



## The Vladivostok Free Port

### All hands on deck: tax incentives are right ahead!

On 13 July 2015 Federal Law №212-FZ "On the Vladivostok Free port" (hereinafter, the Free Port) was signed and published. Vladivostok and 15 municipalities around become a free port for 70 years.

## Benefits for residents of the Free Port

Benefits to be introduced for the residents of the Free Port (hereinafter, the residents) include:

- A free customs zone;
- Reduced social insurance contribution rates - 7.6% instead of 30% for 10 years;
- A simplified regime for foreign citizens - simplified visa procedures for entry in the Russian Federation for up to 8 days;
- Reduction of administrative procedures – the "single window" principle;
- Legal protection - the management company of the Free port has the right to represent and protect the residents in court;
- Tax incentives.

# Tax incentives

The residents can apply for:

- Declarative procedure for VAT refund. The management company has a commitment to pay to the budget any overpaid amounts as a result of VAT refunds for the resident;
- Profits tax rate reduction from 20% to not more than 5% for the first 5 years, and not less than 12% for the next 5 years.

The main requirements for applying for profits tax incentive are 90% of revenue from activity in the Free Port and separate accounting of revenues (expenses). The federal law gives to the Primorye Territory the right to establish regional rates for profits tax and we believe that the region will use this right.

## Requirements to become a resident

An organisation may become a resident by meeting all of the following requirements:

- Registration as a legal entity in the territory of the Free Port;
- The organisation does not have branches and representative offices outside of the territory of the Free port (separate subdivisions are not prohibited);
- The organisation is not a party to a consolidated group of taxpayers, a participant of a special economic zone, regional investment project or territories of priority development.

## 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 the agreement to be concluded with the management company.

Currently, formal requirements for the business plan and the criteria for its evaluation are not fixed. We believe that the requirements for the business plan will be similar to those that already applied in the implementation of investment projects in other regions.

The Federal Law is to be in force in 90 days after its official publication. Amendments to the Tax Code are to be in force from the 1 January 2016.

We trust the information provided herein is clear and helpful. If you have any questions or wish to discuss the above in more details, please feel free to contact us.

Kind regards,

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Director

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