



On measures to improve the investment climate in the Russian Federation

Moscow, March 2010

1. Simplification of migration regime.
2. Reducing administrative barriers at investment projects realization.
3. Optimization of infrastructure access procedures.
4. Customs administration development.
5. Tax policy measures intended to encourage investments to modernization and innovative development of economics.
6. Coordination of support for investments into the Russian economy and protection of investors' rights.

Simplification of migration regime for highly qualified personnel and at realization of major investment projects

Problem	Current order	Proposed changes
<p style="text-align: center;">Quota arrangement and coordination mechanism (from visa to labour permit)</p>	<p>1. Quota for issue of labour permits; 2. Quota for issue of invitation letters; 3. Permit for involvement and employment of foreign workers; 4. Opinion of a labour office. <u>Process duration</u>:: 12 to 23 months</p>	<p>Cancellation of quota, resolutions , coordination with labour offices..</p> <p style="text-align: center;"><u>Process duration</u>: till 1 month.</p>
<p style="text-align: center;">Labour permit</p>	<p style="text-align: center;">Special for each region.</p> <p style="text-align: center;"><u>Duration</u>: 1 year</p>	<p style="text-align: center;">A unique permit for a number of regions where investment projects are being realized</p> <p style="text-align: center;"><u>Duration</u>: up to 3 years (for the period of the contract)</p>
<p style="text-align: center;">Visa</p>	<p style="text-align: center;"><u>Validity</u>: 3 months with prolongation up to one year</p>	<p style="text-align: center;"><u>Duration</u>: up to 3 years (for the period of the contract)</p>
<p style="text-align: center;">Medical certificates</p>	<p>1. Delivery of a certificate (HIV) to the consulate of the RF abroad for a visa, 2. Undergoing tests in the RF, including HIV</p>	<p style="text-align: center;">Mutual certification recognition through bilateral agreements</p>

Simplification of migration regime

Problem	Legislative change	Commencement Date
Quota arrangement and coordination mechanism (from visa to labour permit)	Amendments to the 2 nd reading in the SD of the RF of legislative draft No. 308942-5 «On introduction of changes into the Federal Law “On legal position of foreign citizens in the RF” Tax Code of the Russian Federation and Budget code of the Russian Federation»	since 01.01.2011
Labour permit	Amendments to the 2 nd reading in the SD of the RF of legislative draft No. 308942-5 «On introduction of changes into the FL “On legal position of foreign citizens in the RF” Tax Code of the Russian Federation and Budget code of the Russian Federation»	since 01.01.2011
Visa	Amendments to Federal Law No. № 114-FZ dtd. 18.08.1996 «On procedures for exit from and entry into the Russian Federation”	since 01.01.2011
Medical certificates	Conclusion of corresponding bilateral agreements with foreign countries	Since the moment when both parties ratify the agreement
Filing / taking off the migration register domestically	Amendments to Federal Law № 109-FZ dtd. 18.07.2006 «On the migration record of foreign citizens and stateless persons in the Russian Federation»	since 01.01.2011
Limitation of secondment term for expatriate employees	Amendments to RF government regulation № 97 dtd. 17.02.2007 «On establishment of cases when labour activity is performed by a foreign citizen or a stateless person temporarily staying in the RF out of the constituent entity of the Russian Federation where he got a labour permit”	since 01.01.2011

Simplification of migration regime

Types of foreigners	Selection criteria
Highly qualified specialists	<ul style="list-style-type: none">- income level (the level is to be discussed) <i>(the Government of the RF can adopt a resolution on lower income level with respect to specialists of some specialities)</i>- education/qualification/working experience <i>(correspondence is to be determined by the employer)</i>
Employers involved within the frameworks of priority projects realization	Expert consideration of projects based on the following criteria: <ul style="list-style-type: none">- Quantity of created jobs and percentage of foreign workers,- Technologic/innovative/modernization component,- With consideration of project implementation period.

Reducing administrative barriers at investment projects realization

Necessary measures in 2010	Legislative changes
1. Obtaining building permits on the basis of opinion of non-governmental expert examination	Introduction of alterations to the Town-planning Code of the Russian Federation
2. Removal of constraints connected with attribution of project documentation to standard	Order of Minregion of Russia on repeal of order No. №62 dtd. 09.07.2007 «On approval of criteria of attribution of project documentation to standard...»
3. Cancellation of compulsory technical inventory of capital construction objects	Regulation of the Government of the Russian Federation on introduction of alterations to Regulation No. 921 dtd. 04.12.2000 «On state technical records and technical inventory in the RF of capital construction objects»
4. Determination of administrative responsibility for groundless dismissal of permits, violation of procedure and terms, for demand of documents which are not provided for by the Town-planning Code of the Russian Federation	Introduction of alterations into the Code of administrative violations
5. Set of measures directed to increase transparency of all building stages and procedures: <ul style="list-style-type: none"> – full record of proceedings on the official web site of the government authority; – transfer of services of state (local) bodies into electronic format; – on-line support of permits. 	Introduction of alterations to the Town-planning Code of the RF as well as regional and local subordinate acts.
6. Reduction of terms of state expert review of project documentation and results of engineering investigations from 90 to 60 days.	The project of the Federal Law on introduction of alterations to the Town-planning Code of the RF, Regulation of the Government of the Russian Federation “On introduction of alterations to Regulation No. 145 dtd. 05.03.2007 “On Procedure for organization and execution of the state expert review of project documentation and results of engineering investigations”

