

Issues and Requests Relating to Foreign Trade and Investment - Russia

	Category	No	Issue	Issue Details	Requests	References
1	Restrictions on Entry of Foreign Capitals	(1)	Imbalance in Business Interest between Domestic and Foreign Enterprises	- Russian large enterprises tend to get better business interest in certain industrial sectors. It makes difficult Foreign Funded Enterprises' (FFEs) projection into a long-term strategic investment planning, although there is no problem in short term investment.	- It is requested that Government of Russia (GOR) establishes transparency for distribution of business interest.	
		(2)	Restricted Foreign Capital Entry into Tele-Communications Sector	- Foreign Funded Enterprises (FFEs) are closed out from the requisite allocation of the frequency band and the cable laying licence for telecommunication business. While perfunctory tender system exists, it is just in form only. In most cases, successful bidders are predetermined to parties with relations to the government of one kind or another.	- It is requested that GOR: -- deregulates restrictions, and -- establishes transparency in the tender procedures.	
2	Grant of a Preferential Tariff Rates based on Increased Home Production, and/or Local Procurements	(1)	<u>Local Contents Rate Requirement</u>	- On public institutions tender, acquisition of local product certificate is necessary. In recent years, its requirement had tended to grow. <u>Practically, the requirement for minimum 50% localisation is quite a high hurdle.</u>	- It is requested that GOJ will develop dialogues with GOR toward relaxation of the localisation requirement.	
		(2)	<u>No Localisation Incentives</u>	- For furthering local production, car parts manufacturers' entry into Russia and subsequent incentives (such as tariff reduction/exemption) are necessary, whereas none is available as it stands today. (Decree 566 for tariff exemption has expired since 2011, without further incentives on manufacturers entered after 2011.)	- It is requested that GOR establishes new customs duty exemption scheme applicable to newly entering parts manufacturers.	Cars: Decree 166 Parts: Decree 566
6	Reduction and Elimination of Preferential Policies for Foreign Capital	(1)	Non-Execution of Preferential Measures on Local Production	- A Firm established a Construction Equipment Factory in expectation of Preferential Measures on Local Production by Import Tariff Rates as in the case of the Car Industry. However, such measures have not taken place. So far, there has been hardly any merit for constructing the local production plant.	- It is requested that GOR reduces the duty rates to zero on imported CKD components. (The going Duty Rates: 5% on finished car, 4% approx. in weighted average on CKD components).	
9	Restrictive Export/Import Trade, Duty, and Customs Clearance	(1)	High Import Duty	- Tariffs on watches are based on both ad valorem and fixed amount. -- Wristwatches (housed in precious metal case): EUR 6.00 or 15.7%-17.3%, whichever is higher. -- Wristwatches (housed in cases other than in precious metal): EUR 4.00 or 10%, whichever is higher. - <u>Import duty is high on clocks.</u> - The high import duty rate on cosmetics (compared with EU particularly) suppresses a profitable operation of MFS (a member firm's subsidiary)	- It is requested that GOR: -- repeals minimum import duty rates, and -- unitises all import duty rates into Ad Valorem percentages. - <u>It is requested that GOR repels or reduces the tariff rate.</u> - It is requested that GOR works toward repeal of the import duty levy.	

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			<p>- <u>In some countries, zero duty applies to single function projectors (an ITA product), while high duty rates apply to multi-function projectors.</u></p> <p>- <u>Relative to other countries, import duties are much higher in Russia.</u></p> <p>- Import duties are high across the board. While the Russian Government (GOR) has acceded to WTO and openly announced reduction in customs duties, the precise schedule to reach the final goal remains in the dark.</p> <p>(Reference)</p> <p>- The following is a web site of private information source (in Russian). (http://www.tks.ru/db/tnved/tree)</p> <p>(Actions)</p> <p>- "The Customs Code" of the customs union of Russia, Belarus and Kazakhstan that provides for the uniform regulations and procedures of the 3-countries as part of the customs union established by the 3-countries, and "The Federal Law On Customs Regulation in the Russian Federation" FL No. 311-FZ On Customs Regulation in the Russian Federation of 27 November 2010 (became effective by the end of 2010): these two stipulate the basic principles for foreign trade, while customs union's regulations, Russian federal customs service (former state customs commission) Legislation and Tax Laws prescribe import transactions.</p> <p>(Improvement)</p> <p>- In August 2012, Russia formally acceded to WTO.</p>	<p>- It is requested that GOJ:</p> <p>-- <u>approaches GOR for problem solving.</u></p> <p>-- <u>obtains confirmation on the latest information concerning expansion of ITA, and</u></p> <p>-- <u>provides on continual basis information on future movements of GOR.</u></p> <p>- It is requested that foreign considers <u>reducing import duties to adequate levels.</u></p>	
	(2)	Abrupt Changes in Duty Rates	Changes are frequent in the import tariff rates in order to accommodate the needs of the national budget, or by the lobbying activities of certain industries, etc. Request for increase in tariff abruptly shows up for products, which are not manufactured domestically in Russia, in contravention of the international rules.	- <u>Despite the Russian's accession to WTO in 2012, its raise of customs tariffs on television receivers and refrigerators is in contravention of the WTO agreement, requiring special attention.</u>	- Tax Laws
	(3)	The End of Import Duty Preferential Measures	The so-called Proposition 566 requires application for a contract with the Ministry of Economic Development (MED) by 28 February 2011. Therefore, since that deadline, MED has accepted no further application, terminating the preferential measures.	- It is requested that MED resumes acceptance of application for contract.	

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	(4)	Violations in Concessionary Rate(s) on Import Duty	<p>Russia is under obligations to observe its international undertakings, including observance of the (Concessionary) import duty rates upon its accession to WTO. However, GOR levies import duty exceeding the concessionary rate(s) on combined freezer/refrigerators for home use.</p> <p>- Since accession to WTO, GOR seems to take internationally unacceptable change in tariff rates, setting aside the question of possible WTO violation:</p> <p>A) Refrigerators: 20% or EURO0.24/L, making effective rate in excess of 20%.</p> <p>B) Television Receivers: GOR intends to raise the 10% going rate to 16% (although not in WTO violation, as 16.7% was the tariff rate declared upon GOR's accession to WTO).</p> <p>- The nebulous change in tariff rates since GOR's accession to WTO impairs predictability in business operation, such as sporadic tariff raise on equipment not satisfying GLONASS requirements. (Kazakhstan's opposition has resolved this problem at the Tripartite Customs Union). Although within CTR, there has been a move toward raise of the tariff rate after GOR's accession to WTO. While it is a matter of no consequence to Samsung, Lucky Goldstar, Philips, etc. that manufacture television receivers in Russia, Japanese manufacturers without manufacturing facility in Russia face a severe disadvantage on tariff, making prices of their products less competitive.</p> <p>(Reference)</p> <p>- Russian import duty on "Combined Refrigerator-Freezers for Home Use"</p> <p>(1) Combined refrigerator-freezers exceeding 340L in cubage (HS code 8418.10.200.1)</p> <p>-- WTO concessionary rate ("WCR") = 18.3%</p> <p>-- Russian rate = [WCR] or [EUR0.16 x cubage (L)], whichever is larger</p> <p>-- Conflict with WCR arises when import price x 18.3% is less than EUR0.16 x cubage (L)</p> <p>(2) Combined refrigerator-freezers, 340L or less in cubage (HS code 8418.10. 800.1)</p> <p>-- WTO concessionary rate ("WCR") = larger of 18.0% or EUR0.198 x (L), however, with 18.0% cap, whichever is larger</p> <p>-- Russian rate = larger of [WCR] or [EUR0.198 x cubage (L)], (without 18.0% cap) , whichever is larger</p> <p>-- Conflict with WCR arises when import price x 18.0% is less than EUR0.198 x cubage (L)</p> <p>- GOR has adopted the common tariff under the Tripartite Customs Union (TUC) between Belarus, Kazakhstan and Russia and levies customs duty under the common customs tariff of the customs union, promulgated by the Eurasian economic commission.</p> <p>- Common customs tariff of the customs union is enacted by the Eurasian economic commission: http://www.eurasiancommission.org/ru/act/trade/catr/ett/Documents/ett84%2001.01.2014.pdf</p>	<p>The GOR's Measures described in the left column are inconsistent with the WTO Agreement (Article 2 of GATT).</p> <p>- It is requested that GOR shows to the extent allowable, the Road Map for the future projection/plan, instead of making sporadic stop and go changes, such as not raising the tariff rates even within CTR.</p>	<p>- Common Customs Tariff of the Customs Union, 16 July 2012</p>

