

# Doing Business in Russia

*Expert knowledge means success*

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## Introduction

The origins of the Russian state can be traced back to the sixteenth century when the trading principality of Muscovy emerged as the dominant player among a number of small principalities and fiefdoms. Ivan IV (Ivan the Terrible, 1533-1584) was the first prince of Muscovy to style himself as Tsar. The Romanov family emerged as Russia's leaders in the early 17th century, and ruled Russia for the next 300 years. Perhaps the best known of the Romanovs are Peter the Great (1682-1725) and Catherine the Great (1762-1796), who arguably did most to reform and modernise the country.

During the 19th century, more territorial acquisitions were made in Europe and Asia. Defeat in the Russo-Japanese War of 1904-05 contributed to the Revolution of 1905, which resulted in the formation of a parliament and other reforms. Repeated devastating defeats of the Russian army in World War I led to widespread rioting in the major cities of the Russian Empire and to the overthrow in 1917 of the imperial household.

The Communists under Vladimir Lenin seized power soon after and formed the Union of Soviet Socialist Republics (USSR). The early years of Lenin's rule were marked by civil war and mass starvation. As Lenin became increasingly incapacitated, Stalin emerged as the undisputed leader of the Communist Party in 1929. Once in place, his leadership came to be characterised by the use of political purges, mass deportation and imprisonment on an unprecedented scale as means of control. Stalin's Five Year Plans did, however, see rapid industrialisation.

The Soviet economy and society stagnated in the following decades until in 1985 the General Secretary Mikhail Gorbachev (1985-91) introduced glasnost (openness) and perestroika (restructuring) in an attempt to modernize Communism, but his initiatives inadvertently released forces that by December 1991 splintered the USSR into Russia and 14 other independent republics.

Boris Yeltsin became the first President of Russia in 1991, during a period of rocketing inflation, rising crime and declining industrial output. Attempts to reform the Russian economy and political system were made, and by the mid 1990s some progress had occurred. Inflation was down, production had increased and a growing number of

people had a stake in the new society. However, in August 1998, the devaluation of the rouble and the collapse of a large part of the banking sector revealed the illusory nature of much of the economic reform that had happened to date. This collapse signalled the beginning of the end of Yeltsin's presidency. In March 2000, Vladimir Putin was elected President and re-elected for a further term of four years in 2004. In March 2008 Dmitry Medvedev was elected President and Putin appointed as his Prime Minister.

Today, Russia's fundamentals remain strong in the medium to long term. Russia's massive potential will be enhanced further if Russia pushes through a range of institutional and economic reforms necessary to complete the transition to a stable, rules-based economy. That said, Russia has not been immune to the global economic crisis and, in line with other high growth markets, forecasts for economic growth are down.

Despite slowing growth, downturn in key industry sectors such as construction, metallurgy and machine building, and reduced public and private investment programmes, opportunities do remain in Russian retail, healthcare, energy, infrastructure, and construction associated with 2014 Sochi Olympics. Some sectors may still register limited growth, and fundamentals, over time, of domestic demand from a consumer market of over 140 million with infrastructure requiring modernisation remain compelling.

Total foreign trade (as well as trade surplus) has been rising steadily since the early 1990s. This is largely because of the large quantity of raw materials and semi-finished product exported. Russia has redirected its trade away from the countries of the former Soviet Union and Eastern Europe (they now account for around 20% of Russian trade).

Despite the many problems, Russia still remains a long term market of great potential for British exporters and investors. With its rich natural resources, a well-educated workforce and a reforming industrial base Russia has the potential for substantial future growth. Nevertheless, the challenges of market entry should not be under-estimated.

Russia is the largest country in the world and has a population of over 140 million people. The economy of Russia is the ninth largest



economy in the world by nominal value and the sixth largest by purchasing power parity. Despite slowing growth, and reduced public and private investment programmes, opportunities still remain due to the Russian oil and gas boom.

## UK-Russia Trade

Russia is the UK's fastest-growing major export market<sup>2</sup>, and the third-largest export market outside Europe and North America, with favourable cross-sector opportunities, some unique in scale. The government's economy modernisation and infrastructure development agenda, underpinned by 140 million consumer's appetite for quality services and goods produces a need for international expertise and products. UK exports to Russia in 2011 increased by 39% from 2010, and equalled £4.78bn. Since 2001 UK-Russia trade has been growing by an average of 21% year-on-year.

Further information is available at:  
[www.ukti.gov.uk/export/countries/europe/easterneurope/russia/doingbusiness.html](http://www.ukti.gov.uk/export/countries/europe/easterneurope/russia/doingbusiness.html)

## Doing Business in Russia

Russia is a middle-income country. It is the eighth largest retail market in the world - having surpassed Brazil, Mexico, Spain and Italy in recent years - and the fourth-largest market in Europe, behind only the UK, Germany and France.

Russia possesses a wide array of mineral and energy resources including major deposits of oil, coal, natural gas, iron ore, manganese, chromium, nickel, platinum, titanium, copper, tin, lead, tungsten, diamonds, phosphates and gold. The forests of Siberia contain an estimated one fifth of the world's timber. The Russian coastal zone of 23,533 miles (37,653 km) along the Arctic and Pacific Oceans, the Baltic, Black and Caspian Seas, holds significant reserves of fish and energy resources on the sea shelf.

### Market Opportunities

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Western goods and expertise remain in demand. The most promising areas for longer-term activity in Russia have been identified by UK Trade and Investment (UKTI).

UKTI has identified five major sectors for UK companies in Russia:

- Advanced Engineering
- Financial Services
- ICT
- Power/Energy
- Sports & Leisure Infrastructure

Opportunities have also been identified in the following sectors:

- Airports
- Construction
- Creative Industries
- Rail
- Water

### Reducing the market to bite-size pieces

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Russia is quite a challenging market for UK companies new to exporting, as it requires serious time and financial commitment. The majority of exporting companies experience problems with lack of management time and resources. It is important therefore to concentrate efforts where there is the highest degree of success probability. If you are not a web-based business, Russia is best broken down to economic regions, e.g. Central Russia, North West of Russia, Siberia, etc. A concentrated effort of sales, technical support and executive staff is to be directed at the selected region or regions. Regional success correspondingly will allow expansion out in diverging rings from this initial base.

### Research and initial planning

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Maintain a long-term time frame to implement plans and achieve positive results: remember that collection and analysis of information about the market, major players, potential partners and clients, local rules and regulations are essential for informed business decision making.

In-depth and focused market research is invaluable in making decisions across market entry strategy formulation and local partner selection.

It's best to establish a local presence or select a local partner for effective marketing and distribution of your products in Russia. Due diligence is a must. It is recommended that you should use the experience of other, successful companies entering the Russian market. The Russo-British Chamber of Commerce at [www.rbcc.com](http://www.rbcc.com) is a valuable

resource. Another useful source of information is the website Small Business in Russia at [www.business-in-russia.com](http://www.business-in-russia.com).

There are thousands of Russian trade associations. Many are very professional and are an excellent source of industry information and practice.

Associations' directories present a useful market research tool. Consider the associate members of these associations as well, including distributors, lawyers, accountants, consultants, etc as ones having useful industry intelligence as you move further down the export road.

If you already have customers with Russian connections, ask them for details of their equivalent Russian operations and names of suitable contacts. With good research, and confidence in that research, a sound business judgement can be made as to whether there is sufficient opportunity to proceed, and where.

## Market challenges

Russia's geographic extent, severe climate and remoteness from major sea lanes impede even economic and social development of the country's territories, with large parts of the country having almost no population or development.

Bureaucracy, poorly established rule of law and corruption affect such areas as establishing a business, tax collection, dispute settlement, property rights, product certification and standards, as well as Russian Customs clearance.

Adequate financial resources for Russian small- and medium-sized companies still remain a problem, but it is not as acute as it was in years past. More foreign banks are operating in Russia and more cash is circulating within the economy due to the Russian oil and gas boom.

