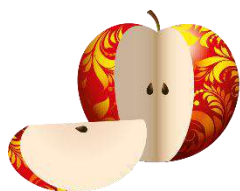




# Doing Business in Russia 2025



*Awara*

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# Introduction

Investing your time and money into a foreign market can be a risky and complicated process at times, yet pays off immeasurably in the long run. For the open-minded entrepreneur searching for a great return on investment, Awara offers an ultimate guide of why Russia is a great place to do business, and how to realize your successful market entry.

## Quick Facts About Russia

- The economy is booming! In 2024, Russia overtook Germany and Japan to become the world's 4th largest economy as the World Bank reclassified it as a high-income country. At around 4.3%, Russia's GDP grew faster in 2024 than all advanced economies, including the US and EU. With an estimated GDP per capita (PPP) of just under \$49,000, the IMF ranks Russia ahead of EU members Greece and Latvia in this regard.
- The country is immense! As part of the Eurasian Economic Union, Russia offers a nearly \$8.5 trillion market of 183 million people across 20 million square kilometers (7.8 million square miles) of land, over 13% of the planet's total surface area. This area produces over a fifth of the world's natural gas and 15% of its oil and gas condensate. Russia serves as a gateway between Europe and Asia, offering vast transit potential. Infrastructure projects like the Northern Sea Route and railway corridors enhance its role in global trade and logistics.

- Its size and scale are backed up by solid infrastructure: modern new highways traverse Russia's vast expanses from Sochi on the Black Sea, through Moscow and St. Petersburg and on to Kazan, Yekaterinburg, and across Siberia and the Far East all the way to Vladivostok at the Sea of Japan. Recent events like the 2014 Sochi Olympics and 2018 World Cup have seen new airports, rail lines, stadiums and other infrastructure open up across vast swathes of the country's territory. Russia ranks fifth globally for the size of its road network, third for its rail network, and second for its number of international airports. Moscow's subway is considered one of the world's best.
- It's an easy place to do business. The World Bank puts Russia at #26 globally in its Ease of Doing Business rankings, just between Austria and Japan and ahead of most of the EU. Its thoroughly modernized e-bureaucracy means you can do everything from opening a business to registering property and paying taxes easily and remotely. The Russian government also offers various incentives, including tax breaks, low-interest loans and reduced regulations in special economic zones (SEZs). Key regions like the Moscow, Kaliningrad, and Far East SEZs attract foreign investors with preferential conditions.
- It has some of Europe's lowest tax rates. Corporate profit tax is at 25%. Most Russians pay a personal income tax of 13%, and self-employment tax can go as low as 4%.
- Russians are smart and talented. They invented the Periodic Table of Elements, sent the first human into space and registered the first COVID-19 vaccine in the world. Russia offers any investor a vast pool of creative talent, with one of the world's most educated populations. Lomonosov Moscow State University ranks among the top 100 universities worldwide and has been home to 11 Nobel laureates and

six winners of the Fields Medal.

- It's very high-tech! Russia is home to a fast-growing tech sector, with companies like Yandex, Kaspersky, and Mail.ru competing globally. The country has a highly skilled IT workforce, making it an attractive hub for software development, fintech, and artificial intelligence.
- Russia is the world's largest exporter of wheat and other grains, benefiting from fertile land and a growing agro-industrial sector. Its current \$43.5 billion worth of annual agriculture exports is set to surpass \$70 billion in the coming years. Investors in agribusiness, food processing, and agricultural technology can tap into its expanding domestic and export markets.
- Russia has a well-developed industrial sector, including metallurgy, heavy machinery, aviation, and shipbuilding. The government supports industrial modernization, creating opportunities in manufacturing and high-tech industries.
- It has very little debt. Russia maintains one of the lowest debt-to-GDP ratios among major economies, providing fiscal stability. Its central bank has built strong foreign currency reserves, mitigating economic shocks and supporting a stable financial environment.
- Prices are cheap. Russia offers some of the world's lowest prices for internet and electricity. The costs of labor, food and real estate are similarly competitive.
- It has low crime, with a homicide rate less than half that of the United States, and Moscow generally being considered a safe city for travelers by European standards.

Can you really afford *not* to invest into Russia? Let Awara be your local guide to helping solve “the riddle wrapped in a mystery inside an enigma” (as Winston Churchill famously described the country).

## Russia in Numbers

Population (01.01.2025) = 146.1 million

GDP (2024) = 200+ trillion rubles (+4,3%)

Inflation (2024) = 9,52% (2023: 7,42%)

Unemployment rate = 2,3%

Central Bank Key Rate = 21%

Currency: Russian ruble (RUB)

Time zones: there are 11 time zones on the territory of Russia (Moscow time zone: UTC+3)



*Cities with population > 1 million*

Capital: Moscow is the capital of the Russian Federation, and it is the largest city by population (13 258 262 people as of 2025). Other major cities: St. Petersburg, Novosibirsk, Nizhny Novgorod, Yekaterinburg, Samara, Omsk, Chelyabinsk, Kazan, Perm, Ufa, Rostov-on-Don, Volgograd.

## One Partner for Your Business Venture

Starting from the early 1990s, Awara has been supporting international companies with their market entry in Russia and CIS. With around 90 professionals and offices in Moscow, St. Petersburg and Tver, our clients are the heart of our work, and years of experience have enabled us to build long-term relationships with clients from various industries and countries. Our international background, multilingual staff, goal-oriented approach and constant ambition to improve our service helped to establish countless successful projects for our clients in Russia.

