AN OVERVIEW OF THE RUSSIAN IMPORT PROCEDURES, LABELLING AND CERTIFICATION

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BUSINESS SWEDEN RUSSIA
**THIS POINT OF VIEW AIMS TO PROVIDE A STRUCTURED OVERVIEW OF THE RUSSIAN IMPORT PROCESS**

**OBJECTIVE**
- The objective of this Business Sweden Point of View is to provide an overview of the Russian import, labelling and certification procedures in order to help Swedish companies gain a better understanding of the Russian import process.
- In line with Business Sweden’s purpose to help companies in Sweden to grow their international revenues, this Point of View aims to provide concrete and structured guidance in order to inspire Swedish companies to initiate or continue their expansion efforts in Russia.

**STRUCTURE AND CONTENT**
- The Russian import process, and this report, is composed of three areas:
  
  1. **Sales options in Russia**
  2. **Pre-shipping preparations**
  3. **Customs clearance upon arrival**

- The Eurasian Customs Union of Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan (EACU) provides the framework for imports and exports in Russia and neighboring countries.
- Only a EACU legal entity may import goods and declare them at customs.
- A foreign exporter needs to comply with legal requirements, technical regulations and have the correct certificates, labels and other documents in place to be able to sell in Russia.
- At the border, a Russian legal entity (e.g. distributor or own subsidiary) needs to pay custom duties and import VAT as well as adhere to the regulations.
A SUCCESSFUL MARKET ENTRY REQUIRES PREPARATION AND CONSIDERATION OF OPTIONS

STEP 1

SECURE READINESS FOR GROWTH

- Before you begin your internationalization journey, you need a plan, strategy and internal capabilities to execute the expansion

STEP 2

GROW ORGANICALLY AND / OR GROW IN-ORGANICALLY

- Organic growth is for most companies the default option for international expansion
- Allows to scale incrementally and adjust tactics based on early feedback from the target market. It may however be challenging to deliver on ambitious growth targets when following only a organic growth path
- In-organic strategy can be an effective tool to accelerate growth and gain access to new customers, capabilities, products, brands, markets and segments
- While M&A can fast-track your global/regional footprint, the pitfalls are many and require thorough research, both from industry and country perspective

DEFINING THE GROWTH STRATEGY IS KEY FOR A SUCCESSFUL MARKET ENTRY TO RUSSIA AND ELSEWHERE
DEPENDING ON THE DESIRED GROWTH STRATEGY, SALES CAN BE ORGANIZED IN DIFFERENT WAYS

1. Sales options in Russia
   - A common light footprint strategy is to use a well-established distributor
   - A good distributor will typically sell and deliver the goods to end-users and/or the retail market and provide logistical support, including customs clearance and warehousing
   - Limited need for investment (except for marketing, which is usually expected by the distributor)
   - Lock-in effect: weak bargaining position if lengthy and costly certification process

2. Pre-shipping preparations
   - As an alternative to using a distributor, a subsidiary company may be created. This allows a strong presence in the market with full control over operations
   - In this case, the subsidiary may be fully liable for all sales and procedures (e.g. certification and customs clearance)
   - The subsidiary sales option can be combined with having one or several distributors

3. Customs clearance upon arrival
   - A Swedish exporter may also choose a in-organic sales option. It can become a strategic partner to Russian firms by taking equity positions in Russian joint stock companies and establishing joint ventures or acquire a Russian entity (fully or partially)
   - Principal benefits of an acquisition or a joint venture is the possibility of brand recognition for the Swedish company’s products and possibility to connect to the Russian entity’s existing network

YOUR FOOTPRINT CHOICE DEPENDS ON THE TIME HORIZON, YOUR DESIRED DEGREE OF CONTROL AND INVESTMENT
CERTIFICATION AND CONFORMITY DOCUMENTS ARE MOSTLY REQUIRED FOR CUSTOMS CLEARANCE

**BACKGROUND**
- With the introduction of the Eurasian Customs Union (EACU) in 2010, a unified product certification system was established.
- For imports into EACU, many kinds of products need to be tested and certified for compliance with the technical regulations requirements.
- The applicant for conformity documents needs to be a legal entity of a country of the EACU.
- Conformity documents are valid on the whole territory of the EACU.

**TWO TYPES OF CONFORMITY DOCUMENTS**
- **Conformity certificate**
  - A certification body certifies the compliance of the products with technical regulations requirements.
  - This process often includes tests and is thus time-consuming and costly.
- **Declaration of conformity**
  - The representative of manufacturer certifies that the goods meet the terms of the regulatory documents.
  - A shorter and simpler process compared to the certificate.

**WHAT DOCUMENTS TO ARE REQUIRED?**
- The type of product, its HS-code and the field of usage determines which conformity document to be obtained.
- Both documents may be issued for:
  - a specific delivery (with indication of the invoice and delivery contract number).
  - serial production (with a validity of one, three or five years).