Increasingly high overhead costs can sometimes outweigh high profit margins.

Finding qualified local partners and Russian employees has become more difficult and salaries for local employees have risen significantly, especially in Moscow and St Petersburg. The pool of managers who understand Western accounting and business practices remains limited, as do those qualified, experienced Russians proficient in English. As a result, this group circulates

among major companies, bidding up salaries. Recently, Russian authorities have taken steps to encourage international companies to rely more on local talent by tightening visa regulations for foreign workers.

The Russian Government continues to use its oil and gas resources to increase state ownership in strategic industries and companies. Foreign companies can find it unclear as to which sectors are open to investment without Russian majority partners. Legislation defining strategic sectors remains under discussion in the Duma, the Russian parliament.

One of the major barriers to the Russian market remains its differing business etiquette and culture.

Russians are computer literate and many businesses communicate by email, although extensive development is hampered by heavy demands on existing telephone lines. Business centres in the main hotels have email facilities and internet cafes are also available in many big cities.

In Russia, the internet is used primarily for advertising and the exchange of information, and many companies, particularly those in the high technology sector, have excellent websites, often with pages in English. However, whilst it is possible to place an order on the Internet, payment and delivery have to be organised by the customer. The number of customers with credit and debit cards is increasing, but scarce card use remains a key constraint in the growth of catalogue orders and e-commerce. Nevertheless, sales through these channels are expected to grow rapidly in coming years because they bypass the relatively high costs of retail distribution.

## Economy

The Russian economy, like many around the world, was severely affected by the global slowdown. From 1999 to 2008, the economy benefited from strong growth, averaging about 7% per annum. This growth was accompanied by budget surpluses (4% in 2008), allowing the Russian government to accumulate reserves of almost \$600bn. However, the effects of falling oil prices and the financial crisis have taken their toll on Russia. Oil and gas are crucial to the Russian economy, accounting for over 20% of GDP, 50% of federal budget revenues and 60% of



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exports. In 2008, after peaking at \$149 per barrel in July, the oil price fell as low as \$35 per barrel in December of that year.

Monthly economic reports on Russia from a UK perspective are available at:  
<http://ukinrussia.fco.gov.uk/en/business/>

Russian Economic Reports is a series of periodic economic reports from the Moscow office of the World Bank. Each report contains a concise description of the major economic trends and issues facing the Russian economy. In addition, the reports often include a special focus, based on work carried out by the World Bank as part of its assistance program to the Russian Federation.  
<http://tinyurl.com/33279v>

## Population

The population of Russia was 143,030,106 as per the official estimate for 1 January 2012. It hit a historic peak at 148,689,000 in 1991, just before the breakup of the Soviet Union, but then began a decade-long decline, falling at a rate of about 0.5% per year due to declining birth rates and rising death rates. However, the decline began to slow considerably in recent years, and in 2009 Russia recorded annual population growth for the first time in 15 years, with growth of 23,300. In 2011, the population of Russia grew by 160,000 people and reached a total of more than 143 million<sup>3</sup>.

Russia's population is small relative to its size, and unevenly distributed, with the vast bulk in the European areas and the Ural regions. In inhospitable regions e.g. the far north and much of Siberia, population density is often less than 1 person per square kilometre.

### Staffing

The labour force in Russia is well educated and highly skilled. Russian professionals are competent in their fields, but levels of professionalism vary. Technical personnel tend to be highly adept at understanding and applying Western techniques. Secretarial and administrative staff are readily available, particularly in Moscow and larger cities. However, greater difficulties may be encountered when recruiting staff in more remote areas of Russia.

Relations between employees and employers are heavily regulated by the Russian Federation Labour Code. Considerable

safeguards have been established within the Labour Code to protect employees against wrongful dismissal, a harmful working environment and excessive working periods.

Russian labour law is complex and it is strongly recommended that legal advice is taken prior to any contractual agreement. It is illegal to pay Russian employees in currencies other than roubles.

## Geography

Russia is part of Northern Asia (the area west of the Urals is considered part of Europe). It is the largest country in the world (spanning 11 time zones) with an area of 17,075,200 sq km of which 16,995,800 sq km is land and 79,400 sq km is water.

Russia borders the Arctic Ocean, between Europe and the North Pacific Ocean. It's borders are Azerbaijan 284 km, Belarus 959 km, China (southeast) 3,605 km, China (south) 40 km, Estonia 290 km, Finland 1,313 km, Georgia 723 km, Kazakhstan 6,846 km, North Korea 17.5 km, Latvia 292 km, Lithuania (Kaliningrad Oblast) 227 km, Mongolia 3,441 km, Norway 196 km, Poland (Kaliningrad Oblast) 432 km, Ukraine 1,576 km. The terrain is broad plain with low hills west of Urals; vast coniferous forest and tundra in Siberia; uplands and mountains along southern border regions. The lowest point is the Caspian Sea at 28 m and the highest point is Gora El'brus at 5,633 m.

### Administrative divisions

Russia consists of provinces, metropolitan cities, 16 autonomous republics, five autonomous regions and 10 national regions. In total, there are 89 of these various entities.

### Principal commercial centres and towns

Moscow (population 9m) is the capital and seat of government. The city acts as a distribution hub for the whole country. Local industries include the power sector, machine building, food, and chemicals. Moscow is the second largest city in Europe.

St Petersburg (population 5m), located in Leningrad region, is the main business hub of NWt Russia. It is the main port and an area of machine building, food, power industries and light manufacturing. St Petersburg is the second largest consumer market in Russia and the fourth largest city in Europe.



Ekaterinburg (population 1.4m) is capital of the Sverdlovsk Region and the centre of the Greater Urals Economic Region. The Urals region produces a wide range of equipment for metallurgical, chemical, oil and gas extraction and electrical engineering industries.

Nizhny Novgorod (population 1.3m) is the former centre of the defence industry and now an area of machine building, power, food, automotives, and chemicals. It is strong in IT and software development.

Samara (population 1.1m) is located in the Volga region, an area of machine building, power, chemicals, petroleum and food.

Vladivostok (population 619,000), a nine hour flight from Moscow, is the port in the Far East and an area of oil/gas, diamonds, power, food, and non-ferrous metals.

## Climate

The Russian climate is continental - hot in the summer and very cold in the winter. Rainfall is heaviest in the summer months, with July being the wettest month of all in European Russia. Summer days are warm and long and at midsummer there is no real darkness at all in St Petersburg. Average temperatures in August are around 20C. After a short autumn, winters are long and freezing, beginning in November and ending in April.

In winter, temperatures in Moscow and St Petersburg average around -10C. Layers of clothing are advisable as indoor rooms tend to be overheated. A hat is an absolute essential.

Russia has the dubious distinction of being home to the coldest permanently inhabited place on earth - Verkhoyansk, in Siberia.

## Government Structure

The Government of the Russian Federation (Russian: Правительство Российской Федерации) exercises executive power in the Russian Federation. The members of the government are the Prime Minister (Chairman of the Government), the deputy prime ministers, and the federal ministers. It has its legal basis in the Constitution of the Russian Federation and the federal constitutional law.

The President is directly elected for a six year term. The President appoints the Prime Minister, who is confirmed by the Federal Assembly (parliament), and the so-called power ministers (Minister of Internal Affairs, Defence etc). The other ministers, covering economic and social matters, are appointed by the President and confirmed by the Federal Assembly.

The Federal Assembly has two houses. The Upper House is called the Federation Council. Its membership is made up of two senators each appointed by the head of administration and the legislative assembly in the country's 89 regions. The Lower House is called the State Duma. It is the main law-making body in the country.

Russia is a federal republic. It is divided into 89 federal subjects (regions). Each region has a directly elected head of administration and an elected legislative assembly.

