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# SPIC 2.0: OVERVIEW

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# WHAT IS A SPIC / ADVANTAGES FOR THE INVESTOR

## Agreement between the investor and the state

- "Made in Russia" status of goods
- Guarantee of the stability of legal regulation
- Benefits and subsidies



## SPIC 1.0 VS. SPIC 2.0

SPIC 1.0	SPIC 2.0
For the production of any industrial product	Only for modern technologies from a list compiled by the Russian government
Minimum investment threshold: RUB 750 million	No minimum investment threshold
Declarative procedure for concluding SPIC	Competitive bidding to conclude a special investment contract
Tax benefits on corporate income tax and regional tax benefits	Reduced tax rates on corporate income tax and regional tax benefits
Maximum term of the contract: 10 years	Maximum term of the contract: 15 years. If investments exceed RUB 50 billion – up to 20 years



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# SPIC 2.0

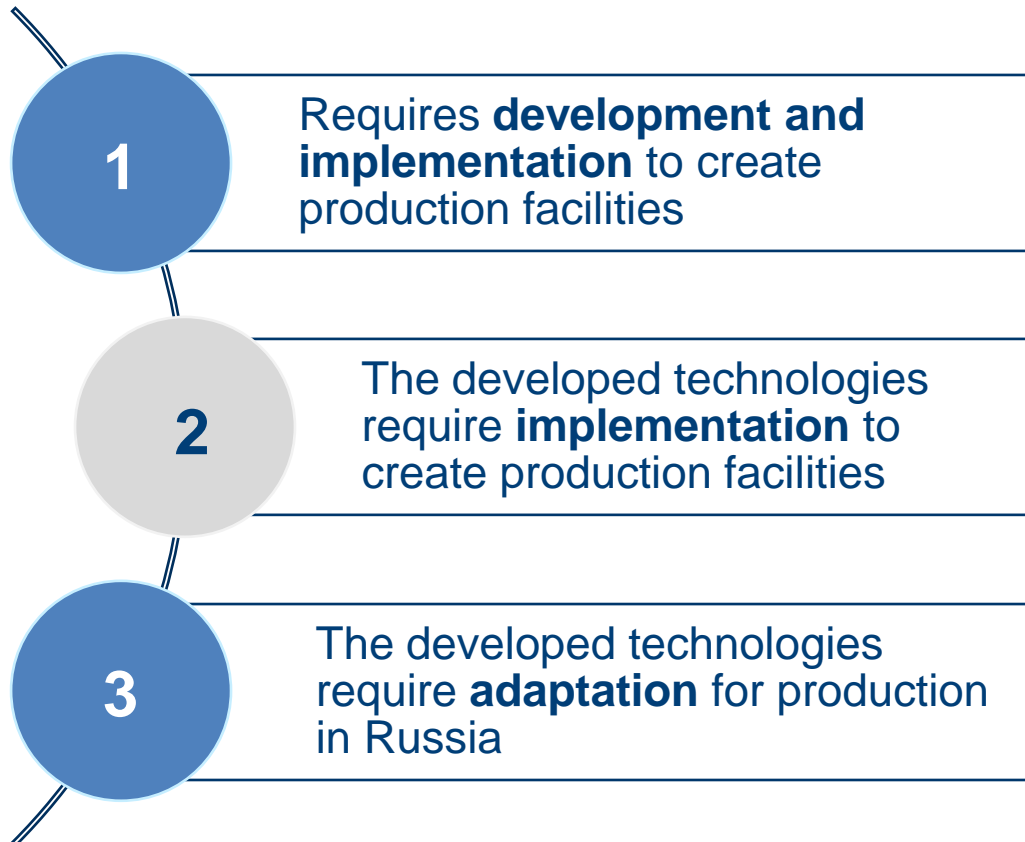
## Modern technologies and mass production

**Modern technology** is a technology that makes it possible to manufacture a product that is competitive on the global market, which must be approved by an expert organization and included in the list of the Russian government (manufacturing, mining, electricity, gas (except natural gas), steam).