ONLY A RUSSIAN (EACU) LEGAL ENTITY CAN APPLY FOR CONFORMITY DOCUMENTS

**Sales options in Russia**

**Pre-shipping preparations**

**Customs clearance upon arrival**
CONFORMITY DOCUMENTS VERIFY THE COMPLIANCE WITH TECHNICAL REGULATIONS

1  Sales options in Russia

2  Pre-shipping preparations

3  Customs clearance upon arrival

INSTANCES YOU NEED TO PROOF CONFORMITY

- Border control (depending on the product, checking of restrictions in force)
- Customs clearance
- Sales within the EACU
- Participation in tenders

COMPLIANCE TO THE LAW

- Conformity documents should be available upon request from authorities and end consumers
- Conformity documents are often an obligatory requirement in tenders
- Conformity documents proof the quality of the products to the client and verify its compliance with technical regulations and standards
- The conformity with local standards needs to be indicated on the packaging or on the label

CERTIFICATION STEPS

- Determination of HS-code and product description
- Determine what certificates and other documents that are required
- Application to an authorised certification company
- Inspection of production sites if required
- Preparation and delivery of samples for testing if required
- Confirmation of the final version of the conformity document

CONFORMITY DOCUMENTS ARE NEEDED THROUGHOUT THE IMPORT PROCESS
THE CONFORMITY DOCUMENTS ARE ISSUED BY EITHER A REPRESENTATIVE* OR A CERTIFICATION BODY

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DECLARATION OF CONFORMITY
(Issued by a representative* in Russia)

- The EurAsian Conformity mark
- The Russian Representative declares that the product XXX manufactured by Swedish AB conforms with the Technical Regulations of the Customs Union
- Stamp and signature of the Russian Representative
- Registration date 00.00.2014
- Valid 3 years until 00.00.2017

CONFORMITY CERTIFICATE
(Issued by a certification body)

- The EurAsian Conformity mark
- The name of the certification body
- The name of the Russian company that applied for certificate
- Information about the producer and the product
- Certification body confirms that the product meets the requirements of the Technical Regulations and have passed required tests
- Stamp and signature of the certification body

CONFORMITY DOCUMENTS ARE PUBLISHED ON THE FEDERAL ACCREDITATION SERVICE (FSA.GOV.RU)

* A REPRESENTATIVE CAN BE A RUSSIAN DISTRIBUTOR, AN IMPORTER OR A SUBSIDIARY
MAKE SURE YOUR LABELLING IS ALIGNED WITH EACU LEGISLATION

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BACKGROUND
- All products imported to the Russian market must be labeled according to Russian standards before crossing the border.
- The label text should be identical to the instruction manual (or user guide), product registration documents and the shipping documents.
- Product label should match the Conformity documentation.
- Means of communication include putting a label on the product, package, in technical or supporting documentation which is specified in a particular Technical Regulation.
- Labels should contain information in the Russian language and/or in other official languages of the Customs Union countries.

MANDATORY INFORMATION ON THE LABEL
- Product name and purpose, features and characteristics.
- Manufacturer’s name and address, Importer’s name, address, contact details.
- Country of manufacturing.
- Terms and conditions of effective and safe product usage.
- Service/shelf life for the product, guarantee period if exist.
- Reference to the technical regulations and other mandatory confirmation of compliance documents.
- Other relevant information, additional requirements, EAC mark and other applicable marks required are specified in the corresponding Technical Regulation.

LABELLING NEEDS TO MATCH CONFORMITY DOCUMENTS AND BE DONE BEFORE CROSSING THE BORDER.
APPLY THE EURASIAN CONFORMITY MARK (EAC) APPROPRIATELY

WHAT IS THE EAC MARK?

- The EurAsian Conformity mark (EAC) is a certification mark to indicate that products conform to technical regulations of the EACU.
- EAC marked products should meet all requirements of the corresponding technical regulations and have passed successfully all conformity assessment procedures.
- If the product has passed all conformity procedures of the EACU, manufacturers or suppliers should label it with an EAC mark. The mark must be put directly on the unit product (if it is possible) and/or tag (if any) and also on the packaging and technical documentation.
- The mark may be put on the product (label, package) in any way, but it has to be clearly visible during the entire lifetime.

EAC MARK GUIDELINES

- EAC mark must be of a single color, clearly visible and at least 5 mm of size.
- EAC mark is a combination of three stylized letters: ‘E’, ‘A’ and ‘C’, with the same proportions, height and width.
- There is a contrasting background and the mark has to contrast with the color of the surface of the product or its label, which it is put on.

