset transactions and intragroup service agreements, as well as income from digital currency mining received in connection with mining pool activities.

The list of types of Russian source income also includes the category “other similar Russian source income.” In practice, this term is broadly interpreted by the Russian tax authorities. As a result, any payment made by Russian persons that qualify as tax agents (even if such income is not explicitly mentioned in the list of types of Russian source income) can be treated as “other similar Russian source income” which as such should be subject to Russian WHT, unless the respective income is not specifically excluded from Russian source income. In particular, income derived from certain types of derivative transactions is usually viewed as other similar Russian source income by the Russian tax authorities.

There are also local anti-abuse rules which allow the Russian tax authorities to treat a particular payment as Russian source income (e.g., as deemed dividends, deemed gift), irrespective of the legal form of the payment, if they believe that the economic substance differs from the legal form and/or that the transactions are of an artificial nature.

Liability to Russian WHT may also be triggered where prices of certain transactions concluded with

foreign organizations deviate from the market prices determined for Russian transfer pricing purposes, resulting in the understatement of the Russian tax base of the Russian counterparty (e.g., the so-called “secondary transfer pricing adjustment”).

### Tax rates

Currently the standard WHT rate is 25%. Special WHT rates apply to the following types of Russian source income:

DIVIDENDS	
Dividends on shares in international public holding companies (subject to certain conditions)	5%
Dividends on shares in international holding companies (including shares underlying depositary receipts) (subject to certain conditions)	10%
Dividends on other shares	15%
INTEREST INCOME	
Interest on Russian state and municipal bonds	0%/9%/20%
Interest on Russian mortgage-backed bonds	9%/20%/25%
Interest on debt obligations of international holding companies (subject to certain conditions)	10%
Interest on ruble-denominated traded bonds (except for mortgage-backed bonds) issued by Russian issuers after 1 January 2017	20%/25%
Interest on state and corporate bonds held on foreign nominee holder accounts / foreign authorized holder accounts if the ultimate beneficial owners of the securities are not properly disclosed for aggregate reporting purposes	30%
Income from the operation, maintenance or leasing of ships, aircraft or other means of transport or containers in international traffic	10%

### Tax agent

Whenever Russian WHT is applicable, it must be calculated and withheld by a Russian tax agent, which in practice bears the risk of being penalized for improper withholding of tax (except for payments of income on foreign nominee holder accounts / foreign authorized holder accounts / depositary program depository accounts).

WHT agents are exempt from withholding tax obligations with respect to certain types of income (e.g., interest on Russian state bonds, etc.). It is worth noting that exemption from tax agent obligations is not the equivalent to the exclusion of the income in question from the list of types of Russian source income that are subject to WHT. Some uncertainty remains, therefore, as to whether non-residents may be viewed as liable to pay tax themselves where tax is not properly withheld by the tax agent.

Currently, there is no self-assessment mechanism that would allow a foreign legal entity to pay WHT itself, and its future implementation in Russian tax legislation is uncertain.

As a rule, WHT must be withheld on each payment of Russian source income. The moment of payment may be determined differently depending on its nature (e.g., it may not involve the transfer of funds to the foreign organization’s bank account). WHT is applied to the gross amount of income paid (except in certain cases and subject to certain conditions) irrespective of the form of payment (e.g., in-kind income, set-off, debt forgiveness, etc.). Russian rules are, however, unclear as to how the tax should be paid in the respective circumstances.

Applying WHT to the gross amount of income is the general rule, with special rules applicable to certain types of income (e.g., income from the sale of immovable property, etc.).

### ***Treaty relief***

The domestic rates of Russian WHT can generally be reduced or eliminated on an advance basis based on an applicable double tax treaty. In order to utilize the benefits of the relevant treaty, a foreign organization will need to provide the tax agent, before payment is made (except for payments on securities held on foreign nominee holder accounts / foreign authorized holder accounts / depository program securities accounts), with documents confirming its right to rely on the applicable double tax treaty (e.g., documents confirming its tax residency status, beneficial ownership status and compliance with the specific requirements of the applicable double tax treaty, including compliance with the principal purpose test and/or limitation of benefits provisions). In addition to the above, a foreign investor may need to confirm its compliance with local anti-abuse provisions. In practice, if the Russian tax authorities believe that a particular taxpayer abused the tax laws, they may deny benefits of the applicable double tax treaty.

It is worth noting that, based on Decree No. 585 of the Russian President of 8 August 2023, which came into force on the same date, certain provisions of Russia's double tax treaties with "unfriendly" states that have imposed sanctions against Russia have been suspended, including tax allocation rules, which determine the taxing rights of respective states and place certain limits on the taxation of income of foreign residents (e.g. a maximum withholding rate), and non-discrimination clauses. This affects 38 of Russia's double tax treaties, including those with European countries, the USA, Hong Kong, etc.

Russian rules relating to the confirmation of beneficial ownership status and compliance with the principal purpose test and anti-abuse provisions are vaguely

worded and broadly interpreted and applied by the Russian tax authorities in practice. For this reason, the right to rely on a particular double tax treaty (particularly with regard to the beneficial ownership rules and the principal purpose test) should be carefully analyzed in all situations, and especially in cases where:

- ▶ A total return swap exists in respect of Russian securities.
- ▶ A credit default swap exists in respect of a loan/bond of a Russian issuer.
- ▶ A contract for difference exists in respect of Russian securities or financial instruments.
- ▶ A dividend/interest swap has been entered into.
- ▶ Russian assets are used as collateral in a pledge.
- ▶ Russian assets are the subject of title transfer collateral arrangements or any similar arrangements.
- ▶ Russian assets are the subject of split hedging arrangements.
- ▶ Back-to-back arrangements are made / intermediary holding companies are used.
- ▶ Various investment vehicles are used, etc.

Russian tax legislation generally provides for the application of the so-called "look-through" approach, which allows a person that is not the immediate recipient of income to claim benefits under a double tax treaty with Russia as if it were receiving Russian source income directly. The application of the "look-through" approach requires certain additional documentation to be provided to the tax agent before payment is made.

### ***Tax refund***

Where a tax agent has withheld WHT at the standard or "punitive" tax rate despite the right of a foreign

organization to claim benefits under an applicable double tax treaty, the foreign organization should generally be able to claim a refund of the tax that was excessively withheld.

Generally, Russian tax legislation contains a specific refund procedure via a tax agent (the so-called “rapid refund” mechanism) in respect of income paid on foreign nominee holder accounts / foreign authorized holder accounts / foreign depository program depository accounts.

In other cases, a claim for a refund of excessively withheld tax may be filed by a foreign legal entity with the Russian tax authorities at the location of the tax agent within three years following the year in which the tax was withheld. For this purpose, the foreign legal entity will need to file an application together with a number of documents supporting its right to a refund. Although domestic tax legislation lays down an exhaustive list of documents required to claim a refund,

in practice the Russian tax authorities may require a number of additional documents depending on the situation. Obtaining a refund of Russian income taxes tends to be a lengthy and laborious process, and there is no guarantee that a refund will be granted.