Further details of the Government structure can be found at:

[http://en.wikipedia.org/wiki/Government\\_of\\_Russia](http://en.wikipedia.org/wiki/Government_of_Russia)

## Establishing a Business in Russia

In Russia, foreign investors may:

- establish a representative office or a branch of a foreign legal entity,
- establish a Russian legal entity in the form of an enterprise with foreign investment, which is either
  - entirely foreign owned, or
  - co-owned with a Russian partner(s),
- act directly as a pure foreign investor.

A representative office or a branch of a foreign legal entity is not considered to be a Russian legal entity, but rather a body representing the interests of a foreign legal entity in Russia.

A representative office is entitled to carry out liaison and ancillary functions in order to promote the business of its foreign founder. Representative offices are not permitted to engage in commercial activities in Russia. Consequently, most representative offices are not subject to profits tax, unless their activities give rise to a "permanent establishment" for tax purposes, i.e. when a foreign legal entity engages in regular commercial activity through its representative office (for example, the sale of goods or the provision of services).

A branch is a subdivision of a foreign legal entity, which may fulfil all or part of the functions of its foreign founder. These functions include the repatriation of management fees earned in foreign currency, contracting with Russian entities with

payments in foreign currency and rubles, and the appointment of a sales force.

The obligations imposed on a branch may include the same obligations as those imposed on a representative office. However, a branch has less flexibility in selecting an accrediting authority in Russia compared to a representative office. This can sometimes affect certain areas such as the effectiveness of visa support.

The Civil Code of the Russian Federation recognises, among others, the following types of commercial legal entities:

- General partnerships,
- Limited partnerships,
- Limited liability companies,
- Additional liability companies, and
- Joint stock companies.

Moreover, additional legislation has been passed governing the establishment of limited liability companies (LLC) and joint stock companies (JSC)<sup>4</sup>. These two forms of corporate structure are the most popular with the foreign investors and are looked at in more detail below.

### Choosing between an LLC and a JSC

In choosing between an LLC and a JSC in establishing a wholly owned subsidiary, LLCs appear to be more popular than JSCs, due to the various establishment considerations discussed below. Generally speaking, the main general corporate benefit of an LLC in comparison with a JSC is that the procedure for the establishment and the operation of an LLC is significantly less burdensome and time consuming, since there is no legal requirement that an LLC must issue shares or perform the procedural steps required in connection with its issuance (e.g. the establishment and maintenance of a securities register, etc). The absence of necessity to issue shares in an LLC makes this form of legal entity more mobile and flexible when it is necessary for participants of the LLC to change (increase or decrease) the charter capital of the company.

Still, a JSC may be preferable for a joint venture in Russia between unrelated parties. This is mainly due to the following reasons. In an LLC, each participant is entitled to leave the company at any time and for no reason, irrespective of the consent of the other participants. This right entitles the participant to receive from the LLC an

amount corresponding to its proportionate share of the value of the LLC's property, determined by reference to its proportionate share in the charter capital of the LLC.

Also, participants in an LLC who either individually or collectively hold at least a 10 per cent interest in the company's charter capital can apply to a court seeking the expulsion of another participant. In order to actually exclude a participant from the LLC, the other participant(s) must prove that the participant substantially hindered the company's operations or materially breached its obligations.

Further, in contrast to the JSC Law, the LLC Law contemplates a large number of issues which require a unanimous voting decision of all the LLC participants, that may be unfavourable for a joint venture partner who is a majority participant in the LLC.

## Limited Liability Company

### *Number of participants*

An LLC may be established by one or more persons or legal entities (the "participants"). However, if the number of participants exceeds 50, the entity must be reorganised into an open joint stock company or a production co-operative within one year. Furthermore, an LLC may not have as its sole participant another business entity consisting of a single person. The charter capital of the LLC is divided into participation interests held by its participants, as set forth in the charter.

### *Rights of participants*

The participants in an LLC have the right to:

- participate in the management of the LLC in accordance with procedures established by the LLC Law and the LLC foundation documents,
- obtain information concerning the activities of the LLC and have access to its accounting and other documents in accordance with the procedures established by the LLC foundation documents,
- participate in the distribution of profits,
- sell or otherwise assign their participation interests in the LLC charter capital, or a part thereof, to one or more of the participants in the LLC in accordance with the procedure established by the LLC Law and LLC charter,
- withdraw from the LLC without first seeking the approval of the other participants, and

- receive a portion of the assets left after settlement with creditors in the case of the liquidation of the LLC.

The participants in an LLC also have other rights as provided by the LLC Law, and may have additional rights set forth in the LLC charter or foundation documents during the establishment of the LLC, or which are granted at a later date by a decision of the LLC's General Participants' Meeting. The following points should be noted with regard to granting of additional rights to LLC participants:

- Where additional rights are granted by the decision of the LLC's General Participants' Meeting, this decision must be unanimous.
- Additional rights granted to a particular participant in the LLC do not transfer to any party acquiring all (or a part) of such participant's ownership interest if it is transferred.

### *Charter capital*

The charter capital of an LLC consists of contributions made by its participants. The initial charter capital may not be less than an amount equal to 100 times the statutory monthly minimum wage, currently 100 RUB. As at the date of publication, the minimum required charter capital for an LLC is approximately US\$405.

### *Participation interests*

A participation interest (i.e. an ownership share) in an LLC is not considered a security under current Russian legislation. Therefore, in contrast to the shares of a joint stock company, LLC participation interests do not need to be registered.

## Joint Stock Company

Types of joint stock companies A significant number of commercial organisations have been established since the JSC Law came into force on 1 January 1996. While the adoption of the LLC Law in 1998 introduced another option for investors seeking to establish a corporate entity, the JSC Law represented one of the most significant pieces of civil legislation of the post-Soviet era, and JSCs remain among the most important commercial corporate forms and structures for doing business in Russia.

A JSC is a legal entity which issues shares in order to raise capital for its activities. A shareholder of a JSC is not generally liable for the obligations of the JSC, and bears the risk of any such loss only in the amount paid by it for the shares.

## Recognising Shareholders' Agreements

The President of the Russian Federation has approved a law amending the Russian Federal law "On Joint Stock Companies". The amended law came into force on 10 June 2009. Previously, shareholders' agreements in relation to Russian companies were viewed as likely to be unenforceable.

Two types of joint stock companies exist in Russia:

- closed joint stock companies, and
- open joint stock companies.

An open JSC may have an unlimited number of shareholders. Shareholders in an open JSC are entitled to freely dispose of their shares. The number of shareholders in a closed JSC may not exceed 50, and the JSC must be transformed into an open JSC within one year should the number of shareholders ever exceed this amount. As with participants in an LLC, shareholders in a closed JSC have a right of first refusal to acquire shares sold by other shareholders to third parties, at the price offered to the third parties.

Shareholders in both open and closed JSCs have a pre-emptive right to acquire newly issued shares that are to be privately placed, in proportion to their existing shareholdings. Shareholders in an open JSC also have a pre-emptive right to acquire newly issued shares that are to be publicly placed, in proportion to their existing shareholdings, but do not have a right of first refusal to acquire shares sold to third parties.

All JSCs are required to maintain a shareholders' register. The register includes information about each registered shareholder including the number, category and classes of shares held. A JSC with more than 50 shareholders must delegate the maintenance and keeping of the shareholders' register to a licensed registrar.

### *Formation of a joint stock company*

Individuals and legal entities may be the founders of a JSC. A company's foundation document, i.e. its charter, must include:

- the name, address, and type of the JSC (i.e. open or closed),
- the size of the JSC charter capital,
- the quantity, nominal value and categories (common or preferred) of shares, as well as the classes of preferred shares issued and distributed by the JSC,
- the rights of the holders of shares of each category,
- the structure and competence of the governing bodies of the JSC, and their decision making procedures,
- the procedure for preparing for and holding the General Shareholders Meetings, including a list of issues requiring either unanimous consent or a resolution adopted by a

qualified majority of votes,

- information on branches and representative offices,
- information on the existence of any special right of participation in the management of the company (a "golden share") vested in the Russian Federation, a constituent entity of the Russian Federation, or a municipality of the Russian Federation, and
- other provisions required by law. The charter may include other provisions, so long as these comply with applicable Russian legislation.

