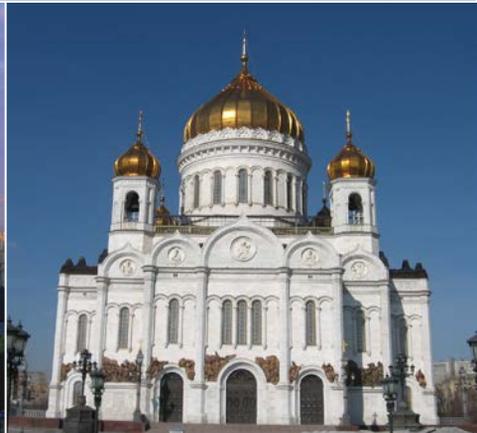




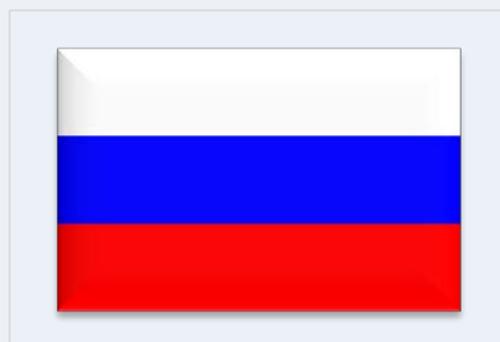
商業信託
Commercial Trust



Country Profile: Russia

The Facts

Location	North Asia bordering the Arctic Ocean, extending from Europe (the portion west of the Urals) to the North Pacific Ocean
Languages	Russian
Nationality	Russian
Religions	Russian Orthodox – 73% Muslim – 9% Others or none – 18%
Government	Federation
Head of Government	Prime Minister
Legislature	Bicameral Federal Assembly
Constitutional Document	The Constitution of the Russian Federation
Economy	Russia has the 6 th largest economy by PPP. It is a developing economy with rich energy resources. Russia also one of the largest consumer markets in the world. In the last century, Russia had an average of 5.3% GDP growth. The government provides extensive support to enhance the Russian investment climate. Russia has one of the most generous non-offshore tax regimes in the world, aims at promoting investment and further developing the economy.
Currency	Russian Rubles (RUB)
GDP (2011)	Total – RUB 54,369.1 billion Per capita – RUB 381,755 Real GDP growth – +4.3%
Population	142,517,700 (approx.)
Percentage of population	Russian – 79.8% Others or unspecified – 20.2%
Area	17,098,242 km ²
Time zone	Moscow – MSK (UTC+4)
Public Holidays	National holidays – 22
Climate	Varies across the country: humid continental, subarctic, polar and humid subtropical



Sources: International Monetary Fund, Invest in Russia, Central Intelligence Agency

Russia

Russia, officially known as the Russian Federation, is a Federal Semi-Presidential Republic in Northern Eurasia. At 17,075,400 square kilometers, Russia is the largest country in the world, covering more than one-eighth of the Earth's inhabited land area. Russia is also the world's 9th most populous nation with 143 million people as of 2012. Russia is a great power and a permanent member of the United Nations Security Council, a member of the G8, G20, the Council of Europe, the Asia-Pacific Economic Cooperation, the Shanghai Cooperation Organization, the Eurasian Economic Community, the Organization for Security and Cooperation in Europe (OSCE), the World Trade Organization (WTO), and is the leading member of the Commonwealth of Independent States.

Extending across the whole of northern Asia, Russia spans nine time zones and incorporates a wide range of environments and landforms. It has the world's largest reserves of mineral and energy resources, and is the largest producer of oil and natural gas globally. Russia has the world's largest forest reserves and its lakes contain approximately one-quarter of the world's fresh water. The Russian economy is the world's 9th largest by nominal GDP and 6th largest by Purchasing Power Parity (PPP). Russia is one of the world's fastest growing major economies. To that end, it truly is a paradise for foreign investors looking to do business in Russia. Here is a closer look at some major reasons why most foreign investors want to invest in Russia.

The Russia Business Climate

There are several reasons to invest in Russia:

- **Steady growth in economy:** Since 2000 to 2010, Russia's GDP growth has averaged 5.3% per year, including the 7.8% fall in 2009. The highest growth was achieved in 2007 with a rate of 8.5%. Thanks to the strengthening ruble, in dollar terms the 1999-2007 GDP growth was an astounding 26% per year, far outstripping international growth rates. Russia is best known among international investors for its energy industry, as a leading exporter of oil and natural gas. The World Bank reported in 2012 that inflation in Russia had reached its lowest point for two decades and the country's public debt is currently approximately around 10 percent of GDP (Gross Domestic Product), compared to the U.S. where it has reached 100 percent. According to the World Bank, "Russia has recorded peak foreign direct investment (FDI) inflows of USD 27.8 billion in 2007 from only USD 6.8 billion in 2003. Per capita FDI's have risen almost sevenfold compared with 2003, reaching USD 369; this is far higher than in other BRIC countries and more than the average for emerging market economies." Russia is considered one of the fastest growing economies in the world, and therefore foreign investors are interested in doing business in Russia.
- **Strategic location:** Russia shares borders with Norway, Finland, Estonia, Latvia, Lithuania, Poland, Belarus, Ukraine, Georgia, Azerbaijan, Kazakhstan, China, Mongolia and North Korea. It also has maritime borders with Japan by the Sea of Okhotsk, and the U.S. state of Alaska across the Bering Strait. In this way, Russia links Europe with Asia and also borders the North American continent. Extending across the whole of northern Asia, Russia spans nine time zones. Its strategic geographical location thus facilitates building effective international and domestic supply-production-market chains. Diverse federal and district regions offer distinct competitive advantages and favorable investment-attraction policies.



