

Doing business in Russian Federation

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A Q&A guide to doing business in the Russian Federation.

This Q&A gives an overview of the legal system; foreign investment, including restrictions, currency regulations and incentives; and business vehicles and their relevant restrictions and liabilities. The article also summarises the laws regulating employment relationships, including redundancies and mass layoffs, and provides short overviews on competition law; data protection; and product liability and safety. In addition, there are comprehensive summaries on taxation and tax residency; and intellectual property rights over patents, trade marks, registered and unregistered designs.

To compare answers across multiple jurisdictions, visit the *Doing business In... Country Q&A Tool*.

This article is part of the multi-jurisdictional guide to doing business worldwide. For a full list of contents, please visit www.practicallaw.com/about/doingbusinessin-mjg.

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Overview

1. What are the key recent developments affecting doing business in your jurisdiction?

Recent trends include the modernisation of the Civil Code, including the following:

- Implementing the principles of good faith, collaboration and a duty to keep a contracting party informed.
- Introduction of instruments derived from common law such as indemnities, warranties and representations.
- Option agreements.
- A duty to negotiate in good faith.
- *Culpa in contrahendo*.

The purpose of the reform of private law is to make it competitive with the most advanced contemporary private law systems, such as English law. In the public law domain there is:

- A drive towards deoffshorisation.
- A number of initiatives including those on the reporting requirements on direct or beneficial ownership or interest in foreign corporations (portfolio investments exempt).
- An imposition of tax on revenues of foreign controlled corporations incorporated in tax havens.

With private law, these measures include the facility to bring controlling entities or individuals to account, thereby piercing the corporate veil according to the rules of domestic law, which means bypassing the corporate shield limitation of liability provisions that may exist in the country of incorporation of a foreign vehicle.

Legal system

2. What is the legal system based on (for example, civil law, common law or a mixture of both)?

The Russian legal system is a continental legal system and the Civil Code is based on the European codifications. The securities law was significantly influenced by the US model, while the bankruptcy law was based on German statutory law.

Generally recognised principles or customs of international law and international treaties are also an integral part of the legal system and generally override domestic regulation. Russia is a federal state; private law is a matter of federal jurisdiction.

Statutory law is more important than judicial precedents. However, a gradual convergence has been observed over time with a common law type of legal system where precedents are given increasingly more weight.

Foreign investment

3. Are there any restrictions on foreign investment (including authorisations required by central or local government)?

Special regulations apply to foreign investments in most sensitive industries, such as:

- Banking.
- Insurance.
- Mass media.

- Industries having strategic significance for national defence and state security.

The list of sectors covered by Strategic Investment Law is quite extensive (about 50 types of activities) and includes different kinds of sensitive areas, such as:

- Active influence on hydrometeorological or geophysical processes and conditions.
- Nuclear industry.
- Cryptography.
- Defence industry.
- Aviation.
- Space activities.
- Certain transport activities.
- TV and radio-broadcasting.
- Natural monopolies, such as oil and gas transportation.
- Energy transmission.

Prior clearance is required for foreign investment in these areas.

4. Are there any restrictions on doing business with certain countries or jurisdictions?

Russia implements United Nations resolutions on economic sanctions. Imposition of bespoke sanctions on foreign nations is not practiced.

5. Are there any exchange control or currency regulations?

Foreign exchange controls were liberalised during the last decade. Reporting and monitoring requirements do remain, for example, on the import and export of goods and services, and the Russian bank verifies the underlying business relationship contract and has on file the "transaction passport". The mandatory sale of foreign currency proceeds is no longer in effect. The Government (Central Bank) can impose these restrictions if necessary.

6. What grants or incentives are available to investors?

Substantial investments, also known as strategic projects, qualify for a special simplified procedure of placement, for example, large-scale concession agreements can be negotiated on special terms with the federal government. Regional or municipal governments give tax benefits to investments typically for amounts exceeding US\$100 million such as partial or full exemption from income tax and asset tax waivers. Terms and availability of fiscal exemptions vary from region to region.

Business vehicles

7. What are the most common forms of business vehicle used in your jurisdiction?

Business organisations in Russia are established in the form of joint-stock companies (corporations) or limited liability companies.

The most popular vehicle in Russia is a limited liability company (LLC). An overwhelming majority of businesses are in the form of LLC. Public companies are often established in the form of joint-stock companies (JSC). Partnerships are rare.

8. In relation to the most common form of corporate business vehicle used by foreign companies in your jurisdiction, what are the main registration and reporting requirements?

Registration and formation.

The following must be reported and registered with the United State Register of Legal Entities:

- Incorporation, reorganisation and liquidation of a company.
- Changes in its constituent documents.
- Changes in the shareholding of a limited liability company (LLC).

The register is administered by the tax authorities.

Reporting requirements.

The scope of information to be disclosed depends on the type of entity. Public companies are subject to more extensive disclosure requirements, as compared to privately-held companies. Business organisations must file annual accounts.

Public companies must disclose the following information to the public:

- An annual report and annual accounting.
- Charter and internal documents regulating activities of managing bodies.
- Share issue prospectus.
- List of affiliates.

Share capital.

Minimum share capital is nominal. No maximum amount is prescribed.

Non-cash consideration.

Non-cash contributions (other than set-off of a subscriber's claims) are legitimate but must be appraised to confirm the value in most cases.

Rights attaching to shares.

Shareholders of closely held joint-stock companies and participants of limited liability companies enjoy the right of first refusal for shares sold to third parties.

The charter of a limited liability company can restrict the transfer of shares to a third party. In such a case, the participant intending to sell her shares can demand that the company itself purchases the shares, unless other participants are willing to purchase them. There are mandatory offer and squeeze mechanisms.

For automatic rights attaching to shares, shareholders (members) can:

- Register their name on the register of shareholders of the company.
- Transfer shares in accordance with relevant laws and the articles of association of the company.
- Attend and vote at any shareholders' meeting (except preferred shares).
- Receive dividends.
- Use pre-emption or redemption options in certain cases.
- Examine corporate documents such as minutes of shareholders' meetings, minutes of boards meetings, minutes of the board of supervisors and financial and accounting reports, and other issues such as the scope of access depending on the size of the holding.

Shareholders also have a duty to:

- Keep confidential company affairs.
- Take action to the extent needed for the continuing the functioning of a corporation (such as, replacement of a defunct officers and directors, change of articles and approval of accounts).

A transfer of shares in a joint-stock company must be recorded in the register of the company's shareholders. Transfer of shares in a limited liability company must also be reflected in the list of shareholders maintained by the LLC. Acquisition of over 30% of voting shares in an open joint-stock company requires special filings with the target company (compulsory offers addressed to the remaining shareholders to acquire their shares).