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	(5)	Inadequate HS Code Classification	<ul style="list-style-type: none"> - On imported hydraulic shovel, no distinction is made between new and used products. (Such distinction is made in the case of Japan.) 	<ul style="list-style-type: none"> - It is requested that GOR makes distinction at all costs in its customs statistics between the new and used vehicles, although it may take coordination with its customs system. In the growing severity of competition, it is imperative to keep abreast of the import / export status of each country. (Including the distinction between new and old vehicles, it is requested that GOR harmonises its HS code with Japan and the rest of the countries.) 	<ul style="list-style-type: none"> - Customs Tariff Schedules
	(6)	Inefficient and Nebulous Customs Clearance Procedures	<ul style="list-style-type: none"> - A Firm selling products via its Subsidiary in EU to a Russian distributor faces difficulty in the local import customs clearance on installation jigs, spare parts, and optional items by its Russian distributor. - Relative to import of high-purity alumina, MFS tried to get the goods cleared through the customs at the import duty in accordance with the HS-Code, attaching analysis report by the third party institute, MSDS (Material Safety Data Sheet), etc. However, the Russian customs authorities (RCA) enforced its own sample analysis, stating the time schedule: 3-months for analysis and 1 year for completing the procedures. In the end, RCA accepted member firm's original submission. However, to this date, there has been no refund of the import duty. With the change of the customs staff, the entire procedures must go back to square one. It interferes with the MFS's global business development. - Samples, catalogues, etc. sent from Japan to Russian local purchasers must go through difficulty with varying requirements each time. It takes much longer time than the estimated time for customs clearance, or in the worst case, they get returned to Japan, marked: "No entry permitted". <p>(Reference)</p> <ul style="list-style-type: none"> - Please refer to the following web site of Russian Federation Customs Service at: (http://eng.customs.ru/). 	<ul style="list-style-type: none"> - It is requested that GOR streamlines and expedites import customs clearance. - It is requested that GOR takes steps to accept: <ul style="list-style-type: none"> -- analysis report by the third party institute of exporting countries, -- measures taken under MSDS, and expedite the procedures. - It is requested that GOR streamlines the import customs clearance process that is commonly shared throughout. 	<ul style="list-style-type: none"> - Customs Act

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		(7)	Nebulous Customs Valuation	<p>The customs at Nakhodka and Vladivostok insist that prices for the steel products imported by a Japanese firm and declared on the invoices are too cheap, demanding explanation and production of a huge volume of additional documents, as well as temporary posting in bond of extra amount of import duty calculated in accordance with the prices alleged by them to be adequate. Such cases have frequently occurred recently, despite the fact that the Japanese firm purchased those products at the going market prices.</p> <p>From time to time, Russian customs unilaterally levies customs duties based on the dutiable value determined at its sole discretion. In order to avoid this treatment, Member Firm's Subsidiary (MFS) has submitted twice a year to the custom's authority a vast amount of materials, expending much time and human resources on their preparation. Further, it this happens, it takes huge materials and time to request return of materials, and sometimes return can be denied in certain cases, which just incurs additional expenses. MFS is exposed to the risk of going into unnecessary work and incurrence of additional expenses.</p> <p>MFS purchase price list is on file at customs. Where a product is imported at the special price lower than the normal price, frequently customs require submission of contract with manufacturer, and explanatory letters. During this time, the goods stay at customs. Sometimes MFS is told the customs do not make clearance without amending value on the documents. It is necessary to make upward price adjustment at times to get the goods cleared through the customs.</p> <p>Import duty is levied on the import price. It follows then that when import price is reduced, it should be recalculated based on the reduced price. However, in practical implementation, the same import duty based on the pre-reduction price remains payable. While it is possible to receive duty refund for the substantive overpayment of import duty after negotiation with the customs authorities, in the case where reductions are simultaneously made both on the import price and the retail price, the refund procedures are quite complex to the extreme, and time consuming (for more than half a year) from the filing date of application to receipt of refund.</p>	<p>It is requested that the RFG authorities:</p> <ul style="list-style-type: none"> -- makes customs clearance adequately based upon the import customs clearance documents, and -- approves the customs clearance of the imported goods. <p>It is requested that Government of Russia (GOR) aims at attaining the full transparency in customs clearance procedures, unaffected either by whim and fancy of the customs personnel or customs budget issues, etc.</p> <p>It is requested that GOR takes steps to:</p> <ul style="list-style-type: none"> -- expedite examination, -- enhance efficiency, and -- assure transparency in customs clearance procedures at the special price. <p>It is requested that GOR takes steps to calculate import duty based on the import price of the product at each point of import.</p>	<p>Customs Act</p> <p>Article 68 of the Customs Code of the Customs Union</p>

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			- Due to some Russian importers' rampant customs duty evasion by undervaluation for high priced foods, especially fishery products, legitimate importers deprived of price competitiveness are no longer able to run a viable business. Russian customs authorities (RCA), seeming to be aware of the rampant undervaluation practices, have taken a comprehensive measure based on its own evaluation of the unit prices of all imports. It equally affects the reduction of unit prices by the legitimate business operation through their own genuine business efforts. Moreover, it seems RCA has extended import restrictions to the operation through the offshore settlement company. However, it alienates the business of the third parties in good faith via the triangular settlement of transactions. It is quite possible (although without proof) RCA is turning a blind eye. For expecting something in return.	- It is an idea to shift the customs duty levy from ad valorem to per specific duty.	
	(8)	Existence of Products Prohibited from Customs Clearance	- <u>Food products in general and medical supplies in general are prohibited. Limited only to customs at Sankt Peterburg, customs clearance is prohibited on air-freighted personal computers and equipment.</u>		- Customs Act
	(9)	Import Quota	- GOR and 5 Ukrainian steel pipe mills reached agreement in January 2005 setting forth the import quota of 395,000 tons for the year 2005, with annual quota increase by 2% in 2006 and onward.	- It is requested that GOR repeals the quota system.	
	(10)	Raise in Import Duty	- Effective as from 14 February 2009, GOR has raised the following tariffs rates for a temporary 9-months period: -- Wire rods, steel bars, stainless steel plates (increased by 10%, or 15% in total) -- Cast iron pipe, seamless steel pipe, welded steel pipe (increased by 5%, or 20% in total) On 12 December 2009, GOR extended by 9-months the levy of the raised tariff rates (excluding the 4-items of stainless steel pipe for which tariff reduction was announced on 28 September 2009).		- RFG Customs Decree No. 273 of 31 March 2009
	(11)	Customs Union	- Accompanying the establishment of the Tripartite Customs Union (TCU = Russia, Kazakhstan and Belarus), the change on product safety regulations and enactment of environment related regulations have increased the burdens upon member firms from having to comply with the requirement for description in the Russian, Kazakhstan languages, etc., which are different from the international norm, EU Regulations, etc.	- It is requested that TCU do its best to make the regulations compliant to international norm in order not to increase unnecessary burden to the industry.	- Tripartite Customs Union - <u>TCU Technical Standard 020/2011, 004/2011</u>