Infrastructure restrictions

Existing restrictions	Requisite measures
High cost of connection (including rendering of surplus and unnecessary for a consumer services)	<p>1) To define material conditions of agreements on connection to networks for heavy consumers.</p> <p>2) To approve model network connection services agreements for small consumers. <i>Necessary to amend:</i> <i>Law № 210-FZ dtd. 30.12.2004</i> <i>Law № 35-FZ dtd. 26.03.2003</i> <i>RF Government Regulation № 83 dtd. 13.02.2006</i> <i>RF Government Regulation № 360 dtd. 09.06.2007</i></p> <p>3) To establish the civil responsibility for violation of agreements on connection/technological connection. <i>Necessary to amend:</i> <i>RF Government Regulation № 861 dtd. 27.12.2004</i> <i>RF Government Regulation № 360 dtd. 09.06.2007</i></p> <p>4) To establish administrative responsibility for violation of agreements on connection/technological connection. <i>Alterations to the Code of the RF on administrative violations.</i></p> <p>5) To regulate the procedure of connection (from filing of an application until the actual connection of consumers). <i>Necessary to amend”:</i> <i>RF Government Regulation № 861 dtd. 27.12.2004</i> <i>RF Government Regulation № 360 dtd. 09.06.2007</i> <i>RF Government Regulation № 83 dtd. 13.02.2006</i></p> <p>6) To define a list of consumers entitled to compulsory services, order of priority for access to services and a list of consumers who can not be denied the connection. <i>Necessary to amend :</i> <i>RF Government Regulation № 360 dtd. 09.06.2007</i> <i>RF Government Regulation PΦ № 83 dtd. 13.02.2006</i></p> <p>7) To include only “last mile” expenses into connection charge. <i>Necessary to amend Federal law № 210-FZ dtd. December 30, 2004</i></p>
Terms of connection can substantially exceed the terms of construction of the object to be connected	
Absence of technical feasibility of connection to network	
Nontransparency of the existing order of consumers connection procedure	

Customs administration development

Measure	Mechanism	Legislative consolidation
<p>Simplification of customs processing of high-technology goods and technical machine products export</p>	<ul style="list-style-type: none"> • Reduction of the list of documents to be submitted at export of goods from 14 to 7 • Reduction (from 2 days to 4 hours) of term of release of goods to which export customs duties are not applied <ul style="list-style-type: none"> • Reduction of provided by persons producing and (or) exporting goods financial guarantees to the customs authority from 1 mln. euro to 150,000 euro so that to be awarded the status of an authorized economic operator. 	<p><i>Acceptance of amendments to the Customs code of the Customs union</i></p>
<p>Arrangement of conditions aimed to develop economic customs procedures (processing, temporary importation, destruction), specification of powers of customs authorities, matters of control of goods released on the territory of one of the member states of the customs union.</p>	<ul style="list-style-type: none"> • Adjustment of powers of customs authorities with regard to customs inspection • Remission of customs duty with respect to unique samples temporarily imported for examinations, tests, investigations, etc. 	<p><i>Introduction of amendments to the Customs code of the Customs union</i></p>

Tax policy encouraging measures

- Individual tax regime for a period of 5 years for implementation of major innovative projects in high-technology industries and for small innovative companies (discussed)
- Income tax exemption for organizations at conversion of securities if the term of possession is more than 5 years and the amount of ownership is not less than 10%
- Income tax exemption for organizations providing services in the spheres of education and healthcare
- Property tax exemption for organizations with energy-efficient equipment for a period of 3 years

- **Improvement of situation with timely VAT refund in cases of capital construction and export of non-primary products**

On December 22, 2009 amendments to the Tax Code came into force providing the following:

- declarative procedure of VAT refund;
- refund term is 12 days since the moment of filing of a tax declaration (before the end of the desk tax audit).

The following persons have the right for the declarative order:

- taxpayers whose aggregate amount of VAT, excise, income tax and tax on natural resources production paid for 3 preceding years comes to at least 10 bln rubles and herewith not less than 3 years have passed since the date of establishment of the corresponding organization until the date of filing of the tax declaration;
- other taxpayers with bank guarantee.

Adoption of new rules of transfer pricing control

Current standards:

- do not provide for effective control;
- bear risks for investors.

It is necessary to reconsider the principles of transfer pricing control having limited the sphere of control and provided real levers to tax authorities.

Admission, for the purposes of taxation, of expenses incurred at realization of infrastructure building

Amendments to the Tax code were accepted in the State Duma of the RF in the first reading and prepared for the second reading.

Coordination of support for investments and protection of investors' rights