# MODERN TECHNOLOGIES IN SPIC 2.0

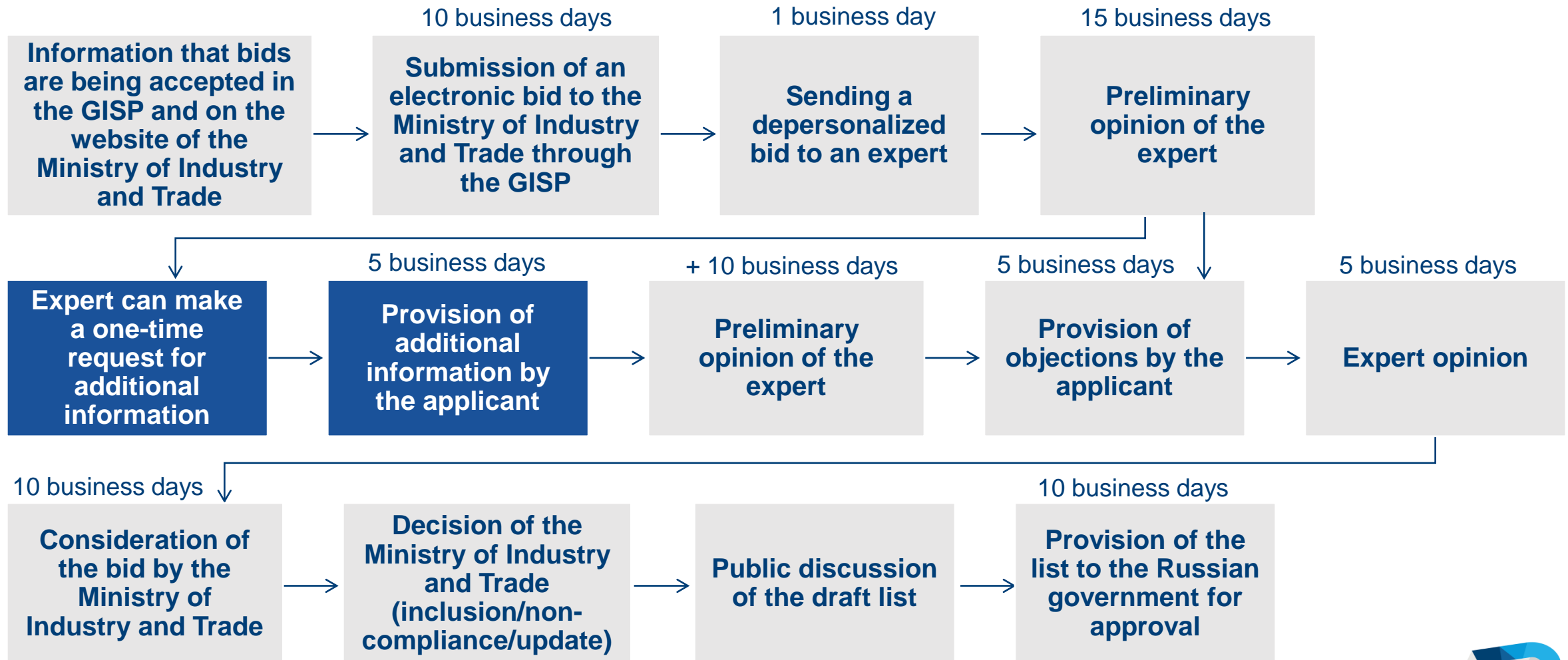
## Classification of modern technologies:



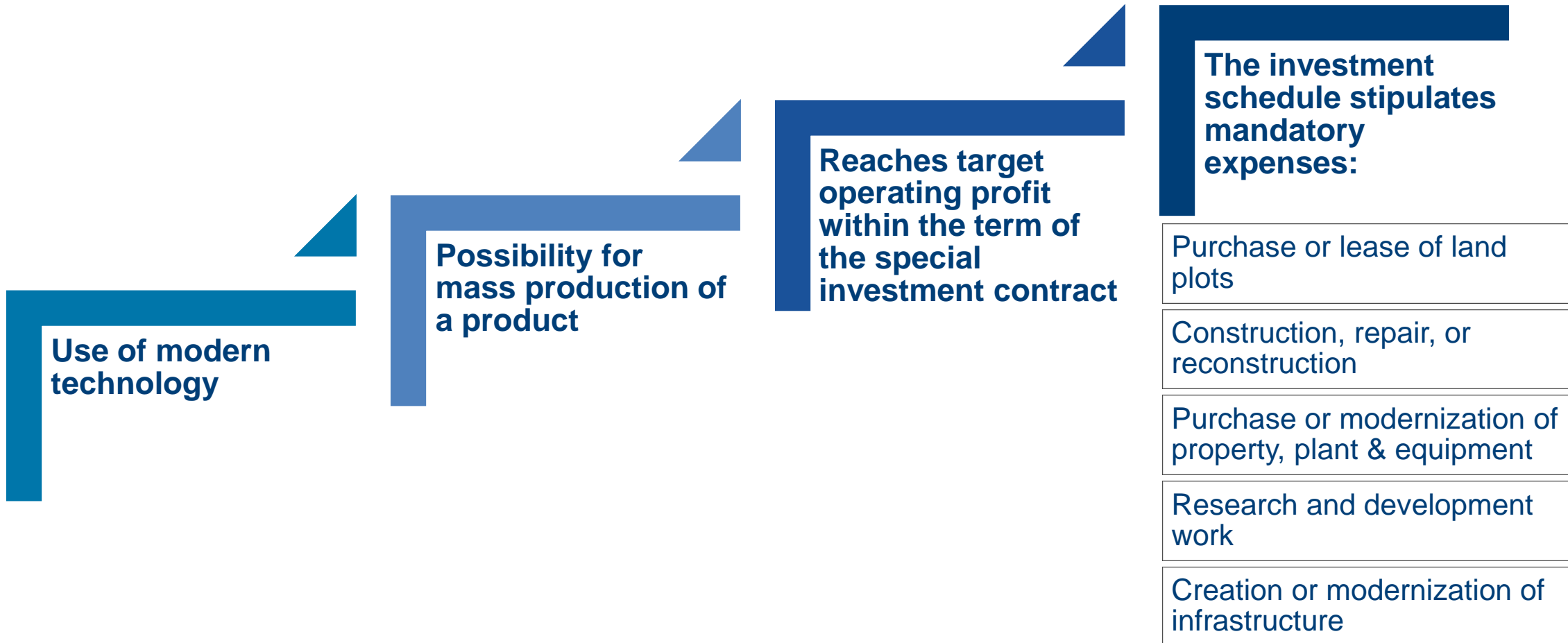
## Assessment criteria for modern technologies:



# INCLUDING A MODERN TECHNOLOGY INTO THE LIST



# INVESTMENT PROJECT CRITERIA





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# COMPETITIVE BIDDING

## Competitive bidding to conclude a SPIC

- Competitive bidding held on the GISP platform
- Anyone registered in the GISP can be a participant (including foreigners)
- Competitive bidding may have multiple winners
- A SPIC is concluded with a sole applicant without holding a competitive bidding



