

# Russian Survey

December 2013



## BRIEF NEWS

### INVESTORS DEMONSTRATE CONFIDENCE IN THE REAL SECTOR



The Federal State Statistics Service (Rosstat) published the data on foreign investments into the Russian economy. According to the results for the first nine months of the current year, there is an investment boom in Russia – during this period the investment inflow amounted to USD 132.4 bln. It exceeds the last year amount by almost 16 %. It should be specifically noted that direct investments comprise 14% of the total volume (this index also increased compared to 2012 data; the increase reached 3.4 %). This shows that foreign investors are ready to invest not only in securities, but in the real sector of the domestic economy as well. In monetary terms, based on the results of the nine months, foreign investors invested more than USD 18.5 bln into the Russian economy. And remember that we are talking about direct investments here.

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### CREDITS TAKING FUNDS AWAY FROM THE RETAIL BUSINESS

The growth of the retail trade turnover and consumption was slowing down in the second half of 2013, according to the data disseminated by Sberbank CIB economists. Thus, based on the results for the 10 months, the retail trade turnover growth was 3.8 %, in October it was just 3.5 %. According to Sberbank CIB specialists, it was caused by the fact that people have to spend more to serve credit obligations assumed. As a

result, the retail trade gets less and less money. This situation is caused not only by the large volume of consumer credits, but also by the general situation in the consumer loan market: lending rates are too high both in nominal and in real terms. Thus, the measures taken to improve consumption eventually lead to its weakening.

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## AGRICULTURAL INDUSTRY AND TRANSPORTATION SECTOR – ECONOMY GROWTH DRIVERS



The expiring year was a rather successful one for the agricultural industry – the yield of practically all types of agricultural crop was good, and it had an immediate impact on the macroeconomic indicators in the industry.

According to Sberbank CIB, the annual growth in the agricultural industry reached 26.3% in October and 5.3% in 10 months of the current year.

The transportation sector turned out to be yet another driver of the Russian economy. In this sector, annual growth rates accelerated to 6.3% in October, reaching a total of 0.3% for the period from January to October. Such numbers in these two economy sectors give reason to believe that the total annual economy growth in the IV quarter will be better than in the said 9 months.

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## FRENCH \$5 BILLION WORTH BUSINESS PARK WILL APPEAR IN THE IMMEDIATE VICINITY OF MOSCOW

In November, it became known that the metropolitan government is in negotiation with one of French investment companies on possible construction of a business park in the Vnukovo Airport area. It is known that a company specializing in the implementation of large trading and logistics centers and exhibition complexes in Europe and China acts as the investor. According to a representative of the Department for Development of New Territories of the City

of Moscow, the business part will be located at the intersection of the Moscow Railway Kievskaya Line and the Outer Railway Ring, not far from the Vnukovo Airport.

The business park will occupy an area exceeding 4 mln sq. m and will comprise office buildings, exhibition areas, logistics complexes and residential properties, including hotels. It is expected that offices of various product manufacturers will be

located in this business park. And it will be possible to present such products right there with maximum efficiency or to negotiate contracts and deliver the products. The scheduled commissioning date for the entire complex is in 10 years from here, but the first stage of the construction – approximately 1 mln sq. m – shall be put into operation in the next two years.

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## DEVELOPMENT OF THE RUSSIAN POST MAY BE ENTRUSTED TO FOREIGNERS

The Ministry of Telecommunications and Mass Communication (Minkomsviazy), which is in charge of the largest Russian postal operator – the Russian Post – proposed to improve efficiency of the later through its corporatization. However, to do this, the Russian Post will first need to be deprived of its status of a strategic enterprise which prohibits its privatization.

Minkomsviazy endorsed its proposal in the draft of a Federal Law on Corporatization of the Russian Post. This Law provides for a transformation of the Russian Post into a joint stock company. Initially, 100% of shares will be transferred to the State represented by Minkomsviazy.

However, deprivation of the Russian postal operator of its status of a strategic enterprise will open possibilities not only for its corporatization, but also for further public offering and attracting investments, including foreign investments. The assumption that this is the ultimate purpose of the reform is justified by the fact that Minkomsviazy presents this reform as meant not only to improve efficiency of the postal operator, but to attract long-term investments as well.

So it is quite possible that soon foreign investors will have an opportunity to participate in the Russian postal business.

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## THE METROPOLITAN REGION GAINS ROADS



The Moscow authorities plan to build more than 300 km of roads in the next two years, and the larger part of this plan (252 km) will be put in operation in the megapolis' territory, not in the territory of so-called New Moscow. That said, the Government of the capital city plans to spend on road building a record-breaking amount of 272.6 bln rubles proceeding from the fact that not only roads will be built, but also pedestrian underpasses,

skyways, tunnels, transportation and interchange junctions and other facilities of the road and roadside infrastructure.

All these measures, according to the government of the capital city, will allow decreasing the traffic stress level in Moscow, making use of the transport infrastructure and municipal transport convenient, comfortable and safe. For the business it is also important that, apart from

the transport infrastructure and parking spaces, the project provides for the creation of commercial areas within transportation and interchange junctions. A special priority will be given to organizations providing related services to commuters. Authorities are ready to consider various proposals as to the investment component of the projects in the interchange junction net development.

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## WASTE MANAGEMENT WILL BE DEDUCTED FROM TAXES

The Government of the Russian Federation is considering various possibilities to enable the business community to decrease the taxable base by expenditures relating to the production waste management. For this purpose, a meeting of the Advisory Council for

Foreign Investments to Russia was held. Consideration of this problem at such a high level was prompted by the fact that for several years the Russian tax authorities were unable to develop a uniform approach to the procedure for referring such expenditures to tax expenses.

Based on the meeting results, as reported by Vice Prime Minister Arkady Dvorkovich, this approach was successfully developed. "There will be tax deductions", - he noted.

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## WASTE TREATMENT COSTS OF PLANTS WILL BE DELAYED

The Russian Cabinet of Ministers is ready to listen to the business community and delay the introduction of new strict water treatment standards by 18 months. This resolution was announced by Vice Prime Minister Arkady Dvorkovich when he replied to the criticism with regard to the new law on water use

voiced by the participants in the meeting of the Advisory Council for Foreign Investments.

The new law on water use, we recall, shall come into effect in January 1st, 2014; it stipulates much more strict standards for treatment plants used upon water

use. According to experts' estimates, the fulfillment of all provisions of the new law will require investments in the amount of USD 6-10 mln in the first two years after the law comes into effect.

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## RUSSIA DOES NOT STIMULATE INNOVATIVE ECONOMY

### MEETING WITH THE PRIME MINISTER DID NOT INSPIRE INVESTORS TO NEW PROJECTS

The meeting of foreign investors with Russian ministers, held within the framework of the Foreign Investment Advisory Council (FIAC) meeting, on 21 October was quite frank. Foreigners made concrete demands – from price controls on baby food to weakening of sanitary standards, while also expressing strong disapproval of Prime Minister Medvedev, blaming his government for the lack of development in creating an innovative economy. Meanwhile, officials and experts, both note an unpleasant fact - by the end of 2014, Russia will have exhausted normative opportunities to improve the investment climate as a whole.

inflows to Russia are not yet expected. The Ministry of Economic Development also expects zero balance and agrees with this unpleasant fact. In turn, the Central Bank issued a forecast of capital flows for 2016 in the amount of 5 billion dollars, whereas this year it's expected to reach 62 billion dollars, 5 billion more than in the past. And these are just optimistic assessments, as independent experts believe that outflows will reach at least 70 billion dollars.

Experts consider the FIAC mechanism efficient as a whole, though it is not able to dramatically change the

**By the end of 2014, Russia will have exhausted normative opportunities to improve the investment climate as a whole. This means, it is imperative that Russia improve its regulatory enforcement practices**

'Unfortunately, in Russia only 15% of job vacancies are created in small and medium-sized enterprises, whereas in efficient economies, this figure reaches 60–70%' – said chairman and CEO of Ernst & Young Mark Weinberger at the Foreign Investments Advisory Council meeting. – You need to do more to develop small and medium business and innovation – a point that we have spoken about many times before.' According to Weinberger, Russia has a fine history of developing new technologies and introducing ideas, but because of the lack of skills in commercialization, many of them are not introduced.

This brings us to a very unpleasant conclusion: 'You are lagging behind developed nations – you are ranked #51 in the innovative ratings.' Meanwhile, with respect to the country's capital - as the International Monetary Fund mentioned in its recent study, investment

investment climate inside the country. At the Foreign Investments Council, the decision was made to create "road maps" to improve the investment climate in Russia, iterated the managing director of UFXMarkets, Dennis de Jongh. 'The question is how active will we be on implementing the remaining solutions as we move ahead', – he said. It is his opinion that, the investment climate in Russia directly depends on the political climate. "And though the share of political risk exists in all countries, in Russia it has crucial importance, – the expert believes. – 'We believe that in order to attract more investments, improvements are needed in developing several areas: Structural reforming of the economy and judicial system, separation of power from business, and the creation of a more transparent monitoring system of investment projects, as well as the expansion of infrastructure investment.'

**Foreign investors are attracted by political stability, favorable legal infrastructure, good ideas. Besides, Russia has much to offer**

In turn, the deputy director of the analytical department of the Alpari Company, Darya Zhelannova, states that there were no radical changes in improving the investment climate seen within the last year. 'We did not see any realistic working initiatives coming from Prime Minister Medvedev.' – she laments. – For example, recent ideas of creating domestic offshores in Russia – worldwide and in Russia, declaring a policy of an economic 'off-shore-ization' was very odd.' Especially, after taking into consideration all the bad experiences that Russia had already experienced.'

