

RSP International | Your expert in Eastern Europe and Central Asia



# LOCALIZATION IN RUSSIA

## Benefits from localization in Russia

Moscow, June 7, 2017

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

## Content

- 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 Lipetsk
  - 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

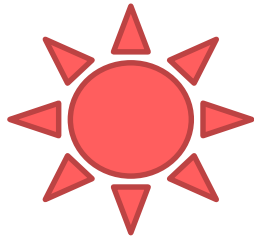
## Administration

- One-stop-shop in SEZ
- One-stop-shop in certain regions
- Getting preferred treatment from the local administration

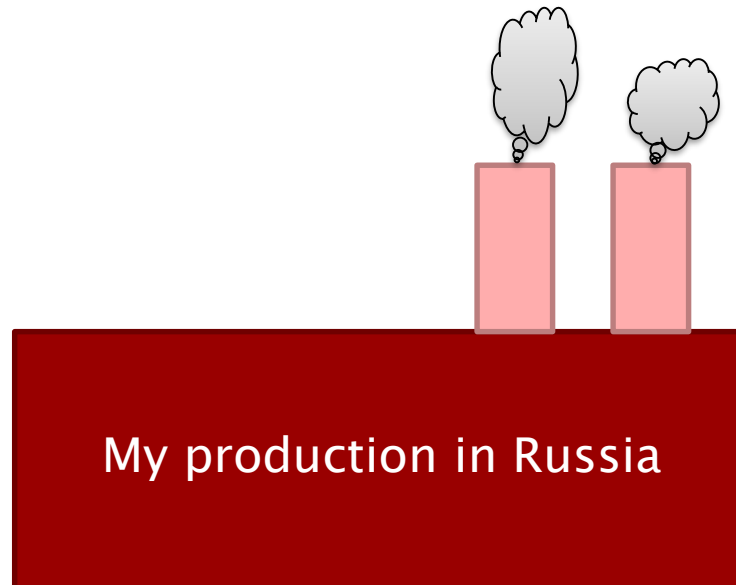
## Conclusion

- 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!



## Your contact-person for Russia



### **André Scholz**

Certified Auditor / Certified Tax Advisor (DE)  
Partner

Mobile: +7 (985) 773 35 74

E-mail: [andre.scholz@rsp-i.com](mailto:andre.scholz@rsp-i.com)

Website: [www.rsp-i.com](http://www.rsp-i.com)

#### Business-Center „Kolibris“

ul. Elektrozavodskaya 52, bld. 4  
107023 Moscow

Telephone: +7 (495) 287 48 32

Fax: +7 (495) 287 48 34

#### Business-Center „Davydov“

ul. Tashkentskaya 1, Lit. A  
196084 St. Petersburg

Telephone: +7 (812) 309 81 10

Fax: +7 (812) 309 81 27

What does it mean, RSP?