9. In relation to the most common form of corporate business vehicle used by foreign companies in your jurisdiction, outline the management structure and key liability issues.

Management structure

A company performs its business through the chief executive officer (CEO) or the managing board. A board of directors is common, but not mandatory, for privately-held companies. Ultimate authority lies with the shareholders' or members' meetings.

Management restrictions.

In order for foreign managers to be employed to work in Russian companies, these employees must obtain a work permit, unless the executive has a residence permit.

The procedure for obtaining a work permit can only be started after the joint venture is incorporated. Therefore, it is recommended that a Russian citizen is employed as the general manager of the joint venture at least for the commencement of the company's activities.

Directors' and officers' liability

Directors and officers of a corporation must act in the interest of the company and not its shareholders, let alone the specific shareholders that promoted their appointment to the office. Directors must act rationally and diligently (in good faith) and are liable for damages for breach of these duties. Taking casual business risk does not incur liability.

Parent company liability

Controlling shareholders have essentially the same duties as officers and directors. They are liable for damages before the corporation. Either a direct or derivative action can be instituted to recover damages. For bankruptcy caused by an action of a controlling shareholder, the parent company has subsidiary liability in relation to the creditors of a bankrupt entity.

Employment

Laws, contracts and permits

10. What are the main laws regulating employment relationships?

Employment relations are mainly regulated by the Labour Code, which describes the issues relating to:

- Employment and dismissal.
- Social partnership.
- Individual and collective labour dispute.

It also regulates relations with special categories of employees, such as:

- Management.
- Foreign citizens.
- Individuals with family duties.

The law applies to both nationals and foreign citizens working in Russia. Employment law regulates the work of Russian nationals in branches and representative offices of Russian companies operating abroad.

There is an imperative rule that within Russia, employment relations (including those involving foreign nationals and foreign legal entities) are governed by Russian employment law, unless otherwise provided for by Russian law or an international treaty. Foreign nationals arriving in Russia for a business trip will normally remain under the jurisdiction of the foreign law unless otherwise set out by the

respective law.

11. Is a written contract of employment required? If so, what main terms must be included in it? Do any implied terms and/or collective agreements apply to the employment relationship?

Employment law is based on a contract of employment that must be concluded in writing. The Labour Code contains a clear list of data to be included on the contract, such as the:

- Requisites of the parties.
- Commencement of employment.
- Job position.
- Salary amount.
- Work conditions.
- Mandatory social insurance of an employee.

Collective agreements (if they exist in a company) apply to all employees.

12. Do foreign employees require work permits and/or residency permits?

Russian migration law is very strict. Violations result in high penalties both for the employer and the employee. As well as the penalties, the company can be restricted from hiring any foreigners during certain periods, while a foreigner can be deported from Russia with a restriction on re-entry of up to five years. Therefore, migration formalities must be considered as the top priority when an employer hires a foreign specialist in Russia.

Employees from foreign countries need a work permit and a work visa. If an employee is not recognised as a highly qualified specialist, the employer must also obtain an employment permit from migration authorities. The procedure takes three to four months and is reissued annually. From 1 January 2015, all foreign nationals other than several categories (for example, men above 65 years old, highly qualified specialists and journalists) must take an exam on the Russian language, history of Russia and basic Russian legislation.

Foreign citizens can proceed with the simplified scheme if they are recognised as highly qualified specialists. There is actually only one requirement for a foreigner to be a highly qualified specialist, that is his monthly salary in Russia must not be less than RUR167,000 gross. Highly qualified specialists can obtain a work permit within 14 working days for a period of up to three years. Obtaining a work visa takes approximately two to three weeks. Income of highly qualified specialists from Russian employment is subject to a 13% deduction rate immediately (instead of 30% PIT for ordinary non-resident employees). Family members of highly qualified specialists can obtain visas according to the simplified procedure as well.

Employees from non-visa countries need work permits and these permits are obtained by the employees themselves. Non-visa countries for the migration purposes include, but are not limited to:

- Azerbaijan.
- Armenia.
- Kyrgyzstan.
- Moldavia.
- Tadjikistan.
- Turkmenistan.
- Uzbekistan.
- Ukraine.

Employees from the Customs Union Countries (Belarus and Kazakstan) can work without work permit as Russian nationals.

Termination and redundancy

13. Are employees entitled to management representation and/or to be consulted in relation to corporate transactions (such as redundancies and disposals)?

Employees are not entitled to management representation in relation to corporate transactions. In some circumstances, an employer must consult with the primary trade union organisation (for example, if the obligations are fixed in a collective agreement) and co-operate with it during staff redundancy procedure (including notification of staff redundancy and receipt of motivated opinion regarding a trade union member to be reduced).

14. How is the termination of individual employment contracts regulated?

The Labour Code is very strict on the termination of employment. An employer cannot terminate an employee on his own initiative without a valid reason. There is a closed list of unfair actions that can be a ground for dismissal, including:

- An unauthorized absence from work.
- Appearing drunk at work.
- Theft of the employer's property.
- Repeated violation of labour duties.

Unfair dismissal does not require a notice period. Severance is not paid.

An employee cannot be dismissed on the employer's initiative during sick or annual leave.

Pregnant woman cannot be dismissed on the employer's initiative for any cause except for liquidation of a company (or a branch).

An employee can file a reinstatement claim in court within one month from the day of dismissal. The court can reinstate the employee and compel the employer to pay compensation for forced leave (average salary from the dismissal day until the court delivers judgment) as well as moral damages (usually this amount does not exceed EUR200).

15. Are redundancies and mass layoffs regulated?

Termination due to staff redundancies requires giving two months' notice to an employee.

The following employees cannot be dismissed due to staff redundancy:

- Pregnant women.
- Women with children under 3 years of age.
- Sole mothers raising children under 14 years of age.
- Sole mothers raising disabled children under 18 years of age.
- Other employees raising motherless disabled children under 18 years of age.
- A parent who:
 - is a single earner in the family;
 - has a child under 3 years of age;
 - has 3 or more kids in total.

Where the redundancy can lead to mass dismissals, the employer must notify the trade union and the state employment centre three months before any redundancy measures are taken (instead of two months term provided normally).

Currently, there are the following mass redundancy criteria:

- dismissal of 50 or more employees requires over 30 calendar days' notice.
- dismissal of 200 or more employees require over 60 calendar days' notice.
- dismissal of 500 or more employees require over 90 calendar days' notice.

The total amount of maximum severance pay to an employee is three average monthly earnings and does not depend on seniority.