According to Zhelannova, the investment community trusts President Vladimir Putin more. 'Foreign investors are attracted by the political stability, favorable legal infrastructure, good ideas, – Zhelannova lists. – Besides Russia has much to offer. However, the scope of work on improving the country's image, and implementing the project on creating the International financial center remains to be realized.' Nevertheless, it appears that independent experts and the officials, who are responsible for improving the economic condition, seem to have no illusions regarding this matter.

Particularly, the former head of the Ministry of Economic Development, and now assistant to the President, Andrey Belousov, acknowledged that by the

end of 2014, Russia will have exhausted all normative opportunities to improve the investment climate. This means, it is imperative that Russia improve its regulatory enforcement practices. The Government is only now discussing about the creation of such a mechanism with the Russian Union of Industrialists and Entrepreneurs (RUIE), Chamber of Commerce and Industry, "Business Russia" and "Support of Russia" at the suggestion of the President's economic block. Even if we assume that the solutions can be adopted quickly, while at the same time, take into consideration all the needs of the business community, their realization may be delayed for many years.

The reality is that the businesses operating in Russia, are finding it difficult to adapt to innovations of the new authorities. Permanent changes in tax legislation are causing an increase in the cost of doing business. Particularly, from 2014 collecting taxes on commercial property will be altered. Taking as a basis the cadastral price, as close as possible to the market price, from which will be levied a tax at the rate of 0,5%.

Recall that, organizations currently on the older taxation system pay a property tax of 2.2% from the residual balance of the property value. As a result, expenses will significantly rise, for business owners in Moscow, St. Petersburg,

and all other cities with a high cost per square meter. For example, according to data provided by tax authorities, the average market price of 1 square meter of commercial and industrial space in the capital now stands at nearly 100 thousand rubles, while in the suburbs the cost is cheaper, and much more expensive within the central area.

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Exclusively for Russian Survey



Managing director of UFXMarkets, Dennis de Jongh.

### What do you think about Russian economy?

Russian investment market is a dainty place. From one side it is still developing, but from the other one, it is vital, that companies of this market run honest business. Since the beginning of 1990 and till nowadays, there is a prejudice among population towards investments: this is both a negative experience with "MMM" and fraudulent actions with clients' accounts in brokerage companies and banks. All this formed a stable distrust in financial structures and tools. What we see now in Russia is a breaking of the distrust trend. Financial organizations, as well as the state, should stimulate interest of the society, but not to the damage of economic reasonability. Now we can see measures taken by the Central Bank to cool the overheated consumer lending sector, what, to our point of view, is suitable preventive actions. Crisis of 2008 is also a consequence of the overwhelming appetite to risk and lack of preventive mechanisms for quick crisis solutions. The next sovereign debt crisis in Europe could be avoided due to adequate correlation of national governments, Euro zone structures and banks. So, Russia is somehow in an attractive position now. Thus, economic situation that we see now in Russia is a crisis of trust. This is a crisis of trust of the society in economic developments that took place in Russia since 1990 and economic institutes; trust of investors in Russian economy, its efficiency and security of investments. Prosperity and economic growth in Russia mostly depend on how Russia will solve this «trust puzzle».

Another Russian problem is dependence on energy market. We can see steps of the government towards lowering of this dependence now. Many steps towards developing a full investment climate are made. But now the attraction of Russia is measured by its power to meet the economic negative. Great Britain is interested in Russian economy, and, in particular, in such Russian giants as Gazprom, Rosneft and Sberbank. That's why we extended the line of derivatives for our clients, included offers of the Companies named above.

## SPECIAL AREAS OF ECONOMIC GROWTH

**T**HE RUSSIAN GOVERNMENT TRIES TO RESIST THE OUTFLOW OF CAPITAL BY ACTIVE INVESTORS IN THE SPECIAL ECONOMIC ZONES (SEZ): AT THE END OF OCTOBER, THE MINISTRY OF ECONOMIC DEVELOPMENT OF THE RUSSIAN FEDERATION APPROVED INVESTMENT PROJECTS WORTH MORE THAN 1 BILLION RUBLES FOR THE IMPLEMENTATION OF THE 'SEZ'. EXPERTS BELIEVE THAT WITH THE CRISIS CONDITIONS IN THE EUROZONE, THAT IT MAKES SENSE FOR THE FOREIGN INVESTORS TO APPROACH THE PROSPECTIVE MARKET AND CHEAP LABOR RESOURCES THAT THE SEZ IN RUSSIA PROVIDES.

The development of SEZ began in Russia in 2005. SEZ investors receive budget infrastructure provided at the state's expense for business development: it allows companies to reduce expenses for their new production. There are 4 types of SEZ zones - industrial production, techno-innovation, port, and tourism and recreation. Within Russia there are mostly touristic zones (14), industrial (4), and Innovative (4), and port (3). The geography of SEZ is very extensive: starting from the Moscow region (innovative SEZ of Dubna) and stretching to the Primorsky territory. In 2012, there were some changes in the order of formation of SEZ: the concept of a 'cluster' was introduced, that is the set of special economic zones of one or several types. As an added note, SEZ has been in existence for 49 years.

In order to attract investors to SEZ, the government guarantees considerable privileges: reduction or exemption from property taxes, income tax (16% instead of 20%) – despite the fact that these taxes are the most "lucrative" for the Russian

government. Also, investors are enticed with a decrease in the rate of insurance contributions (14% instead of 30%). Residents of industrial zones are exempt from paying land and transport taxes. The customs duties on imported semi-finished products and raw materials are

created also in respect of administrative procedures: the simplified procedure for the registration of enterprises (so-called "one window"), a simplified procedure for entry and exit of foreigners, as well as unrestricted repatriation of profits for those living abroad.

**In order to attract investors to SEZ the government guarantees considerable privileges: reduction or exemption from property tax, income tax, land and transport taxes, and reduced insurance rates**

partially or completely cancelled. For SEZ development, the government grants 'soft loans' and investment subsidies, lowered rates on payment of housing services and public utilities and rents on commercial premises. The favorable conditions are

SEZs are under the jurisdiction of the Federal Agency for Management of Special Economic Zones (RosOEZ), under the supervision of the Ministry of Economic Development. It supervises the work of the companies in SEZ and is engaged in preliminary analysis of the projects eligible and applying for support from investment fund - investment subsidies are provided through these investment grants.

During its existence, the government has invested in SEZ in the amount of 45 billion rubles. The greater part of these funds has gone toward the innovative zones in the amount of 26 billion rubles, which is not all that surprising: the innovative economy and its modernization were proclaimed as priority for the country during Dmitry Medvedev's presidency (from 2008 to 2012). 15 billion rubles were invested in industrial zones and 2.5 billion in touristic zones.

According to official data, during 6 years (from 2006 to 2012), more than 340 investors were involved in SEZ from 25 countries. These are such multinational corporations, like Yokohama, Isuzu,

Itochu, Sojitz, Bekaert, Novartis, Plastic Logic and others. The volume of these investments alleged by residents is more than 430 billion rubles (in light of the recently alleged projects).

SEZ operates within the area's industrial site, which was initially created in 1985 for the Kamsk tractor-technical plant, which was then redeveloped into the Yelabuga automobile plant.

**The rate of return for SEZ investor companies, including privileges is estimated to be 30-35% by experts, and sometimes 40% a year. Reducing Payback periods by 2-3 times the amount**

'Alabuga', one of the areas within SEZ, is considered to be one of the most successful projects in Tatarstan. From industrial production is the largest type in SEZ (20 square kilometers).

Within the region, undergoing the first stage of construction, there are 200 hectares of free land.

In another part of the region, currently undergoing the second stage, there are about 700 hectares, excluding infrastructure facilities. The entire region of the SEZ is roughly divided into modules area of 3, 5, 10 or more hectares. Each resident portion is connected to communications: roads, railways, engineering networks, electricity, heat, gas, water, sewer, high-speed communication lines.

The area has been in existence in its current form since 2005, and only 36 residents have been registered in all this time. These are plants and enterprises that make up part of the world industry leaders: Ford-Sollers, Saint-Gobain, Air Liquide, Rockwool, Sisecam, Hayat Group and others. According to SEZ general director, Timur Shagivaleev, 25.34 billion rubles are physically disbursed by residents today, nearly 3 thousand jobs have been created, and products worth an estimated 39.2 billion rubles are manufactured. Only last year the volume of the claimed investments into 'Alabuga'-SEZ increased by more than 60 percent and were an estimated 79.7 billion rubles. Alabuga's secret appeal is due to its income tax rate. Its republican share (i.e. the amount that contributes to Tatarstan's overall



budget) is equal to zero percent. And this standard extends for the first 5 years of a resident's employment within the SEZ zone. Thereafter, the rate increases to 5% for the next 5 years.

Therefore, it is no wonder that 'Alabuga' makes up 52% of all the investments in SEZ (27 billion rubles), 60% of tax assignments (3.7 billion rubles) and 71% of manufactured production. Lately the list of residents of 'Alabuga' has increased: according to the MED advisory council's decision which was adopted in October, the engineering center was accepted, and has managed to create 15 new experimental prototypes of power tools within its testing center, for about a year.

Anastasia Matveeva,  
Exclusively for Russian Survey

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### Natalia Samoilova, the head of the analytical department of "Golden Hills-Capital-AM" investment company:

'SEZ zones are, in principle, very attractive for business, and given the stated interest and respectively the willingness of the state to promote the development of such zones and certain sectors of economy, the appeal and interest in SEZ zones increase exponentially.'

