

COMPANY ESTABLISHMENT IN RUSSIA

**BUSINESS SWEDEN EURASIA
2018**





WAYS OF ESTABLISHING A LEGAL PRESENCE IN RUSSIA

OBJECTIVE

- ▶ The objective of this Establishment in Russia guide is to provide an overview of ways of establishing a legal presence in Russia in order to help Swedish companies gain a better understanding of the Russian establishment process
- ▶ In line with Business Sweden's purpose to help companies in Sweden to grow their international sales, this guide 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 three most common ways of establishing business in Russia are:



Register a company,
LLC or JSC



Accredit a representative office
or a branch office



Acquire an existing company

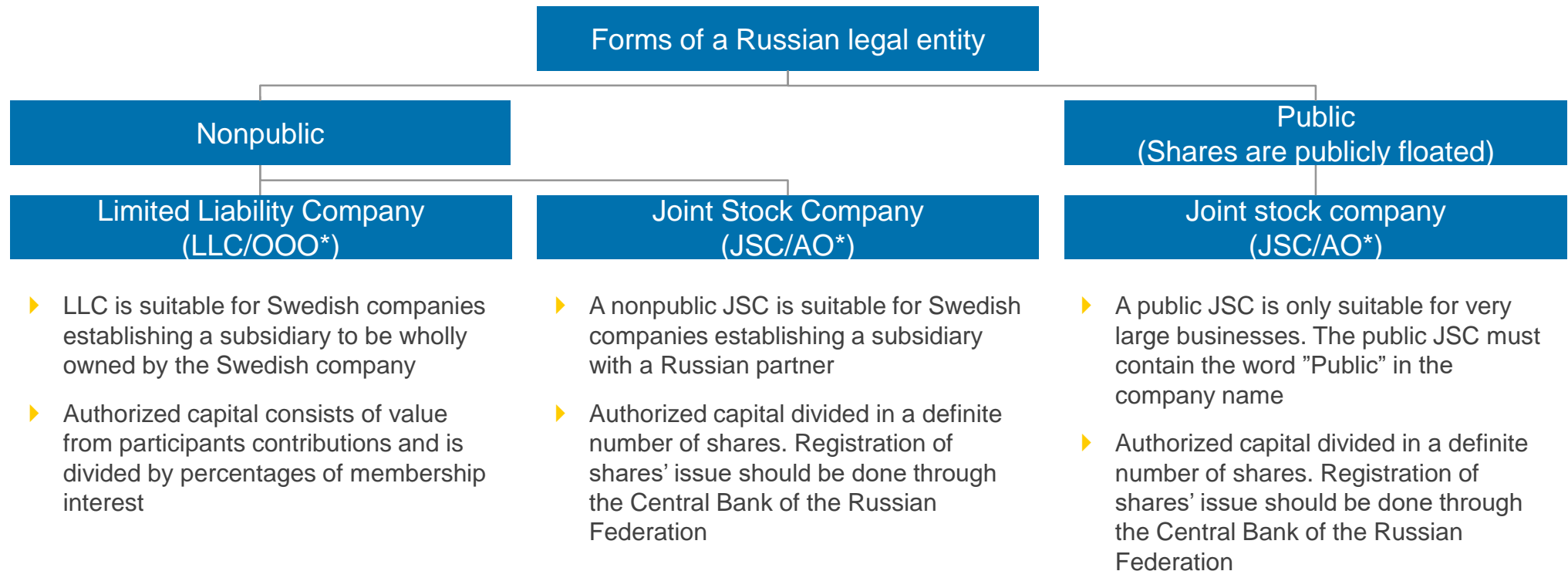
it takes 1-2 months on average to register a new company or representative/branch office

is not taken into consideration in this report



THERE ARE SEVERAL WAYS TO REGISTER A COMPANY

COMPANY FORMS VARY BY THE AUTHORISED CAPITAL AND NUMBER OF SHAREHOLDERS



THE MOST COMMON FORM OF COMPANY REGISTRATION IN RUSSIA IS LIMITED LIABILITY COMPANY

*RUSSIAN ABBREVIATIONS



LLC REGISTRATION IS THE FASTEST WAY TOWARDS THE RUSSIAN MARKET

- ▶ 7 days registration period, 4000 RUB state fee, 10 000 RUB authorized capital (minimum)
- ▶ Not more than 50 shareholders. Might be legal and/or individuals
- ▶ Authorized capital paid within 4 months after registration
- ▶ The highest body of the company is the General Meeting of participants led by an executive body such as a General Director
- ▶ Profit repatriation tax (dividend tax) is 15%