Tax

Taxes on employment

16. In what circumstances is an employee taxed in your jurisdiction and what criteria are used?

Taxation of individuals depends on their tax residence status. Individuals are recognised as tax residents if they are present in the country for at least 183 days in a period of 12 consecutive months. There are no other criteria for determination of tax residence status other than physical presence in the jurisdiction. However, it is fairly controversial whether the period of at least 183 days is determined within a period of 12 consecutive months since the personal income tax is calculated on the base of calendar year. Each case requires careful and detailed consideration.

Tax residence status assumes that tax residents are taxed on their worldwide income whereas non-residents are taxed on Russian-sourced income only. Depending on the tax residence status, different rates apply to employment income. Tax-resident employees are also entitled to certain types of deductions.

17. What income tax and social security contributions must be paid by the employee and the employer during the employment relationship?

Tax resident employees

Personal income tax is normally paid by the employer but in some cases it can also be paid by the employee. Social security contributions are the sole responsibility of the employer.

Tax resident employees are taxed on their worldwide income. Employment income includes:

- Salary.
- Compensation.
- Bonuses.
- Allowances.
- Other similar income both in cash and in kind.

The applicable personal income tax rate for employment income of tax residents is 13%.

Normally the tax is withheld and paid by the employer as tax agent. However, an employee can also file a tax return on a voluntary basis (for example, to apply for certain deductions). In this case, the tax return is due on 30 April of the year following the reporting year whereas the self-assessed tax is due on 15 July.

Non-tax resident employees

Employment income of non-residents is taxed at a rate of 30%. The filing and payment procedure is the same as for tax residents. Where an individual is permanently leaving the country, he must file a tax return one month before the permanent departure and pay a corresponding tax amount within 15 days after filing.

If an individual is recognised as a highly qualified specialist (HQS), the rate of 13% applies to his employment income irrespective of the tax residence status. To qualify as an HQS an individual must be a highly qualified foreign national that is employed by a Russian entity or a Russian branch or representative office of a foreign entity and who receives monthly employment income of generally not less than RUR167,000.

Employers

Personal income tax is calculated and withheld by the employer as the tax agent on paying remuneration to the employee. The employer must pay the corresponding tax on a monthly basis. The reports on personal income tax calculated, withheld and paid are filed by the employer on an annual basis on 1 April of the year following the reporting year.

Social security contributions are the sole responsibility of the employer. The reporting obligation also rests with the employer. Social contributions are accrued on employment income (salary and benefits in cash and in kind with several exceptions).

The social contributions do not depend on the tax residence status. Therefore, income of both tax residents and non-residents is subject to social contributions depending on whether the individual is a Russian national or not. In the latter case, the obligation to pay social contributions depends on whether an individual has a residence permit. The applicable rates for the Russian nationals and foreign individuals that have a permanent or temporary residence permit are:

- For amounts up to RUR670,000 the total amount is 30%, which is distributed as follows:
 - 22% pension fund;
 - 2.9% social insurance fund;
 - 5.1% medical insurance fund.
- For amounts from RUR670,000 to 711,000 the total amount is 27.1%, which is distributed as follows:
 - 22% pension fund
 - 5.1% medical insurance fund.
- For amounts exceeding RUR711,000 the total amount is 15.1%, which is distributed as follows:
 - 10% pension fund;
 - 5.1% medical insurance fund.

Highly qualified specialists (HQS) that have a permanent or temporary residence permit apply the same rules except for one exception, which is that the HQS's income is not subject to contributions to the medical insurance fund.

Earnings of foreign individuals temporarily located in Russia (that is, not having a residence permit) are subject to contributions to the pension fund provided these individuals have concluded an employment contract for at least six months and also subject to contributions to the social insurance fund at a rate of 1.8%. The income of an HQS temporarily located in Russia is not subject to social contributions.

Apart from the above, there is special insurance for workplace accidents and occupational diseases. Corresponding contributions apply for all employees both national and foreign where they are acting under an employment contract and belong to certain classes of employees entitled to early retirement. The applicable rates vary from 0.2 to 8.5% depending on industry type.

Business vehicles

18. When is a business vehicle subject to tax in your jurisdiction?

Tax resident business

The concept of tax residence for business vehicles is recognised from 2015 as part of the deoffshorisation campaign. The corresponding rules were introduced by the Law on taxation of Controlled Foreign Companies (CFC), which came in force on 1 January 2015.

The following business vehicles are deemed to be tax resident in Russia:

- Legal entities incorporated in the Russia.
- Foreign legal entities recognised as tax residents under DTT.
- Foreign legal entities effectively managed from Russia.

A foreign company is deemed to be controlled from the territory of Russia if the following criteria are met:

- The executive body acts within the territory of Russia.
- The chief (senior) executives of the legal entity exercise their powers mainly in Russia.

Non-tax resident business

Non-resident business vehicles are subject to limited tax liability in Russia for their "active" income gained through a permanent establishment (PE) as well as certain "passive" types of Russian-sourced income (like dividends or interest). However, the reporting and payment liabilities are the same as for the tax resident business.

Non-resident business vehicles are subject to corporate profits tax in Russia where they are operating through a permanent establishment (PE). The definition of the permanent establishment in the Tax Code is similar to the definition of this term given in the Organisation for Economic Co-operation and Development (OECD) Model Treaty. Where a non-resident business operates in Russia through a PE it must be registered for tax purposes within 30 days from the commencement of operations through a PE.

Certain "passive" types of income gained from Russian sources by a non-resident business can also be subject to tax in Russia where no PE exists (withholding tax), for example:

- Dividends.
- Interest.
- IP royalties.
- Sale of Russian-based real estate.

Value added tax (VAT) is payable by non-resident business vehicles for the supply of goods, works or services in Russia (no special VAT registration applies). Generally, the supply of goods is subject to Russian VAT where the place of supply is Russia. Generally, the place of supply is deemed to be located in Russia if:

- The goods at the beginning of their shipment are located in Russia or other territories under its jurisdiction.
- The goods are located in Russia at the moment of their sale and are not further shipped.

Works and services are usually subject to the Russian VAT based on the place of supply rules (a diversified list of exemptions is available). There is a list of services that are considered to be supplied in the jurisdiction of a customer and, therefore, cannot be subject to Russian VAT with the foreign customer (for example, consulting, marketing and advertising). Where a non-resident business is not registered in Russia for tax purposes, the tax is paid by the Russian entity under the reverse charge method.

19. What are the main taxes that potentially apply to a business vehicle subject to tax in your jurisdiction (including tax rates)?

Corporate profits tax applies to worldwide income of resident legal entities. Non-resident business vehicles are taxed on income from Russian sources attributed to a permanent establishment (PE) and certain "passive" types of income not attributed to a PE (withholding tax). The standard rate is 20%. The corporate profits tax is payable on a quarterly basis. Tax returns must also be filed on a quarterly basis.

