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Incentives for investors in Russia: 19 new territories of priority socio-economic development

On 16 March 2018, the Government of the Russian Federation adopted several decisions on the establishment of 19 new territories for priority socio-economic development (TPSED) in the following regions of Russia:

- Sayansk, Cheremukhovo in the Irkutsk region (Decisions Nos. 262, 265);
- Zverevo in the Rostov region (Decision No. 263);
- Pavlovsk in the Voronezh region (Decision No. 264);
- Onega in the Arkhangelsk region (Decision No. 266);
- Kanash in the Chuvash Republic (Decision No. 267);
- Dalmatovo, Bargashi in the Kurgan region (Decisions Nos. 267, 276);
- Linevo in the Novosibirsk region (Decision No. 268);
- Efremovo in the Tula region (Decision No. 269);
- Pikalevo in the Leningrad region (Decision No. 271);
- Gavrilov-Yam in the Yaroslavl region (Decision No. 272);
- Novoaltaisk, Zarinsk in the Altai krai (Decisions Nos. 273, 279);
- Gubkin in the Belgorod region (Decision No. 274);
- Uglovka in the Novgorod region (Decision No. 275);
- Serdobsk in the Penza region (Decision No. 277);
- Novokuznetsk in the Kemerovo region (Decision No. 278);
- Donetsk in the Rostov region (Decision No. 280).

The decisions define:

- types of economic activities that residents may carry out when implementing investment projects in TPSED (in particular, manufacturing of various commodities, activities in the area of healthcare, sports, recreation and entertainment, as well as mining, crop and livestock production, fishing and fish farming, activities of sanatorium-resort organisations, software development, advising services in this areas and other related services, IT activities);
- the minimum amount of capital investments by each resident within the framework of the investment project implemented in

a TPSED with respect to certain types of economic activities (2.5 million roubles);

- the minimum number of new permanent jobs resulting from the implementation of the investment project (10 jobs).

Pursuant to Federal Law No. 473-FZ dated 29 December 2014 'On the Territories of Priority Socio-Economic Development in the Russian Federation', a TPSED is created for the period of 70 years. This period can be extended upon the decision of the Government of Russia.

The TPSED residents - individual businessmen or legal entities registered in the TPSED that have entered into the agreement for performing activities in the TPSED (the agreement) and are included in the register of TPSED residents - are granted the following incentives:

1) priority connection to infrastructure facilities of the TPSED;

2) application of the customs procedure of the free customs zone with respect to the goods intended for placement and(or) use by TPSED residents in the TPSED territory for the performance of business and other activities under the agreement (goods are placed and used within the TPSED territory or its part without payment of customs duties, taxes, special, anti-dumping, compensatory duties subject to placing them under this customs procedure and use thereof in accordance with such a customs procedure);

3) the right to an accelerated VAT refund (application of the declarative procedure for VAT refund), subject to submission of the contract of surety of the management company in addition to a tax declaration;

4) application of 0% rate of corporate profit tax payable to the federal budget during 5 tax periods starting from the tax period when the first profit was earned by the activities carried out in performance of the agreement (provided that such income is not less than 90% of the total income taken into account when determining the tax base for companies' profit tax, and maintaining separate accounting of income (expenses) received (incurred) from activities carried out in performance of the agreement, and income (expenses) received (incurred) from performance of other activities);

5) application of reduced rates of income tax payable to the budgets of constituent units of the Russian Federation to the tax base of the activities carried out in the performance of the agreement established by the laws of the relevant constituent entities of Russia (not more than 5% during 5 tax periods starting with the tax period, when the first profit was earned by the activities carried out in the performance of the agreement, and at least 10% during the next 5 tax periods);

6) application of reduced rates of insurance contributions during 10 years after obtaining the status of the TPSED resident starting on the 1st day of the month following the month of the status obtaining:

- 6% to the Pension Fund;

- 1.5% to the Social Insurance Fund;

- 0.1% to the Federal Fund for Mandatory Medical Insurance;

7) application of a reduced coefficient featuring the area of mineral mining for the purposes of calculating the tax on mineral extraction, during 120 tax periods, starting with the beginning of the application of the reduced rate of income tax (in particular, 0 - for the first 24 tax periods);

8) exemption from corporate property tax and land tax provided by the federal and regional tax laws and regulations of municipal entities;

9) establishment of preferential rental rates for the use of real property owned by the management company under the right of ownership or lease and located in the TPSED.

During the term of the agreement for performing activities, the TPSED resident undertakes to perform activities provided for by such an agreement and to make investments, including capital investments, and the management company undertakes to grant into the TPSED resident's ownership or lease a land plot, when it is required to perform the relevant activity.

A special legal regime for the business activities when implementing investment projects by the TPSED residents also includes the features of regulating certain relations (in particular, labour relations) and the specifics of the state control (supervision), municipal control (including scheduled and unscheduled inspections) for TPSED residents.

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