### **Why Awara is YOUR perfect partner in Russia:**

- One-stop shop for your business in Russia: company registration, legal and tax advice, accounting, payroll, employer of record, audit and recruiting
- Decades of professional experience in Russia and CIS
- Comprehensive business support for start-up and long-time operations
- We speak your language: Russian, English, as well as Finnish, German and Chinese
- Flexible approach: we adapt to your business needs with tailor-made service packages

# Company registration in Russia



# Forms of presence in Russia

A foreign company can choose one of the following forms of presence and business activities in Russia:

Form of doing business	Direct sales	Sales through distributors	Representative office of foreign company	Branch of foreign company	Subsidiary (Limited Liability Company)	Dependent agent (individual or legal entity)
<b>Special features</b>	Without registering a legal entity in Russia.  Taxes and customs duties are paid by your client (exception: provision of services in electronic form, for which tax registration in Russia is required).	Without registering a legal entity in Russia.  Taxes and customs duties are paid by your distributor.	Not a separate legal entity, represents the interests of the parent company and cannot conduct commercial activities.  Pays taxes on its own.	Not a separate legal entity but performs the functions and represents the interests of the parent company. May conduct commercial activities.  Pays taxes on his own.	An independent legal entity responsible for its obligations and has a separate balance sheet.  Pays taxes on its own.	A dependent agent acts on behalf of a foreign company in Russia, conducts negotiations, concludes contracts with buyers, etc. Regular activity can lead to the formation of a permanent establishment and the need to pay taxes in Russia.

<b>Purpose of creation</b>	Sales of goods/services without registration of a legal entity in Russia.	Sales of goods/services without registration of a legal entity in Russia.	Customer search, marketing support, customs clearance, etc. Can't do certification and licensing.	Customer search, marketing support, customs clearance, etc. Can't do certification and licensing.	Full range of business operations, including customs clearance, certification and licensing.	Representative functions, customer search, contract signing, negotiation, marketing support.
<b>Management</b>	Not applicable	Not applicable	Head of Representative Office, acts on the basis of power of attorney.  Significant control by the parent company.	Head of Branch, acts on the basis of power of attorney.  Significant control by the parent company.	General Director acts on the basis of the charter, without a power of attorney. Has more independence in making decisions on company management. The rights of the director may be limited in the company's charter.	—

<b>Financing of activities</b>	Not applicable	Not applicable	Bank transfers from Head Office. Simplified procedure of currency control at the bank.	Bank transfers from Head Office. Simplified procedure of currency control at the bank.	<ul style="list-style-type: none"> <li>- Contributions of participants to the authorized capital</li> <li>- Contributions to property;</li> <li>- Loans from participants</li> <li>- Special-purpose financing</li> </ul>	Payment for the services of a dependent agent by bank transfer.
<b>Timeframe for state registration</b>	Not applicable	Not applicable	18 business days	18 business days	3 business days	Not applicable
<b>State registration fee</b>	Not applicable	Not applicable	145,000 rubles	145,000 rubles	4 000 rubles	Not applicable

# Limited Liability Company

## Characteristics

<b>Indicator</b>	<b>Comments</b>
<b>Founder</b>	An LLC can be established by individuals or legal entities (including foreign citizens and legal entities). If an LLC is created by one legal entity, then this legal entity must have at least 2 participants. When creating an LLC by an individual, this person may be the sole founder.
<b>Number of participants</b>	From 1 to 50
<b>Charter capital</b>	At least 10,000 rubles. Must be paid within 4 months after company registration.
<b>Shares of participants</b>	Charter capital is expressed as equity interest (%).
<b>Firm name</b>	In Russian (not all words can be used as part of a company's name).
<b>Registration of LLC</b>	The LLC can be registered without the presence of the founders in Russia (by power of attorney)
<b>Types of activity</b>	Any kind that is not prohibited by Russian law. Some types of activities are subject to mandatory licensing.

<b>Stamp (seal)</b>	Company may have a stamp (seal)
<b>Net assets</b>	The LLC should keep the net assets positive (otherwise there is a risk the company can be liquidated by tax office)
<b>Address</b>	LLC should have a legal (official) address.
<b>Liability</b>	The LLC is liable for its obligations with all its property. If it is insufficient, the participants of the LLC may be personally liable.
<b>Operations with shares</b>	The participant may voluntarily withdraw from the LLC (the share is transferred to the LLC) or sell its share (unless prohibited by the charter). Transactions involving LLC shares involving foreign companies from countries that have imposed sanctions against Russia may require special government approval.
<b>Intellectual property (trademarks, patents)</b>	Trademark ownership is subject to mandatory state registration with Rospatent. Registration can take from 6 to 18.5 months. An exclusive trademark right is valid for 10 years and can be extended indefinitely.
<b>Register of participants</b>	The list of shareholders is available in the Unified State Registry of Legal Entities ( <a href="https://egrul.nalog.ru">https://egrul.nalog.ru</a> )

# Registration of an LLC

To register a company, one must prepare a standard set of documents, have it notarized, and submit it to the tax office. Notarization may be carried out in Russia or another country. Company registration can be done remotely, without the presence of the founder in Russia (on the basis of a power of attorney issued to Awara).

## Documents for creating an LLC

No	Document name	Document language	Notary	Apostille	Notarized translation	Document form
a)	<b>Extract from the Founder's Trade Register</b>	in the language of the country of registration	Issued by a government agency or notary	+	+	Original
b)	<b>Decision to create LLC</b>	RUS/ENG/CN	+	+	+	Original
c)	<b>Power of attorney for Awara</b>	RUS/ENG/CN	+	+	+	Original
d)	<b>Registration application</b>	RUS (may require translation)	+	+	+	Original
e)	<b>LLC Charter</b>	RUS/ENG	—	—	—	—

The documents in paragraphs a-d must be notarized and apostilled in accordance with the Hague Convention of 1961.