Other significant taxes are:

- **Value added tax (VAT).** The standard rate is 18%. Other rates are 10% for certain food products and goods and 0% for exports of goods. The tax is payable and tax returns are due on a quarterly basis.
- **Corporate property tax.** The rate is established by regional legislation but cannot exceed 2.2% per annum. The property tax base is calculated either as an average annual net book value of the fixed assets for financial reporting purposes, or as a cadastral (market) value of real estate (the latter applies to things such as administrative buildings, offices and trade centres (subject to certain criteria)). Movable fixed assets acquired between 1 January 2013 and 31 December 2014 are not subject to property tax (from 1 January 2015, the rule applies with certain exceptions). Tax returns are due on a quarterly basis. The payment schedule is defined by regional legislation.

The Tax Code also provides for special tax regimes under which the taxpayer can pay a single tax instead of the various taxes described above. The special tax regimes can be applied where the business vehicle meets certain criteria.

The main special tax regimes are:

- **Simplified taxation system.** A company can apply for this tax regime if it meets certain criteria (such as revenue or net book assets value limits and number of staff). Certain types of legal entities cannot apply this system (such as entities with branches and representative offices, foreign legal entities or banks). Application of this system assumes exemption of legal entities from corporate profits tax, VAT and corporate property tax (except for the tax paid on the basis of cadastral value of real estate). The tax is levied either on revenues at a 6% rate or on profits (revenues minus deductible expenses) at a 15% rate. Tax returns and payments are due quarterly.

- **Unified tax on imputed income.** The tax can be applied by certain types of business (mainly small business such as consumer services or retail trade). Application of this system assumes exemption of legal entities from corporate profits tax, VAT and corporate property tax (except for the tax paid on the basis of cadastral value of real estate). The tax is levied on the imputed income that is specified by the law on the basis of the basic return rate of certain businesses multiplied by some physical indicators of such activity. The tax rate is 15%. Tax returns and payments are due quarterly.
- **Unified agricultural tax.** This regime can be applied by agricultural producers. Application of this system assumes exemption of legal entities from corporate profits tax, VAT (except for VAT payable on imports) and corporate property tax. The tax is levied on revenues minus deductible expenses. The basic tax rate is 6%. The tax returns and payments are due for each six months of the year.
- **Patent taxation system.** This tax system can be applied by individual entrepreneurs executing certain types of activities (for example, different consumer services, retail trade or real estate rent). Application of this system assumes exemption of the individual from personal income tax and personal property tax. The tax is levied on the potential annual income of the individual entrepreneur as defined by regional authorities. The basic tax rate is 6%. There is no obligation to file a tax return. The terms for tax payment depend on the patent duration.

Dividends, interest and IP royalties

20. How are the following taxed:

- **Dividends paid to foreign corporate shareholders?**
- **Dividends received from foreign companies?**
- **Interest paid to foreign corporate shareholders?**
- **Intellectual property (IP) royalties paid to foreign corporate shareholders?**

Dividends paid

Dividends paid to foreign corporate shareholders are subject to withholding tax. The applicable tax rate is 15%. The tax rate can be reduced or eliminated under a double tax treaty.

Dividends received

The Tax Code provides for shareholder relief. Dividends received by legal entities from Russian or foreign legal entities are taxed in Russia at 13% flat rate.

There is also a special participation exemption tax regime for holding companies. Under this regime a 0% rate applies if:

- A payee holds at least a 50% interest in the share capital of the dividend paying company.
- The interest is being held during at least 365 days without interruption.
- The company paying the dividend is not resident in an offshore tax haven (the list of corresponding countries is approved by the Russian Ministry of Finance (the black list) and mostly consists of low tax and non-treaty jurisdictions).

Interest paid

Interest paid to foreign corporate shareholders is subject to withholding tax. The applicable rate is 20% but can be reduced or eliminated under a double tax treaty.

IP royalties paid

IP royalties paid to foreign corporate shareholders are subject to withholding tax. The applicable rate is 20% but can be reduced or eliminated under a double tax treaty.

Groups, affiliates and related parties

21. Are there any thin capitalisation rules (restrictions on loans from foreign affiliates)?

Deductibility of interest on inter-company loans is in certain cases restricted by thin-capitalisation rules. In particular, these rules restrict the deductibility of interest charged on loans from foreign affiliates defined as "foreign controlled debt". The rules apply to loans and other debts that are:

- Made to a company by a foreign entity that owns, directly or indirectly, more than 20% of the Russian company's share capital.
- Made from a Russian company, which is an affiliate of a foreign entity, to another Russian company where the foreign entity owns, directly or indirectly, more than 20% of the recipient's share capital.
- Guaranteed or otherwise secured by a foreign entity that owns, directly or indirectly, more than 20% of the Russian company that received the loan.
- Loans guaranteed or secured by a Russian affiliate of the foreign entity.

The deductibility of interest is limited to the extent that the controlled debt exceeds net assets by more than three times, or 12.5 times in the case of banks and leasing companies. Interest on excess debt is non-deductible and treated as a dividend subject to withholding tax. Where the taxpayer has negative net assets, the entire amount of interest accrued on the controlled debt will be non-deductible and treated as a dividend.

22. Must the profits of a foreign subsidiary be imputed to a parent company that is tax resident in your jurisdiction (controlled foreign company rules)?

Profits of a foreign subsidiary are imputed to a parent company resident in Russia where a foreign subsidiary is deemed to be a controlled foreign company (CFC). CFCs are legal entities or unincorporated entities (for example, trusts, funds, partnerships and associations).

A legal entity is considered to be a CFC provided the entity is not a Russian tax resident and is controlled by Russian tax residents (both individuals or legal entities). An unincorporated entity (structure) is considered to be a CFC where the structure is controlled by a Russian tax resident (both individual and legal entity).

An individual or a legal entity are recognised as controlling person of a company or structure if their participation interest exceeds 25% (50% in 2015), whereas a 10% threshold applies provided that the total participation interest in a company or structure of Russian tax residents exceeds 50%.

Individuals can also be deemed to be controlling persons where they do not meet the above criteria but control the legal entity or a structure in their own interest or interest of their spouses or minor children. Having control over a CFC means having a determining influence (or ability to have a determining influence) over a CFC's decisions related to the distribution of the after-tax profit by virtue of direct or indirect participation or management agreement or other special relations with a legal entity or by virtue of the agreement or governing law in case of a structure.

23. Are there any transfer pricing rules?

The transfer pricing rules are mainly based on the arms' length principle established by the Organisation for Economic Co-operation and Development (OECD) transfer pricing guidelines and apply to controlled transactions since 1 January 2012.