# COMPETITIVE BIDDING

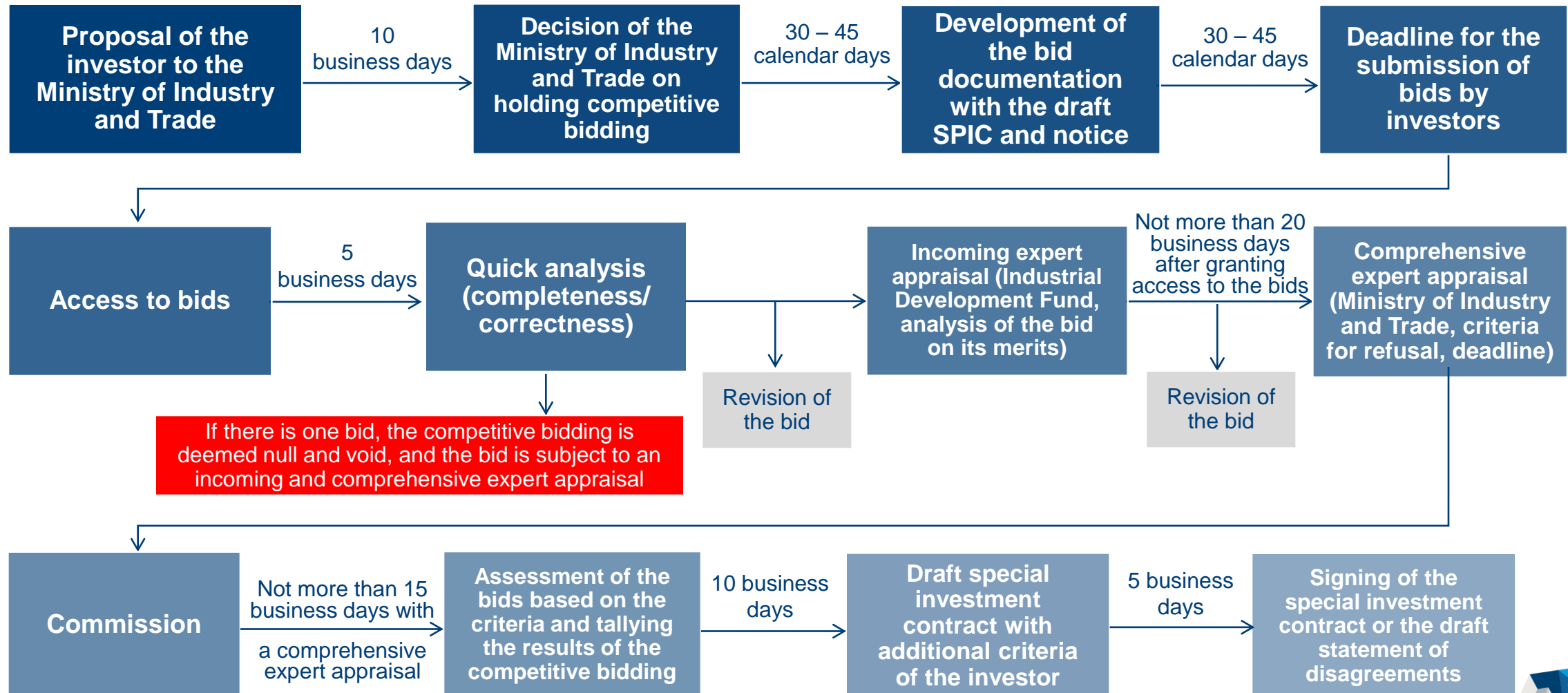
## Competent authorities



## Initiators of competitive bidding



# STAGES AND DEADLINES FOR COMPETITIVE BIDDING



## **CONTENTS OF THE INVESTOR'S COMPETITIVE BID**

**Data sheet of the  
investment project**

**Descriptions of the  
product**

**Investment project  
implementation  
schedule**

**Schedule for raising  
funds to finance the  
project**

**Investment schedule**

**Schedule for the  
performance of  
technological  
operations**

**Final target  
indicators of the  
project**

**Existing and  
requested incentives**

**Additional criteria  
proposed for  
inclusion in the SPIC**

**Timeframe for  
reaching target  
operating profit**

**Approval of  
investments in  
strategic sectors  
(if any)**



## **ANNEXES TO THE INVESTOR'S BID**

**Road map for the  
implementation of a modern  
technology**

**Foundation documents**

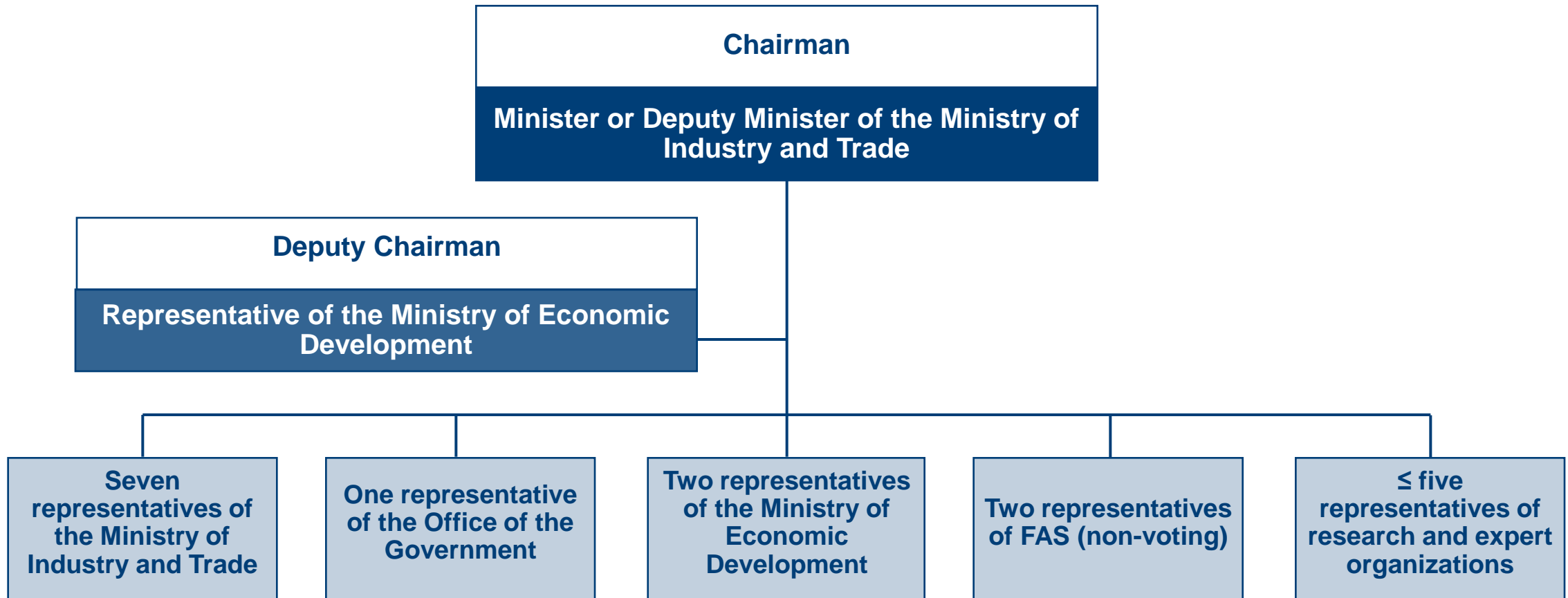
**Financial statements**

**Business plan and financial  
model of the investment  
project**

**Documents confirming the  
financing of the project  
(credit facility agreement,  
decision on a contribution to  
assets, etc.)**



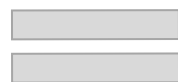
# MEMBERSHIP OF THE COMMISSION



# INVESTMENT PROJECT ASSESSMENT CRITERIA

( $K_c$ ) Deadline for the implementation of the modern technology indicated in the special investment contract (the maximum value in years is compared with the estimated value)

$$O_c = \frac{C_{\max}}{C_i},$$



100%

( $K_o$ ) Volume of industrial products manufactured during the effective term of the special investment contract (in RUB or units) where the maximum value is compared with the estimated value

$$A = K_c \times O_c + K_o \times O_o$$

$$O_o = \frac{O_i}{O_{\min}},$$