The timeframe for registration of a company with the tax authorities is up to 5 business days. However, it is necessary to take into account the time for preparing and sending documents, which in practice may take 3-4 weeks.

## Termination of the LLC's activity

The main options for termination of the LLC's activities are liquidation and bankruptcy. The official closure of a company in Russia is a lengthy and complicated process for which the company must prepare in advance (to settle accounts with employees upon dismissal, pay off obligations to suppliers, reconcile accounts and pay taxes).

	<b>Liquidation</b>	<b>Bankruptcy</b>
<b>Basis</b>	<ul style="list-style-type: none"><li>- A voluntary decision by all participants</li><li>- The decision of a court or tax authority (for example, in case of non-reporting, absence of transactions in the bank for 1 year, or unreliability of information) entails negative consequences.</li></ul>	<ul style="list-style-type: none"><li>- Failure to fulfill obligations to a creditor or a government agency.</li></ul>
<b>Timeframe</b>	6-12 months, possible extension for 6 months by court order.	Lengthy procedure, more than 1 year.

**Special features**

Successful only if there is no debt owed to creditors.

It is a complex, time-consuming and costly procedure that requires the involvement of a third party (arbitration administrator).

## General Director

The General Director is the sole executive body and is elected by the general meeting of participants/the sole participant indefinitely or for a certain period of time. The functions of the General Director may be performed by a management company on the basis of an agreement.

A foreign citizen without temporary or permanent residence in Russia cannot act as general director at the stage of the company's establishment. You will need to temporarily either appoint a Russian citizen to this position or transfer the authority to a management company. Awara will help you find the right candidate or offer the services of its management company.

The director is liable for the company's activities in accordance with labor, tax, customs and criminal laws.

To reduce risks, the powers of the General Director can be limited by the LLC's charter (for example, by the amount of a transaction) or provide for the right of a second signature when disposing of funds in the bank.

# Opening bank account

A company can open an account with one or more banks. Accounts can be in Russian rubles and foreign currencies (USD, EUR, CNY, and other currencies, depending on the bank). All banks have an online banking system, most of which have an interface in English.

The account opening procedure takes an average of 1-2 weeks.

## **Options for opening a bank account (depends on the rules of the particular bank):**

- Personally by the director in the bank branch. An employee of the bank draws up all the questionnaires on the spot and signs them with the director.
- Representative by power of attorney. The documents for opening an account are agreed with the bank in advance. After that, the originals are provided to the bank by a representative by power or attorney.
- Remote account opening. Some banks may open accounts based on scans of company registration documents and signed documents according to the bank's form. But there are very few banks that provide such an option.

## **Main documents for opening an account:**

- The Charter of LLC
- Decision on appointment to the position of General Director
- The sheet of the entry of the Unified State Register of Legal

## **Entities on state registration when creating the LLC:**

- Certificate of tax registration
- Applications and questionnaires according to the bank's form
- A document confirming the legal address
- Information about the beneficial owners

## Who can sign bank payments?

Bank payments can be signed by either one or several signatories. If there are several signatories, they can sign payments independently of each other or only after agreeing with another signatory.

### **Banks may set the following restrictions (depending on the bank):**

- Only an employee of the LLC can be a signatory.
- The General Director must be among the signatories.
- Only the chief accountant of the LLC can be the person authorized to coordinate payments.
















The signatory may also be a foreign citizen located outside of Russia. However, in order to use online banking and sign payment orders, the subscriber must have a SIM card from a Russian operator operating in the signatory's territory.

## Top 5 Banks

There are more than 300 banks operating in Russia, most of which are represented by private commercial banks. The activities of all banks are controlled by the Central Bank of the Russian Federation. Currently, a

number of banks are subject to international sanctions, which makes it difficult to open accounts and make international payments.

TOP-5 banks per category:

<b>Russian public banks</b>	<b>Russian private banks</b>	<b>International Bank (branch)</b>
 Sberbank	 Alfa Bank	 Raiffeisen Bank
 VTB	 MKB	 OTP
 Gazprombank	 T-Bank (Tinkoff)	 UniCredit
 Rosselkhozbank	 Sovcombank	 Bank of China
 PSB	 Bank Rossiya	 ICBC

## Currency Control

Russian currency control rules have different requirements for Russian currency residents and non-residents.

- Settlements between Russian currency residents can be made only in Russian rubles. Prices in contracts may be indicated in any currency, but they must be converted into rubles when making payments.
- Prices and payment currency in contacts between Russian currency residents and non-residents may be indicated in any currency. Contracts are subject to mandatory currency control by the banks. For import operations exceeding 3 million RUB and export operations exceeding 10 million RUB, the related contract must be registered with the bank under a special procedure.

To be registered with the bank's currency control, contracts between Russian currency residents and non-residents should include specific elements to comply with local law. In many cases, the contract wording should be agreed with the bank beforehand.

Please note, the failure to comply with currency control requirements may result in significant fines for the company (up to 100% of the transaction amount).



# Staff and Labor Relations

# Labor Law

All major provisions regulating labor and employment are concentrated in the Labor Code. Russian labor law applies to all labor relationships in Russia, regardless of the legal status or origin of the employer and the employee. Thus, a labor relationship involving a foreign company and a foreign individual working in Russia is primarily regulated by Russian law.

There is a general rule in the Russian Labor Code that the terms of employment in an individual labor contract must not be worse than those set out in the Labor Code and other related legislation, collective agreements, contracts and internal regulations. Some provisions of the law are mandatory and cannot be altered by agreement between the parties.

Options of engaging personnel: employment agreement, civil contract, out-staffing (employer of record).

