



Association
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RUSSIAN LEGISLATION OVERVIEW AND UPCOMING EVENTS



January 2023

AEB UPDATES



RUSSIAN LEGISLATION OVERVIEW

JANUARY 2023

Transportation ban

Government
Decree of 28.12.2022
No. 2466

- The Government of the Russian Federation extended from 1 January to 30 June 2023 the reciprocal measures to foreign road carriers of countries which applied sanctions against Russia.
- The list of goods the transportation of which is not covered by the ban, as established by Russian Government Decree No. 1728 of 30 September 2022, has been shortened.
- Thus, the share of Russian transport companies in transportation using the swap body/overloading scheme at the border of the Russian Federation with the EU countries will increase.

Golden passports for investors

Government
Decree of 31.12.2022 №
2573

- The criteria to be met by a foreign citizen-investor for issuing a residence permit to the Russian Federation without obtaining a temporary residence permit have been defined.
- Thus, residence permit in Russia without a temporary residence permit may be granted to a foreign citizen or stateless person if they, in particular:
 - invest in socially important projects of subjects of the Russian Federation (in the amount not less than 15 mln. roubles) or
 - in a Russian legal entity doing business in the form of an economic partnership, limited liability company, joint stock company, peasant (farmer) economy.
- The Decree came into force on 11 January

Revised requirements for reviewing dividend payments by the Sub-Commission

- Minutes of the meeting of the Sub-Commission of the Government Commission for Foreign Investment Control, which formalized the new approaches of the Sub-Commission to approval of M&A deals involving the residents of “unfriendly jurisdictions” and authorization of withdrawal of dividends to “unfriendly jurisdictions”.
- According to the new approach, the following requirements apply to companies associated with foreign “unfriendly” jurisdictions that want to withdraw dividends:
 - Continuing activity (Continues to apply)
 - 50% cut-off threshold (Continues to apply)
 - Consistent dividend policy (Continues to apply)
 - Significance assessment (New)
 - KPIs (New)
 - Possibility of quarterly payments if KPIs are met (New).

Revised requirements for reviewing dividend payments by the Sub-Commission

- From December 14 until now, the Sub-Commission has not been taking new applications for consideration. The applications, not meeting the new requirements, were withdrawn by industry regulators for redrafting. The abovementioned requirements are valid from mid-December, and the Sub-Commission is not authorized to issue permits for transactions that do not comply with these rules.
- The main purpose of these innovations, according to the Presidential Administration, is to increase the responsibility of regulators and the Sub-Commission for their decisions
- Regulators and the Ministry of Finance, as the secretariat of the Sub-Commission, will now be responsible not only for the accuracy of the documents submitted, but also for all the consequences of the applications' approval.



AUTOMOTIVE INDUSTRY

JANUARY 2023



Business Environment

- Sanctions; brake of logistic chains, inability to restore normal supplies of cars and spare parts, lack of components, suspension of production and cut off of the car imports, etc..
- Legalization of parallel imports leading to uncontrolled supply (not high yet).
- Government undertook urgent measures such as purchase of production facilities of the foreign manufacturers which left Russia increased subsidized loans, simplified certification procedures, etc.
- New market players: Moskvich (instead of Renault), Evolute (MotorInvest in Lipetsk), Sollers in Alabuga (instead of Ford).
- Chinese brands increase their presence both by production and imports (Skywell, Omoda – new brands)
- Customers changed their habits and postponed the car purchase due to uncertainty in the political and economic environments as well as due to personal priorities,.

New car sales in 2022 and market forecast for 2023

- The **Q2 2022** showed the highest ever market decrease **–80%** as compared to the year before.
- Only after gradual restart of production by local brands during the **Q3-Q4** sales improved a little
- The overall **result of 2022** is almost – **58,8% YoY**. Only **687 370 cars and LCVs were sold**. Still the final result is better than it was forecasted by many experts.
- AEB **AMC forecast for 2023** is about **770 000** cars and LCVs

Main remaining problems

- **Logistics** (no supply or unstable supplies);
- **Risks** for the manufacturers / importers due to the inability of the timely fulfillment of warranty and service obligations within the
- **Consumer Protection legislation.**

Challenges and trends 2023

- Automotive market development:
 - Strategy 2035 adopted (no ambitious targets, unclear funding sources, etc.)
 - Re-launch of production plants in order to guarantee a stable socio-economic situation in the regions. The Gov-t will take all possible measures to ensure that.
 - Development of the own autocomponents base and alternative supply chains
 - Subsidized loans programs expansion (already launched)
- Parallel Imports
- Production of BEV of Russian brands is in focus as well as development of the infrastructure and battery production plants.



HEALTH AND PHARMACEUTICALS INDUSTRY

JANUARY 2023



Current Issues

- Logistic issues: closely monitoring the situation (despite humanitarian goods, still facing obstacles)
- Overcoming restrictions on the procurement of raw materials in EAEU (limit is 10.000 dollar). Searching for all possible ways to obtain raw material, components, etc, to produce the medicines for patients.
- Localization issue – second is out initiatives.
- Export from EU to Russia of spare parts and components, required for service at the manufactures to continue production of medicines in Russia.
- Protecting the intellectual property rights for medicines – parallel importation, compulsory licensing, offset contracts etc.

Current Issues

- EU sanctions: restrictions on the medical devices' export of components and spare parts from the EU to Russia.
- Logistic issues: closely monitoring the situation (despite humanitarian goods, still facing obstacles).
- Localization issue – second is out initiatives.
- Justification of zero customs duties for medical devices (in EAEU).



EVENTS OVERVIEW AND OUTLOOK

JANUARY 2023

Events

December 2022-
January 2023

- 16.12.2022 – Ruslan Valentinovich Davydov, First Deputy Head of the FCS
- 16.12.2022 – Leadership of the North-West Custom Division (SZTU)
- 16.12.2022 – Meeting of the FIAC at the Russian Federal Tax Service
- 21.12.2022 – AEB Taxation Committee
- 22.12.2022 – FAS Expert Council re application of the Law on advertisement

Outlook

- Andrei Belousov, First Deputy Prime Minister of the Russian Federation
- Elvira Nabiullina, Head of the Central Bank of Russia
- Maxim Oreshkin, Presidential Aide

Publication

- Eurasian Newsletter, December 2022

Read more