THE EAC MARK VERIFIES THAT THE IMPORTED GOOD CONFORMS TO THE TECHNICAL REGULATIONS
ASCERTAIN THAT THE EAC MARK CORRESPONDS TO THE CONFORMITY DOCUMENTATION

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**EAC MARK**

- **<LABEL EXAMPLE>**
- **<PRODUCT NAME>** Product name the same text as in the conformity document
- **<INGREDIENTS OR DESCRIPTION>** list of ingredients according to the product specification or technical documentation
- **<STORAGE AND SAFETY REQUIREMENTS>**
- **<DATE OF MANUFACTURING>**
- **<EXPIRATION PERIOD>**
- **<OTHER INFORMATION DEPENDING ON PRODUCT TYPE>**
- **<MANUFACTURED BY>** Name of the producer (could be in English) and address
- **<AUTHORIZED IMPORTER>** Name and address of the importer
- **<CONTACTS>** Contact details of the party responsible for claims
- **<COMPLIANCE TO THE TR>**
- **<THE EURASIAN CONFORMITY (EAC)>**

**OTHER MARKS AND SIGNS>** depending on the product type and packaging

**LABEL TEXT AND MARKS SHOULD MATCH THE CONFORMITY DOCUMENTS**

**CONFORMITY DECLARATION OR CONFORMITY CERTIFICATE**

IMPORTING EAC MARKED GOODS WITHOUT CONFORMITY DOCUMENTATION IS A SERIOUS LAW VIOLATION
CUSTOMS CLEARANCE IS TO BE PERFORMED BY A RUSSIAN LEGAL ENTITY

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CUSTOMS UNION
- The Eurasian Customs Union (EACU) is a customs union which consists of all the member states of the Eurasian Economic Union (Russia, Kazakhstan, Kirgizstan, Belarus and Armenia)
- When goods enter EACU, custom duties and import tariffs apply. However, no duties are levied on goods travelling within the EACU

WHO DOES CUSTOMS CLEARANCE?
- At the border, a Russian legal entity (e.g. distributor or own subsidiary) must handle the customs payments and provide the necessary documents
- The Russian legal entity can for example be a:
  - Distributor
  - Subsidiary
  - Transportation company
  - Customs representative

WHAT DOCUMENTS ARE REQUIRED?
- Value confirmation (price list verified by seller / receipt / copy of export declaration)
- Transport and delivery documents
- Certificates and conformity documents
- Commodity codes (HS-code)
- Licenses/permits when required
- Copy of insurance certificate with insurance amount (for incoterms: CIP, CIF)

MAKE SURE THAT YOU HAVE ALL DOCUMENTS IN PLACE BEFORE THE CUSTOMS CLEARANCE
CUSTOMS DUTIES, IMPORT VAT AND POTENTIALLY OTHER FEES ARE APPLIED TO IMPORTED PRODUCTS

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CUSTOMS DUTIES

- As in Sweden, customs duties in Russia are based on HS-codes and are in line with WTO principles
- Customs duties are normally set as a percentage of the customs value of imported goods, also known as “ad valorem” duties
- Customs officers pay close attention to the customs value, especially in deliveries to affiliated companies (risk of correction of the declared customs value)

IMPORT VAT

- On the majority of goods a VAT, “Nalog na Dobavlennoju Stoimost” (NDS), is applied
- The standard VAT rate is 18%
- VAT is generally due when goods are imported into the EACU. It is calculated based on the total sum of the customs value of the goods, customs and excise duties paid
- Import VAT may generally be claimed for recovery by the importer provided that the requirements for such recovery are met

OTHER CUSTOMS FEES

- The customs fee is a handling fee of the customs authorities, which is levied for each submitted customs declaration
- Excise custom duties are levied on a range of imported goods including wine, beer, spirits, tobacco, oil, vehicles and etc. Imported goods are subject to excise tax at the moment they are imported

TAKE INTO ACCOUNT DUTIES AND VAT WHEN PRICING YOUR PRODUCT FOR THE RUSSIAN MARKET
ACCELERATE YOUR WAY TO THE RUSSIAN MARKET
HOW BUSINESS SWEDEN CAN SUPPORT

EXPERIENCED TEAM ON THE GROUND
- We have brought together strategy consultants with combined decades of experience in Russia and internationally
- Members of our team delivered strategy and operations projects to some of the largest global players across industry sectors

EXTENSIVE NETWORK OF RUSSIAN EXPERTS
- Business Sweden is able to leverage the knowledge and expertise of current and former senior executives across industry sectors via own network in Russia
- Additionally, through our strategic partners we are tapping into even broader pool of local and international professionals

WE ARE ORGANIZED AS ONE FIRM
- Business Sweden’s 50+ offices across the globe are all part of the same organization, which is jointly owned by the Swedish state and business
- As a result you get seamless access to most relevant experts and consultants no matter where are they physically located

CHALLENGES AND OPPORTUNITIES WHERE WE CAN SUPPORT YOU
- Target your new markets by market selection analysis and go to market strategy
- Accelerate your landing by in-depth market research, establishing relations with your potential partners and certification process coordination
- Propel your growth by operational performance improvement, benchmarking and solid support on the ground
- Business planning and acquisition support
- Project management support, including tenders/procurement
- Investigating local customs duties and trade regulations
- Legal evaluation of agreements and other documents
- Support in choosing the most suitable form of legal entity
- Finding premises, hiring staff and much more

BUSINESS SWEDEN IS WELL-POSITIONED TO SUPPORT YOUR BUSINESS ACTIVITIES WORLDWIDE
LET US HELP YOU GROW YOUR BUSINESS IN RUSSIA

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