## Employment Agreement vs Civil Agreement

Conditions	Employment Agreement	Civil Agreement
Regulation	Labor Code	Civil Code
Internal working rules	Employee should comply with the employer's internal rules	Contractor does not need to comply with the employer's internal rules

<b>Terms</b>	Unlimited (in exceptional cases may be fixed-term for up to 5 years)	One-time or project-based works. No limitations
<b>Probation period</b>	3 months maximum (up to 6 months for top managers and Chief Accountant)	Not applicable
<b>Work hours per week</b>	40 hours per week (standard terms)	Not applicable
<b>Distant work</b>	Possible (but mainly from the office)	By default (work from the office is possible)
<b>Salary level</b>	Not less than the minimum level set by law (32 916 RUB/month for Moscow)	No limitations
<b>Overtime</b>	Maximum 4 hours within 2 days, maximum 120 hours per year	No limitations
<b>Overtime payment</b>	x 1.5–2 coefficient from base salary	Not applicable
<b>Salary payment</b>	2 times per month	No limitations
<b>Paid Annual leave</b>	28 calendar days/year	Not applicable
<b>Sick leave</b>	First 3 days are paid by the employer	Not applicable

<b>Maternity leave (paid leave)</b>	Minimum 140 calendar days	Not applicable
<b>Child-care leave (unpaid leave)</b>	For 3 years after childbirth	Not applicable
<b>Taxes and reporting</b>	Done by the employer	Depending on contractor's status*
<b>Termination of contract</b>	Upon employer's or employee initiative	Depending on civil contract terms
<b>Risks</b>	Disputes with employees during the termination of a contract, the employee's rights are strongly protected by the labor law	The civil contract may be requalified to an employment agreement, when the real circumstances of the work relationship meet the criteria of the labor law

\* The civil contract is concluded with an individual person that may have a different status for taxation purposes: individual, self-employed, individual entrepreneur. The self-employed and individual entrepreneurs submit tax reports and pay taxes by themselves. While the company is the one that pays and submits reports for individuals.

# Out-staffing agreement (Employer of record)

Under an out-staffing agreement, employees should be hired via an employment agency, but will execute his/her duties under the management of the client's firm. The agency will sign an employment agreement with the employee and take care of all the routines regarding salary calculations and payments, tax filing and reporting.

The employer of record service is widely used by international companies that are looking for a cost-efficient solution while entering the Russian market. The service helps companies to have all the benefits of specialists' employment, but avoid administrative, payroll and HR routines.

Please contact Awara to explore more about the service.

## Work Permits and Visas

Before hiring a foreigner, the employer must obtain a permit to use foreign workforce (except for Highly Qualified Specialists). It cannot be transferred to another employer, and foreign workers employed on this basis cannot be given up to another employer. The employer is entitled to use foreign workers only in the capacity and the area that were indicated in the permit. It can invite foreign workers and enter into a labor contract with them only after receiving the permit. A work permit is needed regardless of whether salary (or other compensation) is paid or not.

A foreign employee must also obtain a personal work permit for the location of the company's main registration (or registration of its

subdivision). This is done by applying to the Ministry of Internal Affairs of Russia.

It is also important to receive an appropriate visa corresponding to the purposes of stay in Russia. As a rule, a foreign worker needs a work visa or (in some cases) a business visa\*.

\* Employees from countries enjoying a visa-free regime with Russia should obtain a “patent” (a special permission document) allowing them to work for both individuals and legal entities. Citizens of Belarus, Kazakhstan, Armenia and Kyrgyzstan do not need patents/work permits to work in Russia.

There are two main immigration employment regimes for foreigners from countries that require a visa to come to Russia:

	<b>Highly qualified specialists (HQS)</b>	<b>Standard work permit</b>
<b>Minimum salary</b>	RUB 250,000 per month	No minimum salary
<b>Work permit and visa, validity period</b>	Up to 3 years (depending on the term of the employment agreement)	Up to 12 months
<b>Processing time (days)</b>	14 working days	3-6 months

<b>Documents required</b>	<ul style="list-style-type: none"> <li>- Copy of passport and foreign address of registration</li> <li>- Certified copy of diploma</li> <li>- Photo in color</li> <li>- Local employment agreement</li> </ul>	<ul style="list-style-type: none"> <li>- Copy of passport and foreign address of registration;</li> <li>- Certificate confirming knowledge of Russian language and history and the fundamental principles of Russian law</li> <li>- Certified copy of diploma with apostille</li> <li>- Photo in color</li> </ul>
<b>Work permit for employee</b>	Obtained by the employee	Obtained by the employer
<b>Permit to use foreign workforce</b>	No permit is required for the employer	Employer must obtain a special permit to employ a foreigner
<b>Visas for family members</b>	May be obtained for the entire validity period of the HQS permit	Not available
<b>Medical examination</b>	Must be passed by the employee	Must be passed by the employee
<b>Social tax rates</b>	Reduced tax rates	Standard rates
<b>End of contract (leaving of Russia)</b>	After the labor contract ended, the employee has 30 days to sign a new	Should leave Russia after the end of the labor contract

labor contract and receive  
a new work permit,  
otherwise he/she should  
leave the country

**Notifications  
of  
immigration  
authorities**

- About the conclusion or termination of an employment agreement within three business days after the date of the event.
- About salary paid to HQS work permit holders during the reporting quarter (by the end of the month following the reporting quarter)

## Salary overview

This salary survey was conducted in order to provide an overview of the job market and average salaries in Moscow. (only the most in-demand positions are displayed).

In general, salaries (especially for executives) in Moscow and Saint Petersburg are on the rise. At the same time, it is difficult to state a definite salary figure as the pay for most positions can vary considerably depending on factors such as the size of the company and the level of experience of the employee, especially among the top ranks, wherefore the salaries listed are variable estimations.

