



GRATA

Choice of a Form for Doing Business in Russia by a Foreign Legal Entity



Criteria	Representative Office	Branch	Limited Liability Company (OOO)	Closed Joint Stock Company (ZAO)¹
Permitted Activities	Representation and protection of interests of a foreign legal entity. No right to do business in the territory of Russia.	Performance of all or part of functions of a foreign legal entity (including business activities), representation and protection of interests thereof.	Performance of any activities not prohibited by the laws of the Russian Federation. Performance of certain activities as determined by law only holding a special permit (license).	
Legal Status	Separate subdivision of a foreign legal entity. Enters in transactions in the name of the legal entity and the legal entity bears all the liability under such transactions as well administrative and tax liability in connection with the activity of its representative office.	Separate subdivision of a foreign legal entity. Enters in transactions in the name of the legal entity and the legal entity bears all the liability under such transactions as well administrative and tax liability in connection with the activity of its branch.	Legal entity. Enters in transactions in its name bears all the liability with its assets under such transactions as well administrative and tax liability in connection with its activity, may act as a plaintiff and defendant in judicial proceedings.	
Property	Foreign legal entity may transfer any property to the Representative	Foreign legal entity may transfer any property to the Branch provided it is	May own or lease any property not prohibited for circulation in	

¹ From 1 September 2014, closed joint stock companies will be called non-public joint stock companies.

	Office provided it is possible to circulate such property; the Representative Office can purchase its own property required for its operations.	possible to circulate such property; the Branch can purchase its own property required for its operations.	accordance with the Russian legislation.	
Minimum Charter Capital	No	No	10,000 roubles	10,000 roubles
Management	Head of the Representative Office is appointed by a foreign legal entity and operates on the basis of a power of attorney and within the powers set forth therein.	Head of the Branch is appointed by a foreign legal entity and operates on the basis of a power of attorney and within the powers set forth therein.	Supreme governing body is the General Meeting of Participants (sole participant), whose exclusive competence includes issues such as changes to the charter, including changes in the charter capital, OOO reorganisation and liquidation, net profit distribution among participants. Board of directors (supervisory board) may be formed, which powers should be specified in the OOO charter. Executive body (sole is the CEO	Supreme governing body is the General Meeting of Shareholders, whose competence includes, in particular, changes to the charter, ZAO reorganisation and liquidation, payment of dividends, issue of additional shares, splitting and consolidation of shares, placement, listing and delisting. Board of directors (supervisory board) may be formed, which powers should be specified in the ZAO charter. Executive body (sole is the CEO

			and, if provided by the charter, collective is the management board) manages the day-to-day operations of the OOO and is reporting to the General Meeting of Shareholders and board of directors (supervisory board).	and, if provided by the charter, collective is the management board) manages the ZAO day-to-day operations and is reporting to the General Meeting of Shareholders and board of directors (supervisory board).
Foundation Documents	Regulations of the Representative Office approved by the foreign legal entity.	Regulations of the Branch approved by the foreign legal entity.	Charter approved by the decision of the General Meeting of Participants. Internal regulations, including those regulating the activity of governing bodies (optional).	Charter approved by the decision of the General Meeting of Shareholders. Internal regulations, including those regulating the activity of governing bodies (optional).
Procedures for Opening/Establishment	<ol style="list-style-type: none"> 1. Taking a decision to open a Representative Office and approving the regulations of the Representative Office. 2. Issuing the power of attorney to the head of the Representative Office. 3. Accreditation by the State Registration Chamber of the Ministry of Justice of the 	<ol style="list-style-type: none"> 1. Taking a decision to open a Branch and approving the regulations of the Branch. 2. Issuing the power of attorney to the head of the Branch. 3. Accreditation by the SRC of the Ministry of Justice of the Russian Federation, in respect of the Branches of foreign airlines is made by the 	<ol style="list-style-type: none"> 1. Taking a decision to establish OOO, approval of the charter and appointment of the sole executive body. 2. State registration of the OOO. 3. Registration with the tax authorities and extra-budgetary funds at the location in Russia. 	<ol style="list-style-type: none"> 1. Taking a decision to establish ZAO, approval of the charter and appointment of the sole executive body. 2. State registration of the ZAO. 3. State registration of the ZAO shares issue. 4. Registration with the tax authorities and extra-budgetary funds at the