It should also be possible to claim a tax refund where a tax agent has applied a “punitive” tax rate instead of the standard tax rate. However, the process of obtaining the tax refund will be different from the process described above.

### **Tax registration/reporting requirements**

Foreign investors that do not have a PE in Russia / are not deemed to be Russian tax residents may be required to register for tax purposes with the Russian tax authorities if they open a bank account with a Russian bank (including special types of bank accounts) or if they own real estate in Russia.



*Orda Cave, the largest underwater gypsum cave in the world*



Besides tax registration requirements, the following tax reporting requirements may arise for such investors in Russia in the respective circumstances:

REPORT NAME	WHEN TO REPORT?	WHAT TO REPORT?	PENALTIES
<b>Notification regarding shareholders and beneficiaries</b>	Not later than 28 March of the year following the reporting calendar year	Information on all members (shareholders) of the foreign organization (including disclosure of indirect interests (if any) of an individual or a public company if their direct and/or indirect interest in the foreign organization exceeds 5%) as of 31 December	RUB 50,000
<b>Property tax return</b>	Not later than 25 March of the year following the reporting calendar year	Tax base and amount of corporate property tax in a standard form, including documents necessary to avoid double taxation (if applicable)	5% of the amount of unpaid tax for each full (incomplete) month, but not more than 30% of the specified amount and not less than RUB 1,000

## HOW CAN B1 HELP?

- ▶ Advising on the optimal investment structure and potential exit strategy
- ▶ Advising on PE and tax residency matters, including tax registration, tax reporting and tax payment obligations
- ▶ Advising on Russian tax implications arising in connection with investment in Russian securities or other assets, the conduct of mining activities or the use of digital currency and/or digital assets for investments and/or settlement purposes, including exemptions and reliefs available under domestic law and applicable double tax treaties
- ▶ Assistance in preparing/reviewing documentation for transactions with Russian counterparties and partners, including tax indemnity and gross-up provisions
- ▶ Assistance in preparing a defense file demonstrating compliance with beneficial ownership rules, principal purpose test requirements and local anti-abuse provisions and/or supporting the application of the look-through approach, if required
- ▶ Assessing the probability of obtaining a refund and providing full-scope assistance in applying for Russian income tax refunds where Russian income tax has been withheld in excess (despite the foreign investor having a right to claim reduced tax rates under a double tax treaty) or where tax has been withheld at the “punitive” tax rate



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PEOPLE MATTERS

04

*Sulak Canyon, one of the world's  
deepest canyons*

# PERSONAL INCOME TAX

## WHO IS LIABLE?

Payers of Russian personal income tax include tax residents of Russia and non-resident individuals who receive income from Russian sources.

Tax residents are individuals who stay in Russia for 183 days or more in a period of 12 consecutive months. Short-term leaves (not exceeding six months) for medical treatment, educational purposes, employment or other work-related duties at offshore hydrocarbon fields or within the framework of the implementation of intergovernmental agreements for the construction of nuclear energy facilities may be treated as presence in Russia in certain cases. The tax authorities currently assess an individual's residency status based on the number of days spent in a particular calendar year. Non-residents are individuals who do not meet the above-mentioned condition.

## OBJECT OF TAXATION

Russian tax residents are taxed in Russia on their worldwide income, including undistributed profit of controlled foreign companies (CFCs).<sup>5</sup>

Non-residents are taxed on their Russian source income, which includes but is not limited to the following:

- ▶ Remuneration for the performance of employment duties, services and activities in Russia (regardless of where paid)
- ▶ Remuneration paid by a Russian organization in certain cases
- ▶ Dividends and interest paid by a Russian organization

- ▶ Insurance payments made by a Russian organization
- ▶ Income from the sale of property and securities in Russia

## TAX RATES

Starting 2025, tax rates for Russian tax residents changed from 13%–15% to 13%–22%. The tables below show annual income bands, income types and respective tax rates for the 2025 tax year.

INCOME	SALARY, RENTAL INCOME, CFC PROFIT, LOTTERY WINS, ETC.
RUB 0–RUB 2,400,000	13%
RUB 2,400,001–RUB 5,000,000	15%
RUB 5,000,001–RUB 20,000,000	18%
RUB 20,000,001–RUB 50,000,000	20%
Over RUB 50,000,000	22%

INCOME	DIVIDEND INCOME, INTEREST INCOME, MATERIAL AID PAYMENTS, INCOME FROM SALE OF PROPERTY AND SHARES, TAXABLE INSURANCE PAYMENTS, ETC.
RUB 0–RUB 2,400,000	13%
Over RUB 2,400,000	15%

<sup>5</sup> CFC rules are not covered in this document. Please contact us if you need more information on this matter.

Tax non-residents are taxable in Russia at the rate of 30% on their Russian source income. Russian source income is generally defined as income arising from assets in Russia, or earned in Russia, irrespective of where it is paid. There are some exceptions to the tax rates for tax non-residents: a 15% rate applies for interest income on accounts with Russian banks in excess of the non-taxable limit and dividends from Russian organizations.

Moreover, foreign individuals who are deemed highly qualified specialists (HQS) for immigration purposes (those who have received an HQS work permit) are taxable at resident tax rates of 13%–22% on their earnings as an HQS, irrespective of their actual Russian tax residency status.

Employees (both tax residents and tax non-residents) who perform their work duties outside Russia based on a remote employment agreement with Russian legal entities are taxed in Russia at resident tax rates (13%–22%). The resident tax rates also apply to income received by contractors (both tax residents and non-residents) under civil contracts for duties performed outside Russia (remotely for the benefit of a Russian payer via the Internet). These types of income are considered received from Russian sources, whereas

before the relevant legislative changes they were treated as income received from sources outside Russia.

## TAX REPORTING AND PAYMENT

Russian organizations, individual entrepreneurs, separate subdivisions or permanent establishments of foreign companies, and foreign companies in some cases, from which or as a result of relations with which a taxpayer receives income, are obliged to calculate, withhold and remit personal income tax to the Russian budget. Companies must withhold the calculated amount of tax directly from the individual taxpayer's income when the income is actually paid.

Individual tax returns must be filed by both tax residents and non-residents that have at least one source of income subject to tax in Russia on which income tax has not been withheld by a tax agent. A Russian tax return must be submitted by 30 April of the year following the reporting (calendar) year with no extension available. The tax must be paid no later than 15 July of the year following the reporting year. The exception is the year of departure of a foreign citizen, where a return is due in the month before departure, with the tax payable within 15 days of the return filing.

*Lake Elton, a salt reddish-shade lake*

## SOCIAL SECURITY TAXES

Social contributions in Russia are the sole responsibility of the employer. There are no “matching” employee contributions. Employer contributions cover obligatory pension, medical and social insurance.

Social contributions are charged on payments made to individuals under employment agreements, civil contracts for the performance of work or the rendering of services (except for individual entrepreneurs) and copyright agreements.

Starting 2026, the maximum base for social contributions is RUB 2,979,000.

The contribution rates for the majority of companies are as follows:

- ▶ 30% – on income not exceeding the maximum base
- ▶ 15.1% – on income exceeding the maximum base

The law provides for beneficial rates for some types of companies (e.g. IT companies, residents of special areas, etc.).

