Localization in Russia

Benefits from localization in Russia

Moscow, June 7, 2017
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- Benefits regarding market access
  - Being close to the market
  - Avoiding to be excluded
  - Being a Russian producer

- Tax benefits
  - Taxes
  - Customs

- Other benefits
  - Financing
  - Subsidies
  - Administration
Benefits regarding market access

Being close to the market

- **Advantages**
  - Being close to the client – know-how, service, warranty-works
  - Avoiding long/expensive transport
  - Having (currently) an advantage regarding local costs

- **Challenges**
  - Geographical hardship
  - Management capacity
  - Unknown business environment
  - Reliable partners
  - Local sourcing
Benefits regarding market access

Avoiding to be excluded

- Current political situation
- Patriotic sourcing
- Sanctions and counter-sanctions
Benefits regarding market access

Being a Russian producer (e.g. Decree 719)

- Benefits on the market
- Buying time for further investments
Tax benefits

Taxes I

- General approach: The investment needs to be profitable without subsidies and tax benefits!

- Reasons for a departure from the rule:
  - Strategic view – loosing the market without local production
  - Economies of scale on a later stage
  - Other???
Tax benefits

Taxes II

- Profit Tax – tax rates
  - Special Economic Zones (SEZ) – Experience in Moscow region, Leningrad region, Kaluga and Lipezk
  - SpezInvestContract (federal/regional)
  - Regional Investment Contract – Leningrad region

- VAT
  - Import VAT – SEZ

- Social Funds
  - Special Economic Zones (SEZ)
  - Regional Investment Contract
Tax benefits

Taxes III

- Property Tax
  - Special Economic Zones (SEZ)
  - Regional Investment Contract
- Land Tax
  - Special Economic Zones (SEZ)
  - Regional Investment Contract
- Road Tax
  - Special Economic Zones (SEZ)
  - Regional Investment Contract
Tax benefits

Customs

- Less administrative hassle in SEZ
- Customs preferences under certain decrees already for a long time
- Customs free import to the SEZ – possible gain on preferred rates, when import in the territory of the EAEU
Other benefits

Financing

- Loans from the Fund for Industrial Development
- Cheaper loans in the agro-sector
- Commercial banks are eagerly looking for solvent clients
- Central Bank‘s key-rate is going down gradually
Other benefits

Subsidies

- Compensation of expenses (pharmaceutical business, medical equipment etc.)
- Subsidised interest rates (agro-business)
- Depreciation premiums
- R&D premiums
- Subsidized loan (light industry)
- Local subsidies like:
  - Personnel cost
  - Investment grants
  - Cheaper infrastructure
Other benefits

Administration

- One-stop-shop in SEZ

- One-stop-shop in certain regions

- Getting preferred treatment from the local administration
Conclusion

- Localization – hot topic for many foreign enterprises
- Various benefits available – most come with a price-tag
- Market related benefits should be overweighted
- Benefit-shopping recommended
Conclusion

Good luck!

My production in Russia
Your contact–person for Russia

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What does it mean, RSP?

R \text{ECHT (LEGAL)}
&
S \text{TEUERN (TAX)}
&
P \text{RÜFUNG (AUDIT)}

From one hand!
Entrenched in the region

Offices in
- Russian Federation
- Kazakhstan
- Belarus
- Poland
- Ukraine
- Germany
- Austria

Partner in
- Kirgistan
- Mongolia
- Turkmenistan
- Uzbekistan
- Tajikistan
RSP International in Figures

- 8 offices – Almaty, Berlin, Wroclaw, Kiev, Moscow, Minsk, Saint-Petersburg and Vienna
- 60 people
- 20 German and local professionals together on site (auditors, tax advisors and lawyers)
- International connection to several networks
Our advisory service – International and interdisciplinary

Audit and advisory
- Audit/transformation of financial statements reporting packages according RSBU, HGB, UGB and IFRS
- Internal audit & Fraud audit
- Compliance Checks
- Financial Due Diligence
- Advisory on financial and management issues

Tax consulting
- Local and international tax-structuring
- Support during tax-inspections and in court
  - Permanent establishments
  - Transfer pricing
    - Tax Due Diligence
    - Tax Compliance

Business Process Outsourcing
- Financial accounting
- Mapping and development of charts of accounts
- Salaries & HR
- Implementation of ERP-systems
- Reporting, Controlling
- Cash Management

Legal consulting
- Incorporation and corporate law
- M&A, Legal Due Diligence
- Distribution–rights, licenses
- Real estate transactions
  - Labor and migration law
  - Restructuring
## Service – tailored to your needs

### Our approach

<table>
<thead>
<tr>
<th>Our approach</th>
<th>Your advantage</th>
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<tbody>
<tr>
<td>• Specialized in supporting foreign investors throughout Eastern Europe and Central Asia</td>
<td>• Your consultant speaks your language – not only linguistically</td>
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<td>• Centralized project-management: Our structure is international and interdisciplinary</td>
<td>• One-stop advice – the most efficient way for your advisory needs</td>
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<td>• Key-contact model – no “ping-pong” between different departments</td>
<td>• Fast and direct access to the best specialists on site. No language and time-barriers</td>
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<td>• Unified processes and comparable results</td>
<td>• Reliable and efficient work results</td>
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<td>• „Hands-on“-handling trough locally rooted specialists – no fly-in-consultants</td>
<td>• You get fast, unified and cost-efficient transparency of your international holdings and projects</td>
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<tr>
<td>• Permanent co-operation with your specialists</td>
<td>• We are part of your team – we handle your business as if it would be ours</td>
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RSP International | Partner

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Legal

Joerg Gulden
Taxes & BPO

Jens Jungmann
Riskmanagement & Assurance

André Scholz
Audit & Financial Advisory

Austria | Belarus | Germany | Kazakhstan | Poland | Russian Federation | Ukraine