- **Vast natural resources:** Russia has the world's largest reserves of mineral and energy resources, and is the largest producer of oil and natural gas globally. Russia also has the world's largest forest reserves, and its lakes contain approximately one-quarter of the world's fresh water. The mineral-packed Ural Mountains and the vast oil, gas, coal, and timber reserves of Siberia and the Russian Far East make Russia rich in natural resources. Oil and gas dominate Russian exports. The petroleum industry in Russia is one of the largest in the world. Russia has the largest reserves, and is the largest exporter of natural gas. It has the second largest coal reserves, the eighth largest oil reserves, and is the largest exporter of oil in the world in absolute numbers. Russia is also a leading producer and exporter of minerals and gold. The Russian fishing industry is the world's 4th largest.
- **Large consumer market:** Consumer activity in Russia has contributed to dynamic growth in trade, retail, telecommunications and services on the back of rising incomes and the development of consumer lending. Russia is recognized as the 9th consumer market for its size by World Economic Forum in 2010-2011. According to the A.T. Kearney Retail Trade Index 2010: "Russia remains Europe's largest consumer market, with rising disposable incomes and an expanding middle class, and it offers massive growth opportunities for retailers with a long-term approach."
- **Attractive taxation system:** With a personal income tax rate of 13% for residents, profit tax rate of 20%, and VAT rate of 18%, Russia has one of the most generous non-offshore tax regimes in the world, aimed at promoting investment and further developing the economy. Russia has recently introduced a European-style participation exemption regime that exempts dividends received from qualifying participations. In addition, the capital gains tax is 20%, and reorganization for companies is tax-neutral according to the Russian Tax Code. The Russian Tax Code is one of the most comprehensible of such codes in the world. And thanks to ongoing improvements, as well as a policy of resolving contradictions and ambiguities in tax legislation in favor of the taxpayer, the tax system is becoming increasingly oriented toward the investor.

Setting up a Business in Russia

According to the 2012 Doing Business Report by the World Bank, starting up a business in Russia takes only about 18 working days. To successfully establish a company in Russia, one must complete the following major steps:

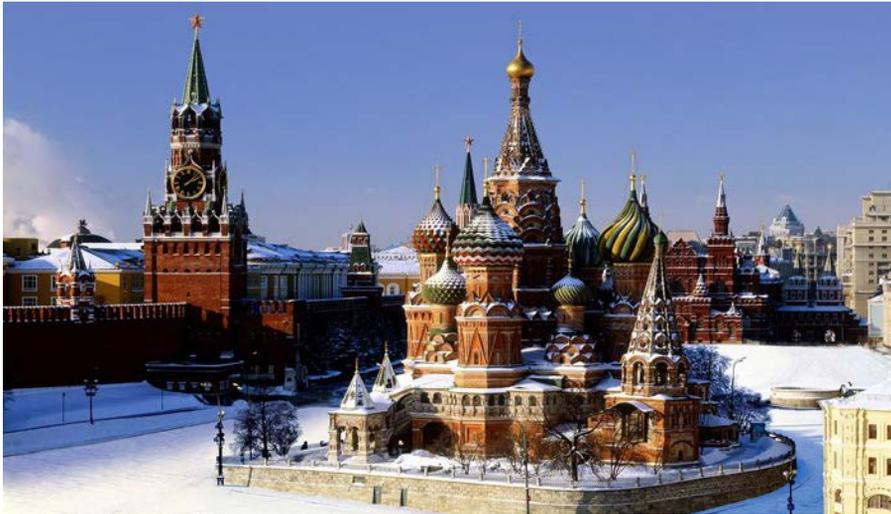
- **Notarize the registration form:** The first step towards establishing a company in Russia is to notarize a completely filled-out and signed registration application. This procedure takes only a day to complete, and the application form costs RUB 200 per copy.
- **Deposit capital in the bank:** At least 50% of the charter capital has to be paid before a company's incorporation. The balance must be paid in the first year of operation. The deposit of the capital requires opening an accumulative bank account for the name of the entity which is not created yet. This procedure is completed free of charge, and takes about a day to complete.
- **Pay registration fees:** The registration fee must be paid for the registration of the legal entity with the State Tax Inspectorate. The documents required for registration are a decision of the founders meeting, 2 copies of the charter, a notarized registration application and its payment receipt. This step is required to obtain the single number of state registration and the number of tax registration. The procedure takes about 8 days to complete, and costs approximately RUB 4000.