### *Charter capital*

The charter capital of an open JSC may not be less than 1,000 times the Russian statutory monthly minimum wage (the monthly minimum wage used for the purposes of calculating the minimum charter capital of the JSC is currently 100 rubles). Currently, using an exchange rate of approximately 24.7 rubles/USD, the minimum charter capital for an open JSC is approximately US\$4,050. A closed joint stock company must have a minimum charter capital equivalent to at least 100 times the minimum monthly wage – currently approximately US\$405.

### *Shares and other types of securities*

A JSC can issue securities in the form of shares, bonds, and issuer's options. In either case, such securities must be registered with the Federal Service for the Financial Markets of the Russian Federation (the FSFM), which replaced the former Federal Commission for the Securities Market (the FCSM) in March 2004. A JSC can issue common shares and/or several classes of preferred shares. The total value of a JSC's preferred shares may not exceed 25 per cent of its charter capital.

The concept of a "fractional share" was introduced on 1 January 2002. A fractional share is a share representing a portion of a whole share, which can come into existence when it is not possible to acquire the whole share during the consolidation of shares, when a shareholder exercises their pre-emptive right, or in the course of acquiring additional shares.

A fractional share grants its owner the same rights that are granted by the whole share of the corresponding category or class, on a pro rata basis.

### Russia's Special Economic Zones

Russia operates a number of Special Economic Zones (SEZ) which offer benefits

for companies locating in these zones. Locating in these zones can enable foreign companies to overcome market access issues in Russia.

More information is available at:

- Samara Special Economic Zone:  
[www.ukti.gov.uk/uktihome/item/204620.html](http://www.ukti.gov.uk/uktihome/item/204620.html)
- Sverdlovsk Special Economic Zone (Titanium Valley):  
[www.ukti.gov.uk/uktihome/item/204633.html](http://www.ukti.gov.uk/uktihome/item/204633.html)

## Taxation

The Russian taxation system has developed rapidly over the past two decades. However, the current tax system remains rather complex and contradictory, with a large number of separate laws regulating some 40 different taxes and duties. Compounding this, the tax laws are unpredictably interpreted by officials. Companies operating in Russia should consult with a professional tax advisor to stay abreast of developments.

### Quick summary<sup>5</sup>

- Russia has a uniform rate of tax on the income of individuals. As of 2011, tax in Russia is payable at the rate of 13% for an individual on most income (non-residents 30%). Russian residents pay 9% on dividend income which is deducted at source. Non-residents pay 15% on dividend income.
- Exemptions are granted to certain income earners.
- The standard rate of Russian corporate profit tax in 2011 is 20%. This is made up of 2 rates: Federal tax of 2% and Regional tax of 18% (with a possible incentive reduction of up to 4.5%).
- Companies pay 9% tax on dividend income. Under certain terms dividend income received by companies with holding of 50% or more is entitled to participation exemption.

### Types of tax

The Tax Code sets forth three levels of taxation: federal, regional and local:

- Federal taxes include VAT, excise taxes, profits tax, unified social tax, personal income tax, mineral extraction tax, state duty, special tax regimes, and several other taxes.
- Regional taxes include corporate property tax, transport tax, and gambling tax, while local taxes include land tax and individual property tax.

There are four types of special tax regimes that may be applicable to certain activities and/or categories of taxpayers: single agriculture tax, simplified system of taxation, single tax on imputed income from certain kinds of activity, and taxation of production sharing agreements. These special tax regimes have the status of a federal tax and may provide exemptions from certain federal, regional, and local taxes.

### VAT

The standard value added tax (VAT) rate is 18%. A reduced rate of 10% applies to certain foodstuffs and children's goods.

### Excise Taxes

The excise tax applies to a number of luxury imported goods (alcohol, tobacco, oil, gas, petrol, jewellery, and vehicles).

### Double Taxation and Withholding Tax

HMRC can provide details of the Double Taxation Convention with the UK signed on 16 April 1998 and Withholding Tax arrangements. For more information visit [www.hmrc.gov.uk/si/double.htm](http://www.hmrc.gov.uk/si/double.htm)

## Exporting

UK Trade and Investment encourages the availability of competitive export finance to all UK companies seeking to export goods or services or invest overseas. For further information, visit: [www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk)

The Integrated Tariff of the United Kingdom contains helpful information on Importing or Exporting. It includes references to the relevant laws and regulations. For further information, visit: [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

If the government feels that the import of any particular items threatens Russian producers it can impose various restrictions such as raising import taxes, introducing quotas or compelling Russian importers to apply for special import licences.

### Export licences (from UK)

You should check with Her Majesty's Revenue and Customs to see if a licence is required for any goods you wish to export to Russia. There are a number of licensing requirements, relevant to exports. These include:

- Common Agricultural Policy (CAP) Licences;

- The Department for Business, Innovation & Skills (BIS<sup>9</sup>) Licences;
- Department for Environment, Food & Rural Affairs (DEFRA) Licences;
- Department of Culture, Media and Sports (DCMS) Licences.

An export licence is mandatory if you are exporting certain products. If a licence is required and is not presented at the time of export, the consignment will not be able to leave. For further information, visit: [www.hmrc.gov.uk](http://www.hmrc.gov.uk).

The BIS's Export Control Organisation is the first point of contact for information on export controls. They provide advice on many issues, including how to establish whether or not specific goods need an export licence, the different types of export licences, how to complete export licence application forms and how long they take to process. They are also the point of contact for Export Control Organisation publications and licence application forms. For further information visit: [www.bis.gov.uk/europeandtrade/strategic-export-control/index.html](http://www.bis.gov.uk/europeandtrade/strategic-export-control/index.html)

The Defence Export Services Organisation (DESO) can provide information concerning the export of defence related equipment. For further information visit [www.deso.mod.uk](http://www.deso.mod.uk)

For information concerning export controls on antiques and works of art, please visit the Department for Culture, Media and Sport website. For further information visit [www.culture.gov.uk](http://www.culture.gov.uk)

### Export Credits Guarantee Department (ECGD)

ECGD can provide insurance or arrange medium/long-term finance packages in a wide range of markets worldwide for UK exporters of capital goods and projects. They can also provide contacts for private sector insurance for UK exporters of consumables. For more information on how ECGD may be able to help you visit the ECGD website at [www.ecgd.gov.uk](http://www.ecgd.gov.uk) or contact their helpline: Tel: +44 (0)20 7512 7887.

### Technical Help for Exporters

Technical Help for Exporters (THE) is a service provided by the British Standards Institution (BSI) to provide information and advice on compliance with overseas statutory and other technical requirements.

THE produces a wide range of publications

and provides a special updating service of information in some product fields. THE can supply detailed information on foreign regulations; identify, supply and assist in the interpretation of foreign standards and approval procedures; research and consult on technical requirements for a specific product; and provide translations of foreign standards, items of legislation and codes of practice. Fees vary according to the amount of work involved.

For further information visit the British Standards Institution (BSI) website at: [www.bsi-global.com/Technical+Information](http://www.bsi-global.com/Technical+Information) or e-mail: [THE@bsi-global.com](mailto:THE@bsi-global.com)

### Export Documentation

SITPRO is the UK's trade facilitation body dedicated to simplifying the international trade process by cutting red tape. A company limited by guarantee, SITPRO manages the UK Aligned Series of Export documents, and licenses a network of approved suppliers to provide them. SITPRO also offer advice, briefings, publications and checklists covering various international trading practices.