REGISTRATION DOCUMENTS

- ▶ Application form
- ▶ Article of association
- ▶ Decision of sole participant / protocol from the board
- ▶ Information about shareholders/participants:
 - ▶ Registration certificate from Sweden (for a company), or
 - ▶ Passport (for private persons)
- ▶ Registration of LLC is confirmed by:
 - ▶ Company registration certificate
 - ▶ VAT certificate

COMPANY REGISTRATION CERTIFICATE

(Issued by the tax authority)



Primary State
Registration Number
(ОГРН)

VAT CERTIFICATE

(Issued by the tax authority)



Taxpayer's
Identification Number
(ИНН)

Registration Reason
Code (КПП)

COMPANIES OFTEN CHOOSE LLC TO MANAGE IMPORT OPERATIONS AND CERTIFICATION PROCEDURES

SOURCE: CIVIL CODE, TAX CODE, FEDERAL LAW



NEITHER REPRESENTATIVE (RO) NOR BRANCH OFFICE (BO) IS CONSIDERED AS A RUSSIAN LEGAL ENTITY

- ▶ Registration period – from 40 days, registration fee is 120 TRUB, In case of incorrect application, the fee will not be returned
- ▶ The Head is acting on a power of attorney, the mother company is responsible for any claims against the office
- ▶ RO cannot undertake commercial activity, whereas BO can engage in full scale commercial activities
- ▶ There is no tax due for BO on repatriation of profits after tax
- ▶ BO income is easily transferred to the account of the head office

REGISTRATION DOCUMENTS

- ▶ Full scope of documents confirming the registration and activities of the head office
 - ▶ Registration documents
 - ▶ Balance, P&L, latest audit report
- ▶ Bank recommendations
- ▶ VAT registration document
- ▶ Application
- ▶ Regulations of RO/BO
- ▶ Coordination of the number of foreign employees
- ▶ Registration of BO/RO is confirmed by:
 - ▶ Certificate of entry in the state registry of accredited branches, representative offices of foreign legal entities
 - ▶ Certificate of registration of a foreign company

COMPANY REGISTRATION CERTIFICATE (Issued by the tax authority)



Number of record of accreditation (H3A)

VAT CERTIFICATE (Issued by the tax authority)



Taxpayer's Identification Number (ИНН)

Registration Reason Code (КПП)