A vivid example of the advantages that such institutions can bring – from the government, to the ordinary citizen, was demonstrated by China which in the 80s, began the creation of "special economic zones". Their quantity began to grow immediately and at present, almost all the east coast of China is literally "sowed" by SEZs. As a rule, these are export-oriented production areas, the greater part of which (about 170 - 180 billion. dollars monthly) are made mainly for the USA, the European Union, and the Pacific Rim countries markets'.

As for the specific character of Russia, more than one government official, and the president of the Russian Federation, declared that the direct investments are required for the country, outside of the raw commodity sector, those are import substitution, and high technologies. Besides, certain SEZ are encouraged to fight against poverty in some regions of the country. Respectively the areas where there is an interest of the government in development of this or that industry, there will be interest to conduct certain types of businesses.

Today, residents of SEZ, corporate residents include companies with dominant names usually as joint ventures: Ford Sollers-Yelabuga, General Motors-Avtovaz, Avtec (supplier of Daimler, Mitsubishi, Ford, GM, etc.), AAR (repair of Boeing, AirBus), international conglomerate 3M, Cherkizovo. Besides constantly new unknown names appear in such spheres as nanotechnologies, biotechnologies, the high-precision equipment, light industry and a great number of others".

### Igor Dombrovan, the managing director of the office of Saxo Bank in Russia

Business development in special economic zones is still favorable to all – that is, producers, the consumer and the state when speaking of the creation of new businesses. SEZ are essential to foreign investors with respect to the protection of their rights. Given the lack of prospects for recovery in the euro zone and the relatively favorable situation in Russia, it makes sense for foreign investors to approach the prospective market and cheap labor resources that the SEZ in Russia provides, and is happening, as is evident. This applies mostly to industrial SEZ, which provides the greatest long-term benefits to all three sides.

## MIGRANT WORKERS FROM THE WEST

### THE RUSSIAN LABOR MARKET HAS BEEN UNDERESTIMATED BY EXPERTS FROM DEVELOPED COUNTRIES.

There are very few labor migrants in Russia from the developed western countries - only a few tens of thousands. Neither Russian demographers nor expats working here can understand this. For this category of workers, there exist favorable conditions, compared to average Russians: high demand, good salaries, sufficient level of safety, and an excellent education system for children.

#### Why Russia is Good for Migrant workers

Russia ranked seventh in the ranking of the most appealing country for migrant workers.

It was first estimated as high, in the latest edition of HSBC Bank's annual survey - "Expatriate Explorer".

China skipped ahead over Russia, climbing 11 spots in the rankings, to take the top spot, with Germany, Singapore, the Cayman Islands, Australia and Canada following behind China. Russia ranked ahead of the U.S., France and Great Britain in the category. In total, 37 countries participated in the survey.

During the evaluation of the participating countries, the originators of the survey (HSBC), considered several dozen parameters, separating them into three categories - economic working conditions, quality of life, and educational opportunities for children.

### Russia ranks ahead of the U.S., France and Great Britain in most appealing countries to migrant workers

Russia's low income tax is its main advantage. Russia ranked fifth according to the disposable income category. Since 2011, highly paid foreigners in Russia who are earning more than 2 million rubles a year (nearly \$62 000) pay an equal amount of income taxes with the citizens of Russia (13%).

The quality assessment of life saw Russia coming down a few spots, to rank 12th.

Migrant workers are not accustomed to Russia's labor culture - which ranked 35th place among those polled. It is difficult for citizens of other countries working in Russia to find comfortable housing, besides the fact that most housing is expensive. It is obvious that the poll was carried out first of all across Moscow. Migrant workers are dissatisfied with Russian restaurants and medical centers. But foreigners living here disprove the myth about bleakness, isolation and Russia's suspicions of migrants. Russia is in the first three of the countries where it is easy to find friends and on the fourth place in availability of entertainments. The youth is ready to communicate in English in most cases, the authors of research note with satisfaction.

### The main advantage of Russia is the low income tax

Russia is especially recommended to foreign couples with children. It is easy to find a suitable school (the second place in the world rating), and the education level is rather high.

#### From where the foreigners are and what they do in Russia

HSBC assessment is a look at Russia (actually, at Moscow and St. Petersburg) and of Europeans from the Western world. According to the Federal State Statistics Service, their share among all foreigners legally working in the country in the 2000s didn't exceed 2-3%, and according to recent data for 2011 it reduced to 1-2%. It is connected with low-qualified labor inflow to Russia in 2002 to 2004 from CIS countries, first of all, mainly Uzbekistan and Tajikistan, and to a lesser extent, from Ukraine and Kyrgyzstan.

According to data for the end of the first half of 2013, the share of labor migrants from CIS countries among having permits to work or a 'patent' (for individuals) reached nearly 90%. And this is without taking into account the citizens from Belarus, who have equal labor rights with the Russians. Among foreigners from "distant" lands,

citizens of China made up nearly half, Turkey - 15%, 13% - North Korea.

In 2000, in Russia there were only 23 thousand Europeans working, that were from EU countries (but then they made up more than 10% of foreigners working in Russia) and less than 2 thousand Americans. The number of labor migrants to Russia steadily increased until 2008, having reached 2.4 million people; 36 thousand from them were citizens of the European Union countries, 5 thousand more - citizens of the USA. The crisis sharply reduced Russia's appeal, both for citizens from the countries of the former Soviet Union, and for foreigners from other states. The sharp toughening of immigration laws and a reduction in the labor migration quota, which affected citizens from the countries of the former Soviet Union. After the anti-immigrant demonstrations, in residential areas in the south of Moscow in October, 2013, the Federal Migration Service began to consider the need of taking new steps for the regulation of labor migration. In particular, the possibility of entrance to Russia from CIS countries only on foreign issued international passports, were discussed.

The Ministry of Labor and Social Protection of Russia suggests reducing the quota for foreign labor by more than 100 thousand - to 1.6 million people in 2014. Thus, almost at the same time the same ministry decided to increase quotas for a number of regions this year. As part of the continuing common country quotas, additional working hands were requested by Moscow - 14 thousand more (the general quota - 215.5 thousand people). The capital sharply needs unskilled workers and construction workers (40% of the quota). But in third place in the quota in the category of workers, were heads of institutions, organizations and enterprises - 16% of the quota or nearly 40 thousand people.

For the first half of 2013, according to the Russian Central bank, foreigners transferred \$8.5 billion from Russia (17% more than a year ago). Including \$2.8 billion which is 4% more than in the first half of 2012 transferred to other countries: most of it to Hong Kong, China (\$346 million) and the USA (\$286 million). Even more went to CIS countries: to Uzbekistan - \$2.3 billion, Tajikistan - \$1.3 billion, to Ukraine - \$0.6 billion.

Most of all the foreign labor finds Moscow appealing - 16% of all migrants live here according to the results of for the first half of 2013, having permission to work in the country, and also in St. Petersburg - 13%. Another 12% work in the Moscow region, nearly 5% - in the Krasnodar territory, including workers in Sochi, the capital of Winter Olympic Games 2014.

Petersburg) - 3.5%, 2.5% - in the Primorsky territory (where in 2012 the APEC summit was held), in the Kaluga region (where in recent years there was a powerful automobile building cluster) and in the Sverdlovsk region - the center of heavy mechanical engineering, respectively. 88% of foreigners working in Russia are male.

to foreigners having the status of highly qualified specialists. Their number amounted to 11.6 thousand people or 1.1% from all citizens of other states having permits to work in Russia, according to the results for the first half of 2013. But among highly qualified specialists there are also a lot of citizens from countries of the former Soviet Union.

The most surprising fact is that illegal migrants in Russia are not only from our neighbor countries, with the majority of which there is the visa-free exchange, but also from the West. According to FMS, the number of citizens of the European Union countries who haven't left Russia in a timely manner exceeds nearly four times the number of issued work permits. The number of Americans illegally living in Russia is also measured in the thousands. So the real appeal of Russia is much higher than the official one.

### Russia is especially recommended to foreign couples with children. It is easy to find a suitable school, and the education level is rather high

In the main oil-extracting region of Russia - the Khanty-Mansi district 4% of foreign migrants were working, in the Leningrad region (near St.

The vast majority of labor migrants from the European countries and the USA live in both capitals - Moscow and St. Petersburg. Labor quotas are not extended

## THE OFFICIAL COMMENTARY FROM THE FEDERAL MIGRATION SERVICE

The number of citizens from the European Union countries who have been issued permits to work in the territory of the Russian Federation remains approximately at the same level from year to year - about 20 thousand people. During the first ten months of 2013 15.7 thousand work permits were issued which is 0.6% more than the same period last year.

According to the automated system of the analytical reporting of the Russian FMS, as of November 14, 2013 (that is, the foreign citizens who entered the territory of the Russian Federation and haven't left in due time) there are 3 million 673 thousand people in the at-risk group. 57.2 thousand of them are from European Union countries, 6.5 thousand people from North American countries (Canada, the USA, and Mexico).

In total, from July 1, 2010 to September 30, 2013 46.9 thousand work permits were issued for highly qualified specialists; 41.6 thousand to citizens of the countries, with which Russia has visa agreements, 5.3 thousand permits to the citizens from visa-free countries. Besides, during the first ten months of 2013 Russian FMS issued 20.7 thousand work permits to highly qualified specialists, that is 2.2 times more, than for the similar period of time in the last year. To foreigners with visas 17.4 thousand and to the ones without visas 3.3 thousand permits were issued.