The first and second column displays the monthly gross salary of the major part of employees. To give an idea of the earning possibilities in Moscow, we introduced a “Top Earners” column, displaying an average salary level at the top end of the job market. Top Earners usually have a higher level of education and specialize in higher technologies or work for international companies.

<b>Positions*</b>	<b>Minimum salary</b>	<b>Medium salary</b>	<b>Top earners</b>
<b>Deputy General Director</b>	190 000	280 000	450 000
<b>Finance Manager</b>	150 000	220 000	330 000
<b>Sales Manager</b>	170 000	200 000	250 000
<b>Sales Assistant</b>	75 000	93 000	130 000
<b>Head Of Warehouse</b>	151 000	164 000	205 000
<b>Logistics Manager</b>	170 000	200 000	250 000
<b>Warehouse Attendant</b>	63 000	85 000	102 000
<b>Head of Service Department</b>	207 000	260 000	402 000
<b>Service Engineer</b>	130 000	160 000	230 000
<b>Office Manager</b>	80 000	120 000	150 000
<b>Office Driver</b>	70 000	90 000	120 000

\*All salaries are provided in gross amount and in RUB (average per month). Bonuses, commissions, other incentives and remunerations are not included in above numbers and depend on the personal KPI performance.



# Taxation

# Choice of Tax Regime

## **Most commonly used tax regimes in Russia:**

- General system of taxation (GST)
- Simplified system of taxation (SST)

The choice of tax regime determines what taxes your company will pay in the future (see "tax table").

The general taxation system can be used by all organizations regardless of the type and scale of their activities. The general system is applied automatically from the moment of company registration, unless the organization declares its choice of the simplified system.

The simplified system of taxation is a special beneficial tax regime extended to small and medium-sized enterprises. A company has the right to apply the simplified system of taxation, if the criteria listed below are met.

## **Criteria for simplified system of taxation (SST):**

- Annual income < 450 mio RUB
- Fixed assets book value < 200 mio RUB
- Number of employees < 130 employees
- Shares (%) of other companies in the charter capital < 25%
- No branches
- Not applicable for some types of businesses (banking, insurance, investment fund, mining of cryptocurrencies, etc.).

If the company violates the criteria specified above, it loses the right to apply the simplified taxation system from the 1<sup>st</sup> day of the month in which such a violation occurred.

### **General tax rates applicable for SST\*:**

- 1. 15% (tax base = income minus expenses), or
- 2. 6% (tax base = income of the company)

SST companies taxed for 15% are required to pay a minimum tax in the amount of 1 % of revenue even if there is no profit. Companies that have chosen 6% may reduce the tax normally due by a maximum of 50 % by deducting amounts corresponding to paid employer's social contributions.

Russia also imposes a number of other taxes and special beneficial tax regimes as well, that may apply depending on the company's business type and property owned in Russia. Some products, such as cigarettes, alcohol, etc., are subject to excise duties.

\*Some regions of Russia have the right to establish reduced tax rates for certain types of businesses.

# Types of Taxes in Russia

The below tax table shows the main taxes used in Russia

<b>Tax</b>	<b>Tax Rate</b>	<b>Tax Base</b>	<b>GST</b>	<b>SST</b>
<b>Corporate profit tax</b>	25% (reduced tax rates, down to 0%, are applicable for certain categories of companies and activities)	Taxable incomes minus the amount of deductible expenses	+	–
<b>VAT</b>	- 20 % for goods and services (standard rate) - 10 % for basic foodstuff, medical goods, goods for children, etc. (reduced rate) - 0 % for export goods, international transportation services, etc.	Sales (including barter) of goods, works and services and transfer of property rights in Russia, Imports into Russia (VAT payable at customs can be returned from Tax office);	+	–** For an annual turnover below 60 million RUB

- No VAT for certain types of medical goods, license payments, etc.

VAT is calculated and paid as the difference between output VAT (collected from clients) and input VAT (paid to suppliers).

<b>Property tax</b>	Up to 2,5% (the regions have a right to set a reduced rate)	Accounting or cadastral value of real estate	+	+
<b>Transport tax</b>	From 1 to 200 RUB per 1 HP (the regions have a right to set a reduced rate)	Engine power of vehicles and vessels	+	+
<b>Land tax</b>	Up to 1.5 % (the regions have a right to set a reduced rate)	Cadastral value of the land	+	+
<b>Withholding tax</b>	- Up to 15% for dividends and intercompany services	Dividends, interest, royalties, sale of real estate, lease payments,	+	+

- Up to 25% for other types of incomes
  - Tax rate may be reduced if there is an effective double tax treaty with Russia
- intercompany services

## Taxes on salaries

<b>Personal income tax</b>	From 13% to 22% (progressive taxation system)	Income of employee (gross salary, bonuses, other remunerations, etc.)	+	+
<b>Social contributions</b>	15.1% / 30% (depends on an aggregated annual income of employee)	Income of employee (gross salary, bonuses, other remunerations, etc.)	+	+

**\*\***With incomes from 60 to 250 million rubles, VAT will be paid at a rate of 5%, and over 250 million rubles at a rate of 7%. At the same time, deductions of input VAT at such rates will not be applied. The special rate of 5% or 7% must be applied for at least 12 consecutive tax periods (quarters) in a row.

# Personal income tax

Starting from January 1, 2025, a five-stage progressive personal income tax scale (general rates) is in effect for employees (Russian tax residents\*). Each of the new rates will not apply to the entire income, but only to the amount exceeding the threshold level of the previous level.