Contact SITPRO for more help or information on export documentation and procedures:

Tel: +44 (0)20 7467 7280  
Email: [info@sitpro.org.uk](mailto:info@sitpro.org.uk)  
[www.sitpro.org.uk](http://www.sitpro.org.uk)

### Labelling and packaging regulations

Labelling of most consumer products, foodstuffs and drinks must be in Russian on its own, or together with another language. The information required on the label depends on the product but can often require the translation of technical information. Bar codes should also be added when applicable.

SITPRO have reproduced a country factsheet on Russia taken from Croner's Reference Book for Exporters detailing the main certification and packaging requirements for Russia.

The Russian government does not recognise many international standards such as the ISO-9000 system. Instead, many imported products destined for sale or use in the Russian market must have a GOST R Certificate of Conformity issued by the Russian State Standards Committee (Gosstandart). The requirements for certification change continually, so you

### **Exchange Controls**

The rouble is non convertible. Payments can only be made in roubles. Exchange controls are subject to frequent changes which should be checked prior to entering the market.

### **Repatriation of Profits**

Local foreign investment laws and international investment protection arrangements allow free remittance of foreign currency profits by foreign investors after payment of the appropriate taxes. Rouble profits can be converted into foreign exchange through the correct channels for transfer abroad.

should always check the type of certification you will need with a Gosstandart-accredited body before applying.

### *Obtaining Certificates of Conformity and Other Certification Documents*

In the UK, SGS (UK) Ltd is authorised by Gosstandart to issue GOST certificates and can advise you of the specific certification requirements for your products. More recent and detailed information is available from the SGS (UK) Ltd website at [www.gost.sgs.com](http://www.gost.sgs.com)

Standardisation and certification are an area of concern to UK companies. The issue is under debate in the Russian government. Foreign companies complain of obscure standards and compliance process, unreasonably high demands, and excessive costs of certification testing. The Russian government is also under pressure to harmonise existing Russian standards with international standards so that Russia can gain access to the World Trade Organisation.

### Commercial Samples and Temporary Imports

For companies wishing to visit Russia to present samples of their goods or other professional equipment, it is important that the proper procedures are followed for the temporary importation of the goods. Failure to comply with the rules may result in goods being seized and in more serious cases penalty fines also being levied. Russia is a member of the ATA Convention, but in practice only a handful of customs posts in are able to handle carnets.

The alternative to the carnet and preferred method is the Duplicate List system. SITPRO, provides a trade briefing which provides general information on the ATA Carnet and Duplicate List systems.

### Getting your goods to market

There are a number of routes which can be used for shipping goods into Russia. The most common routes are by road or rail overland across Western Europe, Poland, Belarus to Moscow, or by sea to St Petersburg or Finland and then road or rail through St Petersburg and to Moscow. For smaller consignments or goods which are required urgently, air freight is a viable option and there are a good range of airfreight services available to Russia from the UK.

Each route presents different benefits in terms of cost and time and the mode of transport used. Most freight forwarders will have routes that they prefer and use most of the time. It is very important to use a reputable freight forwarder that has experience of shipping goods to Russia and preferably has representation in Russia.

The British International Freight Association (BIFA) can provide assistance to companies who are new to exporting. A BIFA registered member can advise companies on such matters as modes of transport, distribution methods, costing, documentation and payment terms. BIFA can be contacted on +44 (0)20 8844 2266 or through their website at [www.bifa.org](http://www.bifa.org).

The Freight Transport Association (FTA) can put UK companies in touch with UK fleet operators who send lorries into Russia. FTA's International department can be contacted on +44 (0) 1892 55 22 58 or via email to [international@fta.co.uk](mailto:international@fta.co.uk).

## Importing

The Integrated Tariff of the United Kingdom contains helpful information on Importing or Exporting. It includes references to the relevant laws and regulations. For further information, visit [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

### Import licenses

You should check with Her Majesty's Revenue and Customs to see if a licence is required for any goods you wish to import goods from Russia. There are a number of licensing requirements, relevant to imports. These include;

- Common Agricultural Policy (CAP) Licences,
- The Department for Business, Innovation & Skills (BIS) Licences;
- Department for Environment, Food & Rural Affairs (DEFRA) Licences,
- European Commission Licences,
- Forestry Commission Licences and
- Radio Communications Agency (RDA) Licences.

If a licence is needed and is not presented at the time of importation, the goods will not be allowed to enter the country.

### Import and Export of Currency

Regulations relating to the import and export of currency to and from Russia are as follows:

- Up to US\$10,000 may be imported into the country without being declared
- Up to US\$3,000 may be taken out of the country without being declared
- If you are taking out over US\$3,000, but less than US\$10,000, you must declare this on departure
- If you take out over US\$10,000 you must have declared it on arrival, or be able to provide documentary proof of the transfer, remittance or purchase of the amount while in Russia.

## Customs Duties

On January 1, 2004, a new customs code took effect in Russia, based on the international harmonised system. Import duties are levied according to the type of goods imported and their origin. Duties are normally expressed as a percentage of the value of the goods imported ("ad valorem" duties). However, they may also be expressed as a set amount of euros per unit or kilograme or as a combination (the greater of the two).

Import duty applies to most goods. The majority of customs duty rates in Russia are ad valorem (i.e. a percentage of the goods' customs value). There are also specific duties for certain types of imports, calculated by volume, weight or quantity. Some duties have a combined rate incorporating the above two types of duty and, therefore, the tax base may vary.

Base customs duty rates vary widely, from 100% on spirits to 0% for some printed matter and some other priority imports. Zero duty applies, for example, to a wide range of equipment and machinery. On average, duty rates fall between 5% and 20% of the goods' customs value. The base rates specified in the legislation apply to countries that have been granted Most Favoured Nation status. Some goods from "developing" and "least developed" countries may be imported at 75% of the base rates or zero rates, respectively. However, these are limited to raw materials and handmade goods. Goods originating in other countries will be subject to duty at double the base rates. The following are exempt from customs duty:

- transit goods,
- cultural valuables,
- goods imported by individuals for personal use (worth not more than approximately US\$2,500 and weighing less than 35kg),
- means of transport involved in the international movement of goods and passengers, and
- humanitarian aid and some others.

Customs clearance procedures are longwinded and complicated. Clearance can only be completed by the consignee who must be a company registered in Russia. All duties and VAT have to be paid to Customs prior to release of goods. Payment of VAT/duty on some items must be paid in advance to Customs before the

container/trailer is allowed to cross the border. This particularly applies to items such as spirits and tobacco.

For further details, go to:  
[www.russian-customs-tariff.com/](http://www.russian-customs-tariff.com/)

### Free Trade Zones/Warehouses

Several "free" or "special" economic zones' have been established in Russia.

The government has also introduced smaller-scale "free customs warehouses". Customs duties do not apply in free customs zones and free warehouses. Some production and wholesale transactions (but not retail sales) can take place within these zones. The storage period is unlimited. Free customs zones and free warehouses are normally located in customs areas (airports, seaports, railway truck terminals).

Information on Special Economic Zones, written by Rossiyskaya Gazeta (Russia) can be found at:  
[www.telegraph.co.uk/sponsored/russianow/5215503/Special-Economic-Zones-Foreign-direct-investment-boosts-Russian-economy.html](http://www.telegraph.co.uk/sponsored/russianow/5215503/Special-Economic-Zones-Foreign-direct-investment-boosts-Russian-economy.html)

### Membership of Free Trade Agreements

Russia currently participates in a free trade agreement with the CIS. Russia has a Partnership and Co-operation Agreement with the EU and proposes to join the World Trade Organisation. A customs union with Belarus, Kazakhstan, Kyrgyzstan and Tajikistan has been formed, but is not operational.

## Terms of Payment

As always when trading with a new company, it is advisable to have in place secure payment terms such as payment in advance or a Letter of Credit. If a Letter of Credit is used it must be irrevocable and confirmed by a Western bank. Once a confident and trustworthy relationship has been established then credit terms may be considered. For more information on the financial aspects of international trade, SITPRO have produced a series of financial briefings; covering areas including the risks associated with different methods of payment, foreign exchange procedures and an introduction and best practice guide for Letters of Credit. Russian companies are quite used to prepayment, sometimes up to 100%.