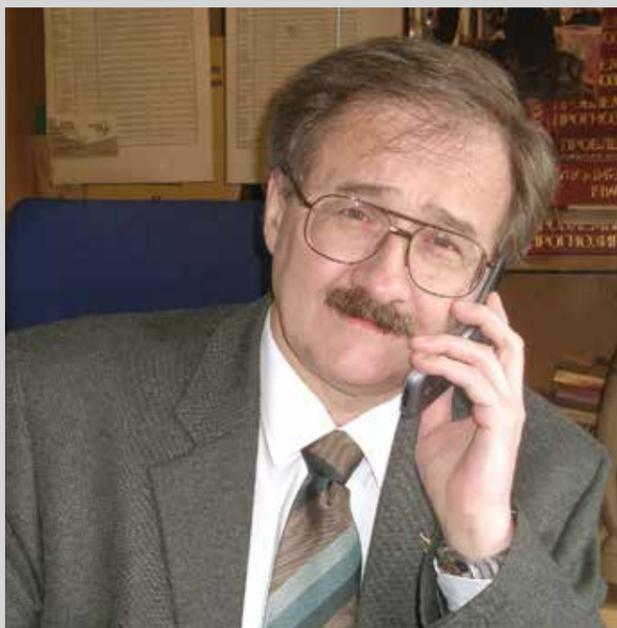
Among all qualified professionals who have received such status this year, citizens of the EU countries were 5.1 thousand people, of which: Germany - 953, Great Britain - 762, France - 695, Italy - 429 people. Qualified professionals from the United States, 628 permits were issued.

Qualified professionals from the CIS countries for ten months in 2013 obtained 3.3 thousand work permits, of which the largest number: Ukraine - 973, Uzbekistan - 958, Tajikistan - 558 Moldova - 369 documents.

Improvement of the legislation concerning the order to attract highly qualified foreign specialists continues. Due to the amendments made to federal law No. 115-FZ 'About legal status of foreign citizens in the Russian Federation', FMS approved the notification procedure about salary payment to highly qualified specialists, as well as employment cancellation cases or civil contracts, and cases providing holidays to them without salary preservation for more than one calendar month within a year (it is required to notify the amount of remuneration quarterly; about cancellation of employment contracts or providing holiday - not later than three days - RS). The new order is effective starting January 1, 2014.

From next year, the employer of a highly qualified specialist won't have to register such employee for tax purposes. It will be made by FMS within interdepartmental exchange of information with tax authorities after it has received the application for a work permit from the highly qualified specialist.

With the order from FMS, the list of territorial bodies of the Service, authorized to receive and review applications for highly qualified specialists and issues of work permits has expanded from 15 to 83.



**Andrey Korovkin, the head of the laboratory of labor force forecasting in the Institute of economic forecasting of the Russian Academy of Sciences**

“Migrants from foreign countries, especially from Europe, come to Russia necessarily with visas and with work permits. These people are known as civilized and law-abiding. They will not arrive here in cargo trains. I am sure that the considerable number of them attained the status of highly qualified specialists and a salary of more than 2 million rubles a year. As a rule, they are directors, footballers, and hockey players. We even use a special term for them: they are not guest workers but expatriates.

After the crisis of 2008, quotas for migrants workers were reduced and frozen, but due to the small number of western migrants and specifics of the jobs that they occupy, this step in the state regulation’s has had an insignificant impact on the reduction of their numbers. Variability of our immigration laws has very little impact in this category. The economy of our companies plays much more significant role in the reduction of their number and as well as the branches of the western firms, on personnel expenses.

However, now more and more foreign experts are invited to Russia as consultants, teachers, to give lectures in higher education institutions. It is unlikely that they will receive a permit to work. They are here on a temporary basis: they give lectures, and go back home - to their wife and children.

We have few labor migrants from the West, although I don’t know why. Are they experiencing ‘greenhouse conditions’? At least, a risk level for them is significantly low, than for the average Russian.’



**Nikita Mkrtychyan, Institute of a demography of the Higher School of Economy (HSE)**

“The subject of labor migration to Russia from the West is interesting, but never explored properly. Perhaps, the reason is that they don’t create any problems for us. We are focused on a much more urgent problem of migration from the East, and from the CIS countries. If it was worth studying the migration from the West, we would only study it from the point of view of creating more favorable conditions in those regions, to find out why, for example, even our former citizens don’t go to Skolkovo (the Russian analog of a silicon valley – RS).

At HSE, we embarked on hiring up to 30% of foreign expert teachers, who are competitive in the international market. Yes, they create competition for our experts, taking highly paid positions. But this competition is justified; otherwise, we will be stewing in our own juice.

It isn’t excluded that among migrants from the West there is an informal employment, too. Though it is hardly possible to enter from these countries (visa order) illegally but to arrive by a usual visa and to work here informally is surely a common practice, considering our bureaucratic red tape. But these people working in large companies, aren’t going on strike, the police officer on the street is unlikely to stop them. Though

the share of illegal workers among Europeans is very far from the overall legal and illegal migrant workers: which we estimate to be about 30% to 70%.

The main reason why experts from the West are reluctant to come to Russia is the same reason for our reluctance to escape to the west: security. Though we who are living here, perceive this problem more sensitively, than it seems from the outside. For many foreigners who are already living here, our country is pleasant. They are generally little excited by our political problems.



**Irina Ivakhnyuk, Dr.Econ.Sci., the professor of economics department of Moscow State University**

“Highly qualified specialists are the main channel of labor migration from Western countries. Federal law which has provided them with preferences in obtaining permits to stay and work in Russia was lobbied by the transnational corporations in Russia. Therefore, I doubt that after 2009, that there was a collapse of the western labor and migration toward our way. On the contrary, one would expect such growth.

Dmitry Medvedev who was then president of Russia, soon after adoption of this law declared: ‘Russia joined the headhunting’. So concerning highly skilled migrants, Russia unambiguously says: ‘You are welcome!’

If you look at branch distribution, you will see that labor migrants from the West first of all are involved in financial operations, real estate transactions, and so on. It is the argument of those who in principle are against the involvement of any migrants to Russia. They say that labor migrants are involved in real estate operations. In fact, consultants, for example, are invited by banks which who “dropped” due to

unpaid loans issued under the real estate and land plots. It was necessary to understand what to do with such pledges. And since we have no experts in this area, they are invited from abroad.

The other sphere of application of highly skilled western workers. are management positions in the assembly enterprises of automotive industry, productions of household appliances, chain stores, etc.

They are also a lot among researchers and professors of higher education institutions. For professionals, attracted to university and scientific-research centers, and also special economic zones, the minimum annual threshold earnings to qualify for the privilege of applying to the status of the highly qualified specialist and on the right of payment of income tax at the rate of 13%, is lowered to 1 million rubles.

It seems to me, it isn’t necessary to give huge benefits to highly qualified specialists. It is one of the few accurately outlined migratory channels in the Russian legislation. It is important to understand that migratory appeal of the country depends not only on immigration legislation, but mostly on the situation in the country as a whole, on the amenities of life, on safety in the streets, etc.

For this reason, Russia is not always appealing to migrants from the West even in conditions of high unemployment there and in the existing “preferential” legislation for them here. Besides, they are afraid of Russia: the rigid political regime, the absence of democratic freedoms and other passions which are painted in the information field, drive public opinion. Though many foreigners say that it is interesting to live in Russia, it isn’t boring and that it is a most interesting experience; bustling political, public, and night life, whatever their desire.

Such “extreme” experiences in Russia can be highly appreciated by the migrant worker’s subsequent employers, having positively affected his career in the homeland. And for the staff of multinational corporations business trip to Russia is a guarantee of a more rapid career growth”.

Andrei Susarov,  
correspondent from FinmarketInformational Agency,  
Exclusively for Russian Survey

# MARKET BREAKDOWN

## TRUMP MADE HIS CHOICE



What are the prospects for Russian developers?

The world famous American multi-billionaire Donald Trump declared his desire to build an office center in Russia. Moreover, and by analogy, on par with the well known Trump Tower, in New York City. A very revealing intention, which demonstrates the prospects for the construction business in Russia.

Meanwhile, the real estate market in Russia is currently stagnating. But this is not preventing construction companies from keeping the price of services at the same high level. This is especially true for premium class housing. Optimism in the housing market is in many respects connected with the high price of oil, due to the situation within the Middle East. The real estate market is also being supported by the low housing supply. For example, in Moscow, the average is 19 square meters per person.

Moreover, the average prices of real estate in Moscow, and in other cities of Russia, now largely react to currency fluctuations to the detriment of real trends in the cost of square meter. In other words, the ruble value of all segments of the housing is growing, though not by much. In part, it all comes down to an 'opening' of ruble prices and gaining momentum against the dollar.

### Ruble Value of All Housing Segments is growing, but not by much...

Tatyana Kalyuzhnaya, the head of the analytical center department of research and consulting 'Real Estate Market Indicators', believes that there will be no essential changes to the real estate market in Russia for the near future, though it has obviously recovered after the crisis of the end of the last decade: 'The situation can only change if there are structural changes in the global economy, which has been observed, as of yet. While oil prices are more than 100 USD per barrel, the situation within the real estate market will remain stable. We should take into account, also, all the possible inflows of capital through the purchase of shares of Russian companies by foreign investors. The most possible scenario of development is moderate growth that is in line with inflation.'

Another opinion, held by Elena Balashova, an employee of the Development Centre

of the Higher School of Economics says: 'Investors have already started leaving the construction segment, which will be followed by a decline in the Russian real economy. Old construction projects are completed, and in the meantime businesses are afraid to invest in new projects.'

The potential investor in the Russian construction business should consider trends in urban development in those regions in which he is interested. For example, in Moscow, the Soviet principle of building by residential neighborhoods has been abandoned and replaced with the construction of more comfortable quarters for people, following the European model with the closed courtyards. It is clear that construction is now possible only in territories where industrial zones have been vacated.

