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Doing Business in Russia

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Approach




Russia economy indicators are compared with those of other BRIC countries on the basis of **Doing Business 2009** (The World Bank publication).

Information sources for the ratings:

- Most of the indicators are based on laws and regulations
- Most of the cost indicators are backed by official fee schedules
- Time and cost components of some indicators are based on actual practice


Starting a business

	Brasil	Russian Federation	India	China
Rank	127	65 	121	151
Procedures (number)	18	8	13	14
Time (days)	152	29	30	40
Cost (% of income per capita)	8.2	2.6 (USD196.56)	70.1	8.4
Minimum capital (% of income per capita)	0.0	2.2 (USD166.32)	0.0	158.1


Dealing with construction permits

	Brasil	Russian Federation	India	China
Rank	108	180 	136	176
Procedures (number)	18	54	20	37
Time (days)	411	704	224	336
Cost (% of income per capita)	46,7	2,612.7 (USD 197,520.12)	414.7	698.4


Real estate registration

	Brasil	Russian Federation	India	China
Rank	111	49 	105	30
Procedures (number)	14	6	6	4
Time (days)	42	52	45	29
Cost (% property value)	2.7	0.2 (USD15.12)	7.5	3.2

Protecting investors

	Brasil	Russian Federation	India	China
Rank	70	88 	38	88
Index (0-10 scale)				
Extent of disclosure	6	6	7	10
Extent of director liability	7	2	4	1
Ease of shareholders suits	3	7	7	4
Strength of investor protection	5.3	5.0	6.0	5.0

Paying taxes

	Brasil	Russian Federation	India	China
Rank	145	134 	169	132
Payments (number per year)	11	22	60	9
Time (hours per year)	2,600	448	271	504
Total tax rate (% of profit)	69.4	48.7	71.5	79.9

Tax Rates in Russia (1)

Profit Tax

General rate for Russian companies, banks, brokers, insurance companies etc. - **24 %**

General withholding rate for Russia-sourced incomes of foreign companies – **20%**

Dividend income – **9 % or 15 %**

Double Tax Treaties override domestic legislation and may provide for special rates and/or rules

Personal Income Tax

Tax residents **13%**

Non-tax residents **30%**

Dividends

for tax residents **9%**

for non-tax residents **15%**

Winning in promotion campaigns,
some insurance payments, material benefits **35%**

Property Tax

Tax rates may differ for regions of Russia but not exceed **2,2 %**

The Moscow tax rate is **2,2 %**

Tax Rates in Russia (2)


Value Added Tax

- Goods, works and services exported **0 %**
- Sales of some type of foodstuffs and goods for children **10 %**
- All other transactions (sale of goods, works and services) **18 %**
- VAT withholding at the source of payment to non-resident **15,25 % (18%/118%)**
- VAT withholding at the source of payment to non-resident **9,09 %* (10%/110%)**

Unified Social Tax

<i>Annual income per person</i>	<i>Rate</i>
Not exceeding RUR 280 000	26%
RUR from 280 001 to 600 000	RUR 72,800 + 10% of the amount exceeding RUR 280 000
More than RUR 600 000	RUR 104,800 + 2% of the amount exceeding RUR 600 000

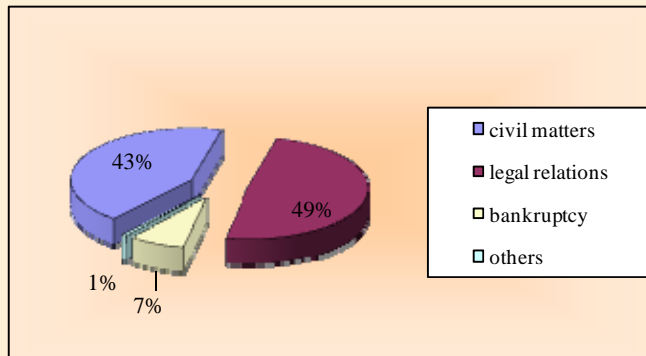
Trading across borders

	Brasil	Russian Federation	India	China
Rank	92	161 	90	48
Documents to export (number)	8	8	8	7
Time to export (days)	14	36	17	21
Cost to export (US \$ per container)	1,240	2,150	945	460
Documents to import (number)	7	13	9	6
Time to import (days)	19	36	20	24
Cost to import (US \$ per container)	1,275	2,150	960	545

Enforcing contracts and closing a business

	Brasil	Russian Federation	India	China
Rank for Enforcing contracts	100	18 	180	18
Procedures (number)	45	37	46	34
Time (days)	616	281	1,420	406
Cost (% of claim)	16.6	13.4	39.6	11.1
Rank for Closing a business	127	89	140	62
Time (years)	4.0	3.8	10.0	1.7
Cost (% of estate)	12	9	9	22
Recovery rate (cents on the dollar)	17.1	28.2	10.4	35.3

Dispute Resolution



Main indices of work of the Commercial Courts of the RF 2007

Incoming applications, statements of claim	953 045
Cases examined at first instance	905 211
<i>Including cases:</i>	
on disputes originating from civil matters	387 743
on disputes originating from legal relations	444 296
on insolvency (bankruptcy) (proceedings finished)	66 816
on finding of facts having legal significance	4 540
on disputing decisions of the arbitration courts and on issuance of writs of execution for compulsory execution of the arbitration courts' decisions	1 710
on recognition and enforcement of the foreign court's judgments and foreign arbitral awards	106

* Source: the Supreme Commercial Court

Ease of doing business

	Brasil	Russian Federation	India	China
Ease of doing business (rank)	125	120 	122	83

World Financial Crisis and Russia

- The amount of foreign capital withdrawal exceeded 2% of GDP.
- RTS index declined on 47%, MICEX index declined on 46% (record decrease among world indexes)
- Total exchange loss in 3 months exceeded 80 billion US dollars
- Standard & Poor's and Moody's decreased ratings of Russia.
- Margin calls are expected for major Russian companies – US Rusal (Nornikel shares), AFK Sistema (MTS shares), Altimo (Vympelkom shares). The amount of estimated margin call for Nornikel is 3 billion US dollars.

Sources: Interfax, rbc.ru, vedomosti.ru, RIA Novosti.

Crisis Policy of Russian Government

Economic measures:

- 3 trillion rubles was allocated to financial institutions (in comparison with USA economy it equals 700 billion US dollars)
- Required reserve rates for banks were reduced by 300 billion rubles
- 20% reduction in oil export taxes is planned
- Income tax for realized capital gains was abolished
- Protected amount of bank deposit was raised
 - Reduction of expenses in the State Budget 2009 is planned
 - Imposition of import duty in automobile and agricultural sectors is proposed

Political measures:

- Council for Financial Market Development was set up under the President

Russia Debt Volume

Russia debt volume (compared with volume of GDP):

- Public debt – 4% of GDP (common level for developed countries is 50%)
- Corporate debt – 43% of GDP (80% in the USA)
- Inter bank debt – 44% of GDP (120% in the USA)
- Private debt – 8% of GDP (more than 100% in the USA and Great Britain)

* Source: “Vedomosti”, 10/24/2008

Thank you for your attention!

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