

Russia: Investment protection and incentives

On April 1, 2020, the President of the Russian Federation signed Federal Law No. 69 FZ on the investment protection and incentives in the Russian Federation (the **“Law”**).

The purpose of the Law is to create favourable conditions for making investments and conducting business in Russia, as previous legislative initiative such as the creation of the Special Economic Zones (see our previous publications on SEZ).

In order to take advantage of the benefits provided by the Law, the economic operator who intends to carry out the investment project must enter into an agreement on the protection and incentive of investments (the **“Agreement”**) with the competent state authorities (federal and/or local authorities).

The purpose of the Agreement is the development of a new investment project in one of the sectors of the Russian economy, with the exception of the sectors and activities listed in art. 6 of the Law, such the extraction of oil and gas, production of tobacco and alcohol, gambling and others.

The Agreement can be signed:

- by private initiative, i.e. on a specific request submitted to the competent authorities by the economic operator who intends to carry out the investment project or
- for public tender, through the participation of the economic operator in a public tender procedure organized on the basis of a notice for the implementation of an investment project published by the competent state authorities.

The deadline for entering into an Agreement is January 1, 2030.

The Law provides that only Russian economic operator are able to enter into Agreement, excluding state and municipal entities and state and municipal unitary enterprises.

Therefore, a foreign investor (however mentioned in the Law) could enter into an Agreement only through its Russian subsidiary.

The Law establishes certain conditions aimed at ensuring to the investor a certain stability: in particular, investors who have signed the Agreement will not be subject to law provisions entered into force after the signing of the Agreement which worsens the conditions for carrying out the project investment. This condition of stability will be in force for a period of 6 to 20 years, based on the value of the investment made and may be extended once for a period of 6 years in the presence of the conditions established by law.

In order to take advantage of the above mentioned benefits, determined investment thresholds must be respected according to the sector of reference; for example the investment in the health sector, education, culture, physical education and sport must be greater than 250 million rubles; an investment in the digital economy, environmental protection and agriculture sector must instead exceed 500 million rubles.

Furthermore, the Law provides various state support measures for investors who signed the Agreement, including the reimbursement of determined expenses incurred for the development of the investment.

In order to provide investment information support, the "Kapitalovlozhenija" information system will be created.

The Law entered into force on 1st April 2020, with the exception of certain provisions, including the preparation of

the information system, which will come into force in a year.

Following the entry into force of the Law, respective amendments were introduced in the Tax Code and in the Budget of the Russian Federation.