One of the conditions for the reorganization of industrial zones put forward by municipal authorities is their multipurpose utilization. Here, not only housing and social facilities should be built, but also jobs, retail stores, parks, and other zones for recreation. According to the project approved at the beginning of 2013, 69 industrial sites will be reconstructed in the near future. It should be noted, that not all industrial enterprises are subject to demolition – only inefficient and unprofitable ones, the others will be refurbished. Besides, some of them are architectural monuments, so that their appearance should remain the same, even if you change their purpose.

### Reorganization of industrial zones put forward by municipal authorities and their multipurpose utilization. Here, not only housing and social facilities should be created, but also jobs, retail stores, parks, and other zones for recreation

Dmitry Golev, the head of department of the Welhome company, is full of optimism concerning the prospect for the renovation of industrial zones: "It is the most satisfactory outcome for developers", – he said.

Meanwhile, the area of renewable territories in Moscow is significant. We are speaking of the eight pilot industrial zones, including the ZIL and 'Hammer and Sickle' factories, as well as the Tushino airfield. This is approximately seven and a half million square meters, while also taking into account, the development of new buildings. It is also important that all these areas are located in the heart of one of the most expensive cities in the world. The competition between developers for developing these locations promises to be extremely competitive.

In fact, competition is set to become even more intense, in view of the fact that, first of all, reconstruction of some industrial areas will come first, and then those 'bedroom suburbs' in Moscow, which will sooner or later become obsolete. It is clear that the companies proving their reliability practices will gain an edge to develop these areas. We are talking about decades of steady existence in the Russian capital market.

Frankly speaking, Russian integrated house-building factories, including in Moscow, are not ready to restructure their work yet. They have yet to significantly modernize production. It will also be necessary to develop a new series of finishing agents for facades, and a new format for the ground floors, and so on.

### Russian integrated house-building factories, including in Moscow, are not ready to restructure their work yet. They have yet to significantly modernize production

There are also other issues of 'mixed developments', required from developers by the Moscow authorities making the enticing to its citizens. Yet this approach it is not always attractive to developers. In some places, for example, in the southeast of Moscow, under the terms of development, office space is necessary to build to provide jobs to inhabitants living in the area. However, according to developers, the location of the site is such that the demand for office space is sure to be very low.

For those who intend to work at the Moscow market, should become well-acquainted with a lot of aspects, well in advance. For example, following the

model of development of the European or American metropolis, the places where suburbs should begin, multi-storey panel buildings stand instead, as a general rule. Only now, are developers thinking to master development of roofs. Their total area in Moscow apartment houses is about 1 billion square meters, but only 50 facilities have operating roofing. However, we can assume that this problem, more or less, can be solved in elite buildings only in the near future.

## Modern Moscow is very similar to Tokyo in the mid-1980s. Monocentric development, huge traffic jams, poor environment. Even the population and the area can be compared

In general, Moscow now is very similar to Tokyo in mid -1980s with many of its problems. Monocentric development, huge traffic jams, poor environment. Even the population and the area can be compared. Therefore, governing bodies of the city seriously follow the way the capital of Japan succeeded in solving serious problems.

It must be kept in mind that the housing market in different parts of Russia periodically develops seasonally. Let's say, housing prices in Severodvinsk dropped significantly last summer, and rose again in the autumn. Basically, the situation in this city is relatively favorable due to huge amount of orders the ship-building wharf and ship repair yards receive. Hence, the reason why developers are so optimistic.

Developers market in Russia is mainly private. For example, in Moscow companies under city control are now erecting more than 4 million square meters. Though permits for the construction of 42 million square meters have been issued. However, the indisputable leader in the capital market is still the state-owned Management of Civil Construction in Moscow. It was established in 2011, when due to unscrupulous actions of contractors, the program for the construction of kindergartens was disrupted. Since then, they not only have built schools and orphanages, but also apartments, and also industrial and business real estate.

Olga Sergeeva, the director of the Centre of Economic and Political Research and Development, is sure that the share of city contractors in the capital market is essential: "However, they have no real impact as of yet. Everything depends on the municipal authorities' future strategy.

Meanwhile, the practice shows that Russian banks are extremely careful and even reluctant to finance the developers. Exceptions are, perhaps, large and

outstanding companies. It is evident that the banks' policy in this matter completely coincides with the approach taken by municipal authorities, be it Moscow or Tver.

The increasing attention of developers has moved from Moscow to the regions. Often they are estimated by experts to be zones free from competition with local colleagues. Sometimes this is true, but not always. Local developers are often supported and protected by municipal authorities and even regional authorities. Then confrontation begins, resulting in forcing out the Muscovites from local businesses.

It is worth noting, that the large Moscow construction companies approach with caution when working in the regions. There, they should have special connections, which is not always possible, regarding the level of operations that such developers have in the Moscow region. Nonetheless, large developers still eye the opportunity to work in the regions. They are attracted by the fact that level of purchasing power increases there, so good rental rates are expected, and developers will receive an adequate amount for facilities.

And while major development companies carefully study the regional market, the local authorities try to find investments themselves. Thus, the administration of the Omsk municipality declared its intention to involve not only developer companies for construction of affordable housing, but

also local large industrial enterprises and banks. Negotiations with them are already underway. Thus, the industry enterprises will have the opportunity, through mortgages, to enable their employees to obtain housing in newly constructed buildings.

Construction work in Russia has a feature to fit to the characteristics of legislative law. Specificity of the latter is that the nuances prevail. As a result, it is better for the developer company to be private rather than public. It is not a custom to disclose prime cost of facilities, as the level of competition is very high. However, even joint stock companies prefer to disclose only part of their records. These are the rules of the game.

## Construction work in Russia has a feature to fit to the characteristics of legislative law. Specificity of the latter is that the nuances prevail

Since there is no access to companies' financial records, expert circles often run with discussions about developers earnings – which are estimated between 10% or 100%. This dispute is currently insoluble. Although cases of colossal failures are well known to everyone, after which companies have had to leave the market forever.

Be that as it may, Trump's statement really is in many respects largely revealing, as he can hardly be called an irresponsible businessman. Perhaps, he, too, has run into same problematic features of the Russian construction business; he has over extended on bank loans, and is now faced with limited investment capital. But all these difficulties, Trump, can easily overcome.

Vladimir Kobzev  
Exclusively for Russian Survey



# from PROBLEM to SOLUTION

## REGISTERING A BUSINESS



etc. So, in practice, what is an acceptable 'official address'? It perfectly acceptable to use not only the founder's office address, but also, for example, the address of the leased premises if the lease agreement provides for the delivery of mail), as well as that of the founder's home address.

(for example, a business center address), take some time out to check whether the address is included in any mass registration database. And doing so is rather simple: The online Revenue Service website has a corresponding service, which you can find by going to: <https://service.nalog.ru/addrfind.do>

## The most important thing to consider is the ability of the business to receive its written correspondence in a timely matter

For information on how to choose the right form of business, read the June issue of Russian Survey 2013

After the future entrepreneur has decided on the manner in which they will form their business – (i.e. personally or through an organization), and if through an organization, what kind exactly, at the time of business registration. The registration rules are not all that different from IP or from organizations of different forms. Therefore, we will base our example on the formation of an LLC.

The entire registration process can be conventionally divided into four steps. Let's take a closer look at each of them.

### First step – our address is neither house nor street...

Before filling out the documents for registration and determining who and where they will drift, it is necessary to resolve a more vital issue; namely, your organization's official address, or as it is often called the organization's legal address. Using this address will enable other organizations, entrepreneurs, and the ordinary citizen to contact your organization, if necessary. Therefore, choose carefully, before making your final decision – it should offer the convenience of receiving timely correspondence.

From a legal point of view, the address of the registered legal entity is considered the one address where there is a 'permanently operating executive body'. Or, to put it in simple terms, its Director, General- Director,

Anyone who has ever 'struggled', at least once, with registering a company, knows that there are many suggestions for 'purchasing the legal address' – the Internet is teeming with such offers; they are plastered on the poles of tax service offices, which is offering services to register your business; these services will be offered to you by various individuals on your way to the registry authorities. Before accepting similar offers, it is necessary to consider that such offers usually come with mass registration of various registered entities at the same legal address. This will mean dozens of companies registered to the same address.

In accordance with recent amendments made to the law on State registration, this will allow tax authorities to reject your business's state registration. But even if the business is successfully registered, the use of a 'mass registration address' may cause issues with tax authorities some time in the future. Tax inspectors consider all such organizations "by default" as one-day firms. This means that your customers will not be able to take the VAT deduction, or encounter issues taking into account VAT expenses for tax purposes, and close attention to your organization during any inspection is guaranteed.

Therefore, while registering your organization, and you decide to use a third-party address

In the next issue of the Russian Survey: Why you shouldn't purchase your business address.

### Second Step: Preparing Documents

The next step in registering your business will be to prepare all necessary documents. This step consists of two parts. The first includes documents on the business itself, and the second includes documents for the registration process. Let's begin with the second.

### Filling out the Application

Not that long ago, filling out various statements necessary to register the organization was time-consuming, requiring care and skill. Therefore, it's no surprise: the forms, themselves, are complex, consisting of multiple pages, some of which, in some cases, should not be filled out, while in other cases they must be filled out several times.

For example, if a legal entity is created and its founders are all natural persons, filling out forms providing information about its founders - legal entities - is not explicitly

required. Or, if the business has several founders (natural persons), information on each individual must be specified on a separate form. As a result, we have a stack of similar types of forms with different content, numbering, but designated as just one.

All these nuances should be taken into account in advance to properly number all the forms. It is not surprising then, that many people ask for help from specialized law firms, preferring to pay - saving time, nerves and money.

