



The Free Port of Vladivostok

Special investment regime
July 2018

According to the Federal Law No. 212-FZ "On the free port of Vladivostok" (hereinafter, the Free Port), the city of Vladivostok, the 15 surrounding municipalities and several municipalities in nearby regions hold the status of a free port. This status puts in place a special customs, taxation and investment regime.

The territory of the Free Port

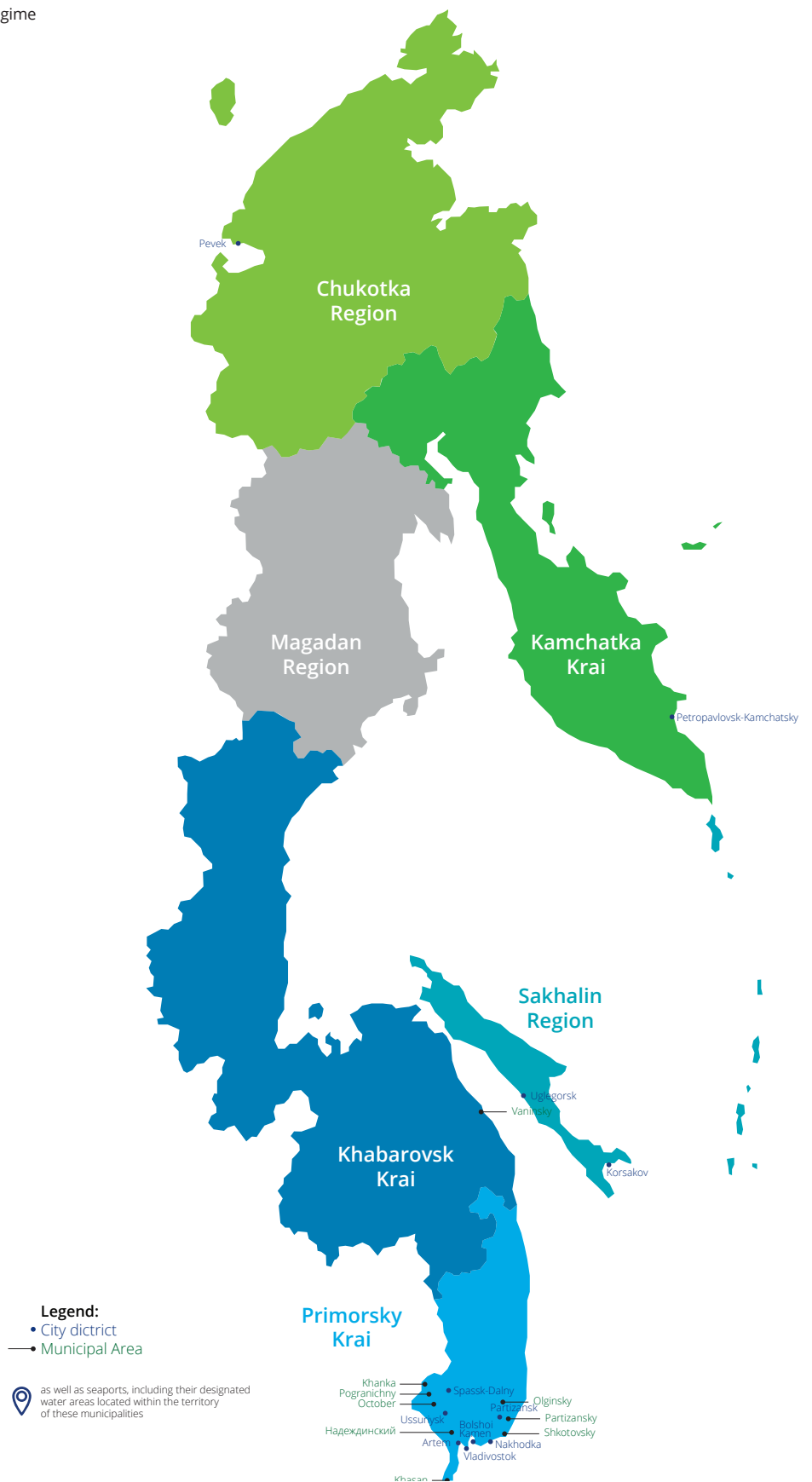
The municipalities that are part of the territory of the Free Port are shown on the picture.

The free port of Vladivostok cannot include any territories that are already sites for special economic zones, territories of advanced social and economic growth or territorial development zones.

Benefits for residents of the Free Port

The following benefits are provided for residents:

- A free customs zone – duty- and tax-free import, storage and consumption of foreign goods; duty- and tax-free import and export of equipment;
- Reduced regressive social insurance contributions rate for 10 years* – 7.6% on annual remuneration up to the established limits from RUB 815k to RUB 1021k (approx. USD 13–16k);
- Simplified visa procedures – visas for foreign citizens entering the Russian Federation for visits of up to 8 days can be issued at the border;
- Decrease in administrative procedures – "single window" system;
- Legal protection — the management company of the Free Port has the right to represent and protect residents in court;
- Tax incentives;
- Other benefits.



* The relevant caps are effective in 2018 and subject to annual increase. Organizations working in the financial, insurance, wholesale and retail industries cannot be granted reduced social insurance contribution rates.

Tax incentives

Residents can apply for:

- Declarative procedure for VAT refund.
- Profit tax rate reduction from 20% to 0%** for the first 5 years after the resident gets a taxable profit and to 12% for the following 5 years;
- Property tax exemption for a period of five years from the month following the month the property is recognized on the balance sheet of an organization. Residents will also be entitled to a reduced tax rate from 0.5% to 1.1% (depending on region) over the next five years.

** 5% for Kamchatka Krai.

To apply for the profit tax incentive, the resident must receive 90% of its revenue from activity in the Free Port and maintain a separate accounting of revenues (expenses).

Organizations working in the financial, insurance, wholesale and retail industries cannot be granted profit tax rate reduction.

Requirements to become a resident

An organization may become a resident of the Free Port by meeting all of the following requirements:

- To be registered as a legal entity in the territory of the Free Port;
- Not to have branches, representative offices and separate subdivisions outside of the territory of the Free Port;
- Not to be a party to a consolidated group of taxpayers, a participant of a special economic zone, a regional investment project or territories of advanced social and economic growth;
- To plan to implement a new investment project or a new business activity which has not been carried out earlier;
- To plan to make capital expenditures of at least RUB 5 million within a term not exceeding three years from its registration as a resident of the Free Port;

- Not to participate in oil and natural gas extraction, administrative activities (various activities supporting the core business) and related additional services (except for rental and leasing of vehicles, various machinery, etc.), or the production of excisable goods (except for the production of automobiles, motor oil and some other excisable products).

The process of becoming a resident

The process of becoming a resident involves a system of pre-approval and requires a business plan*** to be prepared and an agreement to be concluded with the management company. After the conclusion of the investment agreement, the organization within 5 working days is included in the registry and obtains resident status. According to Russian legislation, the organisation may receive a resident status within 12 weeks after submission of application and investment documents.

*** Formal requirements for the business plan and the criteria for its evaluation are similar to those already applied in the implementation of investment projects in other regions.



Contacts

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