Controlled transactions include:

- Domestic transactions with affiliates (related parties) exceeding certain thresholds.
- Cross-border transactions with affiliates (related parties).
- Transactions with independent companies located in certain jurisdictions from the black list of Russian Ministry of Finance.
- Foreign trade transactions involving certain exchange trade goods (for example, oil, metals and commodities).

Transactions are not deemed to be controlled if, for example, the parties to the transaction are:

- Members of a consolidated group of taxpayers (provided that the transaction does not involve extracted mineral products).
- Entities registered and paying corporate profits tax in one region of Russia, not having permanent establishments in other regions of Russia and abroad, not having deductible losses (including losses carried forward) but the transaction does not meet the special criteria for transactions between Russian-based related parties.

Customs duties

24. How are imports and exports taxed?

Value added tax (VAT) and customs duties (if applicable) are imposed on most imports of goods to Russia. Exports of goods are taxed with VAT at 0% rate but can be subject to customs duties.

For services, there is no concept of import or export of services. VAT is charged based on place of supply of such services. Services are subject to the Russian VAT if the place of their supply is Russia. The place of supply is determined depending on the substance of services.

Double tax treaties

25. Is there a wide network of double tax treaties?

From the beginning of 2015, Russia has signed and ratified 82 double tax treaties. These tax treaties are usually based on the Organisation for Economic Co-operation and Development (OECD) Model Treaty, although Russia is not an OECD member. Special provisions of the Tax Code explicitly state that in the event of a conflict, the provisions of double tax treaties override the Tax Code. The most significant jurisdictions with which Russia has signed a double treaty are the US, the UK, Germany, France, Switzerland, Canada, China as well as the Netherlands, Cyprus, and Singapore.

Competition

26. Are restrictive agreements and practices regulated by competition law? Is unilateral (or single-firm) conduct regulated by competition law?

The primary statute governing competition is Federal Law No. 135-FZ "On Protection of Competition" dated 26 July 2006. The law is designed to prevent and restrain monopolistic activities, including prohibitions on:

- Abuse of dominance and anti-competitive agreements.
- Unfair competition.
- Anti-competitive practices.
- Acts of government authorities and local self-government authorities.
- Other bodies exercising the powers of the above authorities.

Violations of prohibitions imposed by anti-trust laws primarily entail administrative liability, generally as fines that can be fairly substantial but are based on the use of the annual turnover fines to legal entities. Also, following an investigation, an anti-trust authority can issue a cease and desist order intended to halt or prevent any violations of anti-trust laws.

The law also provides for criminal liability, however, only for one type of offence, which is cartels. Criminal liability can result in up to three years in prison if an anti-competitive agreement has done significant harm to individuals, organisations or the state or resulted in large profits. Notably, large profits mean profits exceeding RUB50 million. Significant harm means harm for any amount exceeding RUB10 million. The law, both administrative and criminal, contains special leniency programmes (immunity and reduction) both for corporations and individuals.

Leniency programmes are used if a party that participated in a cartel is among the first to:

- Voluntarily report the particular cartel.
- Stop its participation in a cartel.
- Actively assist in its exposure or investigation.
- Bring essential evidence that is sufficient for the regulator to define an infringement.

Anti-trust laws apply to any agreements made outside of Russia between Russian and foreign persons or entities and to any of their practices if the agreements and practices affect competition in Russia.

The primary anti-trust agency in Russia is the Federal Anti-trust Service (Russian FAS). The Russian FAS is an authorised federal executive authority that:

- Issues legal regulations.

- Controls and supervises compliance with competition laws in product markets.
- Protects competition in the financial services market.
- Oversees activities of natural monopolies and advertisers.

Additionally, the Russian FAS is charged with monitoring public procurements and supervision of foreign investment in Russia.

Local offices of the Russian FAS operate in Russia's constituent entities.

The Russian FAS's website is www.fas.gov.ru. This website contains the goals and objectives of the Russian FAS, its structure and activities and lists basic legal regulations in the area of competition.

Restrictive agreements and practices

Anti-trust laws provide for prohibitions on agreements and concerted actions that restrict competition.

The law lists prohibited horizontal and vertical agreements. The prohibited "horizontal" agreements (cartels) include agreements that result (or may result) in:

- Price fixing of prices (tariffs), discounts, surcharges (extra payments) or markups.
- Increase, decrease or fixing of tender prices.
- Market sharing by territory, sales or purchases of goods, assortment of goods sold or composition of sellers or buyers (customers).
- Reduction or cessation of manufacture of goods.
- Refusal to enter into contracts with specific sellers or buyers (customers).

However, the Federal Law "On Protection of Competition" includes special permissibility criteria for joint venture horizontal agreements based on its pro-competitive effect, use of innovation and benefits for consumers comparable with benefits for parts of such agreements. Also, in 2013, the FAS Russia issued special guidelines for joint venture agreements.

Prohibited "vertical" agreements include agreements if:

- Such agreements result (or may result) in the fixing of a resale price except where a seller fixes a maximum resale price for a buyer.
- Such agreements envisage an obligation of a buyer not to sell a product of a business entity that competes with the seller. Such a prohibition does not extend to any agreements with the buyer to organise sales of goods under the seller's or manufacturer's trade mark or brand.

Anti-monopoly legislation includes special safe harbour rules that indicate the vertical agreements with minor importance for competition if the market shares of the parties are less than 20%. In these cases, anti-trust prohibitions cannot be applied to the particular vertical agreement even if it includes resale price maintenance (RPM) or other restraints that are prohibited.

In any event, there is a special block exemption regulation for vertical agreements and agreements at financial markets (especially agreements between banks and insurance companies).

Other agreements between business entities can also be found anti-competitive. However, this is only if it is determined that such agreements result (or may result) in restriction of competition.

In anti-trust law, "agreement" means both written and oral arrangements.

Apart from the prohibition on anti-competitive agreements, the law prohibits coordination of economic activities or concerted action by business entities.

Prohibited coordination of economic activities means coordination of business entities' conduct by a third party that is not a member of the business entities' group and that does not carry on any business in the product market where coordination of activities among business entities is taking place. Also, in order to treat a conduct as coordination, an anti-trust agency must find that such coordination leads to consequences contemplated by anti-trust laws.

Concerted actions by business entities mean actions taken by business entities in a product market in the absence of an agreement that meet all of the following conditions:

- The outcome of the actions serves the interests of each of the business entities.