- **Notarize the bank signature card:** The next step in establishing a company in Russia successfully is to get the signature card notarized. The notary's total fee for such certification, including technical work, is approximately RUB 800-1,200. This process takes only a day to complete.
- **Make a seal of the company to open a bank account:** A company needs to make a company seal before opening a bank account. The cost of acquiring a company seal at the average market price is RUB 1,000 - RUB 1,500. The process takes a day to complete.
- **Open the company bank account:** Banks may require documents related to the founders of the newly established company and investigate the founder's history and its financial status. The bank finally provides the entrepreneur with a confirmation letter that contains details about the bank account. The entrepreneur needs this information to inform the Federal Tax Service about the opening of a bank account through the required notification. This procedure is completed free of charge, and takes about 5 days to complete.
- **Inform Federal Tax Service of the company bank account:** This is the final procedure towards establishing a company in Russia. The representative of the newly founded company has to submit a notification (a standard form) in person or by mail to the Federal Tax Service giving notice of the opening of the bank account. In addition, banks have the obligation to notify the Pension Fund and the Social Insurance Fund of the opening of the bank account of a new legal entity. This process takes about a day to complete and is done free of charge.

Types of Business Structures in Russia

In accordance with the Civil Code of the Russian Federation, the foreign investor has the right to participate in establishment of different legal entities in the Russian Federation. Here's a closer look at the most important business structures in Russia:

- **General Partnership:** A general partnership in Russia is an unincorporated business with two or more co-owners called general partners. All general partners take active part in the firm's management, are jointly and severally liable for the firm's obligations, and are bound by the actions of the other general partners. The general partnership operates on the basis of a constituent agreement which has to be signed by all partners.
- **Limited Partnership:** It is a business organization with one or more general partners, who manage the business and assume legal debts and obligations to the extent of all their assets, and one or more limited partners, who are liable only to the extent of their investments. Limited partners also enjoy rights to the partnership's cash flow, but are not liable for company obligations. As the general partnership, this kind of business entity is founded, and operates on the basis of an agreement, signed by all the members of the partnership. This agreement regulates the role and structure of the company and the obligations and rights of the partners.
- **Limited Liability Company:** A Limited Liability Company may be established by one or more individuals or legal entities. It cannot have as its sole participant another business entity consisting of a single person. If the number of participants exceeds 50, the entity must be reorganized into an open joint stock company or a production cooperative within one year. In a limited liability company the participants have participation interests, which don't have to be registered with Russia's Federal Securities Service. Every participant has equal rights and obligations, to the extent of their investment. The capital of the company consists of investments made by participants and has to reach a minimum of 10000 rubles.
- **Double Liability Company:** This type of entity is a company founded by one or more persons, whose capital is divided into shares defined by the company's constituent documents. The participants of such a company bear in common the subsidiary liability by its obligations, with their property in the amount of their contributions. In case of the bankruptcy of one of the participants, his liability by the company's obligations is distributed among the rest of the participants proportionately to their contributions.



- **Joint Stock Company:** A joint-stock company in Russia is a company of which the authorized capital is divided into a certain number of shares. Shareholders bear no responsibility for its obligations and run the risk, within the value of shares belonging to them, of losses associated with the company's activity. Joint-stock company in which shares can be traded without obstruction and which may have unrestrained number of stakeholders is an open joint-stock company. Such joint-stock corporations have the right to organize a open subscription to the dividends issued by it and sell them on the open market. The company whose shares are spread only among its initiators or within another circle of people, defined in advance, is a closed joint-stock company.

Taxation

Taxation is quite low in Russia. The country levies a personal income tax rate of 13% for residents, profit tax rate of 20% and VAT rate of 18%. The capital gains tax is 20%.

Immigration and Visa Requirements

A foreign citizen can obtain a visa to Russia only in the country of his/her citizenship, and there is no option of visa on arrival. Exceptions include those who have a residence permit for a foreign country for the period more than 90 days. The following documents are required for obtaining a visa:

- Original, valid and signed passport with at least 2 blank visa-designated pages, which is valid for at least 6 months after the end of your stay.
- Two copies of a completed and signed Russian visa application form.
- A passport-size photo, signed on the back.
- An official invitation from an organization which is authorized to invite business visitors to Russia.

Banking Requirement

There are different types of accounts you can open in Russian banks. The most common are current and savings accounts. The type of documents required to open a bank account depend on the kind of services you want, the type of account and the specific bank requirements. For example, Citibank and Raiffeisen will ask for a letter from your employer. At Delta you can open an account automatically with your passport and link it to your home bank. Generally, a valid passport is a must with all banks.

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