COMPANIES OFTEN CHOOSE ACCREDITATION OF REPRESENTATIVE OR BRANCH OFFICE AS THE FIRST STAGE OF PRESENCE IN THE MARKET

SOURCE: CIVIL CODE, TAX CODE, FEDERAL LAW



EACH FORM OF PRESENCE HAS ITS PROS AND CONS

	BO	LLC	RO	COMMENT
Legal entity	✗	✓	✗	LLC is a separate legal entity that bears its own liabilities. While RO and BO liability is borne by the head office
Share capital	✗	✓	✗	10000 RUB minimum share capital for LLC
Business activities	✓	✓	✗	RO cannot undertake commercial activity, it is only marketing research and promotion BO involves in full scale economic activities but there are some limitations regarding foreign trade activities (custom clearance and importing with a help of customs broker)
Currency control* on operations with local partners	✓	✗	✓	LLC - only in case of cooperation with foreign partners For RO\BO currency control will take place in all operations, which cause additional workload for Russian partners
Statutory audit	✗	✓	✗	LLC - Statutory audit in cases stated by the law
Managing director/ head of office	✓	✓	✓	In LLC Managing director acting on behalf of the charter Head of RO\BO office acting on the basis of a power of attorney from the Mother Company
Legal address	✓	✓	✓	General director of LLC or head of the BR\RO should be located in the company registration address. Agreement for local premises is required at the registration stage
Chief accountant	✓	✓	✓	Chief accountant or a book keeping company should be appointed even on primary stage
Work permit for foreign citizens	✓	✓	✓	Work permit is required in all cases
Accounting reports	✗	✓	✗	Russian accounting system differs considerably from the international standards
Taxation reports	✓	✓	✓	Taxation reports are submitted on a monthly/quarterly basis even if there are no activities
Import operations	✓	✓	✗	The easiest way to import goods is through LLC Import operations through BO require more extensive document preparations
Certification	✗	✓	✗	Only LLC can be an applicant for certification purposes

CURRENCY CONTROL - STRICT RULES IMPLEMENTED BY THE CENTRAL BANK OF RUSSIA TO CONTROL ALL TRANSACTIONS BETWEEN FOREIGN AND RUSSIAN COMPANIES



TAXATION IS COMPLEX AND DIFFERS ACROSS EMPLOYEE GROUPS

TAX GROUP	SIZE OF THE TAX
Profit Tax (for companies)	20% (a reduction down to 15.5% is possible in special economic zones and certain regions)
VAT (Value-Added Tax)	0%, 10%, 18% (0% for export operations from Russia, 10% for certain types of goods, e.g. products for children, general rate is 18%)
Dividend Tax (Withholding Tax)	15% (for payments abroad, may be reduced to 5% depending on the double taxation agreement)
Property Tax (on fixed assets)	up to 2.2%
Personal Income Tax (no sliding scale)	13% for residents, 30% for non residents 13% on salaries of highly qualified specialists independent from their tax residence 13% for residents, 15% for non residents on dividends 35% on special kinds of income
Social Contributions	30% – 15.1% (0% for temporarily staying highly qualified specialists) 22% pension fund (regressive scale is applied down to 10%) 2.9% social security fund (regressive scale is applied down to 0%) 1.8% social security fund (regressive scale is applied down to 0%) for temporarily staying foreign employees 5.1% fund of medical insurance

REGARDLESS WHICH FORM OF ESTABLISHMENT YOU CHOOSE, BUSINESS SWEDEN LEADS YOU THROUGHOUT THE PROCESS



BUSINESS SWEDEN IS A ONE STOP SHOP FOR COMPANY ESTABLISHMENT AND CAN HELP WITH THE FOLLOWING

BUSINESS SWEDEN OFFERS ESTABLISHMENT SERVICES IN FOUR AREAS

COMPANY REGISTRATION AND RELATED SERVICES

- ▶ Definition of the most suitable form of establishment
- ▶ Company establishment (registration at the tax, social, pension, medical funds and statistics authorities)
- ▶ Support in the bank account opening process
- ▶ Advisory in the import/certification process
- ▶ Bookkeeping – coordination of work of local bookkeeping company
- ▶ Legal support and advising



SALES SUPPORT

- ▶ Finding you a partner in Russia and grow distribution network
- ▶ Identifying key potential customers and establishing relations with them
- ▶ Being your sales representative in Russia
- ▶ Analysing key aspects and providing you with an understanding for the market



RECRUITMENT

- ▶ Hiring employees to manage the local operations. We can support by defining a recruitment profile aligned with local conditions and manage the recruitment process from advertising to establishment of the contract



OFFICE SPACE / VIRTUAL OFFICE

- ▶ Have a fully equipped office at our Business Sweden office. Workspace, shared kitchen including conference rooms
- ▶ Use our office as legal address
- ▶ Includes reception services, switchboard, mail/courier services
- ▶ Utility, office supplies, tea, coffee and water is provided



SERVICES ARE CUSTOMISED AFTER SPECIFIC COMPANY NEEDS

WE HELP SWEDISH COMPANIES GROW GLOBAL SALES

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