If the results of several participants are equal, an additional criterion on the level of technological localisation applies ("Made in Russia" criterion)

- 0 points – non-compliance with the criteria of Government Resolution No. 719 dated 17 July 2015
- 1 point – compliance with the criteria of Government Resolution No. 719 dated 17 July 2015 and IP license
- 2 points – compliance with the criteria of Government Resolution No. 719 dated 17 July 2015 and receipt of the exclusive right to IP



# MONITORING OF THE PERFORMANCE OF OBLIGATIONS

## Monitoring goals

Review of project implementation results

Review of the performance of other obligations under the special investment contract

## Monitoring methods

### Desk audit

- Based on reporting periods (calendar year)
- The report is filed with authorized body of the constituent entity of the Russian Federation within 2 months after the end of the reporting period
- The period of the audit is approx. 45 days

### Field audit

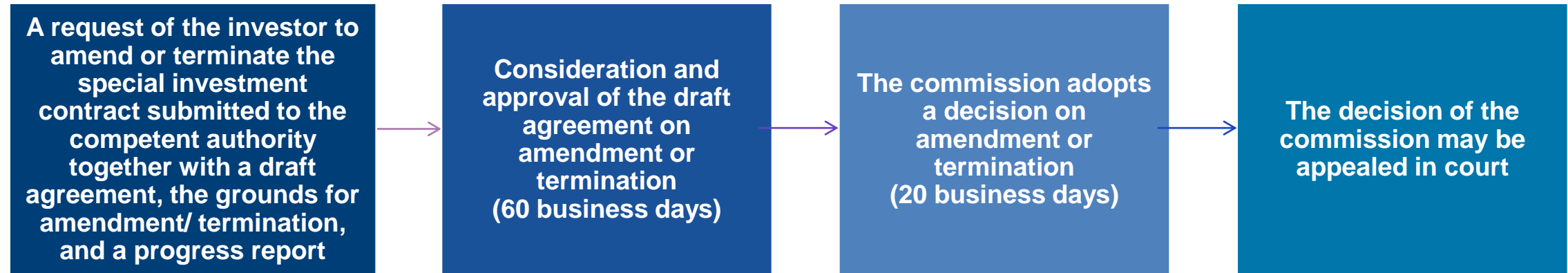
- Discrepancy with the results of desk audits
- Notice on violations
- Instances stipulated by the special investment contract





# AMENDING AND TERMINATING A SPECIAL INVESTMENT CONTRACT

Are allowed by agreement of the parties or by court decision



## Reasons for the refusal of the commission to amend the special investment contract:

- The technology no longer corresponds to the modern technology indicated in the special investment contract
- The investment project no longer complies with the requirements of the law on industrial policy
- The shortfall in budget expenses exceeds the volume of investments
- Change in the terms and conditions of the special investment contract, as a result of which the investor won the competitive bidding by more than 20%