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			- <u>The acquisition process for licences and approvals of the Customs Union differs individually among the 3-countries so that applicant must prepare individually different materials for each country. In addition, applicant must file customs clearance application in certain cases individually for each country as the 3-countries conduct different customs check individually.</u>	- It is requested that GOR takes steps to: -- <u>construct a common acquisition procedure for licences and approvals, and</u> -- <u>make transparent the details of check and inspection upon customs clearance.</u>	
	(12)	Difficult Customs Clearance for Import from Germany	- Unless a firm in Japan establishes a subsidiary or a branch office locally in Russia, it is next to impossible to make direct sales from its German subsidiary to Russia, Belarus, and Ukraine, due to the complex customs clearance procedures.	- It is requested that GOR delineates the rules and regulations governing the basis for direct sales and transport of products to the territories mentioned in the left column.	- The Russian legislation on Customs Clearance
	(13)	Introduction of Export Tax	- Introduction of Export Tax at ease: Eg. 1: 10% on Tungsten for one-year from December 2012 => Tax levy remains unrepealed. Eg. 2: Grains (Wheat) from 1 February 2015	- Introduction of export tax at ease leads to the loss of confidence in GOR in the market. It is requested that GOR reconsiders its improvement.	
12 Exchange Controls	(1)	Restricted External Remittance in Foreign Currency	- <u>Due to the requirements under the Advance Notification and Licence Application System (ANLAS), the procedures are quite complex for making external remittance in foreign currency under contract, requiring preparation and production of the application form, the contract (purchase order won't do) and various other documents (passport deal).</u> - While no particular restrictions apply to exchange of rubles into foreign currency or external remittance, depending upon the currency (such as rubles) or settlement method, sometimes, it takes time. - Upon making external remittance and for conducting import/export RFG requires the licence called passport, acquisition of which takes a long time. Passport is issued by a bank and in this process, the relationship gets solidly interlocked between the bank and the applying enterprise, depriving the enterprise the freedom of shopping for a lower bank commission.	- It is requested that CBR: -- <u>streamlines the ANLAS, and</u> -- <u>simplifies the documental requirements.</u> - It is requested that RFG has the legislative system amended in order to facilitate conversion of rouble funds into foreign currency and external remittance in foreign currency. - It is requested that RFG: -- <u>repeals the requirement for Passport itself, or</u> -- <u>simplifies the procedures.</u>	- Restrictions on Foreign Currencies

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			<p>- <u>Economic sanction, aggravated market from the low oil price impact, even more lengthy and difficult remittance.</u></p> <p>(Reference) - Please see the "Security Information --> Visa/Immigration" website of Consulate-General of Japan in Vladivostok at: http://www.vladivostok.ru.emb-japan.go.jp/jap/visiting-japan/index.html</p> <p>(Improvement) - Since Elvira Nabiullina's assumption of office as Governor of Central Bank of Russia (CBR) in June 2013, CBR has rapidly advanced its reform policy toward the full free floating exchange-rate system by 2015 (target), such as disclosure of information on its exchange intervention policy, and widening of the range for non-intervention in exchange.</p>	<p><u>Improvement is anxiously awaited in the climate surrounding politics and economy.</u></p>	
	(2)	<u>Foreign Exchange Management Made Difficult by Economic Crisis</u>	<p>- <u>Cyclic Russian economic crisis (plunging rubles) raises the risk of running the business un stably. It is especially applicable to the auto industry that relies willy-nilly upon imported parts and materials at the mercy of largely fluctuating foreign exchange rates. It is difficult for them to keep the profitability.</u></p>	<p>- It is requested that GOR support the industries from the taxation policy, for example, by lower tax rates.</p>	
	(3)	<u>Forward Booking is Restricted in Foreign Exchange</u>	<p>- <u>Enterprises incorporated in Russia is not authorised to conclude Forward Booking Contract of Foreign Exchange other than with the domestic banks in Russia.</u></p>	<p>- It is requested that GOR deregulates the Foreign Exchange Control.</p>	
	(4)	<u>Inadequate Standards for Transactions in Foreign Currency</u>	<p>- <u>GOR mandates recording in ruble at the CBR official parity rate (OPR) for all transactions in foreign currency. However, due to the vast gap between the OPR and the actual market exchange rate, MFS is unable to reflect accurately the real P/L Status on its financial statement.</u></p>	<p>- It is requested that GOR takes steps to amend the standards relative to the transactions in foreign currency.</p>	<p><u>Federal Law No. 129-FZ, "On the State Registration of Legal Entities and Individual Businessmen"</u></p>
	(5)	<u>Rapid Exchange Fluctuations</u>	<p>- <u>Radical exchange fluctuations prevail. As it stands, member firm's subsidiary (MFS) benefits from exchange gain on a direct export transaction in yen. Nevertheless, negotiation for raise in price is difficult. In a transaction with its parent company, the prevailing Yen depreciation enables MFS to offer special prices to its customers. However, MFS runs on a thin margin, so that if the exchange rate swings toward appreciation of Yen, it will instantly show operational loss: such is the severity of the fluctuation band.</u></p>	<p>- It is requested that GOP takes step to: -- <u>stablise foreign exchange fluctuations, and</u> -- <u>holds the fluctuation band within a few percents in 6-months.</u></p>	
	(6)	<u>Net Asset Provisions under Russian Law on Limited Liability Company</u>	<p>- <u>Due to loss from the weaker roubles, P&L of the local sales subsidiary has gotten aggravated. It is requested that GOR takes step to repeal or change the net asset provisions under the Amended Law on limited liability company.</u></p>	<p>- <u>Net asset provisions of Russian Law on limited liability company.</u></p>	<p>- <u>Net Asset Provisions under Russian Law on Limited Liability Company</u></p>