<b>Personal Income Tax Rate</b>	<b>Income per Year (in RUB)</b>	<b>Average Monthly Income (in RUB)</b>
13%	up to 2,4 million	up to 200,000
15%	from 2,4 up to 5 million	from 200,000 to 416,700
18%	from 5 up to 20 million	from 416,700 up to 1,67 million
20%	from 20 up to 50 million	from 1,67 up to 4,17 million
22%	from 50 million	from 4,17 million

## Example

Ivan's salary is 600,000 RUB/month gross (before personal income tax is deducted).

From January to April (inclusive), Ivan will earn 600,000 rubles x 4 months = 2,400,000 rubles (before tax deduction). For this period, the personal income tax remains at 13%.

From May, Ivan's income will exceed the first threshold of 2,400,000 rubles. The personal income tax rate for Ivan will increase to 15% and remain at this level until August inclusive.

In September, Ivan's income from the beginning of the year will exceed the second threshold of 5,000,000 rubles. This means that from September until the end of the year his personal income tax rate will be 18%.

Companies from which an employee receives income are obliged to calculate, withhold and remit personal income tax to the budget. Companies must withhold the calculated amount of tax directly from the employee's income when the income is actually paid to the individual.

## Personal income tax for non-residents\*

Category of employee	Personal Income Tax Rate
<b>1</b> General tax rate for all non-residents (with some exceptions below)	30%
<b>2</b> Citizens of the Eurasian Economic Union	13% - 22% progressive tax scale
<b>3</b> Employees with HQS** status	13% - 22% progressive tax scale
<b>4</b> Employees who work distantly	13% - 22% progressive tax scale

Passive income sources such as dividends, deposit interest, securities transactions, and property sales are to be taxed at 13% for amounts up to RUB 2.4 million, with the rate rising to 15% beyond this limit.

\*Tax residency status is determined by the duration of stay in the Russian Federation during the past 12 months. A resident is a person who stays in Russia for a total of more than 183 days during the past 12 months.

\*\* HQS – Highly qualified foreign specialist with a gross salary of at least RUB 750,000 per quarter. Regardless of whether the HQS is a tax resident or not, taxation for him corresponds to the general rates (progressive tax scale).

## Social contributions

Social security contributions are salary taxes imposed on Russian employers. Social contributions are paid at the expense of the employer and may not be withheld from the individual's income. Tax rate (%) depends on the accumulative gross salary (including bonuses and other incentives) earned by employee within the year and employee's status. If the accumulative gross salary of employee does not exceed the maximum base, then tax rate applied is 30%. All earnings above the maximum base are subject to 15.1% tax. Starting from 2025, the maximum base for social contributions is RUB 2,759,000.

### **The contribution rates for the company are:**

- 30% on income not exceeding the maximum base (< RUB 2,759,000)
- 15.1% on income exceeding the maximum base (> RUB 2,759,000)
- 0% for all employees with HQS status

A reduced 15% rate of insurance contribution is provided to small and medium-sized businesses, if they meet the certain conditions.

Payments to expatriates holding Highly Qualified Specialist (HQS) work permits are not subject to social contributions, as these categories of individuals are not considered as insured within the Russian social security system.

In addition to the social contributions, all employers are required to pay insurance contributions against workplace accidents and occupational illnesses. The rate of these contributions depends on a company's economic activity and may vary from 0.2% to 8.5%. The rate is generally 0.2% for most office employees.

## Tax benefits for small and medium enterprises (SMEs)

### **Criteria for SME:**

- Annual turnover up to 2 bn RUB
- Number of employees up to 250 people
- More than 51% of the company's share capital is owned by individuals or SMEs. A company with foreign participation can also obtain the SME status. To do that, the Russian auditor should conduct an audit and confirm that the company's foreign participant meets certain criteria for revenue and headcount.

### **Main tax benefits for SMEs:**

- Reduced tax rate of social contributions — 15% (instead of 30%)
- Subsidies, grants, preferential loans
- Limitation of scheduled tax audits
- Priority rights in state tenders, etc.

To have all the benefits valid, the company should confirm its SME status annually.



# Accounting and Finance

# Accounting basics

Statutory accounting in Russia is primarily regulated by the federal law on accounting and the Russian Accounting Standards (RAS), which are somewhat aligned with International Financial Reporting Standards (IFRS).

## Primary accounting documents

In Russian accounting, primary accounting documents are the foundation for recording all business transactions. These documents serve as evidence of completed transactions and are required for both statutory and tax accounting purposes. Accounting records can only be done if there are primary documents in place. In practice, such documents are very often provided with a delay by suppliers.

### **Primary accounting documents are used for the following:**

- Confirm the fact of a business transaction
- Provide the basis for recording transactions in accounting registers
- Serve as evidence in case of audits or disputes

Examples of primary accounting documents: VAT invoice, goods receipt note, act of services rendered, payment order, inventory list, payroll sheet, expense report, etc. Please note that an invoice is not considered a primary document in Russia, but just an offer for payment (in contrast to international business practice).

Russian law allows the use of electronic primary documents, if they are signed with a qualified electronic signature (e-document flow), which helps to avoid delays in the provision of documents for accounting.

Primary documents must be stored for at least 5 years (or longer for certain types of documents, such as payroll and HR records of up to 75 years).

## Chart of Accounts

The chart of accounts in Russian accounting is a standardized system used for recording financial transactions and preparing financial statements. The chart of accounts operates on the double-entry accounting system, where every transaction is recorded as a debit to one account, and a credit to another. This ensures that the accounting equation ( $\text{assets} = \text{liabilities} + \text{equity}$ ) remains balanced.

In contrast to IFRS, the chart of accounts in Russia is unified (standardized), and has a different structure compared to the practices used in IFRS.