However, properly filling out applications has become much easier. The Revenue Service's website contains a special section, where you can download a program absolutely free of charge, which allows you to generate an application according to the rules. You can find the program to prepare an application for legal entity registration at the following address [http://nalog.ru/el\\_usl/no\\_software/prog\\_ur/4195313/](http://nalog.ru/el_usl/no_software/prog_ur/4195313/).

Future individual entrepreneurs can both download this program, and also fill out an application online directly from the Revenue Service website at: <https://service.nalog.ru/zgreg/zayav-new.html?kind=ip>.

It should be noted that here, the service provides an opportunity to the entrepreneur to register on a so-called "turnkey" basis, (i.e. after completing all stages of filling out forms, and paying the state registration fee, it will be necessary to appear on the scheduled day and time of the inspection indicated during the application process, in order to obtain all necessary registration documents.

## Filling out the application using the Revenue Service's Internet Resource will save time and preserve your sanity.

The service is not yet available for legal entities, therefore the generated package of documents need to be either printed and taken to the inspectorate's office, or signed and verified electronically, and emailed to the inspectorate's office. But in any case, the headache of correctly filling out all forms can now be avoided.

After an application is completed and printed out, don't hurry to sign it – it should be done in the presence of a notary. Going to the notary with only one statement

application doesn't make sense; the notary will still require the production of the complete set of documents. Therefore, let us leave our prepared application alone and go to drafting a set of documents relating to the legal entity itself.

### Preparing Founding Documents

In order to register an organization, the following documents are mandatory:

- Organisation Charter
- Decision on the organization's creation
- The document confirming the status of the founder if he/she is a foreign legal entity.

Let's see where they come from and how they are created.

Let's begin with the **organization's charter**. Charter preparation is a rather complicated process, as the Charter is the main document regulating the organization's activities. Therefore, while creating one, it is necessary to take into account the organization's possible development. The legislation to the statute, also, imposes rigid requirements to the Charter. Therefore, it is best to entrust the drafting of the charter to a professional, and contact a legal or auditing firm. For example, the Moscow company ICLC is ready to provide similar service.

We would not recommend taking any templates samples posted online or reference systems. It would be better if the charter is made for your specific need, once you have defined the organization's type and purpose, how and who will manage it, to what kind of business you plan to conduct, etc.

The charter is prepared in advance, as the founders will have to approve the charter simultaneously with the legal registration of their decision to create a company. It should be borne in mind, when registering the organization, it is necessary to transfer two original copies to the tax inspector. Therefore, at the time for approval, it will be necessary to print and staple two copies of the prepared charter.

**The decision on the Creation of a Legal Entity** – is, in fact, the main document which confirms the organization's 'birth'. Depending on how many people are part of the 'decision', this document can be called either 'The decision of the participant' (if just one), or 'Protocol of the meeting participants' (if their are two or more). In any case, it is necessary to issue this document on paper, and certified with the signatures of all specified persons.

What exactly is necessary to write on this document? First, its official name – the Decision or the Protocol. Then, place and time of the decision or the meeting. And thirdly, are the personal data of the founder or founders (surname, name, middle name, if any, document data identifying the person, and place of residence).

Thereafter, we move on to the core of the issue. We specify the decision to create the organization and approve its Charter. Thus, the persons who have made the decision on the confirmation of the Charter should approve the Charter by their signatures in confirmation of this fact.

After the Charter has been approved, usually, the organization's governing body is immediately elected as provided by the recently approved Charter. Respectively these decisions are also entered in the document indicating the organization's creation.

And finally, if the company is created by one founder (Whether a natural person, or other organization), at the same time of making the decision to establish an organization, it is necessary to determine the size of its authorized capital, the order and terms of payment. If it is decided that the authorized capital will be paid by non-monetary assets, it is necessary to decide on the approval of the monetary value of assets contributed toward the authorized capital. These provisions are, usually, directly recorded in the decision on the organization's creation.

The set of documents for registration (the one you will want to present to the tax inspector) includes the original copy of this decision. So our advice is to make several original copies of this decision (with 'living signatures').

5 points to the Decision to the create the organization

1. Specifying the decision to create an organization is made, with legal form and name.
2. Specifying that the charter is approved.
3. Specifying the election of the governing body.
4. Size of the Authorized Capital.
5. Adoption of the monetary valuation of the property contributed to the share capital.

### Payment of Authorized Capital

Authorized Capital is a kind of minimum guarantee to ensure the rights of potential creditors. Thus, the law rather strictly regulates questions of payment of authorized capital, which in practice puts many beginners to the business world to a standstill.

Let's begin with what the law requires: At the time of the creation of the LLC, not less than half of the amount of the authorized capital, must be paid by its founders, at the time of state registration. Thus, the minimum authorized capital for LLC is also defined by the law is 10 thousand rubles.

How is the authorized capital formed in practice? As it was earlier specified in the section on the decision on organization creation, it is on this document that the founders fix the size of authorized capital. Another decision is also, whether it will include money or other property, and its monetary value.

It is important to remember that the law requires the involvement of an independent appraiser, only if the nominal value of the share paid by the non-monetary assets is more than 20 thousand rubles. It is best to refer to qualified appraisers for assessment services, for example the ICLC company. Thus, we find that when the minimum authorized capital is 10 thousand rubles or even twice as much, the founders themselves can estimate the share paid toward the property. If the authorized capital is paid in cash, it is not required to make an assessment of any property at all, regardless of the size of the authorized capital.

For payments of authorized capital in cash, it is necessary (even before company registration) to open a special savings account with the bank. This peculiarity is due to the fact that, the account passes to the organization's property from the date of its registration. Accordingly, it is to this account, that the founder's deposit the money needed to pay the authorized capital. If it is decided that authorized capital will be paid with non-monetary assets, the property is transferred to the person elected as the organization's director. The transfer is documented, and specified that the following property has been isolated and transferred to the governing body, and after the organization's state registration has been completed, the property is transferred into its ownership.

### Visiting the Notary

Only after the complete set of documents have been prepared, is it time to go to the notary to sign the application for the state registration. After the notary certifies the

applicant's signature on the application, it is necessary to attach sheet A to it, to pay the state tax in the amount of 4,000 rubles. You may generate a receipt of the payment, online at the tax service website: <https://service.nalog.ru/gp.do> at which time, the set of documents will be ready.

### Third Step: Transferring Documents to Inspectorate's office.

Thus, the prepared set of documents needs to be transferred to the tax inspectorate office, which is authorized to register the organizations. This may be the inspectorate office located within the founder's the residence, or a specialized inspectorate office (Such as Moscow and Petersburg).

#### Reference Information

Addresses of the inspectorates registering new organizations:

Moscow: Inter-regional inspectorate of Federal Tax Service of Russia No. 46 of Moscow.

Address: 125373, Moscow, Pokhodny proezd, house 3, building 2.

Phone Numbers: (495) 400-32-78, 400-32-39, 400-32-87, 400-32-12

Website: [http://www.r77.nalog.ru/imns/imns77\\_46/](http://www.r77.nalog.ru/imns/imns77_46/)

Hours of Operation: Monday-Thursday from 9-00 am to 6-00 pm, Friday from 9-00 am to 4-45 pm.

St. Petersburg: Inter-regional inspectorate of Federal Tax Service of Russia No. 15 of St. Petersburg.

Address: Ul. Krasnogo Textilshchika, Saint Petersburg, house 10-12 letter "O"

Phone Numbers: Contact center (812) 740-44-40

Reception (812) 335-14-00

Customer Service (812) 335-14-03

Website Site: [http://www.r78.nalog.ru/imns/imns78\\_47/](http://www.r78.nalog.ru/imns/imns78_47/)

Hours of Operation: Monday-Thursday from 9-00 am to 6-00 pm, Friday from 9-00 am till 4-45 pm.

e-mail. Accordingly, if you choose to go in person, the visiting applicant must present their passport (along with its legalized translation, if it is a foreign passport). If you send the documents by e-mail, add the notarized copy of the passport (all pages), and if necessary, it's legalized translation.

In case you decide to go in person, the inspector will verify the completeness and will visually examine the paperwork for errors, and subsequently issue a receipt indicating document type, time, and quantity of documents received. If you send documents by post, it is necessary to specify the list of contents, return receipt requested. These two documents record that the document has been transferred to the tax inspectorate. Although in this case, the inspectorate will send the applicant the receipt (also by post).

### Fourth Step: Receiving the Registration Documents.

If all documents which you transferred to inspectorate are issued correctly, within five working days you can visit again to registering authority to receive the set of documents confirming registration of your firm upon presentation of your receipt. Following documents will be given to you at inspectorate office:

- certificate of state registration of the legal entity
- one copy of the charter with the registering body;
- extract from the Unified State Register of Legal Entities;
- certificate of registration of Russian organization with the tax authority at the place of its location. The taxpayer identification number should be indicated in it - VAT code and Tax Registration Reason Code (KPP).

If you did not manage to come to the inspectorate office on the fifth day, the inspectors will send the registration documents by mail to the address specified in the application.

This completes the process of registering the organization. However, before you start doing business, new entrepreneurs should complete a few important transactions that give legal status to their company. For more information on that subject, please read our next issue of Russian Survey.

Alexey Kraynev,  
Exclusively for Russian Survey

# LAW DIGEST

## MAIN CHANGES IN THE LAW OF THE RUSSIAN FEDERATION FROM SEPTEMBER 2, 2013 TO NOVEMBER 1, 2013

### 1. To the Olympics with a medical certificate

Pursuant to Decree of the Government of the Russian Federation No 746 dated August 28th, 2013, medical certificates confirming the absence of certain diseases shall be presented in respect of foreign citizens involved in the construction and maintenance of the Olympic facilities in Sochi.