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13 Finance	(1)	Inadequate Infrastructure on Financing	<ul style="list-style-type: none"> - While CBR employs real-time gross settlement (RTGS) systems, designated-time net settlement (5-times per day), still remains in inter-bank settlement. In effect, the fund settled at late hours is unavailable for use on the very day the settlement takes place. - <u>Russian inter-bank settlement of only a few times a day makes it difficult to effect settlement on the same day.</u> 	<ul style="list-style-type: none"> - It is requested that GOR overhauls its Finance, Banking and Monetary Infrastructure. - <u>It is requested that GOR takes step to overhauls the financing and banking infrastructure.</u> 	
	(2)	Fund Borrowing is Difficult	<ul style="list-style-type: none"> - <u>CBR stringently controls the reserve account of commercial banks, making it difficult for enterprises to secure credit line.</u> 	<ul style="list-style-type: none"> - <u>It is requested that CBR deregulates the control on Private Banks.</u> 	
	(3)	Irrational Basis of Earmarking Bad Debt Reserve	<p>CBR demands earmarking of 21% Reserve on accommodation of funds, on which any of the following applies:</p> <p>(1) Stock Financing for Distributors: Grant of stock fund loan to distributors from the fund (granted as loan to customers) of which principal-and-interest is partially paid does not improve "the debt payment status", one of the decision bases for the reserve rate. In this case, the grade of the 3rd classification or less applies.</p> <p>(2) Car personal loan: In the case where the subject car for car loan is the subject property of stock financing for distributors, the car in question amounts to the financing employed for debt payment to other creditor. In this case, the grade of the 3rd classification, or less applies.</p> <p>(Improvement)</p> <ul style="list-style-type: none"> - Since Elvira Nabiullina's assumption of office as Governor of CBR in June 2013, CBR has rapidly advanced its modernization including preparation of financial policy framework based on KEY RATE (currently 5.50%) newly established for main policy interest rate. 	<ul style="list-style-type: none"> - Member Firm's Subsidiary (MFS) is of the view that the financing in the circumstances described in the left column amounts to normal credit. It is requested that CBR takes steps to reconsider the reserve earmarking standard. 	<ul style="list-style-type: none"> - CB Report Regulation No.254-P1. Article 3.7, and 3.7.2.4.2. Article 3.13, & 3.13.6
	(4)	Local Bank Commission and Add-On Interest	<ul style="list-style-type: none"> - <u>In contract for a large transaction, under the payment terms of remittance for the full amount. L/C is not usable so that pre-shipment credit risk cannot be secured.</u> - <u>Member firm finds it extremely difficult to take advantage of JBIC bank loan.</u> 	<ul style="list-style-type: none"> - <u>Local bank's commissions and added-on interests are too high.</u> 	
14 Taxation Systems	(1)	Inadequate VAT Taxation System	<ul style="list-style-type: none"> - While the VAT refund scheme is provided in the regulation, actual refund procedures are complex and difficult to materialise. While set-off in the VAT refund application in next fiscal term should be workable, in effect, it requires GOR's assessment. In some cases, VAT refund is carried over to next fiscal year, not next fiscal term. 	<ul style="list-style-type: none"> - It is requested that GOR: - -- administers VAT refund scheme strictly in accordance with the registration. - -- introduces the notion of untaxed transactions and refrains from inclusion into the total amount, which forms the basis for input VAT calculation. 	<ul style="list-style-type: none"> - Tax Code Part II, Chapter 2 - <u>Tax Code of the Russian Federation "Part Two No. 117-FZ of 5 August 2000, Chapter 21. Value-Added Tax"</u>

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			<p>- <u>VAT paid upon import into Russia is effectively unrefundable. (VAT refund procedures are extremely complex on VAT prepaid on the products first imported into Russia and re-exported to countries outside TCU. In effect, it is not refundable.)</u></p> <p>(Reference)</p> <p>- VAT is levied on goods imported into Russia, domestic sales, purchase or transfer of goods, and provision of service. The basic VAT rate is 18%, while reduced rate of 10% is levied upon foods, children's goods, certain products including medical equipment, provision of service, while 0% VAT normally applies to export goods. VAT is exempted on indispensable medical equipment, medical service, educational service, banking service, etc.</p>	<p>- <u>It is requested that GOR simplifies the methods for filing VAT refund application (by minimizing the amount of the requisite documents).</u></p>	
	(2)	Complex Tax Accounting Procedures and Non-Introduction of IFRS	<p>- To handle the voluminous documents for tax accounting procedures, it is necessary to employ numerous accounting and taxation staff. It is a heavy burden when starting a new company in Russia.</p>	<p>- It is requested that GOR introduces International Financial Reporting Standards (IFRS) as soon as possible and streamlines the tax accounting system in Russia.</p>	
	(3)	Unfair Levy of Wheeled Vehicle Scrapping Tax	<p>- While GOR reduced import duty on passenger car from 30% to 25% upon accession to WTO, it has introduced new recycle (scrap) tax on passenger cars as if to complement the import duty so reduced. As tax rates vary by engine displacement, in some cases the tax rate is higher than the 5% reduction in import duty, so that a firm is unable to secure the budgeted profit.</p> <p>- Within the Russia, Kazakhstan and Belarus Customs Union, RDT (Rigid Dump Truck) manufacturers of Belarus alone enjoy recycle tax exemption almost unconditionally.</p>	<p>- The process till the introduction of the new taxation system has been nebulous, as the terms have gone through a number of changes from the original draft, undisclosed up to the very moment before final decision. Hereafter, it is requested that GOJ induces GOR to secure transparency in introduction of changes in the taxation system, such as reduction of tax rates in stages, or change in the calculation method for scrap tax, etc., by securing an ample moratorium period and a justifiable explanation, etc.</p> <p>- It is requested that GOR introduces uniform fair recycle tax within the tripartite customs union, and levies recycle tax on imported finished RDT to benefit the local production within the tripartite customs union.</p>	<p>- Resolution of the RF Government No.870 dated 30.08.2012 "On Wheeled Vehicle Scrapping Fees"</p>

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			<p>(Improvement)</p> <ul style="list-style-type: none"> - <u>In September 2012, GOR introduced auto recycling fee (recycling tax scheme), which grants the room for tax exemption for recycling auto only upon domestically manufactured auto, with a possibility of violation on national treatment, etc. as recycling tax scheme grants tax exemption also on imports from Belarus, and Kazakhstan, the TCU member states.</u> - <u>In June and September 2012, Japan Minister of Economy, Trade and Industry expressed his concern to Russian Minister of Economy and development and first vice-minister, respectively.</u> - <u>In November 2012, at the WTO council for trade in goods, Japan expressed its concern on recycling tax scheme with the U.S./EU.</u> - <u>In March 2013, GOR expressed improvement of the recycling tax scheme at the WTO council for trade in goods.</u> - <u>In October 2013, amended recycling tax scheme was approved at the Russian federal assembly, and enforced from January 2014.</u> 		
	(4)	High Rate of Withholding Tax	<ul style="list-style-type: none"> - Russian withholding tax under the bilateral tax treaty is 10% or 15%, while 5% applies to Favoured States. - <u>Under the Japan-Russia tax treaty, withholding tax of 15% is payable for remittance from Russia to Japan. This withholding tax rate is substantially higher than the model tax treaty under OECD. It serves as a major factor that hinders Japanese investment into Russia.</u> 	<ul style="list-style-type: none"> - It is requested that GOR / GOJ reduce withholding tax (of 10% or 15%) on interests, dividends and utility fees equal to favoured state (5%). - <u>It is requested that GOR and GOJ take steps to amend the current tax treaty as soon as possible.</u> 	Japan-Russia Tax Treaty
	(5)	Non-Existence of Consolidated Income Tax Payment Scheme	<ul style="list-style-type: none"> - <u>A member firm developing business in Russia finds uneven performances among its subsidiaries (MFS'). If consolidation is allowable on profit and loss of all Russian MFS' as a single consolidated business entity, then member firm can both leave tax payment, and support further business development in Russia.</u> 	<ul style="list-style-type: none"> - <u>It is requested that GOR takes steps to introduce the scheme that allows consolidated tax payment.</u> 	
	(6)	Change in Taxation Scheme	<ul style="list-style-type: none"> - <u>Oil export tax (enforced on 26 December 2014) and oil extraction tax (enforced on 1 January 2015) has been modified. The mine site the member firm now implements mineral exploration/evaluation in collaboration with the joint venture partner prior to the legislative amendment, used to be tax exempted mine site for 15-years (in irkutsk state). However, the legislative amendment has repealed the provisions in concern at this time. After the amendment, tax exemption no longer applies in full, impacting heavily upon P&L of the operation.</u> 	<ul style="list-style-type: none"> - <u>It is requested that before effecting change in taxation scheme or tax rates, GOR assures transparency by making available opportunities for exchange of dialogues with foreign funded Enterprises, providing sufficient and justifiable explanation to ensure transparency.</u> 	<ul style="list-style-type: none"> - <u>Law No. 366-FZ, promulgated on 24 November 2014, Amending Russian Federal Tax Law</u>
	(7)	Insufficient Capital Control	<ul style="list-style-type: none"> - <u>GOR implements its own control on insufficient capitalisation, and in such an event, demands increase in capital stock.</u> 	<ul style="list-style-type: none"> - <u>It is requested that GOJ takes step to have GOR repeal insufficient capital control.</u> 	