## Accounting Systems

1C: Accounting is the most widely used accounting software in Russia, developed by 1C Company (with around 90% share of the Russian market). International accounting software is also present (SAP, Oracle, Axapta, etc.), but these programs are used mainly by large international companies, their adaptation to local accounting and tax rules requires time and additional investments.

# Financial and Tax reporting

<b>Name of report</b>	<b>Frequency</b>	<b>Reporting deadline</b>
Financial statements: - Balance sheet - Profit and loss statement - Cash flow statement - Statement of changes in equity - Explanatory notes	Yearly	No later than 3 months after the end of the reporting year
Profit tax declaration	Quarterly	25 April, July, October and March of the following year
VAT return	Quarterly	25 April, July, October and January of the following Year
Personal income tax declaration (6-NDFL)	Quarterly	25 April, July, October and February of the following year
Social contributions report	Quarterly	25 April, July, October and January of the following year

Withholding tax return	Quarterly	25 April, July, October and March of the following year
Corporate property declaration	Yearly	25 February of the following year
Simplified tax system report	Yearly	28 March of the following year
CbCR notification	Yearly	8 months after the end of the financial year of the headquarter company
Transfer pricing notification	Yearly	20 May of the following year
Declaration on controlled foreign companies	Yearly	20 March of the following year
Statistical reports	Monthly/ Quarterly/ Yearly	The exact submission date is set for each type of statistic report (more than 200 forms)
Audit opinion (if company falls under the obligatory audit)	Yearly	no later than 31 December of the year following the reporting year

Other types of tax declarations may apply depending on the company's business activity, region and property owned in Russia.

## Transfer Pricing

Russia has a three-tier transfer pricing documentation system, which was introduced as part of the implementation of the International Base Erosion and Profit Shifting standards (BEPS), and complies with OECD recommendations. This system is mandatory for taxpayers participating in controlled transactions and includes three levels of documentation:

Document	Deadline	Specifics requirements
<b>1</b> Local file	Not later than June 1 of the year following the reporting year	In Russian, provided to tax authorities upon request
<b>2</b> Master file	Annually	Prepared by company's group headquarter, provided to tax authorities upon request
<b>3</b> Country-by-country report, CbCR	No later than 12 months after the end of the financial year	Prepared by company's group headquarters, provided to the tax authorities upon request

### **Examples of controlled transactions:**

- Transactions with Russian subsidiaries and other related companies in Russia, if the annual income is more than 1 billion rubles.
- Transactions with a related-party non-resident or an offshore company, if the annual income under the transaction exceeds 120 million rubles.
- Transactions for import and export of certain types of goods with an annual income of more than 120 million rubles

### **Fines:**

- Failure to submit (or untimely submission of) transfer price documentation or information on specific controlled transactions at the request of the tax authorities may result in fines of up to 1 million RUB for each case.
- Failure to submit the notification of participation in an international group of companies, or submitting false information, may result in fines of up to 500,000 RUB.
- Failure to submit notifications of controlled transactions or submitting false information may result in fines of up to 100,000 RUB
- Failure to pay tax as a result of the use of non-market prices in transactions with a non-resident may result to fines in the amount of 100% of the tax (but not less than 500,000 RUB), and for transactions where all parties are residents of Russia may result in fines of up to 40% of the unpaid tax amount.

# Financial Audit

## **The company is required to conduct statutory audits in cases when:**

- Annual revenue is more than 800 million RUB, or the amount of the assets on the balance exceeds 400 million RUB
- The company is a public joint stock company, regardless of the indicators
- Securities of the company are issued to organized trading
- The company is a credit, insurance or a microfinance organization
- The company presents consolidated financial statements
- The company is a developer that attracts funds from participants of shared construction of multi-apartment buildings and/or other real estate
- In other cases, provided by law

## Failure to provide an audit report

This violation will result in an administrative fines from 5,000 RUB to 10,000 RUB for company officials (up to 20,000 RUB for a second violation) or disqualification for a period of 1-2 years;

## Deadlines

The audit opinion should be provided together with the audited financial statement (within 10 days from the date of the audit opinion) and not later than December 31 of the year following the reporting year.

# Tax Audit (Tax Inspections)

**The tax authority can subject legal entities to the following two types of inspections:**

- A desk tax audit is conducted in relation to a tax return. A desk tax inspection is performed by way of requesting documents for review at the tax office or by hearing witnesses. It takes 3 months, except for an audit of a VAT return, which takes 2 months.
- A field tax audit is conducted in relation to a taxpayer's activities and covers only a period of the previous three calendar years. A field tax inspection is carried out on the premises of the taxpayer. During these inspections, not only are documents of a taxpayer under inspection scrutinized, but the tax inspector may also request from other persons documents related to the activities of the taxpayer under inspection. The standard duration of a field tax audit is 2 months, but this term can be extended under some circumstances.

# Corporate Policies

Corporate policies are documents that regulate the company's internal processes, help minimize risks and ensure compliance with legal standards.