- The actions are known in advance to each of the business entities involved due to a public announcement made by one of them that such actions have been taken.
- The actions of each of the business entities are caused by the actions of other business entities and do not result from circumstances equally affecting all business entities in a relevant product market. In particular, such circumstances can include:
 - a change in regulated tariffs or prices for raw materials used to produce goods;
 - a change in prices for goods in the global product markets;
 - a material change in demand for goods over a period of at least one year or while a relevant product market exists if it exists for less than one year.

Also, to treat a conduct by market participants as coordination, an anti-trust agency must find that the actions lead to consequences listed in the law.

Also, existing prohibitions do not extend to any concerted actions of business entities whose aggregate share in a product market does not exceed 25% and the share of each of them in the product market does not exceed 8%.

The above prohibitions do not extend to any agreements and concerted actions of business entities within one and the same group if one of such business entities controls another business entity or if such business entities are controlled by one entity.

Control means the ability of an individual or a legal entity to directly or indirectly (through a legal entity or several legal entities) exert decisive influence on decisions made by another legal entity through one or more of the following:

- Holding more than 50% of the total number of votes attributable to the voting shares (interests) consisting of the authorised (share) capital of the legal entity.
- Acting as an executive body of a legal entity.

As a special measure, anti-trust laws provide for a prohibition on anti-competitive agreements or concerted actions involving government or municipal authorities, other authorities or organisations acting for these authorities as well as state non-budgetary funds and the Central Bank of Russia.

Unilateral conduct

The anti-trust law sets out the following basic prohibitions:

- On abuse of dominance.
- On unfair competition.
- Prohibition of anti-competitive acts and actions (omission) of federal executive authorities, authorities of constituent entities of Russia, local self-government authorities, other authorities or organisations acting for such authorities and involved in the provision of public or municipal services as well as state non-budgetary funds and the Central Bank of Russia.

The abuse of dominance can be expressed in the:

- Fixing (maintenance) of a monopolistically high price for goods.
- Discontinuation of sales of goods if the discontinuation results in price hikes and imposition on a counterparty of disadvantageous terms of a contract or terms that do not pertain to the subject of the contract.
- Unreasonable economic or technological reduction or cessation of the production of goods if the goods are in demand or if orders have been placed for such goods and if they can be produced at a profit and if such reduction or cessation of the production of goods are not expressly stipulated by federal laws, legal regulations or judgments.
- Economically or technologically unreasonable refusal to enter into or evasion from entering into a contract with specific buyers (customers) if such goods can be produced or supplied and unless such refusal or evasion are expressly stipulated by legal regulations or judgments.
- Setting different prices (tariffs) for the same goods that are not substantiated economically, technologically or otherwise.
- Financial institution setting an unreasonably high or an unreasonably low price for a financial service except as otherwise provided by a federal law.

- Creation of discriminatory conditions.
- Impeding either access to a product market or withdrawal from a product market by other business entities.
- Violation of pricing procedures as contemplated by legal regulations.
- Price gouging at the wholesale or retail electricity (capacity) markets.

Generally, a business entity is dominant in a market if its market share for a particular product exceeds 50%. However, in certain circumstances, a business entity can be regarded as dominant in a product market if its market share is below 35%.

There is also a system of collective dominance for each of the several legal entities if they fulfill special conditions, for example:

- With the aggregate share of not more than three economic entities, the share of each of these exceeds the shares of the other economic entities in this market and the total aggregate exceeds 50%.
- The aggregate share of not more than five economic entities, the share of each of these exceeds the shares of the other economic entities in the relevant goods market, and the total aggregate exceeds 70% (this provision is not applicable if the share of at least one of the economic entities is less than 8%).

For some kinds of abuse of dominant position (except the establishment of monopoly high prices) the rule of reason criteria can be used by the Federal Anti-trust Service (Russian FAS) and a particular action by the dominant person can be found permissible if the action:

- Does not create for a dominant person an opportunity to eliminate competition in the relevant goods market.
- Does not impose restrictions superfluous to the achievement of the goal of these actions (lack of action), agreements and concerted practices, transactions, other actions on the participants or third persons.
- Results (or can result) in:
 - perfection of production, sale of goods or stimulation of technical, economic progress or rising competitive capacity of the Russian goods in the world market;
 - obtaining by consumers of benefits (advantages) that are proportionate to the benefits (advantages) obtained by the economic entities as a result of the actions (lack of action), agreements and concerted practices, transactions, other actions.

Prohibited unfair competition means any conduct of business entities (a group):

- Intended to gain advantage in their business activities that run contrary to the laws, customary business practices, requirements of reasonableness, good faith and fairness.
- That has caused or may cause losses to competing business entities.
- That has damaged or may damage their business reputation.

The basic forms of unfair competition includes dissemination of false, inaccurate or misrepresented information that can cause losses to a business entity or damage its business reputation. It must also be misleading as to things such as the nature, method and place of production, consumer qualities, quality and quantity of goods or in relation to their manufacturers.

Also, unfair competition related to the acquisition and use of an exclusive right to any means of identification of a legal entity, goods, work or services is prohibited.

Finally, the anti-trust agency prohibits government authorities and local self-government authorities from passing the regulations and taking (omitting to take) actions such as:

- Introducing limitations on incorporation of business entities in any area of business, introducing prohibitions or limitations on particular types of business or production of particular products.
- Unreasonably impeding business activities of business entities, including by imposing requirements to goods or business entities that are not contemplated by the law.
- Introducing prohibitions or restrictions on free circulation of goods in Russia as well as other limitations of rights held by business entities to sell, buy or otherwise acquire and exchange goods.
- Giving instructions to business entities on the priority supplies of goods for a specific category of buyers (customers) or entry into contracts on a priority basis.

- Imposing restrictions on consumers of goods as to their choice of business entities that offer such goods.
- Granting a business entity access to information on a priority basis.
- Granting state or municipal preferences in breach of the requirements contemplated by Chapter 5 of this Federal Law.
- Creating discriminatory conditions.
- Stipulating or charging fees that are not contemplated by the laws for public or municipal services and any services that are necessary or mandatory to provide public or municipal services.
- A business entity giving instructions to purchase goods except those provided by the law.

It is prohibited to vest government authorities in constituent entities or local self-government authorities with any powers the exercise of which results or may result in preclusion, restriction, elimination of competition except as provided by federal laws. It is also prohibited to combine government functions with those of business entities, vesting business entities with functions and rights of such authorities, including functions and rights of governmental control and oversight authorities except as provided by a law.

27. Are mergers and acquisitions subject to merger control?

Generally, under the Competition Law the following transactions are subject to merger control:

- Mergers and takeovers.
- Incorporation of a company (if its charter capital is paid by shares or assets of another company).
- Acquisition of shares, assets and rights.

The Competition Law is applicable to foreign-to-foreign transactions with certain peculiarities specified below.