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16	Employment	(1)	Difficulty in Visa Acquisition	<p>- <u>Stay Registration (SR) required for each entry into Russia must be completed within 7-days from the entry date. Complex application procedures must be completed for SR in a short period.</u></p> <p>- <u>It is expected that GOR will introduce the Russian language test relative to issuance of work permit for a foreign national, which will affect expatriates' stay in Russia in future.</u></p> <p>- Visa Renewal Application accepted up to the moment of expiry must be filed minimum 45-days before expiry, beginning 2013. What this means is that one-year validity for normal visa is reduced to less than 1-year in substance.</p> <p>- It is time consuming and extremely heavy in expenses and workload to obtain in Russia, work permit, work visas, and other licences and approvals necessary for doing business in Russia. The procedures and implementation methods are ambiguous. Their interpretation now and then differs among sections and departments. Moreover, the views and announcements on regulations, etc. frequently vary. Recently GOR simplified visa acquisition procedures. This is a step forward. However, due to "procedures now undergoing changes", there are cases in which 3-years-visa issuance, etc. are held in abeyance.</p> <p>- <u>Work permit acquisition has been made more difficult by questions on the applicant's knowledge about Russia: its language, history, legal systems, etc.</u></p> <p>- <u>Since January 2015, for acquisition of work permit, it has become necessary to show applicant's proficiency in the Russian language, history, and legal systems. Russian visa for Highly Qualified Specialist (HQS) is also available subject to annual income of 2 million rubles. =>PROBLEMS: Testing the Russian language expertise to Japanese applicant, with a special industrial expertise anxious to contribute to the Russian industry in various fields, is a factor that curbs new investments into Russia by Japanese enterprises with possibility of broadening the scope of the Russian industry. The income of candidate expatriates from the Japan headquarters neither necessarily reaches the 2 million rouble threshold nor the satisfactory level of the Russian language expertise, barring acquisition of work permit. Consequently, withdrawal of the</u></p>	<p>- <u>It is requested that GOR extends the application period (to around 30 to 45-days).</u></p> <p>- <u>It is requested that GOR expands the scope of application for high skill workers' system.</u></p> <p>- It is requested that GOR takes steps to:- handle the business routine expressed in the rule in compliant to the same understanding by and among sections and departments, -- spare no efforts for elimination of arbitrariness in all respects (in other words, doing matter of course as matter of course in business), and -- ensure further streamlining of visa acquisition procedures.</p> <p>- <u>It is requested that GOJ takes step to request GOR to facilitate work permit acquisition procedures.</u></p> <p>- <u>It is requested that GOR considers removing the requirements for proficiency in the Russian language, history, and legal systems, as well as the annual income threshold, in regard to issuance of work permit to Japanese expatriates.</u></p>	<p>Immigration Law Federal Law No. 115-FZ, etc. Federal Law No.74 Federal Law No. 106</p>

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			<p><u>Japanese expatriates from Russia directly results in shrinkage of the joint venture operation. On the other hand, the 2 million rouble threshold can obstruct new entry of JV operation into Russia, closing the door to inflow into Russia of new high-technology/know-how from Japan.</u></p> <p>- To apply for an entry visa for making business trip to Russia, it takes about one-month in total. It is necessary to obtain an invitation letter from the ministry of foreign affairs in Russia for submission to Russian embassy in Japan that issues the entry visa.</p> <p>- It now takes more than 2-weeks to get a Business Visa issued.</p>	<p>- It is requested that GOR:</p> <p>-- introduces emergency visa system, and</p> <p>-- simplifies the visa issuance procedures.</p> <p>- It is requested that GOR:</p> <p>-- introduces a simplified Visa Issuance System to meet the emergency needs, and</p> <p>-- streamlines the Visa Issuance Procedures.</p>	
<p>(Reference)</p> <p>- Please see the website of Visa Issuance, Consular Section, Embassy of The Russian Federation in Japan at: http://tokyo.mid.ru/ja_JP/web/tokyo-ja/o-vizah-v-rossijskuu-federaciu.</p>					
	(2)	Customary Practice on Legal Leave and Bonus	<p>- <u>Labour law provides for 28-days of legal paid-holidays including one sequence of 14-days holidays, which could interfere with the business operation.</u></p>	<p>- It is requested that GOR takes steps to amend the labour law as soon as possible, in order to allow a flexible adjustment of the sequent acquisition of paid-holidays between employers and employees.</p>	<p>Labour Law - "<u>Labour Code of the Russian Federation</u>" No.197-FZ, Chapter 19. Leave</p>
	(3)	Stringent and Overprotective Labour Legislative Scheme	<p>- The following restrictions are provided in the Russian labour law:</p> <p>(1) Documental requirement: Prikaz (order, a written decision) signed by the president (needed each time on entry, retirement, intra- company transfer, business trip, paid leave, overtime work, certificate for business trip stamped at the business trip location, paid-leave schedule, staff list, company rules, ledgers, etc.), giving rise to an extra heavy administrative burden.</p> <p>(2) Assumption of expenses from compulsion of substitute staff/means due to the severe overtime restrictions of 120-hours/year, and 4-hours or less in 2-consecutive days.</p> <p>(3) Substantial administrative expenses result from having to pay wages more than twice a month, while the complex work arises from the wage related payments, such as reduction in basic pay and allowances</p>	<p>- It is requested that GOR takes steps to amend the labour law that incorporates the following issues:</p> <p>(1) Reduction in requisite documents</p> <p>(2) Deregulation of overtime work restrictions</p> <p>(3) Simplification of work concerning wage payment</p> <p>(4) Payment of foreign workers' wage in currencies other than ruble, and approval of reduction in the ratio of payment in ruble.</p> <p>(5) Deregulation in the labour</p>	<p>Labour Law - "<u>Labour Code of the Russian Federation</u>" No.197-FZ, Chapter 21. The Wage, etc.</p>