Employers are required to pay social contributions for Russian and foreign individuals (irrespective of immigration status). Payments to expatriates holding HQS work permits who are temporarily staying in Russia are not subject to social contributions as these individuals are not considered insured within the Russian social security system.

Starting 2026, commercial organizations are required to pay at least a minimum level of social contributions for their general directors. The minimum base for calculating these contributions is the federal minimum wage (RUB 27,093 per month). This means the monthly social contribution amount is RUB 8,127.90 (30% of the minimum wage). The rule applies even in the absence of any business activity and any payments made to general directors.

### **Workplace accident insurance**

In addition to the above social contributions, all employers are required to provide insurance against workplace accidents and occupational illnesses. The rate of these contributions depends on a company’s economic activity and may vary from 0.2% to 8.5%. The rate is generally 0.2% for most employers that employ mainly or only office workers. The applicable rate is levied on the contribution base without any cap.

Contributions are assessed on all payments to individuals under employment agreements. Notably, employment income payable to foreign citizens is not exempt from these contributions. Payments under civil contracts are subject to workplace accident insurance only in case the respective provision is directly stipulated by the contract.

# RUSSIAN LABOR LAW

The Russian Labor Code establishes procedures for hiring and dismissing employees, as well as regulations concerning working time, vacations, business trips, salary payment and so on. The Labor Code is highly focused on the protection of employees. If a conflict arises, an employee may demand the application of relevant protective provisions of the Labor Code, which would prevail over any conflicting provision of the individual's employment agreement. Moreover, the Labor Code establishes certain guarantees for some categories of employees that must be fulfilled by employers, even if they are not specifically set out in employment agreements.

## **Base salary and compensation for additional work**

Standard daily working hours are determined by the employer. The generally accepted standard is a five-day week with an eight-hour working day. Thus, the standard week is 40 working hours.

A monthly salary may not be less than the minimum salary set by regional and federal legislation. As of 1 January 2026, the minimum monthly salary set at the federal level is RUB 27,093.

In addition, companies must compensate overtime work and work on weekends and national holidays.

## **Vacations**

Employees must be granted at least 28 calendar (as opposed to working) days of paid vacation a year. Additional vacations are envisaged for certain categories of employees, i.e., those doing irregular working hours, or working in harmful and hazardous conditions, or in the Far North or equivalent areas.

Under Russian law, an employee on vacation receives average earnings rather than the base salary.

Income included in the calculation of average earnings is the average amount of pay for actual working hours and additional payments for work performed (e.g., bonuses and overtime) over the last 12 months.

## **Military records**

All employers in Russia must keep military records of employees. Currently, fines for non-compliance are significant.

*Ruskeala, featuring a marble quarry in Karelia that supplied various projects in St. Petersburg*



# IMMIGRATION

In general, a foreign citizen working in Russia must hold a work permit and a work visa (if applicable) sponsored by an entity which employs or purchases work/services from such an employee.

Citizens of certain non-visa countries, such as Azerbaijan, Moldova, Tajikistan and Uzbekistan, who work in Russia must obtain a labor patent or (in some cases) may receive a work permit for highly qualified specialists.

Work permits and labor patents are job title and region specific.

There are also some categories of foreign citizens who do not need to obtain a work permit or labor patent to work in Russia. These include citizens of the Eurasian Economic Union (Kazakhstan, Belarus, Armenia and Kyrgyzstan), holders of a Russian residence permit, certain categories of foreign students, etc.

There are two main immigration regimes for foreign employees who need a visa to come to Russia.

	HQS WORK PERMIT	STANDARD WORK PERMIT
<b>Minimum salary payable through Russian payroll</b>	RUB 750,000 per quarter	Not established by immigration law, but cannot be less than the minimum wage
<b>Work permit and visa validity period</b>	Up to 3 years	Up to 12 months
<b>Processing time</b>	14 working days (1 stage, simplified process)	3–6 months (multiple stages, complex process)
<b>Documents required</b>	Signed local employment agreement	Apostilled/legalized diploma and certificate confirming knowledge of the Russian language and history and the fundamental principles of Russian law (with some exceptions)
<b>Migration registration</b>	Within 90 calendar days + 7 working days after arrival in Russia, 3 working days after replacement of personal documents (passport, visa), automatic de-registration in case of departure from Russia	Within 7 working days after arrival in Russia, 3 working days after replacement of personal documents (passport, visa), automatic de-registration in case of departure from Russia

## NOTIFICATIONS

Companies are required to notify the immigration authorities of:

The **conclusion** of an employment agreement or civil contract with any category of foreign citizens within 3 business days after such conclusion.

The **termination** of an employment agreement or civil contract with any category of foreign citizens within 3 business days after such termination.

The **salary** paid to HQS work permit holders during the reporting quarter – to be filed before the end of the month following the reporting quarter.

## MEDICAL EXAMINATION AND FINGERPRINTING

Foreigners entering Russia for work purposes and their family members (as well as some other categories of foreign visitors, with certain exceptions) must undergo a medical test, submit the test results and undergo photographing and fingerprint registration at the Ministry of Internal Affairs. Foreign nationals must annually undergo a medical examination and submit medical certificates to the immigration authorities, except for HQS employees and their family members and certain other categories of foreign nationals residing in Russia. HQS employees and their family members must undergo a medical examination when initially receiving an HQS work permit and when such a permit is extended (i.e., on average every three years) and submit medical certificates to the respective authorities.

If a foreign individual's activities are limited to installation work, supervision of installation, warranty service and maintenance or post-warranty repairs of equipment manufactured or supplied to Russia by his/her employer, the individual may be eligible to work in Russia under a special **installation work visa** (a single entry visa that allows its holder to stay in Russia for up to 90 days), which can be extended for another 90-day period.

## WORK PERMIT COLLECTION PERIOD

HQS employees must collect their work permit within 30 calendar days after the authorities decide to approve/extend it. The employer may extend the work permit collection period for another 30 calendar days by submitting a relevant extension application to the immigration authorities. If by the time of expiration of the collection period (on average 30+30 calendar days) the work permit has not been collected, it is automatically annulled by the authorities. Upon annulment of the work permit, the visa of the HQS and their family members is valid for the next 15 calendar days and automatically annulled afterwards.

Currently, citizens of 64 countries entering Russia as guests, business travelers, tourists or participants in scientific, cultural, sociopolitical, economic or sporting events may apply for an **e-visa**. This single-entry visa may be issued within four calendar days of the respective application and allows the holder to stay in Russia for up to 30 days within the 120-day validity period of the visa.

## HOW CAN B1 HELP?

B1 takes an effective and innovative approach to customer service and observes the highest quality and information security standards in assisting individuals and employers.