The Sochi 2014 Steering Committee and the State Corporation for the Construction of Olympic Facilities that

entered into labour or civil law contracts with foreign citizens shall file with the Federal Migration Service of the Russian Federation or its territorial department an application for issuance of work permits and documents as prescribed by the Federal Migration Service of the Russian Federation subject to specific requirements determined by the Regulation.

Medical certificates confirming that a foreign citizen arriving in the Russian Federation in accordance with the procedure providing for the receipt of a

visa does not suffer from drug addiction or any virulent disease endangering other people's health which appears on the list approved by the Ministry of Health of the Russian Federation and a certificate confirming that he/she has no disease caused by the human immunodeficiency virus (HIV infection) shall be submitted by the Committee or the Corporation to the Migration Service department within 2 months following the work permit date. Non-compliance with this requirement will lead to cancellation of the previously issued work permit.



### 2. Olympic VAT

Decree of the Government of the Russian Federation No 757 dated August 31st, 2013 sets forth the rules for refund of the VAT on goods (work, services) acquired by foreign members of the Olympic Games organizing team, IOC foreign marketing partners for the needs of holding the Olympics in Sochi.

The VAT shall be refunded based on applications filed with the tax authority together with a set of documents, in accordance with the approved list (in general, a contract, invoices, payment documents or registered high-security forms).

As for hotel services, to have the VAT refunded, it is required to submit to the tax authority, together with the application, an agreement on accommodation arrangements entered into by and between an organization and the Steering Committee and a contract on guest accommodation arrangements entered into by and between the Steering Committee and a hotel; certificate of provision of hotel services; payment documents; invoices; services provision and acceptance certificate.

The documents may be submitted to the tax authority within 3 years after the latest of the following:

- date of the invoice;
- date of the actual payment for the goods (work, services), property rights.

Upon tax inspection, additional documents pertaining to a particular transaction may be requested both from participant party thereto and from any other persons holding relevant documents (information)

### 3. Notify the customs 2 hours beforehand

Starting from October 1st, 2013, a mandatory preliminary notification of the customs authorities with regard to goods imported into the territory of the Customs Union by railway transport was introduced (Resolution of the Eurasian Economic Commission Board No 196 dated September 17th, 2013).

It was established that any carrier, including a customs carrier, importing goods by railway transport must submit a preliminary notification at least 2 hours before crossing the customs border of the Customs Union.

Authorized economic operators, customs representatives, freight forwarders, persons entitled to own, use and/or dispose of the goods, or any other parties concerned

shall submit the information about the goods to the carrier of the Customs Union member state where the place of transfer of the goods across the customs border of the Customs Union is located at least 4 hours before arrival of the goods. The carrier shall receive and consolidate the said information.

of the Russian Federation and Citizens of Bosnia and Herzegovina will come into effect (Statement of the Ministry of Foreign Affairs of the Russian Federation of October 11th, 2013).

The Agreement signed on May 31st, 2013 in Moscow provides for the visa-free entry procedure for persons having an



### 4. Russia is ready to provide training for 15,000 foreigners

Pursuant to Decree of the Government of the Russian Federation No 891 dated October 8th, 2013 "On Establishment of Quotas for Provision of Education of Foreign Citizens and Stateless Persons in the Russian Federation", the annual education quota of foreign citizens and stateless persons on account of the Federal Budget allocations shall not exceed 15,000 people.

international passport for the period of up to 30 days during each 60 day period from the date of the first entry.

For holders of diplomatic and service passports, the visa-free entry procedure remains unchanged for periods of up to 90 days, and for employees of diplomatic missions, consular institutions and missions to international organizations and for their family members residing together with them – for the entire term of their accreditation.



### 5. Visa regime relaxed

On October 20th, 2013, the Agreement on Terms of Reciprocal Travels of Citizens

Citizens of other categories, including those entering with the purpose of employment, shall be required to have a visa.

On October 30th, 2013, the Agreement on Relaxation of the Visa Issuance Procedure in respect of Citizens of the Russian Federation and Citizens of Japan will come into effect (Statement of the Ministry of Foreign Affairs of the Russian Federation of October 11th, 2013).

The Agreement stipulates the possibility for individuals and entities to execute direct invitations and the possibility to issue multi-entry visas to citizens of both countries for a period of up to 3 years subject to a number of conditions.



## 6. Who will be allowed to make money at the Olympics?

Decree of the Federal Migration Service of the Russian Federation No 387 dated September 23rd, 2013 defined the procedure for issuance of documents authorising labour activity of foreign citizens during the period of preparations to and holding of the Olympic Games in Sochi.

It was established inter alia that documents authorising labour activity in the territory of the Resort Town of Sochi with the term taking effect after December 31st, 2013 will be issued to:

foreign citizens granted a work permit pursuant to the Regulation on Streamlined Procedure for Issuance of Work Permits to Foreign Citizens Who Entered into Labour or Civil Law Contracts with Autonomous Non-Commercial Organization "Steering Committee of the XXII Olympic Winter Games and the XI Paralympic Winter Games of 2014 in Sochi" or the State Corporation for the Construction of Olympic Facilities and Development of the Town of Sochi as a Mountain Climate Resort and Arrived in the Territory of the Russian Federation During the Period of Preparations to and Holding of the XXII Olympic Winter Games and the XI Paralympic Winter Games of 2014 in Sochi approved by Decree of the Government of the Russian Federation No 758 dated October 13th, 2013;

foreign citizens who plan to work at the facilities that are required for holding the Olympic Games upon recommendation from the State Corporation Olympstroy or Administration of the Krasnodar Territory.

Until March 21st, 2014 inclusive, documents authorising labour activity to be issued regardless of the quotas for issuance of such permits will be issued to foreign citizens who plan to work in the territory of the municipal entity of the Resort Town of Sochi subject to recommendation from the State Corporation Olympstroy or Administration of the Krasnodar Territory.

Until March 21st, 2014, documents authorising labour activity will be issued if a foreign citizen produces the detachable part of the notification of his/her stay in the territory of the Resort Town of Sochi.

The licenses authorizing labour activity to individuals in the territory of the Krasnodar

Territory will be issued beginning March 22nd, 2014.

## 7. Who will be regarded as "major"?

Decree of the Government of the Russian Federation No 965 dated October 28th, 2013 defined the performance indicators for foreign companies to classify them as major and the criteria for the companies involved in the project on the creation of the Skolkovo Innovation Center and the International Financial Center in the Russian Federation in order to issue 5-year ordinary business visas to the employees thereof.

In particular, the financial and economic performance indicators of foreign companies required for their classification as major in the aggregate include:

the amount of a foreign company's proceeds from sales of goods (work, services) for the last reporting calendar year – at least 30 billion roubles (not less than the equivalent amount in a foreign currency) or the amount of a foreign company's net profit for the last reporting calendar year – at least 6 billion roubles (not less than the equivalent amount in a foreign currency);

the amount of a foreign company's assets – at least 30 billion roubles (not less than the equivalent amount in a foreign currency);

the amount of a foreign company's investments made in the territory of the Russian Federation into the objects of civil law rights during 1 calendar year – at least 90 billion roubles, including investments into authorized (share) capital of Russian entities meeting one of the following conditions:

the share of a foreign company in the authorized (share) capital of a Russian entity is at least 10%, provided that the authorized (share) capital of the said Russian entity is at least 150 million roubles or the net asset value of this Russian entity is at least 150 million roubles;

the share of a foreign company in the authorized (share) capital of a Russian entity is at least 50%, provided that the amount in tax liabilities paid by the Russian entity based on the results of one of the last 3 years is at least 10 million roubles or the increase in the average number of the Russian entity's employees is at least 35 employees in the last 3 calendar years.

## 8. Electronic communications in international contracts are applicable, but subject to a proviso...

Russia has adopted the UN Convention on the Use of Electronic Communications in International Contracts dated November 23rd, 2005 subject to certain reservations (Decree of the Government of the Russian Federation No 940 dated October 24th, 2013 "On Adoption of the United Nations Convention on the Use of Electronic Communications in International Contracts").

It was established that:

- the Russian Federation will apply the Convention when the parties to an international contract agree on application thereof;
- the Russian Federation will not apply the Convention to transactions with regard to which the law of the Russian Federation prescribes a notarized form or a requirement on the State registration and to any merchandise sale and purchase transactions with regard to which there are any restrictions or limitations as to transfer across the customs border of the Customs Union;
- when used in respect of the Convention, the Russian Federation interprets the term "international contracts" as civil law contracts to which foreign citizens or foreign entities are parties and those containing any other foreign element.



# in OUR OPINION

## EXPERT EXAMINATION OF TAX LIABILITIES TO THE BUDGET AND INSURANCE PREMIUMS IN OFF-BUDGET FUNDS



- Analysis of the methodology for calculating tax payments, insurance premiums, and benefits, taking into account corporate structure and legal relations with contractors;

- Accuracy assessment of declarations and payments;

- identifying reserves, taking into account also the peculiarities of tax planning in holding companies, which are defined as the amount of tax payments and insurance premiums that have been overpaid, due to insufficient study of legislative changes, as well as lack of adequate corporate support.

Upon the completion of the examination, the company's management team receives a report which includes information on violations that have been identified, as well as recommendations on how to properly address and correct them. This will aid in significantly reducing tax risks in the future.

After evaluating all known violations, as well as the general schedule of tax payments and insurance premiums, we will be able to offer an effective model of taxation, taking into account your business's individual characteristics.

Filing annual tax returns and accounting reports is mandatory for all companies and individual entrepreneurs operating in the Russian Federation. Moreover, even if financial and economic activity wasn't carried out within the year, it is necessary to submit a "zero" report to the Federal Tax Service Inspectorate (IFTS), the Federal State Statistics Service and to off-budget funds. In 2013, it will be necessary to file your report by March 28.