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				<p>(that vary each time from having to calculate from the past 12-months average revenue, varying each time) in paid-leave, business trip, sickness leave.</p> <p>(4) In addition to restrictions on rubles only, for expression and payment of the wage amount, it has become difficult to implement a flexible personnel policy for the local staff.</p> <p>(5) Huge administrative expenses arise from the extremely severe demand relative to "labour protection" (including without limitation, compulsory employment of special officer on enterprises employing 50 workers or more regardless of business category, preparation of vast amount of documents such as various guidelines, manuals, ledgers, etc., compulsory execution/provision of education at educational institutions, office environment research, health checkup, etc.</p> <p>(6) 28days paid-leave and moreover, consecutive 2-weeks paid-leave are compulsory. In addition, treatment of public holiday is uncertain as the number of paid-leave is based not on business (work) days but on calendar days. If a worker takes paid-leave only on business days, it becomes possible to take paid leave for 5-weeks or more. Employers must go into great expenses of having to secure substitute workers.</p> <p>(7) Disallowance of reduction in the base wage interferes with establishment of a flexible wage scale, commensurate with the job responsibility and personal ability.</p> <p>- Under the labour law, basically wages are interlocked with the inflation rate, while it has become possible to set the wage raise rate at the level lower than the inflation rate due to business performance, etc., However, wage reduction cannot be enforced unless with the presence of undue fault on the part of employees. In that event it is necessary to sign agreement between employers and employees. Consequently, wages tend to trace the ever-increasing curve.</p> <p>- There is no provision for retirement at age-limit in the Russian labour law. A worker can continue working indefinitely, unless he/she voluntarily retires. An employer is unable to enforce dismissal without the existence of the employee's refusal for correction after the employer's repeated warnings, or serious damages given by the employee to the employer. Retirement or dismissal basically requires written agreement between</p>	<p>protective demands</p> <p>(6) Paid-leave only on business days, repeal of compulsion of the consecutive 2-weeks paid-leave</p> <p>(7) Approval of basic wage reduction on employees.</p> <p>- While the Russian labour law has gone through changes bit by bit, basically, the concept from the USSR days colourfully remains. It is requested that GOR takes steps to put in the law clearly the age limit of workers in the situation described in the left column in order to attract foreign capitals.</p> <p>- While the Russian labour law has gone through changes bit by bit, basically, the concept from the USSR days colourfully remains. It is requested that GOR takes steps to put in the law clearly the age limit of</p>	

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			<p>employer and employee.</p> <p>- MFS pays wages twice a month to each employee pursuant to the labour law. This requirement doubles the workload, apparently unproductive, including calculations of wages and individual income tax, etc., compared to the general practice of once a month payment, including Japan, U.S. and EU. Prepayment scheme attached to vacation leave appears to be overly protecting workers, in as much as it is up to individual workers to manage within each income. The Scheme should be repealed, as it seems to serve no purpose other than simply obstructing independence of individual workers.</p>	<p>workers in the situation described in the left column in order to attract foreign capitals.</p> <p>- It is requested that GOR takes steps to: amend the labour law as soon as possible.</p>	
	(4)	Tightened Restrictions upon Foreigners	- In regard to tightening of control upon foreigners, GOR could possibly deny entry of foreigners with two or more violations of administrative laws, including the road traffic law, in the past three years.	- It is requested that GOR takes steps to deregulate restrictions.	Immigration Law
	(5)	<u>Foreign Workers Work Visa/Rules of Employment</u>	<p>- <u>Since January 2015, it has become possible for expatriates to representative office to file application for "Highly Qualified Specialist (HQS) work visa", just the same as locally incorporated corporations, and branch offices. However, as of the end of January, at the windows of supervisory ministries and agencies, acceptance of application under HQS had not been commenced, and confusion continues.</u></p> <p>- Expatriates to locally incorporated firm's subsidiary or branch office may obtain work permit / work visa in the capacity of Highly Qualified Specialist (HQS). However, no HQS qualification is recognised on expatriates working in representative offices with the resulting inconveniences and disadvantages as follows:</p> <p>(1) Restriction in the number of days for business trip outside the location of representative office (RO).</p> <p>(2) Vexatiously complex procedures required for acquisition of work permit and work visa.</p> <p>In addition, implementation is ambiguous such as variances in interpretation of legislation between the capital city and the district cities.</p>	<p>- <u>It is requested that GOR takes measures to rectify the confusion as soon as possible.</u></p> <p>- It is requested that GOR expands the scope of HQS work permit to the expatriates in RO.</p>	
	(6)	<u>Absence of Employment Subsidy for Temporary Shutdown</u>	- <u>No government subsidy scheme is available to continue employment for temporary shutdown, when faced with the Russian economic crisis.</u>	- <u>It is requested that GOR provides employment subsidy (such as 60%) for temporary shutdown.</u>	

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17 Implementation of Intellectual Property Rights ("IPRs")	(1)	Nebulous PCLS	- <u>The goods subject to private data copying remuneration (PDCR) are inadequate in light of the thrust of the applicable laws and regulations. Private data copying remuneration system (PDCRS) is discriminatory as its contents and implementations differ between domestic and foreign enterprises. Goods subject to PDCR are not compatible with the international flow. Unjustifiable threat prevails not based in laws.</u>	- <u>It is requested that GOR repeals or reviews the questionable system.</u>	- Russian Federal Regulation No.829 of 2010.10.14 on the Amount And Subject Goods Concerning Personal Copying Levy (4 in total)
	(2)	Exclusion from Patent Protection on Data Programme	- The Russian patent system does not provide patent protection on data programme per se as invention. It is not possible to protect patent holders from the counterfeiting programmes over the internet without recordable media.	- It is requested that GOR makes data programme per se protected.	- Russian Civil Code Part IV Article 1350(5)
	(3)	Simultaneous Patent Issue from filing Application for the Same Patent via Russian and Eurasian Routes	- <u>The existence of the same patent in Russian and Eurasian routes means by transfer, two transferees own the same patent. This fundamentally denies the exclusivity of the patent right.</u>	- <u>It is requested that GOR promulgates provisions that expels patent duplications.</u>	- Russian Civil Code Part IV Article 1397
	(4)	Possible Inflow of Patent Infringing Products due to the Customs Union	- <u>By virtue of the customs union among Russia, Kazakhstan, and Belarus, goods move freely among the three states. Where patent is issued in Russia (but not in Kazakhstan, and Belarus), there could be cases that Russian customs are unable to suspend entry of patent infringing products imported into Russia via Belarus or Kazakhstan. Costly acquisition of patent right in all three states or in Eurasia could be a preventive measure. Moreover, in the latter case, it is questionable if the patent right is adequately executable in Belarus and/or Kazakhstan.</u>	- <u>It is requested that GOR:</u> -- <u>ensures that the patent issued in Russia is valid in Belarus and Kazakhstan, or</u> -- <u>enables custom injunction of infringing products before entering Belarus or Kazakhstan.</u>	
	(5)	Assumption of Costs incurred by Disposal of the Counterfeit Products	- <u>A firm grappling with extinction of counterfeits and copy goods faces a heavy burden for the cost of storage, transport and destruction of the confiscated goods.</u>	- <u>It is requested that GOR:</u> -- <u>tightens implementing legislation of IPRs,</u> -- <u>tightens clampdown on infringing products at customs,</u> -- <u>introduces and streamlines import injunction measures of counterfeits, and</u> -- <u>alleviates financial burden upon authorized importers relative to confiscated goods.</u>	- The Anti-Counterfeiting Trade Agreement (ACTA), October 2010