We would be happy to provide you with the following types of support:

- ▶ Analysis of personal tax filing obligations in Russia, preparation of Russian tax returns and calculation of Russian tax liability
- ▶ Assistance with in-person return submission
- ▶ Assistance with the tax payment/refund process via a tax return and/or tax agent: preparation of tax payment instructions and tax refund applications and support in verifying the allocation of tax payments
- ▶ Assistance with opening and managing an online taxpayer account
- ▶ Individual tax planning
- ▶ Communication with the tax authorities regarding the application of international tax legislation and double tax treaties
- ▶ Assistance with tax audits and querying of late payment interest and fines
- ▶ Applying for tax clearance and tax residency certificates
- ▶ Conducting webinars for Russian employees relocating abroad
- ▶ Payroll and HR compliance services
- ▶ Payroll and HR health checks
- ▶ Advice on labor law, HR matters and employment taxes
- ▶ Advice on the appropriate compensation level and composition for various positions in any industry
- ▶ Advice on the most appropriate immigration regime
- ▶ Work permit initial applications and extensions
- ▶ Assistance with initial or extension applications for various types of visas (work visa, business visa, installation work visa, e-visa)
- ▶ Submission of various notifications required under immigration law
- ▶ Assistance to foreign employees with arranging medical examinations, fingerprinting and photographing
- ▶ Immigration health checks
- ▶ Arranging training courses for HR and foreign employees on immigration law/procedures and related updates
- ▶ Preparation of acknowledgement letters for foreign employees containing information on their obligations under Russian immigration legislation
- ▶ Assistance with the legalization and apostilling of personal documents of employees who are Russian citizens relocating to other countries



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A large, flat, wall-like rock formation, known as Sail Rock, stands prominently on a coastline. The rock is light-colored with visible vertical fissures and a small natural opening near the base. The ocean is visible at the bottom left, with waves crashing against the base of the rock. The sky is a clear, bright blue. A large green graphic of the number '05' is overlaid on the left side of the image, partially behind the text.

# 05 INCENTIVES, SPECIAL TAX REGIMES AND SUPPORT MEASURES

*Sail Rock, a 25-meter-high flat wall-like rock*

# TAX INCENTIVES FOR IT COMPANIES

The table below shows the current tax incentives applicable to IT companies and the related eligibility criteria.

	PROFITS TAX	SOCIAL CONTRIBUTIONS	VAT
<b>Incentives</b>	Reduced 5% rate in 2025-2030	Reduced 15.0% rate on income up to the maximum base and 7.6% rate on income exceeding the maximum base	Exemption
<b>Eligibility criteria</b>	<ul style="list-style-type: none"> <li>▶ Qualifying operations accounting for at least 70% of income</li> <li>▶ Accreditation with the Ministry of Digital Development (starting 2026, a restriction has been introduced for companies with foreign ownership/control)</li> </ul>		Software/database included in the Register of Russian Software

The Tax Code of the Russian Federation specifies which activities qualify for the above tax incentives and which kinds of activities and IT companies fall outside the scope thereof.

Taxpayers may also be eligible for super-deduction incentives, such as a multiplier of 2 applicable to the historical cost of intangible assets included in the Register of Russian Software as well as to licensing expenses related to such software.

## RUSSIAN INNOVATION CENTERS

A number of IT innovation centers have been established in the Russian Federation with a view to encouraging innovation and technical research within the country. Examples include the Skolkovo Innovation Center, Sirius (Sochi), and Vorobyovy Gory (Moscow). A Russian legal entity recognized as an innovation center resident may be entitled to various tax reliefs (0% profits tax, VAT relief, 15% rate of social contributions, etc.) as well as cash grants and other benefits for the purposes of conducting particular R&D activities. Starting 2026, it is not allowed to apply tax incentives for IT companies and incentives for residents of innovation centers simultaneously.

## HOW CAN B1 HELP?

- ▶ Reviewing the applicability of IT incentives and determining their tax effect and other implications
- ▶ Full-scope support in obtaining accreditation as an IT company
- ▶ Assessing the impact of the amendments on companies that claimed and obtained IT incentives prior to the amendments (health check)
- ▶ Drawing up documentation proving that software was developed internally within a group
- ▶ Pinpointing the assessment of tax risks associated with restructuring a group's operations in order to claim IT incentives
- ▶ Comprehensive development of a target model for the application of IT incentives
- ▶ Justification of the target model to the tax authorities, including in the context of tax monitoring
- ▶ Assessment of the readiness of software / database / hardware and software suite for inclusion in the Register of Russian Software and submission of a relevant application
- ▶ Support in registering software/databases in the Register of Russian Software
- ▶ Gathering and evaluating evidence to support eligibility for incentives (defense file) in case of challenges from the tax authorities
- ▶ Support with the contractual framework for the activities of an IT company, including the preparation of reporting templates
- ▶ Preparation of internal documents to prove compliance with the eligibility criteria for IT incentives (interaction protocol, employment contracts, job descriptions)
- ▶ Assessing the possibility of claiming tax reliefs for residents of Skolkovo and other innovation and research centers and combining them with reliefs for IT companies



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# SPECIAL INVESTMENT CONTRACTS

## SPIC: GENERAL OVERVIEW

A special investment contract (SPIC) is an instrument aimed at encouraging private investment in projects involving the manufacture of industrial products in Russia, with the state offering various incentives, including tax reliefs and subsidies.

## SPIC 2.0

The SPIC 2.0 mechanism was established through amendments made to Federal Law No. 488-FZ of 31 December 2014 “On Industrial Policy in the Russian Federation” back in August 2019 and is designed to promote the implementation or development and implementation of technologies included in a government-approved list of advanced technologies for the purpose of launching mass production of industrial products. SPIC 2.0 contracts are concluded for a term of up to 15 years if the investment does not exceed RUB 50 billion and up to 20 years if the investment exceeds that threshold. There is no minimum investment amount requirement for SPIC 2.0, and participants are selected through a competitive process.

In 2020, the Russian Government issued decrees setting out an updated mechanism for special investment contracts (SPIC 2.0), including rules for concluding contracts and monitoring their performance.

All the regulatory acts required for the conclusion of contracts under the SPIC 2.0 mechanism (through the Ministry of Industry and Trade and the Ministry of Agriculture) have now been adopted, including the list of advanced technologies, which contains over 780 items.

## SPIC 2.0 TECHNOLOGIES

On 28 November 2020, the Russian Government passed Directive No. 3143-r approving the list of advanced technologies for the conclusion of SPIC 2.0 contracts. Since then, the list has been updated several times. In particular, in August 2024 the list was expanded by 47 items (Directive No. 2141-r of 12 August 2024), in July 2025 by 21 items, and in November 2025 by a further 11 items (Directive No. 3408-r of 22 November 2025), covering technologies in the fields of radio electronics, medicine, energy, metallurgy, chemicals, agriculture and new materials.

Companies whose technologies are included in the list have the right to initiate a SPIC 2.0 tender and discuss the receipt of SPIC 2.0-related state support (tax reliefs, guarantee of stable business conditions, localization of industrial products, access to state orders on a single supplier basis, granting of subsidies and other support measures).

## REVISITING SPIC 1.0

On 14 March 2022, the President signed the Federal Law “On Amendments to Article 2 of the Federal Law “On Amendments to the Federal Law “On Industrial Policy in the Russian Federation” Regarding the Regulation of Special Investment Contracts.”

The law aims to help attract investments in new manufacturing projects and neutralize the adverse impact of sanctions for investors that concluded SPIC 1.0 contracts in the period from 2016 to 2019. It forms part of a new range of measures to boost the country’s economic resilience and support industry.