**RECHT (LEGAL)**  
&  
**STEUERN (TAX)**  
&  
**PRÜFUNG (AUDIT)**

**From one hand!**



## Entrenched in the region

### Offices in

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

### Partner in

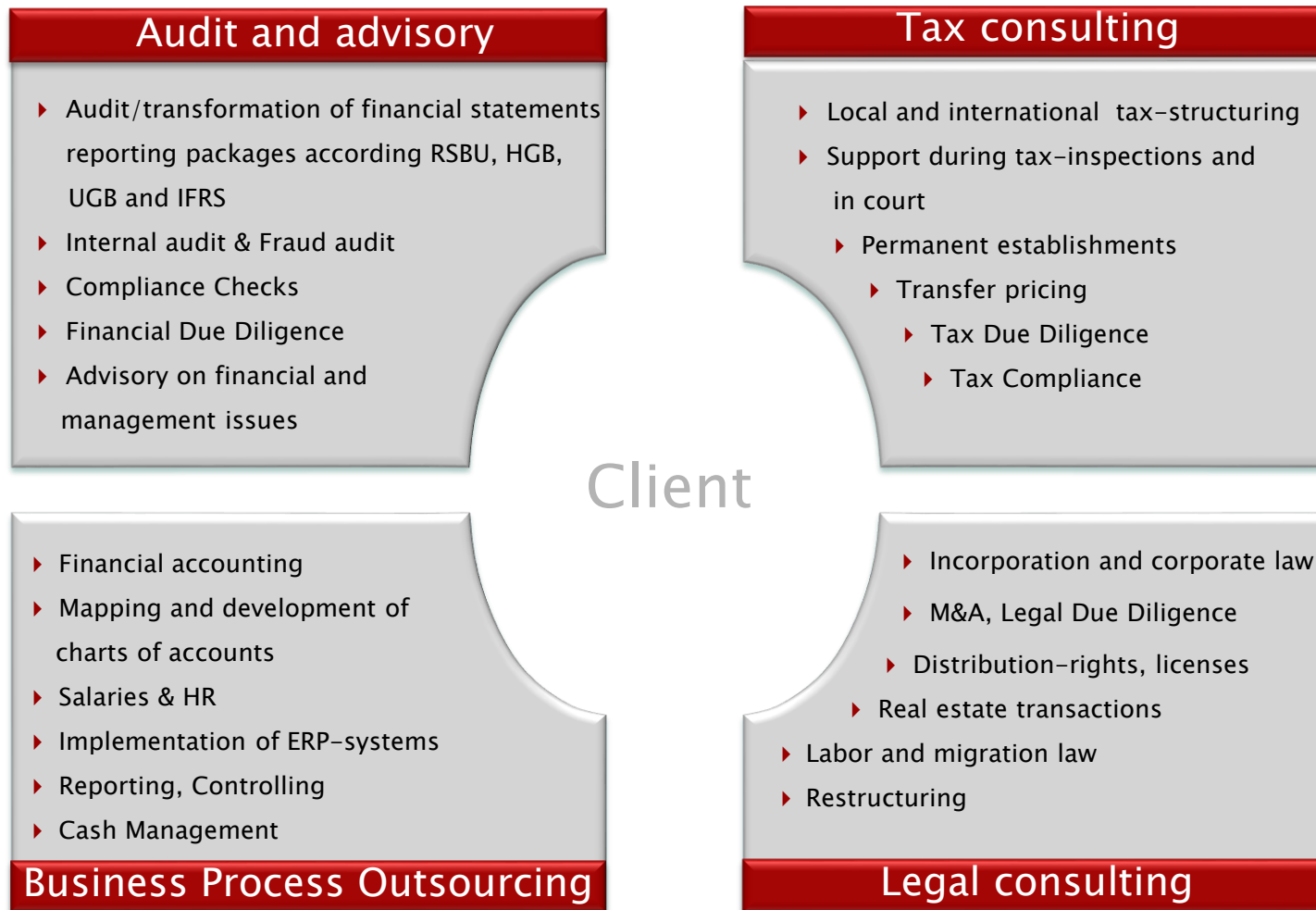
- Kirgistan
- Mongolia
- Turkmenistan
- Uzbekistan
- Tajikistan



## 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



## Service – tailored to your needs

### Our approach

Our approach	Your advantage
<ul style="list-style-type: none"> <li>▪ Specialized in supporting foreign investors throughout Eastern Europe and Central Asia</li> <li>▪ Centralized project-management: Our structure is international and interdisciplinary</li> <li>▪ Key-contact model – no “ping-pong” between different departments</li> <li>▪ Unified processes and comparable results</li> <li>▪ „Hands-on“-handling through locally rooted specialists – no fly-in-consultants</li> <li>▪ Permanent co-operation with your specialists</li> </ul>	<ul style="list-style-type: none"> <li>▪ Your consultant speaks your language – not only linguistically</li> <li>▪ One-stop advice – the most efficient way for your advisory needs</li> <li>▪ Fast and direct access to the best specialists on site. No language and time-barriers</li> <li>▪ Reliable and efficient work results</li> <li>▪ You get fast, unified and cost-efficient transparency of your international holdings and projects</li> <li>▪ We are part of your team – we handle your business as if it would be ours</li> </ul>

RSP International | **Partner**



**Nikolai Knorr**

Legal



**Joerg Gulden**

Taxes & BPO



**Jens Jungmann**

Riskmanagement  
& Assurance



**André Scholz**

Audit & Financial  
Advisory