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	(6)	Inadequate Examination Scheme under Utility Model Patents	- Utility model patents get registered without requiring substantial technical examination. Utility model patents could be issued for the invention with paucity or a low degree of novelty.	- It is requested that GOR either repeals the no examination principle or introduces technical examination scheme (while the law amendment is reportedly under progress).	- Russian Civil Code Part IV Article 1390(1), (2)
19 Industrial Standards, Approval of Safety Standards	(1)	Russian Language Required for Application for Gost Certificate of Conformity	- The requirement for the use of the Russian language is extremely costly and time consuming in the Application Form and its Attachments to acquire the Gost Certificate of Conformity.	- It is requested that GOR accepts: -- use of English for all attachments, -- use of English in parallel on Application Form, and -- streamlining and expediting the Application Procedures.	
	(2)	Nebulous Product Safety Regulation, etc.	- Product Safety Regulation is nebulous and acquisition of Gost Certificate of Conformity takes too much time. It materially affects business activity.		
	(3)	Delayed Promulgation of Detailed Rules for Implementing the Product Safety Regulation	- There has been much delay in release of the detailed implementation rules (DIRs) concerning the change of the new Russian technical regulation "on the safety of low voltage equipment (low voltage equipment and telecommunications equipment) (RTR)", which requires disclosure of the detailed rules that allows sufficient time for product test by a third party institution and for product changes in order to mark the new certification label, and establishment of the grace period, when old and new regulations co-exist. At the beginning, Gost-R (Russian certification system) announcement was made in October 2010 to begin its implementation from the end of December 2010. However, with the transfer to the customs Union, implementation start was moved to July 2011. After further extension in the first semester of 2011 to July 2012, once again notification was received in December 2012 advising further postponement from July 2012 to 15 February 2013. The grace period for the existing products was postponed from 15 August 2014 to 15 March 2015.	- Changes in DIRs on the product safety regulation require sufficient advance notification (minimum 6-months). It is requested that GOR grants more than one-year as grace period for application of the new regulation on the products, which are possibly affected in sales and stock.	- National Russian Certification System GOST R concerning Electrical Products - Certificate GOST-K for Kazakhstan - Belarus (RB) Certificate of Conformity
	(4)	Compulsory Inspection of All Factories	- Customs Union's "Scheme 1C" mandates the production inspection (factory inspection) of all factories. Despite the adoption of the common quality control system to all factories based on the international standard by the majority of the enterprises operating globally, the customs union's compulsion of, the production inspection (factory inspection) of all factories is extremely burdensome to the industries.	- It is requested that customs union takes steps to accept the auditing results by Third Party Accredited Testing Laboratory (TPATL) based upon CIG023, etc.=>Documental auditing has become possible at some TPATL.	- Customs Union Technical Regulations 020/2011 and 004/2011

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	(5)	Numerous Requirements on Light Industrial Products	- <u>The marking requirements are quite burdensome for light industrial products (leather, cloth, etc.). Apart from acquisition of licences and approvals, Customs Union requires the label marking on product name, country of origin, manufacturer's (or agent's/distributor's), manufacturer's address, product size, ratio of raw materials, compliance mark, date of manufacture, surface raw materials, etc. heavily burdening the industries.</u>	- <u>It is requested that Customs Union takes steps to accept self declaration.</u>	- Customs Union Technical Regulations 017/2011
	(6)	Disclosure on the Web of the Certification Information	- <u>Simultaneously with the acquisition of certification, the model name etc. is disclosed on the web. Disclosure of the new product name preceding the new product release announcement means a fatal blow to the sales strategy.</u>	- <u>It is requested that the Customs Union will keep the certification information confidential for a certain period, if requested by the enterprise in concern, as they do in some other countries.</u>	- Customs Union Technical Regulations 020/2011 and 004/2011
	(7)	Nebulous Examination Standard/Process	- <u>Examination standard/process at the competent authority Ministry of Health and Social Development (MHSD) for medical equipment is nebulous, while the requisite documents are enormous, taking much time for examination/deliberation requiring improvement.</u>	- <u>It is requested that GOR:</u> -- <u>enhances transparency of the examination base, and</u> -- <u>cuts down the examination period.</u>	- Russian Federal Insurance - MHSD Order N 735
	(8)	Directional Ambiguity of Industrial Standard / Basic Product Safety Accreditation	- <u>GOR's policy is apparently nebulous on the future of the diesel engine emission control, while its tightening of control takes place around the world.</u>	- <u>It is requested that GOR expedites tightening the regulation for the diesel engine emission control.</u>	
22 Environmental Pollution and Waste Disposal	(1)	Marking Requirement on Unique Packaging Materials	- <u>GOR seems to require satisfaction also by electrical products of this marking regulation, which is primarily promulgated for packaging of food products, etc. The marking requirements are mainly on packaging materials for "papers", while the material marking on "plastics" is made into law by several countries. However none of the countries require markings comprising of simply, "PAP for plastics", "20: corrugated carton", "22: paper", etc. so that member firm wonders if it should go into the expense and trouble of satisfying this marking regulation on Packaging only for Products destined only to the TCU 3-countries.</u> 	- <u>In light of the global perspective, including Directive 2004/12/EC on packaging and packaging waste, it is requested that GOR ensures compatibility of its regulative requirements with the laws and regulations of other countries and regions.</u>	- <u>Technical Regulations on Safety of Packaging, Decision No. 769, August 2011</u> (http://eurasiancommission.org/ru/Lists/EECDocs/P_769_1.pdf)

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23 Inefficient Administrative Procedures, Regimes and Practices	(1)	Vexatiously Complex Licences and Approval Procedures and Frequent Changes	<p>- <u>Procedures are complex on Licences and Approvals as multiple documents are required. The response varies by each governmental personnel at the window, so that the confirmation process is required each time. Especially on taxation, the required volume of documents is quite substantial, so that a greater number of accounting staff must be deployed for the GOR issues.</u></p> <p><u>Example: Implementation of import procedures; the requisite documents differ at each point of customs clearance.</u></p> <p>- Seaport development is severely obstructed by the complex and time consuming procedures for acquisition of licences and permits. In effect, an applicant has no alternative but to work jointly with enterprises already granted with licences and permits.</p>	<p>- <u>It is requested that GOR:</u></p> <p>-- <u>clearly identifies the requisite documents at its homepage, etc., and</u></p> <p>-- <u>promotes electronic filing of application.</u></p> <p>- <u>It is further requested that GOR simplifies and makes possible electronic filing of taxation documents.</u></p> <p>- It is requested that GOR provides of One-Stop-Service.</p>	
	(2)	Complex Procedures for Establishment, etc. of Legal Entity	<p>- Extreme complexities accompany establishment or closure of company, branch office, and representative office. In addition to the need for advancing procedures with plural competent authorities in parallel, insufficient dissemination into local areas of the central federal government's policies adds fuel to the fire. Even large legal consulting firms are unable to grasp the requisite local requirements.</p>	<p>- It is requested that GOR takes steps to streamline and clarify the procedures for establishment or closure of legal entities.</p>	
	(3)	<u>Confusions by Jurisdictional Change of Office Registration Supervisory Service</u>	<p>- <u>Change in ministries and agencies for registration of branches/representative offices: Since January 2015, jurisdictional change has taken place from state registration service to federal taxation service. However, in lieu of transferring the existing registration documents by the Russian governmental services, Federal Taxation Service (FTS) requires renewed registration for opening the office. FTS's instructions are extremely ambiguous, while FTS does not accept the registration documents newly prepared. Extreme confusions continue.</u></p>	<p>- <u>It is requested that GOR takes step to rectify the problems as soon as possible.</u></p>	
	(4)	Russian Language Requirement on Procedural Issues	<p>- Compulsory use of the Russian Language serves as steep entry barriers on business to foreign funded enterprises in major procedural documents including documents for filing tax return.</p>	<p>- It is requested that GOR accepts the use of English in parallel as an alternate acceptable language.</p>	
	(5)	Inadequate Postal Service	<p>- <u>For the purpose of receiving dividends from an Ukrainian company, it has taken more than 30-days for SCER just to receive the certificate that SCER is a legal entity, duly incorporated under the law of the Russian Federation. The certificate was issued and mailed via Russian Post by the Russian federal tax service.</u></p>	<p>- <u>It is requested that the Russian federal tax service enables the receipt of the certificate directly at its office, as the postal service does not function properly.</u></p>	