Key amendments to Federal Law No. 290-FZ of 2 August 2019 include:



*Klyuchevskaya Sopka, the highest and one of the most active volcanoes in Eurasia*

- ▶ Allowing the duration of existing special investment contracts (SPIC 1.0) to be extended to 12 years instead of 10
- ▶ Allowing contracts to be signed under the old SPIC 1.0 mechanism as well as SPIC 2.0

The parallel existence of the two instruments of state support certainly creates greater opportunities for

companies in terms of selecting the mechanism that best fulfils their investment project purposes. Typically, SPIC 1.0 is better suited for expensive modernization or production expansion projects that do not require new break-through technology, whereas SPIC 2.0 is technology-focused and usually works best for the adoption of modern technologies..

## TAX-RELATED SUPPORT MEASURES

Tax legislation establishes a range of tax-related support measures providing for reduced rates of profits tax, corporate property tax, mineral extraction tax, social contributions, etc. The majority of these tax incentives are based on the principle of “reliefs in exchange for investments” and offer tax reliefs for companies that carry out projects involving investments in fixed assets and creation of new production facilities.

### SPECIAL INVESTMENT CONTRACTS (SPICS)

Benefits are available to investors carrying out a project aimed at the implementation or development and implementation of a technology that will enable the manufacture of industrial products.

#### Benefits:

- ▶ Profits tax rate – reduction to 0% and accelerated depreciation of fixed assets
- ▶ Protection against worsened tax conditions

The amount of benefits cannot exceed 50% of the amount of capital investments.

### REGIONAL INVESTMENT PROJECTS (RIPS)

Benefits are available in most Russian regions. The minimum investment amount is (1) RUB 50 million over three years, or (2) RUB 500 million over 5 years.

#### Benefits:

- ▶ Profits tax – rate reduction to 0%
- ▶ Mineral extraction tax – rate reduction to 0% and its gradual increase over 10 years for projects carried out in regions of the Far East and certain regions of Siberia

The benefit is limited to the amount of capital investments made in the investment project.

### ARCTIC ZONE

Benefits are available in certain Russian regions. The minimum investment amount is RUB 1 million.

#### Benefits:

- ▶ Profits tax – rate reduction to 0% (except for taxpayers involved in mineral extraction and a number of other activities)
- ▶ Mineral extraction tax – reduction of the tax amount by investments actually made but not more than by 50% of the amount of tax (excluding coal and hydrocarbon production)
- ▶ Social contributions – reimbursement (through subsidies) of 75% of social contributions paid (bringing the effective rate to 7.5%)

## SPECIAL ECONOMIC ZONES (SEZS)

Benefits are available in certain territories and may vary depending on the type of SEZ (there are five types in all) and the specific territory.

### Benefits:

- ▶ Profits tax – rate reduction to 2% (0% for residents of technology development and tourism and recreation SEZs)
- ▶ Property tax – exemption for 10 years
- ▶ Land tax – exemption for 5 years (for certain types of SEZs)

## INVESTMENT PROTECTION AND PROMOTION AGREEMENTS (IPPAS)

An IPPA is concluded with an entity implementing a new investment project in a Russian economic sector, excluding certain sectors and activities.

### Benefits:

- ▶ Mineral extraction tax – reduction coefficients which lower the tax rate
- ▶ Protection against worsened tax conditions

## PRIORITY DEVELOPMENT AREAS (PDAS)

Benefits are available in certain Russian regions. The minimum investment amount is RUB 0.5 million.

### Benefits:

- ▶ Profit tax – rate reduction to 0% during the first 5 years and 10% for the next 5 years
- ▶ Mineral extraction tax – effective rate reduced to 0% and gradually increased over 10 years (the amount of relief is limited to the amount of capital investments)

- ▶ Social contributions – rate reduction to 7.6% for 10 years
- ▶ Ability to recover VAT under the declarative procedure
- ▶ Protection against worsened tax conditions

Similar benefits (except for the MET benefit) are available to residents of the Vladivostok Free Port

Regional laws can establish property tax, transport tax and land tax reliefs for IPPA, RIP and SPIC participants and residents of the Vladivostok Free Port, PDAs and the Arctic Zone.

We should point out that all the above regimes have a set of rules and criteria governing when they start and cease to apply. These rules and criteria may vary according to the type of relief, the region in which a project is carried out and the nature of the project itself, which could require detailed analysis.

## HOW CAN B1 HELP?

In view of the above-mentioned measures proposed by the government to encourage investment activities, we are happy to assist with the following:

- ▶ Choosing the most appropriate region for investments based on various factors and/or the optimal type of a special investment regime/ investment contract
- ▶ Preparation of the company's business plan for the conclusion of an investment contract
- ▶ Support in preparing for and concluding an investment contract with the authorities (including collection, preparation and submission of necessary documents, building a financial model, determination of the potential period of applying tax benefits, communication with the authorities, analysis of the relevant draft investment contract)
- ▶ Support in preparing for and concluding an investment protection and promotion agreement with the authorities (including collection, preparation and submission of necessary documents, building a financial model, determination of optimal preferences to be applied for (subsidy compensating infrastructure costs or tax preferences), communication with the authorities, analysis of the relevant draft investment protection and promotion agreement)
- ▶ Reviewing or developing a methodology for separate tax accounting as necessary for the application of tax benefits relating to an investment contract
- ▶ Further support relating to investment contracts concluded



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# CUSTOMS REGULATION IN RUSSIA

*Dancing Forest, a pine forest on the Curonian Spit  
known for its unusually twisted trees*

## **RUSSIA AND THE EURASIAN ECONOMIC UNION (EAEU)**

Russia is a member of the EAEU, which also includes Armenia, Belarus, Kazakhstan and Kyrgyzstan. The EAEU has a common system of customs regulation and a common customs tariff and provides for free movement of goods, services, capital and labor.

### **CUSTOMS DUTIES, TARIFF PREFERENCES**

Goods imported into Russia are subject to duties ranging from 0% to 20% depending on the type of goods. At the same time, there are tariff preferences in place for some imported goods, such as food products, products for the manufacture of pharmaceuticals, electronics and consumer goods. Some tariff preferences are conditional upon the imported goods being used for a designated purpose (e.g., in manufacturing). Other tariff preferences are applied in the trade with developing and least developed countries. For instance, import duty rates are 25% lower for certain goods imported from developing countries, with a full exemption applicable to goods from least developed countries.

Tariff preferences are also applied on the basis of free trade agreements. The EAEU has agreements with Vietnam and Serbia. Russia operates a free trade regime with CIS countries and Georgia. In 2025, the EAEU signed free trade agreements with the Republic of Indonesia, Mongolia and the UAE.

In 2019, EAEU countries executed a free trade agreement with Singapore, and in 2018 Russia entered into an economic co-operation agreement with China. Talks are also underway on the conclusion of free trade agreements with Egypt, Israel and India.