And of course, you will want to be sure that the reporting statements have been compiled correctly, thereby avoiding any need to have the company re-file its reports and pay any penalties.

The "Expert Examination of Tax Liabilities to the Budget and Insurance premiums to Off-budget Funds" service, provided by the ICLC auditing company, essentially consists of undertaking an assessment,

reducing and preventing possible risks of accruing liabilities in arrears and penalties. The service includes:

- Formation of tax bases for the most significant taxes for the taxpayer;

- Charges and payments of insurance fees to off-budget funds.

- The examination, carried out by ICLC experts includes the following procedures:

- Analysis of tax payments and insurance premiums, while the business is carrying out financial and economic activities and identifying potential risks;

- Determining other circumstances, not yet identified by the business, in connection with taxes and other obligations;



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# winter OLYMPICS in SOCHI

## THE COUNTRY OF OPPORTUNITIES OR IS IT POSSIBLE TO MAKE MONEY FROM SPORTS IN RUSSIA?



### or Is it possible to make money from sports in Russia?

To disappoint any prospective investors into the Russian sport from the very start, we will answer the question in the crosshead of this article right away: no, now it is practically impossible to make any money from the Russian sport. To encourage them, we'll add: in the future – yes, this may be a very likely perspective. The opportunities for the private capital in this area are quite optimistic. You only need to be patient.

The situation here is very simple. In Russia, the situation is still much the same as it was in the Soviet Union. Sport is a public affair. It should be financed by the state.

And if the state cannot finance it in the contemporary context, it should be done either by the regional authorities or by private companies. The best example is the Zenit football team – the richest team in the country. The money comes from Gazprom and everyone knows about the enormous revenues of this company. That's the reason why Zenit can afford such superstars as Hulk, a forward from the Brazilian national team.

Another example is the Lokomotiv football club. Once again, a "natural monopoly" – the Russian Railways; once again, actually unlimited expenditures to purchase players. Today, to invest money into this club is simply foolish, just like investing into Zenit. In this case, everything would be managed by the Russian Railways. It's very unlikely that it will admit any foreign investors as

the club's shareholders in the foreseeable future. Besides, it makes no sense to count upon any dividends now. There simply will be no dividends, only expenditures are expected. Just like in the case of Zenit.

**Now it is practically impossible to make any money from the Russian sport, but in the future – yes, this may be very likely**

The third example: the Kontinental Hockey League. It was created by Gazprom, more precisely, by its subsidiary Gazprom Export. Alexander Medvedev, Aleksey Miller's deputy at Gazprom, was in charge of the project. The order, as far as is known, came from Vladimir Putin himself. The actual work was done by one of Medvedev's colleagues from Gazprom Export.

The results are obvious: a hockey league was created that is able to globally compete with NHL. And not only with regard to the hockey players' salaries, but with regard to the results of sports matches as well. An impressive result.

Predominance of natural monopolies in the Russian sport caused a quite reasonable protest on the part of the politicians. Only to onlookers it may seem that Russia is a totalitarian country. In fact, this is far from being the case. As a result, we have the

initiative on the part of several members of the Federation Council, the upper chamber of the Russian Parliament. They suggest introducing a ban on the financing of sports clubs from budgets of natural monopolies and state corporations.

This idea provoked a strong negative reaction on the part of the leading sports functionaries. According to Viacheslav Koloskov, the Honorary President of the Russian Football Union, "this is a rather strange initiative". The main point of his objection is that the "sports money" is spent not only on football, which is very popular in Russia, but on other types of sport as well. For example, various ski sports are sponsored by Rosneft, the major Russian oil company. Without such sponsorship they will simply go under.

Moreover, Koloskov is certain that if this initiative is adopted, they will have to say goodbye to very nearly the entire professional sport in Russia. This may be his going over the top when he says that there is no alternative to such financing. As an example, professional biathlon is now under the patronage of multimillionaire Mikhail Prokhorov. Rhythmic gymnastics is patronized by another multimillionaire – Alisher Usmanov, the husband of the Russian rhythmic gymnastics head coach Irina Viner.

As far as we know, members of the State Duma, the lower chamber of the Russian Parliament, disapprove of the initiative suggested by their colleagues from the Federation Council. In particular, they are afraid that this idea will adversely influence both professional and grassroots sports.

**In Russia, there is plenty of available money that can be spent on sports. However, it comes either from private companies or from the government institutions, including regional authorities.**

According to a leading Russian sports agent Vladimir Abramov, at the moment in Russia only sports agents and sportsmen can make money from sports, but not the clubs: "There is a very peculiar situation in the country. We are ready to pay megabucks to foreign stars, but are not ready to refund them in monetary terms". Maybe this situation was caused by the oversupply of petro- and gas-dollars. Whichever way it may be, but in Russia there is money to spend on sports, and a whole lot of money. However, it comes either from private companies or from the government institutions, including regional authorities.

It should be noted that private companies are often forced to cooperate with the sports sector by the government itself. The above-mentioned Mikhail Prokhorov, as far as we know, voluntarily agreed to invest money into the Russian biathlon. He became a fan of this type of sport under the influence of his elder former commercial partner Vladimir Potanin. Usmanov, who, by the way, is a co-owner of the very popular London football club Arsenal, being the rhythmic gymnastics sponsor is influenced by his wife Irina Viner. However, in most cases, in contrast to these examples, the government itself forces private companies to sponsor the sports companies.

**Most football teams will hardly be able to meet financial fair pay requirements of Michel Platini. Of all the large teams disputing the football championship of Russia, perhaps only CSKA may be able to do so**

This is most commonly the case in the Russian regions. Local authorities confront large companies with a dilemma: you either help our teams or we deprive you of the reliefs and advantages in our region. Granted, you cannot call it fair play; however, this persuasion usually works perfectly. Although sometimes this does not lead to a happy ending. For example, in the North Ossetia in the second half of 1990s, local companies producing vodka actively sponsored the Alania football club. And they even brought it once to the victory in the Russian championship. But when federal authorities commenced a serious review of numerous violations committed in alcohol production in the North Ossetia, Alania not merely lost its top position in the championship, but all in all left the premier league. These are the past realities of the Russian sport.

We speak of this as "past" realities here, because recently the business environment in Russia, including in the sports sector, has changed dramatically. Nobody wants to cheat on potential investors. There are still some problems, but who told you that

there were no problems in the American football forty years ago? Russia makes headway much faster than the US in its time, equally so in terms of the ethical aspect. There is no gainsaying here for an unbiased observer.

At the same time, we are ready to repeat once again: the expenditures on sports in Russia are by no means transparent as yet. For instance, most football teams will hardly meet the fair pay financial requirements of Michel Platini. Well, of all the large teams disputing the football championship of Russia, perhaps only CSKA may be able to do so.

This club is the only one among its Russian peers and competitors that publishes its budget every year. At one time it was unofficially acknowledged that it was owned by the famous Russian multimillionaire Roman Abramovich who now lives in London. However, the President of the club Evgeniy Giner claims that he himself owns 100% shares of the club. And one may believe it, considering how carefully he runs his sports business. At any rate, as to the expenditures, the Moscow club CSKA is totally different from the London Chelsea owned by Roman Abramovich.

At present, the Russian sport is focused on preparations for the Winter Olympics in Sochi. And so are the financial resources allocated for the sport. Those come primarily from private companies. The pressure exerted on them by the government is so heavy that, no doubt, they will fulfill their obligations. In two months to go before the Olympics, the construction activity went on in three shifts, i.e. around the clock.

Besides, a great deal of attention was paid also to the forthcoming world football championship of 2018. In addition to that, the Student Games in Krasnoyarsk should be taken into account. Igor Astapov, Director General of Krasnoyarsk TV channel "7 Kanal", former Press-Secretary of the Krasnoyarsk Territory Governor, said that local authorities count on support from the Federal Budget: "This is only natural. The federal authorities must extend support to their colleagues in the regions".

One of the problems of the Russian sport is that proceeds from rights to the TV broadcast are now miserable; the tickets

to the sports events are cheap. Without support of state companies, the professional sport will hardly survive.

Apart from the professional sports, investors now pay significant attention to the grassroots sport. In Russia, sports facilities are being built under the Federal Special-purpose Programme "Development of Physical Culture and Sports in the Russian Federation in 2006-2015". Probably, the most exotic construction project is the creation of a football stadium in Norilsk, Krasnoyarsk Territory. It will be the first football stadium in the world built within the Polar Circle. Of course, in these conditions the field will be artificial.

Ekaterina Ulyanova, Deputy Director of the Economic and Political Research Centre, believes that "at the moment, the sports business in Russia is practically at a zero level. What I mean is that it yields almost no income at all. But in five years from here it may have rather good prospects. This will depend on the situation of the world economy, with which Russia is directly connected. The chances are very good. Let's see what happens further on".

And let us address once again the subject stated at the beginning of this article, i.e. the problems of sports financing in Russia. Let us be honest, it is no use hoping for a speedy return on investments. But it must be understood that in Russia it is difficult to enter into its business sector, but once you've managed this, a lot of things become easy. The same happens in the sports sector. Today the sports business in Russia is facing, on the one hand, a funding gap and, on the other – the oversupply of the federal or regional capital. The existence of a niche for the private capital is obvious. The example of Evgeniy Giner mentioned above is quite indicative. He is a very experienced businessman and would not invest his money in any hopeless business. Respectively, the forecast is: anyone who wants to get a large return on his investments in the nearest two or three years should forget the idea of investing into the Russian sport. But anyone who plans to stay in the Russian sports market for at least five - ten years can count on a significant profit here.



Vsevolod Sedoy,  
Exclusively for Russian Survey

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