Despite the economic pressures of recent years, Russian companies have generally maintained a good record of payment and have remained reliable. Russian companies with contacts with foreign suppliers are able to make hard currency bank transfers through Russian banks and will often hold bank accounts abroad for such transactions.

## Advertising and Marketing

### Advertising

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For consumer goods, traditional advertising media are well established in Russia. Television, print media, outdoor billboards, magazines, point-of-sale promotions and displays, and free samples are widely used. Foreign products face tough competition against Russian products. There is a need to "Russify" advertising to suit Russian culture. Most major western advertising agencies are active in Russia; domestic agencies are growing and their professionalism continues to improve. However, Russian advertising regulations are not well developed, and advertising costs have not been tax deductible expenses until now.

For industrial goods, trade shows and trade magazines are effective advertising methods. In Russian cities, telemarketing and fax marketing to business customers is common but not effective. By contrast, person-to-person direct marketing works well (e.g. with health and beauty products). Other direct marketing channels (catalogues, e-commerce and regular mail) are still in their infancy. Many shippers are reluctant to send goods without prepayment.

### Contacting Russian Companies Directly

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If you wish to contact Russian companies directly, it is best to fax or email them in the first instance, as the Russian postal system can be unreliable. Follow this up vigorously. It is best to make your initial contacts in Russian, and where possible send price lists and details of your product or service in Russian. Messages in English from an unknown source are unlikely to be considered.

The Russians value personal contact and it is therefore important to visit the market at an early stage in order to begin to build a business relationship. Where possible, trade

literature should be translated into Russian.

Appointments are often made at very short notice in Russia and it is important to reconfirm appointments by telephone on arrival in Russia.

Many companies, even if their top managers do not speak English, will have young entrepreneurial staff who do but it is probably advisable to arrange for an interpreter with a technical background depending on the situation.

Details of some companies offering interpreting services may be obtained from the British posts in Russia or the Russo British Chamber of Commerce in London or Moscow.

### Local representation

In most cases the effective way of doing business is through an agent - who acts like a salesman on your company's behalf, or a distributor - who buys the product from the exporter, stocks it and then supplies and invoices the customer. You should generally not attempt to deal directly with shops, which are notoriously difficult, and will often demand goods on sale or return.

You may want to consider exclusivity over a certain time period for your distributor, and restricted to specific regions. No agent can adequately represent your interests across the whole country. This can greatly increase the distributor's incentive to promote your product. However, bear in mind that exclusivity can potentially reduce sales volume, since it often limits geographical coverage and makes you dependant on one company.

## Business Hours

Most business is, of course, done in the office but it is customary to conduct some business in a social atmosphere late in the day or outside working hours. This might be a restaurant or club. It is an honour to be invited to someone's home.

Normal hours of business are from 09.00-18.00. However, newer, private firms will tend to work considerably longer hours than these official times.

Government offices are open 09.00-17.00 Monday to Friday.

Banks are open 09.00-16.00 Monday to Friday.

Shops are open 09.00-19.00 Monday to Friday and 09.00-18.00 Saturday.

Central shops may be open till later.

## Business Etiquette

### Social Customs

Generally, business customs are similar to those in the West. Meetings should start with a little preamble, and you should try to engender some personal conversation in order to build up a relationship with your Russian partner. Meetings might start a little late; this is not unusual. Correspondence should ideally be in Russian; apart from courtesy, it is more likely that you will receive a response. Business cards in script will also be well received.

### Women Business Travellers

As in many countries caution is required particularly at night. Ideally, you should not travel alone, and should be accompanied by a local. If you do not speak Russian, then travelling alone is simply not practical. Common sense should be used: ensure that accommodation is pre-booked, and train accommodation is not shared with strangers. This can be arranged through your travel agent.

### Modes of Address

It is customary to use first name and patronymic (the Father's name with the suffix 'ovich for a man, and 'ovna for a woman). This is the polite form of address, and is more acceptable than using the surname. However, foreigners will be forgiven for not remembering the patronymic, and resorting instead to the first name only or the surname, preceded by Mr (Gospodin) or Mrs (Gospozha).

## Transport and Travel

### Air

Moscow is the hub for travel in Russia with internal flights, leaving from Sheremetevo 1, Domodedovo, or Vnukovo airports. The majority of foreign travellers arrive at Sheremetevo Terminal 2, but British Airways flights arrive at Domodedovo.

International flights to St Petersburg arrive at Pulkovo Airport's Terminal 2, located 17 km south of the city. International flights to Ekaterinburg arrive at Koltsovo airport.

Flights for all cities in Russia depart from Moscow at least once a week. Flights to larger, or more important, destinations such as Nizhny Novgorod or Ekaterinburg are more frequent. Travel agents in the UK should be able to organise advanced ticketing even for remote cities in Russia but these can also be purchased at short notice from Aeroflot offices in most major cities.

No matter which airport you are flying into, it is always best to try to arrange for someone to meet you on arrival before leaving the UK. Either arrange this through your Russian contacts, or alternatively, book a taxi via the hotel you will be staying at. Specialist travel agencies should also be able to arrange this. If you find yourself having to book a taxi at the airport, use one of the established taxi companies with their own representative offices in the arrivals hall.

### Rail

Cheap and slow, trains are the preferred means of transport for the vast majority of Russians. There are several railway terminals in Moscow, depending upon your destination. Long distance rail travel is often impractical for business travellers in view of the sheer size of the country, and journeys can take days.

One route suitable for business travel is Moscow-St Petersburg, which is usually done in a night, although there are a number of high-speed trains that can make the journey in between four and a half to five and a half hours.

If you wish to travel on a long-distance train, then it is advisable to book the tickets in advance. This can be done either through a travel agent or in person. The first option is slightly more expensive but less time consuming, whilst the second is cheaper but can mean spending a lot of time queuing!

There are a number of different classes on long-distance trains: luxury (2 beds per cabin), coupe (4 beds per cabin), platzcart (6 beds per cabin) and seat only. Prices vary accordingly, with luxury being the most expensive and seat only being the cheapest.

## Intellectual Property

In 1992 and 1993, Russia enacted laws strengthening the protection of patents, trademarks and appellations of origin, and copyright of semiconductors, computer programmes, literary, artistic and scientific works, and audio/visual recordings.

The patent law, which accords with the norms of the World Intellectual Property Organisation, includes a grace period, procedures for deferred examination, protection for chemical and pharmaceutical products, and national treatment for foreign patent holders.

In general Russian Patent Law meets international standards and adheres to the Paris Convention for the Protection of Industrial Property. Patents are registered with patent attorneys, patent bureaux etc. Trade marks are also protected upon registration.

However, Russia's 'first come, first served' registration system has sometimes meant that by the time an overseas manufacturer attempts to register their trade mark it has already been registered by local manufacturers hoping to benefit from the brand name eg Kodak. It is therefore best to apply to register trade marks at the earliest possible opportunity.

The Coalition for Intellectual Property Rights have produced a guide on using Cyrillic trade marks.

IP rights are territorial, that is they only give protection in the countries where they are granted or registered. If you are thinking about trading internationally then you should consider registering your IP rights abroad.

Non-Russians are expected to pay more than Russians for long-distance train tickets and need to go to specially designated ticket windows. Two places where long-distance train tickets can be bought are Belorussky station and Leningradsky Station in Moscow.

The railway network is generally reliable, but take care with your luggage. Where possible, do not travel alone, and store valuables in the compartment under the bed/seat. Do not leave the compartment empty. Ensure the door is quite secure from the inside by tying it closed with wire or strong cord. Take care if accepting food or drink from strangers, as there have been cases where travellers have been robbed and their valuables stolen.

