



Research & Development and Government Incentives August News

30 August 2016

Russian government amends procedure for subsidising costs incurred by pharmaceutical producers

The Russian government has amended the [procedure](#) for subsidising costs incurred when carrying out clinical trials of drugs or producing pharmaceutical substances.

Specifically, the Russian government has extended the list of top-priority areas in which the drug development projects run by Russian entities may be eligible for subsidies. In addition, the maximum subsidised amount has been increased from RUB 200 million to RUB 400 million, applicable to all contracts entered into with a Russian entity.

The amendments also provide a subsidy option for projects aimed at setting up the production of several pharmaceutical substances, as part of the same subsidy agreement. Prior to these amendments, subsidies could only be obtained for projects dealing with the production of a single pharmaceutical substance. The list of project costs eligible for subsidies has also been extended to include payroll expenses incurred by Russian entities as regards their employees with higher education degrees in pharmacology biology or chemistry and/or Ph.D. or Sc.D. degrees along with at least a three-year service record in drug development.

27 August 2016

Russian government sets up Amuro-Khingansk, a new territory of advanced social and economic growth

The Russian government has set up [Amuro-Khingansk](#), a new territory of advanced social and economic growth (TASEG) in the municipalities of Birobidzhan, Leninskiy Municipal District and October Municipal District that are part of Jewish Autonomous Region.

A minimum capital investment qualifying for the status of a TASEG resident is set at RUB 500,000.

Economic activities qualifying for a TASEG resident status cover 13 industries, including crop production, livestock farming, mining, food and wood production.

24 August 2016

The government of Chukotka Autonomous District and the municipality of Gorno-Altaysk adopt new rules for regulating entry into special investment contracts

The Chukotka government and the municipality of Gorno-Altaysk have approved the rules regulating Special Investment Contracts (SPICs) when entered into by [Chukotka Autonomous District](#) without the participation of the Russian Federation or by [the municipality of Gorno-Altaysk](#) without the participation of the Russian Federation and the Republic of Altay. Investors planning to enter into a SPIC shall make a capital investment of at least RUB 350 million as part of a project under implementation.

A model SPIC, a SPIC application form and the procedure for a preliminary assessment of an application, as well as investor compliance documents as regards SPIC rules have been established by the governments of Chukotka Autonomous District and Gorno-Altaysk.

It should be noted that the regional legislation does not limit the options for incentives that the investor may propose to include in a SPIC.

18 August 2016

Additional charge of corporate property tax in relation to unjustified corporate property tax benefits on energy efficient properties upheld

OJSC Kondopoga (the "Company") filed a claim with Republic of Karelia Federal Tax Service Interdistrict Inspectorate No. 9 to overturn a decision to hold the Company liable for tax violations and to charge additional corporate profit tax for 2014. The Company believes that it has properly applied the tax incentives provided for in Clause 21, Article 318 of the Russian Tax Code with respect to apartments in an apartment house rated as building with a high energy efficiency class in the construction documentation.

When ruling in favour of the tax authority, the first instance court concluded that apartments do not qualify for the tax incentive because the energy efficiency class rules for apartment buildings do not provide for a mechanism to define the energy efficiency of an apartment as such.

When repealing the decision of the first instance court and confirming the appropriateness of the tax benefit applied by the Company, the Thirteenth Commercial Court of Appeal [ruled](#) that an energy efficiency rating, when applied to an apartment

building as a whole, applies equally to individual apartments because these apartments are an integral part of the apartment building and replicate energy-efficiency characteristics of the apartment building as a whole.

8 August 2016

Krasnodar government amends legislation regulating investment activities in Krasnodar Territory

The [amendments](#) provide that entities may become eligible for government support to the extent that such entities are engaged in investment activities in Krasnodar Territory and do not have any outstanding payments owed to Krasnodar Territory. This amendment removes the requirement for investors to be free of outstanding tax payments to the federal budget.

The Krasnodar government has also passed amendments requiring the investor to repay benefits obtained as part of government support if a related investment project no longer qualifies as an approved investment project or is removed from the registry of strategic investment projects.

1 August 2016

Magadan Region and Jewish Autonomous Region broaden the scope of income tax incentives to include parties to Special Investment Contracts

A party to a Special Investment Contract (SPIC) is eligible for [income tax](#) incentives available for parties participating in regional investment projects. Specifically, a party to a SPIC may apply (i) a zero [income tax](#) rate over a five-year period starting from the tax period in which income is recognised for the first time and (ii) an income tax rate of 10 percent over the subsequent five-year period.

27 July 2016

Kirov Region government amends procedure for investor tax incentives

The government of Kirov Region nearly doubled the minimum investment amount required to qualify for corporate property tax incentives and replaced a permit-based procedure for claiming tax benefits with a declarative one.

Specifically, entities working on investment projects in Kirov Region shall now enter into an investment agreement for government support with the regional authorities to become eligible for [income tax](#) and [property tax](#) benefits.

In addition, the amendments removed the corporate property tax exemption, with a maximum benefit of 0.2 percent that is now available to investors.

The eligibility for a reduced income tax rate of 13.5 percent is now subject to the requirement that new property, plant and equipment intended for operational purposes (i.e. PPE that has not been in use previously) that was initially recognised as property, plant and equipment in the previous tax period, must have a minimum historical cost of RUB 20 million.

However, the legislation also provides for a tax incentive option with respect to the property that has been received as a result a business merger, acquisition or reorganisation.

Contacts

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