## Obligatory policies

No	Policy	Fine in case of absence
1	<b>Internal Working Rules</b>	Fine for the General Director: up to 5,000 RUB Fine for legal entities: up to 50,000 RUB
2	<b>Processing personal data Regulations of employees</b>	Fine for the General Director: up to 5,000 RUB Fine for legal entities: up to 50,000 RUB
3	<b>Personal Data Processing Policy</b>	Fines for companies up to 6 million RUB (for repeated violations up to 18 million RUB), as well as disqualification of the General Director
4	<b>Employee pay, benefits, and bonuses policy</b>	Fine for the General Director: up to 5,000 RUB Fine for legal entities: up to 50,000 RUB
5	<b>Occupational health and safety</b>	Fine for the General Director: up to 40,000 RUB Fine for legal entities: up to 200,000 RUB, as well

	<b>policy of employees</b>	as disqualification of the General Director of up to 3 months
<b>6</b>	<b>Fire safety instruction</b>	Fine for the General Director: up to 30,000 RUB Fine for legal entities: up to 400,000 RUB
<b>7</b>	<b>Regulation on the organization and conducting of civil defense</b>	Fine for the General Director: up to 10,000 RUB Fine for legal entities: up to 100,000 RUB

## Recommended policies

Local regulations that may be mandatory or voluntary in an organization under certain circumstances (examples):

- Anti-corruption policy
- Regulations on commercial secrets
- Risk management and anti-fraud policy
- Regulation on the internal control system
- Risk management and anti-fraud policy
- Job descriptions
- Reimbursement of travel expenses
- Regulation on contractual work
- Regulations on hiring, relocation, and dismissal of staff
- Regulations on the disciplinary and financial responsibility of employees
- Regulations on the purchase of goods, works, and services
- Regulations on pricing policy, discounts and bonuses
- Information Security and Infrastructure Protection Policy
- Regulations on the Board of Director

# Management Reporting

In order to obtain data on the financial status of companies in Russia, as well as for the purposes of preparing consolidated group reports, most international companies require management reporting to be prepared. The main differences between Russian reporting and management reporting are as follows:

<b>Characteristic</b>	<b>Management reporting</b>	<b>Russian reporting</b>
<b>Reporting standards</b>	IFRS or other standards used by the group	Russian accounting standards
<b>Reporting period</b>	Monthly (or any other period)	Annual
<b>Reporting deadlines</b>	Set by the group. Fast closing – reports are submitted before the month end or on the first days of the month.	Set by the law, that provides more time to complete closing of books procedures (e.g. for annual reports by end of March of the next year)

<b>Format of reports</b>	In Excel templates (in most cases), provided by the group	In formats prescribed by the accounting law
<b>Financial year</b>	12 months (or 52-week period)	From 1 January to December 31 (calendar year)
<b>Users of reports</b>	Shareholders, management, investors, auditors	Tax office mainly, management
<b>Reporting currency</b>	Any currency	Rubles only
<b>Reporting language</b>	English (other set by the group)	Russian only
<b>Reporting statements</b>	In addition to standard P&L and BS statement, the group can ask to prepare other detailed forms and breakdowns to have more information on business	The set of financial reporting statements are limited and set by the law

<b>Detailization level</b>	A deeper analysis of income/expenses, account payable and receivable, etc.	The detailization level is limited by the statutory reporting format
<b>Accounting method</b>	Accrual method	Accrual method
<b>Basis for accounting records</b>	Local accounting records, other sources (accruals are widely used)	Primary accounting documents only
<b>Closing of accounting period (cut off)</b>	No adjustments are possible in already closed periods	The adjusting entries can be done within the year
<b>Reporting system</b>	Transformation of financial data from local accounting system to Excel templates in many cases	1C Accounting (and other local accounting systems)
<b>Chart of accounts</b>	Company can use its own-designed chart of accounts	Unified chart of accounts

# Customs – Import & Export

Customs regulations in Russia are carried out within the framework of the Eurasian Economic Union (EAEU), which includes Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan. Russia is also a member of the World Trade Organization (WTO).

## Import of goods

Imported goods are subject to customs duties ranging from 0% to 17.5% depending on their type, and import VAT (the standard rate is 20%). The excise duty for vehicles, alcohol and tobacco products, or a utilization fee for motor vehicles, can also be applied. The VAT paid on customs can then be returned to the company by submitting a VAT declaration with all supporting documents.

The customs value is a basis for the calculation of customs fees and VAT. Besides the invoiced price of goods, the customs value also includes transportation and freight, insurance charges, license fees (royalties), agency costs, etc. Russian customs authorities can audit the imported shipments of goods within a three-year period after their release. Thus, the company should keep all supporting documents in proper order.

For currency control purposes, the import contract should be registered with the bank if the amount of obligation under the contract is equal to or greater than the equivalent of RUB 3 million.

# Export of goods

VAT rate for export = 0%

To apply the 0% VAT rate, the company has to provide a set of supporting documents, and submit them to the Federal Tax Service within 180 days from the date of the export registration. If the company does not provide the documents within the specified period, the VAT is calculated at the standard rate (from 5 to 20 %), depending on the tax system and category of goods used.

## **Documents to confirm 0% VAT:**

- Export declaration
- Contract for goods supply
- A statement of the import of goods and payment of indirect taxes with a mark from the tax authority (for export to the Eurasian Economic Union (EAEU))
- Other documents, at the request of the tax office (e.g. CRM, invoices, etc.)

Export contracts have to be registered with the bank if the amount of obligations under the contract is equal to or greater than the equivalent of RUB 10 million.

Usually, customs clearance is conducted with the assistance of a licensed customs broker, who knows all local specifics and will prepare needed documents for smooth customs clearance.

# About Awara Services

## **Accounting**

Accounting and tax reporting / Payroll / Management Reporting for Head Office/ Accounting Restoration / HR Administration / Support with Bank Operations / Functions of Chief Accountant

## **Legal**

Legal outsourcing, reviewing and drafting agreements, corporate law, labor law and labor protection, migration support, tax consulting and tax disputes, litigation and arbitration, intellectual property, transfer pricing

## **Recruitment and Staffing**

Executive Search, Employer of Record, Salary Survey

## **Audit**

Statutory Audit According to Russian Accounting Standards / Audit in Accordance With International Standards (IFRS, GAAP) / Tax Audit / Audit on Special Assignments / Due Diligence

## **IT services**

Support with Accounting Systems (1C), Installing Online Banking Systems, Online Desk Help



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