There are two forms of merger control:

- Pre-closing clearance.
- Post-closing notification. This is applicable to the intra-group transactions only (except for transactions between companies connected directly or indirectly by 50% share ownership, which are exempted from filing obligation) according to the amendments to the Competition Law as of 30 January 2014.

Filing thresholds (turnover or assets test) differ according to the types of merger control transactions, although there is an additional threshold for foreign companies. Triggering events (substantive test) are almost the same for both Russian and foreign targets, with certain peculiarities for the latter.

Filing thresholds (turnover or assets test):

- For mergers, takeovers and incorporation of a company (if its charter capital is paid by shares or assets of another company) there are the following thresholds concerning both Russian and foreign companies:
 - the combined worldwide value of assets of the parties (and their groups) according to the latest accounts exceeds RUR7 billion or their combined worldwide revenue exceeds RUR10 billion;
 - separately the parties (or their groups' members) are listed in the Russian register of companies with a market share exceeding 35%.
- For the acquisition of shares, assets and rights there are the following filing thresholds concerning both Russian and foreign companies:
 - the combined worldwide value of assets of acquirer (with its group) and target (with its group) according to the latest accounts exceeds RUR7 billion or their combined worldwide turnover in the last business year exceeds RUR10 billion;
 - the worldwide value of assets of target (with its group) according to the latest accounts exceeds RUR250;
 - separately one of the entities (acquirer, target or any entity from their groups) is included in the Russian register of companies with a market share exceeding 35%.

For foreign companies there is an additional, special threshold, which is that a foreign company must have supplied goods to Russia for an amount exceeding RUR1 billion during the year preceding the transaction closing.

Filing thresholds for financial organisations are different and set out by the Government.

Triggering events (substantive test):

- The following triggering events are general and relate to both Russian and foreign targets:
 - mergers and takeovers;
 - incorporation of a company (if its charter capital is paid by shares or assets);
 - acquisition of rights to determine business activity or to perform the functions of an executive body;
 - acquisition of assets (namely, fixed production assets or intangible assets located or registered in Russia, book value of which exceeds 20% of the total book value of the fixed production assets and intangible assets of the selling company).
- With Russian targets there is a specific triggering events, which is the acquisition of more than 25%, 50%, 75% of voting shares in a Russian joint-stock company or one third, one half or two thirds of the participatory shares in a Russian limited liability company.
- With foreign targets there is a specific triggering event, which is the acquisition of more than 50% of voting shares of foreign company.

There are no special foreign exemptions. The RUR1 billion threshold can be considered as a qualifying element aimed at excluding foreign-to-foreign transactions with very insignificant effect on competition in Russia. Therefore, if a foreign target did not supply goods to Russia exceeding RUR1 billion during the year preceding the transaction closing, respective foreign-to-foreign transaction are not subject to merger control.

Intellectual property

28. Outline the main IP rights in your jurisdiction.

Patents

Definition and legal requirements. A patent is an official document that certifies the patent holder's exclusive rights to a patented object. Patents are issued for the following patented objects:

- Invention.
- Utility model.
- Industrial design.

A technical decision in any field related to a product or a method, including the product's or method's application for a particular purpose may be protected as an invention.

The patentability for inventions includes the requirements of:

- Novelty.
- Inventive step.
- Industrial applicability.

A technical solution related to a device may be protected as a utility model. To be patentable, a utility model must be:

- New.
- Industrially applicable.

A patent can also be obtained for a plant variety that will be registered with the Ministry of Agriculture of the Russian Federation.

Registration. Federal Service for Intellectual Property (Rospatent) is the authorised governmental body that registers patentable objects and issues patents.

The official website of the Federal Institute of Industrial Property (www1.fips.ru), which is a subordinate of Rospatent, provides a general overview of the authority's functions in English, while guidance on the application procedure is only accessible on the Russian version of the website.

Enforcement and remedies. The patent holder and exclusive licensees have the right to enforce patent rights. The patent holder can grant licenses, assign its rights or pledge its rights.

For example, the following activities constitute the use of a patented object:

- Import.
- Production.
- Application.
- Offers for sale.
- Sale or other commercialisation.
- Storage for the above purposes.

Third parties must refrain from using the patented objects without the right holder's permission. If the patent rights are infringed, the patent holder is entitled to the following remedies:

- Reimbursement of damages.
- Compensation of either:
 - an amount ranging from RUR10 000 to RUR5 million based on a court's decision;
 - double the amount of a reasonable and usual consideration for the right to use the relevant patented object.
- Injunction.
- Publication of a court decision.
- Cessation of infringement.

A patent can be challenged in the course of a patent invalidation proceeding by addressing the Rospatent's Chamber for Patent Disputes. In some cases a patent invalidation proceeding will be handled by a court.

Length of protection. Inventions are protected for 20 years. Under certain circumstances, the term of protection can be extended for an additional five years if the invention covers pharmaceutical products, pesticide or agrochemical that require additional approval by the regulator before commercialisation.

A utility model's term of protection is ten years from the date of priority.

Trade marks

Definition and legal requirements. A trade mark is a designation that individualises goods and services of legal entities and individual entrepreneurs.

There is a long list of a trade mark's legal requirements, which generally states that to be protected as a trade mark a designation must:

- Be original.
- Have a distinctive character.
- Not infringe third party rights.

Protection. Rospatent is the authorised governmental authority in charge of trade mark registration. An application for national trade mark registration must be filed with Rospatent. The guidance on the application procedure is provided on the website in Russian.

Unregistered trade marks are not subject to legal protection. Rights to such marks are unenforceable.

Enforcement and remedies. Only the right holder of a registered trade mark and a licensee under exclusive license is entitled to enforce trade mark rights. The trade mark holder can dispose its patent rights, that is, grant licenses, assign its rights or pledge its rights.

A trade mark can be used by placing it:

- On goods.
- In the course of the work's performance or service's provision.
- On the documentation related to the commercialisation of goods.
- In offers for sale of goods, performance of works, provision of services and also in announcements, billboards and in advertisements.
- On the internet, including in a domain name or in other address methods.

Third parties should refrain from using trade marks or confusingly similar designations without a trade mark holder's permission. Nevertheless, if a trade mark is infringed, a trade mark holder is entitled to the following remedies:

- Reimbursement of damages.
- Compensation of either:
 - the amount ranging from RUR10,000 to RUR5 million based on a court's decision, or
 - double the amount of the value of counterfeit goods;
 - double the amount of a reasonable and usual consideration for the right to use the relevant trade mark.
- Injunction.
- Publication of a court decision.
- Cessation of infringement.
- Confiscation and destruction of counterfeit goods.