## *Metro*

Within Moscow and St Petersburg the metro is the most efficient way to get around the city, but may be crowded during peak hours. Moscow's subway system is one of the most efficient in the world. For most of the day, trains run flawlessly every minute and a half or less. A single ticket, which allows you travel anywhere on the system costs 7 roubles.

In the centre, no place is more than a 10-minute walk from a metro station, and stations are well distributed throughout the suburbs. Even if you plan on getting around by car while you're in Moscow, it's worth taking a ride on the metro for the experience.

While not as impressive as Moscow, St. Petersburg's metro system is highly recommended. The metro opens around 6 a.m. and closes at 12 midnight.

## *Roads*

Road travel is impractical for most journeys between cities. However, you may wish to hire a car to get around within Moscow or St Petersburg, although be warned – this is not for the faint hearted!

You may drive a car in Russia for a limited period if you hold an international driving license (The AA can provide details of how to obtain one). For further information on driving restrictions, check with an international driving organisation. You should comply with all local speed limits. The standard speed limit for built-up areas is 37mph (60 kph), outside built-up areas is 55 mph (90 kph) and 62 mph (100 kph) on motorways (Brest-Moscow). Visiting motorists who have held a driving licence for

less than two years must not exceed 43 mph (70 kph). There is zero tolerance for drinking and driving.

If you don't want to drive, many firms offer cars rented with a driver, at reasonable prices. In provincial areas drivers can be hired at bus stations and train stations for a small fee.

## *Taxis*

It can be difficult to get a taxi in Moscow and St Petersburg – waits of an hour and a half are not unknown. To ensure a taxi when you need one, pre-book one with your hotel the previous evening. Places to find official cabs waiting include train stations, hotels and big intersections. It's generally best to agree on the fare beforehand, as even the registered cabs rarely use meters (and when they do, it can sometimes be even more expensive). Payment is in roubles.

If you hail a taxi whilst standing at the kerb, don't be surprised to see a private car pull over and stop. Such 'unofficial taxis' are a normal method of getting around in Russia, and the vast majority of journeys are trouble-free. If you do decide to take an 'unofficial taxi', you will need to agree the fare with the driver in advance. However, if there is anyone other than the driver in the car, or anything else that makes you uneasy for whatever reason, don't get in the car. The amount you will pay for your taxi is likely to depend on how much Russian you know and your preparedness to haggle as well as the distance you are travelling.

## *Hotels*

The quality of hotel accommodation varies greatly in Russia. Big luxury hotels are quite common in the Moscow and St Petersburg. However, these can be very expensive, with prices approaching \$400 per night in a five star hotel. In the regions, luxury hotels are rare, although they can be found in areas such as Tiumen in western Siberia - an area of oil and gas wealth.

## *Freight*

The most common routes to Russia are by road or rail overland across Western Europe, Poland, Belarus to Moscow, or by sea to St Petersburg or Finland and then road or rail through St Petersburg and to Moscow. For smaller consignments or goods which are required urgently, air freight is a viable option and there is a good range of air-freight services available to Russia from the UK.

## **Copyright**

The Law on Copyright and Neighbouring Rights, enacted in August 1993, protects all forms of artistic creation, including audio/visual recordings and computer programmes as literary works for the lifetime of the author plus 50 years and is compatible with the Berne convention.

The September 1992 Law on Topography of Integrated Microcircuits protects software and semiconductor topographies for 10 years from the date of registration.

Russia has also acceded to the Universal Copyright Convention, the Paris Convention, the Berne Convention, the Patent Cooperation Treaty, the Geneva Phonogram Convention, and the Madrid Agreement.

However, enforcement of the law is patchy at best, and pirated CD's and computer software remain common in Russia. Grievances on the infringement of intellectual property should be taken to lawyers in Russia. The Russian government is currently drafting changes in Russian laws to make them conform to WTO standards.

## Travel Advice

The Foreign and Commonwealth Office (FCO) Travel Advice Unit provides up-to-date advice on problems that may arise owing to political unrest, violence, natural disasters and epidemics. Travel advice is available at [www.fco.gov.uk](http://www.fco.gov.uk).

At the time of publication, the FCO was advising against all travel to Chechnya, Ingushetia and Dagestan because of the security situation in the North Caucasus. This also includes the regions of Budyonnovsky, Levokumsky, Neftekumsky, Stepnovsky and Kurskoy in east and south Stavropol Krai, which border Dagestan and Chechnya.

They also advise against all but essential travel to North Ossetia, Karachai-Cherkessia and Kabardino-Balkaria (including the Elbrus area) as terrorism and kidnapping in these regions remain a serious problem.

### Health Advice

Medical care for foreigners in Russia may be limited and often well below Western standards - particularly outside the main cities. There are, however, a lot of pharmacies stocking a fair range of medicines, but some types of medication used in the UK are still not available in Russia. There are also many poor quality counterfeits of Western branded medications. Doctors and hospitals in state hospitals often expect immediate cash/dollar payment for health services at Western rates. There are a few Western-style commercial clinics in Moscow and St Petersburg which charge high fees. In rural areas of Russia, basic medical supplies, including disposable needles, anaesthetics, and antibiotics continue to be in short supply. As a consequence, re-use of medical supplies including needles and syringes is common. HIV and sexually transmitted diseases are becoming more widespread in Russia and the usual precautions should be taken.

Recommended inoculations include diphtheria, tetanus, polio, typhoid, hepatitis A and B. For longer stays, especially if going up-country, you should also consider rabies and tick-borne encephalitis (prevalent May-September). If travelling to Russia for extended periods, you may be required to produce a certificate confirming that you are HIV-negative.

It is always advisable to take basic medical supplies such as disinfectant, swabs/bandage, painkillers and antihistamines. Given the high prevalence of medical supplies being re-used, particularly in rural areas, it is also advisable to take your own needles and syringes.

There is a small number of confirmed cases of A (H1N1) Swine Flu in Russia relating to travellers who have recently returned from Russia from overseas trips. There have been no instances of human-to-human spread of A (H1N1) in Russia. There are no restrictions on travel, although airports in Moscow have stepped up monitoring of passengers and crew arriving from countries with confirmed cases of A (H1N1).

### Health Insurance

There is a reciprocal healthcare agreement between Russia and the UK but its scope is limited to treatment in state hospitals for accident and emergencies. Please see the Department of Health website for further information. Additional charges will be made for consultations and prescriptions. However, it is highly advisable to take out full insurance cover for medical treatment, accidents and emergency medical repatriation.

### Drinking Water

The water supply in cities is usually drinkable but the colour, smell and taste are often unpleasant - usually due to the high iron content. It is advisable to drink bottled water rather than tap water.

For further information on health issues visit the World Health Organisation website at [www.who.int](http://www.who.int) or the Department of Health's website at [www.dh.gov.uk](http://www.dh.gov.uk).

## Passports/Visas

### Passports

If your passport has less than six months to run, you may be refused entry to Russia. You are advised to get a replacement passport before travelling.

### Visas

Visas are required for all visits to Russia by British Citizens. It is advisable to use a travel agent specialising in travel to Russia as a visa facilitator. They can also advise on the latest requirements for most Russian visas. All travellers to Russia should satisfy

themselves that their visa status in Russia is not contravening the law.

During periods of high demand, for example during the summer holidays, you should apply for your visa well in advance. If you live in England, Wales or Northern Ireland you should apply to Russian Federation's visa processing centre:

VF Services,  
15-27 Gee Street,  
London,  
EC1V 3<sup>RD</sup>  
Tel: +44 (0)20 7499 1029  
[www.rusemblon.org](http://www.rusemblon.org)

VF Services can normally process visas in five working days. The forms must be completed online, and can either be submitted by post or in person. If you want to get a visa more quickly it is possible to pay extra for a next-day service. You must have an exit visa to leave Russia. Before you travel to Russia ensure that you are aware of the terms and conditions attached to your visa, for both entry and exit, and check that the dates and details which have been entered on your visa are correct. Presenting documentation which contains incorrect information to immigration officials can lead to severe inconvenience and in some cases could result in refusal of entry.