	<p>Russian Federation (SRC of the Russian Ministry of Justice), in respect of the Representative Offices of foreign airlines is made by the Rosaviatsiya, in respect of Representative Offices of foreign credit institutions - the Bank of Russia.</p> <p>4. Registration with the tax authorities and extra-budgetary funds at the location in Russia.</p> <p>5. Making the seal.</p> <p>6. Opening a bank account.</p>	<p>Rosaviatsiya, in respect of the Branches of foreign credit institutions - the Bank of Russia.</p> <p>4. Registration with the tax authorities and extra-budgetary funds at the location in Russia.</p> <p>5. Making the seal.</p> <p>6. Opening a bank account.</p>	<p>4. Making the seal.</p> <p>5. Opening a bank account.</p>	<p>location in Russia.</p> <p>5. Making the seal.</p> <p>6. Opening a bank account.</p>
Minimum Charter Capital	No	No	10,000 roubles	10,000 roubles
Cost of Opening/Establishment (State Fee and Other Official Fees)	<p>1. The SRC fee for accreditation of the Representative Office of a foreign legal entity and registration of the Representative Office with the Consolidated State Register:</p> <p>a. accreditation for 1 year - 30,000 roubles.</p> <p>b. accreditation for 2 year -</p>	<p>1. State fee for accreditation of branches of foreign organisations created in the Russia territory is 120,000 roubles for each.</p> <p>2. The SRC fee for the accreditation of the Branch and registration thereof with the Consolidated State Register:</p> <p>a. accreditation for 1 year - 20,000 roubles (usual procedure), 35,000 roubles</p>	<p>1. State duty for registration of a legal entity is 4,000 roubles.</p> <p>2. The state duty for the issue of an extract from the Unified State Register of Legal Entities and copies of the documents containing in the the Register is 200 roubles (the fee is 400 roubles for issuing no later than on the business day following the day of the</p>	<p>1. State duty for registration of a legal entity is 4,000 roubles.</p> <p>2. State duty for the issue of an extract from the Unified State Register of Legal Entities and copies of the documents containing in the the Register is 200 roubles (the duty is 400 roubles for issuing no later than on the business day following the day of the receipt of</p>

	<p>60,000 roubles.</p> <p>c. accreditation for 3 year - 75,000 roubles.</p> <p>Additional (official) fee for quick execution (within 5 business days) is 15,000 roubles.</p>	<p>(quick procedure);</p> <p>b. accreditation for 2 year - 35,000 roubles (usual procedure), 50,000 roubles (quick procedure);</p> <p>c. accreditation for 3 year - 50,000 roubles (usual procedure), 65,000 roubles (quick procedure);</p> <p>d. accreditation for 5 year - 75,000 roubles (usual procedure), 80,000 roubles (quick procedure).</p>	<p>receipt of respective request) for each document.</p>	<p>respective request) for each document.</p> <p>3. State duty for the state registration of shares issue is 0.2 per cent of the nominal amount of the issue (additional issue), but not more than 200,000 roubles.</p>
Term	<p>Accreditation is provided for 1, 2 or 3 years. Term limiting the operation of the Representative Office is specified in the permit to open it. The permit may be renewed for the subsequent 1, 2 or 3 years provided timely request by the foreign legal entity to the SRC (other accrediting body, respectively).</p>	<p>Accreditation is provided for 1, 2, 3 or 5 years. Term limiting the operation of the Branch is specified in the permit to open it. The permit may be renewed for the subsequent 1, 2, 3 or 5 years provided timely request by the foreign legal entity to the SRC (other accrediting body, respectively).</p>	<p>No restrictions.</p>	
Taxation Features	<ol style="list-style-type: none"> No right to apply the simplified taxation system. Exemption from VAT when leasing non-residential premises in the territory of Russia to foreign organisations accredited in the Russian Federation, in cases where the laws of the respective foreign state provide for the same procedure in relation to Russian organisations 	<ol style="list-style-type: none"> Option to apply the simplified taxation system (STS) that exempts a company from corporate profit tax and corporate property tax, and VAT (except for VAT on goods imported into the territory of Russia), subject to compliance with the Tax Code of the Russian Federation in particular, income upon results of 9 		

	<p>accredited in that foreign state, or if such a rule is provided by the international treaty (agreement) of the Russian Federation.</p> <p>3. No obligations on withholding taxes when transferring the net profit to the foreign legal entity.</p>	<p>months preceding filing and application by the taxpayer for STS should not exceed 45 million roubles). In this case, a taxpayer may choose a single tax rate of 6% on all income or 15% of the difference between income and expenses.</p> <p>2. When paying dividends, withholding tax on income is collected: at a rate of 9% for the participants/shareholders - Russian organisations or resident individuals, and at a rate of 15% for foreign citizens or foreign organisations, unless otherwise specified by international treaties of the Russian Federation.</p>
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Information herein is effective as of July 2014 and is of a general nature.

If you need further advice on the above issues, as well as additional information, please contact Yana Dianova, Head of Corporate and Commercial Law Department, GRATA Law Firm (Moscow office): Ydianova@gratanet.com