### **INCREASED RATES OF IMPORT CUSTOMS DUTIES**

Certain types of goods (alcohol, some food items, cosmetics, and clothes) originating from “unfriendly” countries are subject to higher rates of import duties, relative to those established within the EAEU. These will be in effect until the end of 2027. In this regard, it is essential for companies to obtain properly executed non-preferential certificates of origin. Otherwise, there is a risk of incurring additional import duties of up to 50% for some goods.

### **CERTIFICATION OF GOODS**

The simplified procedure to prove compliance of products with technical regulations has been extended until 1 September 2026. When goods are imported, declarations of conformity may be provided based on the importer’s evidence, without any laboratory tests.

### **IMPORTATION OF MANUFACTURING EQUIPMENT**

A simplified procedure has been introduced for the importation of disassembled manufacturing equipment.

### **IMPORTATION OF BRANDED GOODS**

Certain categories of goods (clothes, electronics, food products, means of transport) bearing trademarks can be imported into Russia without obtaining a permission of rights holders. It is proposed to extend the legalization of parallel imports until the end of 2026. However, it is important to keep track of the list of categories of goods covered by the policy, since it is amended from time to time.

## **INTERNET TRADE**

In December 2023, EAEU countries signed a protocol of amendments to the Customs Code of the EAEU with respect to e-commerce goods sold to individuals. The amendments lay down specific simplified requirements for the customs clearance of e-commerce goods with the involvement of an e-commerce operator. The new regulation has not yet come into force; however, it is expected that the process of ratification by all EAEU countries will be completed in 2026.

## **PREFERENTIAL CUSTOMS PROCEDURES**

Customs legislation prescribes certain preferential customs procedures such as processing in the customs territory. The procedure allows importing raw materials into Russia and using them in production activities without paying customs duties, provided that finished products are subsequently exported to third countries.

The customs warehouse procedure does not require customs duties to be paid and is used to optimize logistics routes and to enable various operations (such as marking) to be carried out in a warehouse.

## **FREE CUSTOMS ZONES**

Russia currently has around 50 special economic zones operating in various regions. A special economic zone is a designated area with a developed infrastructure where companies may build factories and import foreign goods duty-free for further use in production activities or for their own needs. Products created in such zones can be exported to other countries or sold on the Russian market.

## **AUTHORIZED ECONOMIC OPERATOR (AEO) STATUS**

AEO status allows the use of special simplifications in the conduct of foreign economic activity, which are not available to ordinary market participants, thus optimizing logistics and making it possible to minimize financial and time costs of customs operations. The Federal Customs Service of Russia is actively promoting the AEO concept and therefore developing new simplifications. Thus, in 2024-2025, significant simplifications were introduced for businesses, such as the ability to store goods in warehouses for up to three years and implement digital labeling, which is mandatory for many types of goods.

## **CURRENCY REGULATION AND CONTROL**

Import and export contracts must be registered with an authorized bank if the amount of obligations under the contracts is equal to or greater than the equivalent of RUB 3 million in the case of import contracts and RUB 10 million in the case of export contracts. Russian law requires foreign currency funds to be repatriated to Russia. Administrative and criminal sanctions can be imposed for illegal currency operations.

## **MARKING AND TRACEABILITY REQUIREMENTS**

The procedures and requirements for the marking of goods have been simplified. In particular, imported goods may be marked in warehouses of authorized economic operators. In addition, controls and requirements relating to transactions with marked goods have been eased.

## **EXPORT RESTRICTIONS**

To ensure the economic security of Russia, special economic measures have been introduced in the form of bans or restrictions (i.e., requirements to obtain special permission) on the export of certain goods, equipment and technologies, which are of crucial importance for Russia (more than 100 products). The measures are in effect through 31 December 2027.

## **CUSTOMS CHECKS (AUDITS)**

Recent trends in customs audits show that the Russian customs authorities place particular emphasis on the customs value of goods declared by importers, especially in cases where the importer and the seller are related entities, or the importer pays royalties, dividends or any other intra-group fees and transport costs. The customs authorities also focus on the classification of goods in accordance with the EAEU customs nomenclature and on the proof of origin of goods.

## **ANTI-DUMPING MEASURES**

For an anti-dumping duty not to be applied to certain goods (e.g., ball bearings, pipes or alloy wheels), a certificate of origin may be required when goods are imported and declared. From a practical standpoint, it is important to ensure that the certificate of origin is properly drawn up – otherwise, an anti-dumping duty may be imposed, which in some cases may be as high as 41.5%. This measure is widely used in EAEU countries with more than 70 investigations completed as of today and anti-dumping duties imposed in most cases. As of 1 January 2026, eight anti-dumping investigations are still ongoing.

## **COUNTRY OF ORIGIN**

In 2022, the Eurasian Economic Commission adopted decisions aimed at simplifying the certification of origin requirements for importers. These changes are positive for business, and we see customs authorities relaxing their conservative approach to the country of origin confirmation. In particular, they have eliminated the requirement for goods to be purchased directly for the purpose of claiming tariff preferences for goods originating from developing and least developed countries. Despite this, customs checks related to proof of origin for preferential and non-preferential treatment purposes have become more frequent. Importers have to pay substantial additional customs duties if, according to the results of post-clearance audits, the country of origin cannot be proven. In 2025, the rules for confirming the country of origin were simplified. Now, when importing goods from free trade zones, it is sufficient to provide a single preferential certificate to obtain tariff preferences and avoid higher duty rates.

## **EXPORT DUTIES**

Starting from 1 January 2025, flexible export duties that were previously applied to a fairly wide range of goods were abolished. However, given the three-year window for customs control, the customs authorities can check export shipments in relation to which export duties were applied for possible violations.



*Curonian Spit, a 98-kilometer long, thin sand spit that separates the Curonian Lagoon from the Baltic Sea*

## SYSTEM FOR CONFIRMING THE RECEIPT OF GOODS

The system for confirming the receipt of goods will apply to goods imported from EAEU countries. The system is aimed at increasing the level of tax collection and minimizing illegal circulation of goods in Russia, and will be implemented in two stages:

- ▶ First stage – from 1 April 2026 to 30 June 2026 in a test mode
- ▶ Second stage – from 1 July 2026 in an operational mode

## TARIFF BENEFITS FOR INVESTMENT PROJECTS

The benefits allow for duty-free import to Russia of raw materials, equipment, components and spare parts to be used in implementing investment projects (understood as a set of measures for the construction of new or modernization of existing industrial, transport and/or engineering infrastructure facilities). The following requirements for investment projects are established:

- ▶ The volume of capital investments is at least RUB 250 million.
- ▶ The project is to be implemented in a priority sector of the economy (more than 70 sectors).
- ▶ The investment project is included in the list of the Russian Government.

# HOW CAN BI HELP?

In today's global economy, moving goods internationally can be a complex and costly activity. More than ever before, effective management of global trade issues is crucial to maintaining a competitive advantage.

Our team of global trade professionals can help you to operate more effectively in moving goods around the world.