You must register your stay within three working days of arrival in Russia with the local branch of the Federal Migration Service. Most major hotels will do this automatically. If you are staying in private accommodation the owner of the property must do this for you. You need not register a visa if your visit is for less than three days.

## Migration Cards

All foreign nationals entering Russia are now required to fill in a Migration card, which will be handed out either on the flight or on arrival in Russia. The card is in two parts, "A" and "B". Give part "A" to the Immigration Officer on arrival. Keep part "B" with your passport and show it, along with your passport, to the police if they stop you for an identity check during your stay. Give part "B" to the Immigration Officer on your departure from Russia.

You must complete a new migration card each time you enter Russia, even if you have a multiple entry visa. If you lose part "B" of the card you will be fined, and your departure from the country could be delayed.

## Useful Contacts

### British International Freight Association

Tel: +44 (0)20 8844 2266  
[www.bifa.org](http://www.bifa.org)

### CIA Factbook

[www.cia.gov/cia/publications/factbook](http://www.cia.gov/cia/publications/factbook)

### British Chambers of Commerce (BCC)

BCC delivers an Export Marketing Research service on behalf of UKTI: companies with fewer than 500 employees may be eligible for a grant of up to 50%.

Tel: +44 (0)20 7654 5800  
Email: [info@britishchambers.org.uk](mailto:info@britishchambers.org.uk)  
[www.britishchambers.org.uk](http://www.britishchambers.org.uk)

### British Council

Tel: 007 495 287 1800  
Email: [moscow@britishcouncil.ru](mailto:moscow@britishcouncil.ru)  
[www.britishcouncil.org/russia](http://www.britishcouncil.org/russia)

### The Freight Transport Association (FTA)

Tel: 01892 55 22 58  
Email: [international@fta.co.uk](mailto:international@fta.co.uk)  
[www.fta.co.uk](http://www.fta.co.uk)

### Russo British Chamber of Commerce

The RBCC has offices in London, Moscow and St Petersburg offering advice and assistance on matters affecting Russo-British trade and cooperation.

[www.rbcc.com/](http://www.rbcc.com/)

**London:** Tel: +44 (0)20 7403 1706

Email: [infolondon@rbcc.com](mailto:infolondon@rbcc.com)

**Moscow:** Tel: 007 495 961 21 60 (ext. 100)

Email: [infomoscow@rbcc.com](mailto:infomoscow@rbcc.com)

### St Petersburg

Tel: 007 812 448 84 64  
Email: [infospb@rbcc.com](mailto:infospb@rbcc.com)

### SITPRO

SITPRO provide help and information on export documentation and procedures:

Tel: 020 7467 7280  
Email: [info@sitpro.org.uk](mailto:info@sitpro.org.uk)  
[www.sitpro.org.uk](http://www.sitpro.org.uk)

### Russian Chamber of Commerce and Industry

Tel: 007 495 620-0009  
E-mail: [tpprf@tpprf.ru](mailto:tpprf@tpprf.ru)  
[www.tpprf.ru/en/](http://www.tpprf.ru/en/)

### Russian Embassy in the UK

Tel: +44 (0)207 229 8027  
[www.russialink.org.uk/embassy](http://www.russialink.org.uk/embassy)

### Russia's Visa processing centre in the UK

Tel: 020 7499 1029  
[www.rusemblon.org](http://www.rusemblon.org)

### UK Trade and Investment – UK

UK Trade and Investment hold a wide range

of information on Russia and can offer practical exporting advice and information on specific opportunities in the Russia market.  
<http://tinyurl.com/6vockxv>

## UK Trade & Investment - Russia

### British Embassy - Moscow

Email: [TradeInvestmentMoscow@fco.gov.uk](mailto:TradeInvestmentMoscow@fco.gov.uk)

Tel: 00 7 495 956 7100

### British Consulate - Petersburg

Email: [commercial.stpetersburg@fco.gov.uk](mailto:commercial.stpetersburg@fco.gov.uk)

Tel: 00 7 812 320 3200

### British Consulate - Ekaterinburg

Email: [britcon@sky.ru](mailto:britcon@sky.ru)

Tel: 00 7 343 379 4931

## Country Data

Feature	Country Data
Country name	<b>Conventional long form:</b> Russian Federation <b>Conventional short form:</b> Russia <b>Local long form:</b> Rossiyskaya Federatsiya <b>Local short form:</b> Rossiya
Local time	Moscow is GMT+ 3 hours Note: Russia is divided into 11 time zones
Population	141,750,000 – 2010, Source: World Bank
Capital City	Moscow
Language/ Ethnic Groups/ Religion	<b>Languages:</b> Russian, many minority languages. Knowledge of the basics of the cyrillic alphabet will aid travellers around Russia. <b>Ethnic groups:</b> Russian 79.8%, Tatar 3.8%, Ukrainian 2%, Bashkir 1.2%, Chuvash 1.1%, other or unspecified 12.1% (2002 census) <b>Religions:</b> Russian Orthodox 15-20%, Muslim 10-15%, other Christian 2% (2006 est.) Note: Estimates are of practicing worshipers; Russia has large populations of non-practicing believers and non-believers, a legacy of over seven decades of Soviet rule
Area	<b>Area:</b> Total: 17,075,200 sq km sq km (land: 16,995,800 sq km, water: 79,400 sq km). It is the largest country in the world by area. <b>Border countries:</b> Azerbaijan 284 km, Belarus 959 km, China (southeast) 3,605 km, China (south) 40 km, Estonia 290 km, Finland 1,313 km, Georgia 723 km, Kazakhstan 6,846 km, North Korea 17.5 km, Latvia 292 km, Lithuania (Kaliningrad Oblast) 227 km, Mongolia 3,441 km, Norway 196 km, Poland (Kaliningrad Oblast) 432 km, Ukraine 1,576 km.
Public/Statutory holidays	For National Public Holidays dates, please see: <a href="http://en.wikipedia.org/wiki/Public_holidays_in_Russia">http://en.wikipedia.org/wiki/Public_holidays_in_Russia</a>
Dialling code from UK	007
Local currency	The currency is the Russian Rouble (RUB)
Weights and measures	A native system of weights and measures was used in Imperial Russia and after the Russian Revolution, but it was abandoned in 1924 when the Soviet Union adopted the metric system.
Electricity supply	The supply is at 220V, 50 AC. Sockets need 2 round-pin plugs.

## Further Information

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

If you would like to receive further information about this subject or other publications, please call us – see our contact details on the next page.

### Acknowledgement and References:

- <sup>1</sup> Source: [http://en.wikipedia.org/wiki/Economy\\_of\\_Russia](http://en.wikipedia.org/wiki/Economy_of_Russia)
- <sup>2</sup> Source: [www.ukti.gov.uk/export/countries/europe/easterneurope/russia.html](http://www.ukti.gov.uk/export/countries/europe/easterneurope/russia.html)
- <sup>3</sup> Source: Demographics of Russia: [http://en.wikipedia.org/wiki/Demographics\\_of\\_Russia](http://en.wikipedia.org/wiki/Demographics_of_Russia)
- <sup>4</sup> Source: [www.ukti.gov.uk/download/108330\\_100997/Doing%20business%20in%20Russia.html](http://www.ukti.gov.uk/download/108330_100997/Doing%20business%20in%20Russia.html)
- <sup>5</sup> Source: [www.worldwide-tax.com/russia/russia\\_tax.asp](http://www.worldwide-tax.com/russia/russia_tax.asp)
- <sup>6</sup> The Department for Business, Innovation & Skills (BIS) was formerly known as the Department for Business, Enterprise and Regulatory Reform (BERR) and before that was called the Department for Trade & Industry (DTI).

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