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	(6)	Dual Regulations on Vehicle Drivers	- While the labour law compels vehicle drivers to have periodic health examination, at the same time, Federal Law on traffic safety requires health examination every morning. This is a dual restriction.	- It is requested that GOR takes steps to remove the relevant provisions from Federal Law on traffic safety, or clearly identifies persons subject to this provision. (Taxi company, etc.)	- Article 20, 23 of Federal Law No.196 of December 10, 1995 On traffic safety
24 Indigested Legislation, Abrupt Changes	(1)	Inadequacy, Frequent Amendments, and Nebulous Interpretation of Various Laws and Regulations	- <u>The lead time is too short to practically implement the tax laws, legislation relative to import, safety regulation, etc. from the publication date to enforcement date. On the other hand, practical instructions from GOR for implementation in many cases have not reached the governmental personnel in charge at the window so that they are unable to cope with the changes.</u> <u>Example: Energy Efficiency Law (requiring test by Third Party Test Institution designated by GOR) has been enforced. However, TPTI has not yet been designated by GOR, while the Law authorises import of only the products that have passed the TPTI Test.</u>	- <u>It is requested that GOR provides opportunities for exchange of dialogues with industries representatives when deliberating establishment of new laws and regulations.</u>	
	(2)	Nebulous Legislation and Legal System concerning Company Law	- Company laws (joint stock company law and limited liability company law) have been revised, enabling conclusion of merger agreement based on the Russian governing laws. However, in the absence of judicial precedent, its implementation details are nebulous. The situation continues whereby foreign funded enterprises investing in Russia are compelled to establish special purpose companies (SPCs) in the Netherlands, Cyprus, etc.	- It is requested that GOR expressly disseminates its policy on the validity of merger agreement based on the Russian governing laws.	- Civil Code - Joint Stock Company Law - Limited Liability Company Law
	(3)	Discrepancies between Civil Code, and Specific Acts	- While Specific Acts (Company Act, Limited Liability Company Act, Company Registration Act, Hypothec Act, Fixed Assets Registration Act, Mortgage Act, Security Right Act, etc.) have gone through frequent amendments, the Civil Code has remained without amendments. The mismatching areas between them that have arisen over the years have been the cause for the complexity in various procedural matters, including Installation of the Lien Right.	- Amendment of the Civil Code is anxiously awaited. - It is a great expectation of all that the amendment results in appropriate implementation and expedited processing at Ministries and Agencies, and Courts.	
	(4)	Domestic Storage of Personal Data	- <u>By adoption of Federal Law on "information, information technologies, and information protection," it is possible GOR requires server installation inside Russian Federation Area, with a possibility of having to make double investment in the event another server is already set in a third country.</u>	- <u>It is requested that GOJ takes step to exchange dialogues with personal data protection agencies of other countries to see rationality in its introduction and to consider if other alternatives less burdensome to enterprises are available.</u>	- <u>Federal Law Bill No. 596277-6</u> <u>Federal Law "On Information, Information Technologies, and Information Protection"</u>

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			<p>- <u>As legal entity providing information via internet, member firm' subsidiary (MFS) is required by law to store for 6-months the specified data (IP address, Email, etc.)</u></p> <p>- <u>All legal entity has been under obligations since 1 September 2015 to store, within the domestic Russian Federation Area, personal data acquired via internet, including without limitation, HR, dealer, ultimate purchaser, etc. This provision can be adopted when collecting overseas personal data within Russian Federation.</u></p> <p>- <u>The New Law (Bill No. 596277-6, passed the 2nd reading at the state Duma, the lower house of the federal assembly in January 2015, and already approved by President Putin) is due for enforcement on 1 September 2015.</u></p> <p><u>The problems of this bill include, without limitation: (1) empowering Russian Federation, pursuant to court order, to discontinue access to violators' website(s), (2) ambiguity of tax consequences in the case where a data base set up within Russian Federation is used, and if such use constitutes PE, attracting the tax liability in Russian Federation, etc. The severe impact of this legislation, it is expected, will spread to information on the employees of group enterprises, distribution of game/video/music contents via internet, on-line sales, direct marketing, etc. with additional enormous expenses, exceeding the estimated business revenue, materially affecting business operation.</u></p>	<p>- <u>MFS, as firm providing information via internet, has started lobbying now, although, it had refrained from lobbying to federal security service, as this issue involves a political aspect).</u></p> <p>- <u>It is possible to lobby via Roskomnadzor advisory committee, through which amendment will be sought in personal data protection law.</u></p> <p>- <u>It is requested that GORF repeals the New Law, if not, at least postpone its implementation indefinitely.</u></p>	<p>- <u>Federal Law "On Information, Information Technologies, and Information Protection"</u></p> <p>- <u>Federal law No. 97-FZ as of 05/05/2014</u></p> <p>- <u>Federal law No. 242-FZ</u></p>	
26	Others	(1)	Measures to take in the event of Repeated Corporate Dissolutions / Liquidations	<p>- <u>A Russian firm (RF) importing a Japanese Firm's product suddenly liquidated its operation, while transferring its business to a newly established company within the RF's Group, triggered by the initiation of tax investigation into one of its related companies. One year later, the same RF repeated the same process. Each time the Japanese Firm was forced to go through much difficulty in rewriting the Agreement, and securing uncollected balance of accounts receivable, etc.</u></p>	<p>- <u>It is requested that GOR improves the business practices prevailing in Russia for the sake of ensuring a stable business transactions.</u></p>	
		(2)	Capacity Shortage of Logistics Infrastructure	<p>- <u>Shortage of Railroad Capacity destined to the Far East and Open-Top Cars has been the cause for unstable delivery schedules. The reinforcement of railway transport and port handling capacity are issues that require GOR's urgent attention.</u></p>	<p>- It is requested that GOR:</p> <p>-- takes the leadership in the overhauls of the infrastructure as soon as possible, and</p> <p>-- extends further support in</p>	

	Category	No	Issue	Issue Details	Requests	References
				<p>- Overhauls on railway transport are insufficient. They lag behind in, such as double-tracking Trans-Siberian Railway and Baikal-Amur Mainline, materially affecting the transport of coal etc., for export by way of the Far East. This problem can halt further investment into Russian Federation.</p>	<p>appreciation of the importance of overhauls and improvement of the infrastructure, (for example, on issues such as implementation of preferential measures on financing and taxation, increased efficiency by renewal of railway cars, creation of low interest / long-term loan by state banks that implement measures analogous to development banks, etc.)</p> <p>- It is requested that on these GOR recognized issues GOR takes steps to:</p> <ul style="list-style-type: none"> -- move up the railway infrastructure development programme within the Far East 2013-17 focused on the russian railway transport, and -- bring to completion the entire programme as soon as possible. 	
		(3)	Inadequate Materials in English	<p>- While nothing can be done on the originals in Russian, materials available in English are in short supply, including without limitation, on laws and legislative systems, materials (such as customs tariff rate list) relative to international trade.</p>	<p>- It is requested that GOR takes steps to make available subtexts in English.</p>	
		(4)	<u>Statistical Data</u>	<p><u>- It is difficult to obtain statistical data relative to housing construction. For example, statistics on the number of housing starts, which are available in Japan by month and by region, are unavailable in Russian Federation. It is difficult to ascertain where and how the housing demands move along.</u></p>	<p><u>- It is requested that GORF renews and disseminate round the clock statistical data relative to housing construction.</u></p>	