We offer a wide range of services, including the following:

## MANAGEMENT OF IMPORT/EXPORT AND CUSTOMS CLEARANCE PROCESSES

- ▶ Assistance in selecting an optimal customs procedure
- ▶ Structuring of supplies where the consignor and the consignee are residents of different countries
- ▶ Analysis of customs consequences and opportunities to claim customs benefits and tariff preferences
- ▶ Development of a step-by-step action plan for importing/exporting goods from/into the EAEU
- ▶ Structuring of supplies in trades with EAEU member states where goods are imported from a third country

## MANAGEMENT OF CUSTOMS PAYMENTS

- ▶ Determination of customs value
- ▶ Confirmation of customs value (calculation of test values, preparation of answers to customs authorities' enquiries)
- ▶ Dividends and transportation deductions

## CUSTOMS PROCEDURES AND SIMPLIFICATIONS

- ▶ Analysis of special simplifications, identification of potential practical difficulties in applying them and provision of recommendations to address them
- ▶ Analysis of how to apply the free customs zone procedure when importing goods to a priority development zone and when selling goods

## SIMPLIFICATIONS FOR AEOS

- ▶ Evaluation of whether a company meets AEO requirements based on an analysis of its current business processes, identification of weaknesses and development of remedial recommendations
- ▶ Assistance in obtaining AEO status

## CLASSIFICATION OF GOODS

- ▶ Review of classification codes applied
- ▶ Assistance in obtaining preliminary clearance for the classification of goods
- ▶ Analysis of customs risks in connection with using incorrect classification codes

## PROOF OF ORIGIN

- ▶ Analysis of compliance with origin criteria for the purposes of public procurement in Russia and export to the CIS
- ▶ Overview of the procedure for obtaining an ST-1 certificate
- ▶ Assistance in confirming 'Made in Russia' status

## REVIEW OF COMPLIANCE WITH CUSTOMS LEGISLATION WHEN PERFORMING IMPORT AND EXPORT OPERATIONS

- ▶ Review of a company's foreign economic activities over a certain period

- ▶ Customs compliance
- ▶ Health check

#### **RECOVERY OF CUSTOMS OVERPAYMENTS**

- ▶ Assistance in obtaining refunds of overpayments, including overpaid import VAT
- ▶ Assistance in amending customs declarations

#### **LICENSING AND SIMILAR ARRANGEMENTS (FRANCHISES, CONCESSIONS)**

- ▶ Analysis of whether royalty payments should be included in the customs value of imported goods
- ▶ Assessment of customs risks in connection with ineffective administration of the licensing structure
- ▶ Confirming the arm's length nature of the royalty rate
- ▶ Advising on customs value issues regarding the inclusion of VAT in the royalty amount within customs value

#### **DATA CONTROL AND ANALYSIS**

We offer “Customs tool,” a solution designed for automated processing and checking of customs declarations, including:

- ▶ Automated review of customs declarations based on selected parameters
- ▶ Generation of reports based on data from customs declarations
- ▶ Automatic identification of errors in approaches used by different customs brokers based on selected criteria (for example, tariff classification of goods)
- ▶ Monitoring of expenses associated with customs broker services

#### **APPEALING AGAINST ACTIONS/DECISIONS OF THE CUSTOMS AUTHORITIES AND ADMINISTRATIVE RULINGS TO COURTS AND HIGHER CUSTOMS AUTHORITIES; PRACTICAL ASSISTANCE IN DEALING WITH THE CUSTOMS AUTHORITIES**

- ▶ Support in filing administrative appeals
- ▶ Representation of companies in arbitration courts in disputes with the customs authorities

#### **PROTECTION OF INTELLECTUAL PROPERTY**

- ▶ Registering trademarks in the Customs Register of Intellectual Property (TROIS)
- ▶ TROIS administration and communication with the customs authorities
- ▶ Assistance in the development of risk profiles for administration of parallel imports

#### **MARKING AND TRACEABILITY**

- ▶ Analysis of business processes
- ▶ Assessment of the impact of Track & Trace operations on current business processes, including their timing
- ▶ Analysis of additional Track & Trace operations and their incorporation into the operations of company departments
- ▶ Estimation of additional labor costs
- ▶ Evaluation of options to automate Track & Trace operations

#### **ASSISTANCE IN OBTAINING SUBSIDIES, BENEFITS AND OTHER GOVERNMENT SUPPORT**

- ▶ Preparation of appropriate support claims, discussion and approval thereof with the relevant federal executive authorities

- ▶ Development of a legal framework for support claims
- ▶ Assessment of proposed forms of support for compliance with WTO rules
- ▶ Assistance in obtaining subsidies on a regular basis, preparation of required documents and support in submitting them to the relevant federal executive authorities

#### **ASSISTANCE WITH REGULATORY, CUSTOMS AND OPERATIONAL ASPECTS OF LOGISTICS PROCESSES IN THE CURRENT CONDITIONS**

- ▶ Analyzing options for continuing activities in Russia from the point of view of customs aspects and specific features of cross-border operations: pros and cons, risks, and potential impacts
- ▶ Preparing a defense file for management taking into account the risks of each option from the point of view of regulatory requirements, including customs administration aspects
- ▶ Advice on re-arranging contracts for supplies of goods across the Russian border
- ▶ Comprehensive analysis of contracts with service providers, particularly freight forwarders, carriers and customs brokers (including additions and amendments to existing contracts with providers of forwarding and customs services)
- ▶ Analyzing the implications of non-compliance with currency laws in light of new rules
- ▶ Assessing risks associated with the non-fulfilment of obligations by a foreign counterparty (supplier of goods), particularly obligations to submit documents for the purposes of declaring goods, applying customs benefits, etc.
- ▶ Management of risks relating to the determination of the country of origin of goods made using Russian raw materials/components for import into foreign states in the context of sanctions
- ▶ Lobbying on a company's behalf for changes to the statutory framework in accordance with which prohibitions and restrictions are imposed on exports and imports of goods from/to Russia
- ▶ Analyzing sanctions imposed by foreign states on Russia and retaliatory measures (counter-sanctions) adopted by Russia which directly or indirectly affect a company's cross-border operations based on its product range (TN VED EAEU/OKPD 2 descriptions and codes of goods supplied, country of origin and importing country)
- ▶ Assessing risks associated with the declaration of the customs value of goods



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# BROWNFIELDS

*Valley of Gaysers on the Kamchatka  
Peninsula, the only geyser field in Eurasia*

## BUYING AN EXISTING BUSINESS

The acquisition of an existing business in Russia can generally be structured as an asset deal or as a share deal. Please see below a brief comparison of the two options.