Trade marks can be challenged in the course of trade mark revocation proceeding by addressing the Rospatent's Chamber for Patent Disputes. A trademark can be challenged in a non-use cancellation proceeding, if it is not used for three years up to filing a non-use cancellation claim. The non-use cancellation proceeding will be handled by the Court for Intellectual Property Rights.

Length of protection and renewability. Trade marks are protected for ten years. The protection can be extended indefinitely for ten year periods.

Registered designs

Definition. A decision relating to the industrial or handicraft of a product's external appearance can be protected as an industrial design.

Industrial designs are patentable if their essential features are novel and original.

Registration. Rospatent grants patents to industrial designs. The authority's website provides guidance on the application procedure only on the Russian version of the website.

Enforcement and remedies. Industrial design patent holders and holders of an exclusive license can enforce patent rights to industrial design. The patent holder can dispose of its patent rights, by granting licenses, assigning its rights to the patent to a third party or pledging its rights.

Third parties should refrain from using industrial designs without permission of the right holder. Nevertheless, if the patent rights to an industrial design are infringed, the patent holder is entitled to the following remedies:

- Reimbursement of damages.
- Compensation of either:
 - an amount ranging from RUR10,000 to RUR5 million based on a court's decision;
 - double the amount of a reasonable and usual consideration for the right to use the relevant patented object.
- Injunction.

- Publication of a court decision.
- Cessation of infringement.

Industrial design patents can be challenged in the course of patent invalidation proceedings by addressing the Rospatent's Chamber for Patent Disputes. In some cases a patent invalidation proceeding will be handled by a court.

Length of protection and renewability. Patented industrial design is protected for five years. The term for protection of industrial designs can be extended for an additional five years more than once but the whole term of protection (including extensions) cannot exceed 25 years.

Unregistered designs

Definition and legal requirements. Unregistered designs are protected as copyrighted works. They should have original and creative character.

Enforcement and remedies. The author of an unregistered design holds exclusive and personal (moral) rights with regard to this unregistered design as a copyrighted object.

The right holder (author or subsequent right holder) can:

- Assign its exclusive rights to a third party.
- Grant a license.
- Dispose of the right in other manner.
- Use a design as a copyrighted work.

Third parties must refrain from using the unregistered design without the right holder's permission.

The right holder (and the author) is entitled to the following remedies:

- Reimbursement of damages.
- Compensation of either:
 - an amount ranging from RUR10,000 to RUR5 million based on a court's decision;
 - double the amount of the counterfeit goods' price;
 - double the amount of the consideration for the right to use the unregistered design.
- Injunction.
- Publication of a court decision.
- Cessation of infringement.

Length of protection. Generally, exclusive rights to unregistered designs as copyrighted objects are protected for the period of an author's life and 70 years after the author's death. Personal (moral) rights are protected for unlimited term.

Copyright

Definition and legal requirements. Scientific works, works of literature and art are protected as copyrighted objects regardless of their value and purposes as well as of their form of representation. To be protected, copyrighted objects should have original and creative character.

Protection. Copyright is not subject to registration. A right holder of a software product can, at its discretion, register a software product with Rospatent.

Enforcement and remedies. See *Unregistered designs*.

Length of protection and renewability. See *Unregistered designs*.

Marketing agreements

29. Are marketing agreements regulated?

Agency

Agency agreements are governed by the Russian Civil Code (part II).

Distribution

Distribution agreements are not specifically governed by Russian law. The agreements are interpreted as agreements with a "combined" legal nature as they contain elements of supply contracts and agency provisions.

Franchising

Franchising agreements are governed by the Russian Civil Code (part II). The licensing of registered IP objects (for example, trademarks) under franchising agreements is subject to state registration with the Russian PTO. However, the whole agreement is not subject to licensing; only the licensing part contained in the agreement.

E-commerce

30. Are there any laws regulating e-commerce (such as electronic signatures and distance selling)?

There is a specific federal law on electronic signatures that contain a list of requirements for the validity of electronic signatures. Electronic signatures are typically used by the state authorities.

Distance selling of goods (and services related to the sale of such goods) is governed by the Russian Government's Ruling on the rules of distance selling of goods.

Advertising

31. Outline the regulation of advertising in your jurisdiction.

Adoption of the special Federal Law of 24 July, 1995 No. 108-FZ on Advertising marked the beginning of the state control over the contents and distribution of advertising in Russia.

Starting from 2006, all advertising distribution in Russia, will be governed by the Federal Law of March 13, 2006 No. 38-FZ "On Advertising" (Advertising Law). The Advertising Law has imposed a ban on distributing inaccurate advertising containing untrue information, more specifically, no knowingly false, inaccurate or outdated information, on the advantages of goods advertised over those of other producers or suppliers can be distributed.

The Advertising Law also bans the distribution of unfair advertising containing incorrect comparisons of an advertised product with those commercialised and produced by another manufacturer or seller, and/or discrediting the honour, dignity and business reputation of a person and/or constituting an act of unfair competition, under the Federal Law of 26 July, 2006 No. 135-FZ on Competition Protection.

In addition, the Advertising Law restricts advertising of products under the same umbrella brand, that is the advertising of a product that cannot be advertised in the current location, in the guise of another product's advertising, because this advertising would break a ban imposed on the advertising of certain products. For example, the Advertising Law provides for special regulation for the advertising of alcoholic beverages, drugs and dietary supplements, military goods and weapons, financial services and securities market.

The state duty to control compliance with the advertising legislation, to prevent identifies and stop unfair advertising has been imposed on the Federal Antimonopoly Service of Russia.

Data protection

32. Are there specific statutory data protection laws? If not, are there laws providing equivalent protection?

Personal data is protected in Russia in accordance with the Federal Law on Personal Data 152-FZ. The law:

- Defines the main terms related to personal data.
- Lists requirements for lawful personal data processing.

- Establishes rules of trans-border data transfer.
- Sets out a data operator's rights and obligations.

The Federal Law 242-FZ (that will come into effect in September 2015) is devoted to personal data localisation requirements.

The main regulatory authority relating to personal data is the Federal Service for supervision of communications, information technology and mass media (Roskomnadzor). Its official website in English is <http://eng.rkn.gov.ru>.

Product liability

33. How is product liability and product safety regulated?

Product liability and safety issues are governed by the Law on Consumers' Rights Protection. The sellers, manufacturers/service providers/importers can be held liable for the following offences regarding products/services:

- Provision of incorrect or inaccurate information on the product.
- Violation of consumers' rights.
- Damages caused by defects in products/services.
- Compensation of moral damages incurred.

Contract provisions that have an adverse effect on consumers' rights are considered null and void.

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