	SHARE DEAL	ASSET DEAL
<b>Deal structuring</b>	A share deal can be structured as an (i) acquisition of shares in a Russian joint stock company, (ii) acquisition of an interest in a Russian limited liability company, or (iii) acquisition of shares in a foreign holding company of Russian operating entities.	In Russia, asset deals are structured as the sale of specific assets/items recorded in the balance sheet of the seller(s) for a specific price.  The total purchase price for an asset deal will then need to be allocated to various assets, and the allocated amounts should not be less than the fair market value of individual assets so that subsequent tax risks in Russia could be mitigated.
<b>Transfer of historical risks</b>	The buyer inherits historical tax liabilities and risks of the target company. Thus, it is important for the buyer to conduct a pre-acquisition tax due diligence covering the previous three years and the current interim period.	The seller's liabilities and risks generally do not pass to the buyer. However, in certain cases the buyer may be liable for the seller's historical tax liabilities.
<b>Taxation – profits tax</b>	An acquisition of shares/interests is a tax-neutral event in Russia. The acquisition cost forms the tax base in case of future disposal.	An acquisition of assets is a tax-neutral event in Russia. The acquisition cost forms the tax base for future depreciation.
<b>Taxation – withholding tax</b>	Under Russian domestic tax law, if (i) the seller is a foreign company, which has no presence in Russia, and (ii) the company whose shares are sold is considered “property-rich,” i.e., more than 50% of its assets consist directly or indirectly of immovable property located in Russia, income derived by such a foreign company from the sale of shares (or interests) is subject to 25% capital gains tax in Russia. In this case, the buyer may have an obligation to withhold that tax as a tax agent.  It should be noted that Russia is party to multiple double tax treaties, some of which may provide relevant tax reliefs.  Certain double tax treaties have been partially suspended by the Russian side, therefore it is recommended that the exact status of specific double tax treaties is ascertained before any decisions are made with reliance thereon.	Under Russian domestic tax law, if the seller is a foreign company which has no presence in Russia and sells immovable property located in Russia, income derived by that foreign company from the sale of immovable property is subject to 25% capital gains tax in Russia. In this case, the buyer may have an obligation to withhold that tax as a tax agent.
<b>Taxation – value added tax</b>	A sale of shares (or interests) is not subject to Russian VAT.	Generally, a sale of assets is subject to Russian VAT, for which the buyer may claim an offset or refund if all the requirements are met.  The applicable VAT rate may vary depending on the type of asset involved in the asset deal.



## HOW CAN B1 HELP?

- ▶ General advice on tax and legal matters relating to the preparation for an M&A transaction
- ▶ Due diligence of the potential acquisition target
- ▶ Assistance in deal negotiations
- ▶ Advice on tax and legal matters relating to transaction documentation
- ▶ Vendor assistance in preparing for disposal of a business
- ▶ Vendor due diligence of a business planned for disposal



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*Mount Elbrus, the highest mountain in  
Russia and Europe*



# FOREIGN UNILATERAL RESTRICTIONS (SANCTIONS)

*Kungur Ice Cave, a large karst cave in Perm Krai, noted for its ice formations*

# IMPLICATIONS OF FOREIGN SANCTIONS FOR BUSINESS IN RUSSIA

Many foreign countries have unilaterally imposed blocking, financial, economic and trade restrictions on dealing with Russian persons in and beyond Russia. Although such dealings have not been fully stopped or banned, doing business in Russia or with Russian persons requires additional compliance and due diligence efforts from foreign counterparties. Herewith, it should be noted that with the majority of Russia's largest and most reliable banks now subject to blocking sanctions, there are still some banks not targeted by them.

There are numerous sanctions targeting various sectors of the Russian economy, particularly the financial, tech and manufacturing industries. OFAC's 50 Percent Rule and similar EU and UK rules must be considered by foreign persons when entering into a relationship with a new Russian counterparty. In October 2025, OFAC designated Russia's two largest oil companies – Rosneft and Lukoil – as SDNs under EO 14024, along with dozens of their subsidiaries. The UK imposed corresponding asset freezes on these companies in October 2025 and announced its largest sanctions package since 2022 in February 2026, targeting nearly 300 entities, including the oil pipeline operator Transneft. Secondary sanctions risks have also increased significantly: under EO 14114, OFAC is authorized to target foreign financial institutions that facilitate significant transactions involving Russia's military-industrial base.

In addition, there are numerous restrictions on the provision of various services to Russia (audit, tax and legal services, certain IT and engineering services, etc.). However, it should be noted that Russian subsidiaries of EU and US companies and companies of certain other countries can still sometimes use such services based on a special license or derogation permit from

the relevant foreign regulator. Since 2024, the EU has significantly expanded the scope of service restrictions. The UK introduced new sectoral software sanctions in April 2025. In its 19th sanctions package (October 2025), the EU extended service bans to cover certain AI services, commercial space-based services, high-performance computing and quantum computing services, as well as tourism services. The EU also prohibited new business relationships with entities established in 11 Russian special economic zones and required divestment from two of them (Alabuga and Technopolis Moscow).

EU persons have now increased obligations to ensure compliance of their Russian subsidiaries with the EU sanctions regime. Article 8a of Council Regulation (EU) No 833/2014, introduced in the summer of 2024 with the 14th package of sanctions (further developed in subsequent packages through to the 19th package of October 2025), requires EU persons to undertake their best efforts to ensure that their subsidiaries outside the EU do not participate in activities that undermine the application of restrictive measures imposed by the EU. Since the Regulation does not specify precisely what measures must be taken to comply with these requirements and the EU Commission has clarified that the compliance system cannot be “one size fits all” and must be tailored to individual businesses, this new obligation is causing difficulties in developing measures that may be considered adequate from an EU law perspective and yet feasible from the point of view of local Russian regulations. In November 2024, the European Commission published updated FAQs further clarifying the scope of the “best efforts” obligation, including guidance on the concept of “undermining” (as distinct from “circumventing”) EU sanctions, the liability of EU operators for goods

produced by foreign subsidiaries using transferred intellectual property, and the factors to be considered where local laws restrict the exercise of control over non-EU subsidiaries. EU operators whose subsidiaries are located in Russia or other third countries should review their compliance measures in light of this guidance.

Overall, the EU has adopted 19 packages of sanctions against Russia since 2022 (the 20th is under

discussion), progressively expanding restrictions on trade, energy, financial services, and technology transfers. Key recent developments include a total ban on Russian LNG imports (to take effect in 2026–2027 under the 19th package), a lowering of the oil price cap for Russian crude (from USD 60 to USD 47.6 under the 18th package), a direct import ban on Russian primary aluminium (16th package), and expanded shadow fleet measures (with over 550 vessels now listed).

## HOW CAN B1 HELP?

- ▶ General legal advice on US, EU and UK sanctions implications and risks
- ▶ Sanctions risk assessment in respect of the product range and supply chain from the standpoint of US and EU export restrictions
- ▶ Support with sanctions risk management
- ▶ Reports on shareholder and management structure for applications in app stores
- ▶ Sanctions due diligence of a potential acquisition target
- ▶ Support with filing for relevant licenses and derogations



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*Oymyakon Pole of Cold, one of the coldest  
places on the Earth*



## ABOUT B1 GROUP

B1 Group offers a comprehensive suite of professional services, including assurance, strategy, technology, consulting, transactions, valuation, tax, law and business support.

With over 35 years in Russia and more than 25 years in Belarus, we have built a strong team of professionals with diverse expertise and a wealth of experience in delivering the most challenging projects. B1 Group operates across 12 cities: Moscow, Minsk, Vladivostok, Ekaterinburg, Kazan, Krasnodar, Novosibirsk, Rostov-on-Don, Samara, St. Petersburg, Togliatti and Chelyabinsk.

Our mission is to help clients uncover innovative solutions, drive growth, transform their business and achieve success—all while boosting their financial resilience and nurturing talent.

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