# TAX BENEFITS

## Special tax terms for participants in special investment contracts SPIC 2.0:

- Prohibition on changing certain tax terms regarding corporate income tax and property tax to the detriment of taxpayers (increase in or cancelation of lower tax rates, cancelation of tax benefits, etc.)
- Zero rate or lower rates of corporate income tax
- Corporate property tax benefits
- Preferential corporate income tax rates remain in place until the total amount of the unpaid tax exceeds 50% of the amount of the capital investments under the special investment contract

## Selection of the tax base for corporate income tax benefits:

- A participant in a special investment contract may select the specific tax base to use when applying the lower (zero) corporate income tax rates
- The preferential rates apply to the entire tax base if the income from activity under the special investment contract  $\geq$  90% of all the income of the taxpayer
- The preferential rates only apply to the tax base formed from activity under the special investment contract (separate accounting must be kept)
- The selected method for determining the tax base **cannot be changed** during the effective term of the special investment contract



# TAX BENEFITS

## Benefit regarding the federal corporate income tax component:

- Federal corporate income tax rate – 0%
- It is applicable only at the same time as the preferential regional corporate income tax rate (as of the receipt of the first profit from the sale of the products manufactured under the special investment contract)

### Moscow

- Corporate income tax: 13.5% (12.5% until 2020)
- Corporate property tax: 0% for the effective term of the special investment contract

### Moscow Region

- Corporate income tax: until 2025 – 0%; from 2026 to 2028 – 10%; from 2029 – 13.5% (or 12.5% until 2024 and 13.5% from 2025)
- Corporate property tax: 0% for the first 10 years

### Saint Petersburg

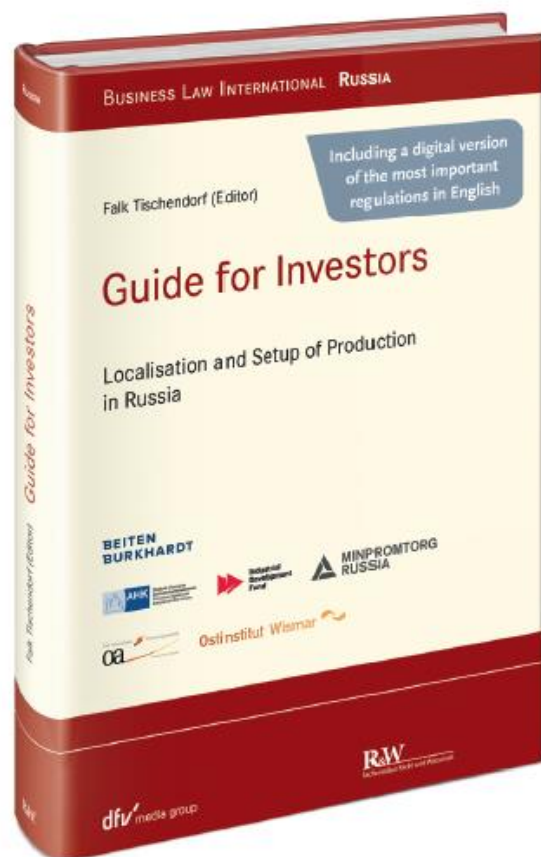
- Corporate income tax: 0% (12.5% – 13.5% for corporate investors from Saint Petersburg)
- Corporate property tax: **0% under the special investment contract for the first 10 years**; 0% on real estate included in the calculation of capital investments, first 10 years

### Leningrad Region

- Corporate income tax: 5%
- Corporate property tax: 0% for the effective term of the special investment contract



# GUIDE FOR INVESTORS - RUSSIA



With a detailed description of the new legislation regarding SPIC 2.0.

## Contents

The “Guide for Foreign Investors” is a unique publication. This kind of publication has never before been produced in either German or English. This guide was created with the support of the Ministry of Industry and Trade of the Russian Federation, the Industrial Development Fund of the Russian Federation, the German Committee on Eastern European Economic Relations, the Russian-German Foreign Trade Chamber, and the international law firm BEITEN BURKHARDT.

Despite all of its current political and economic challenges, the Russian market has been and remains extremely attractive to foreign companies.

### From the contents:

Localization requirements in specific economic sectors (mechanical engineering, the automobile industry, medicine, pharmaceuticals, agricultural equipment/agriculture, and software/IT); federal and regional investment agreements, including special investment contracts; a critical, practically oriented look at the legal aspects that must be taken into consideration when setting up manufacturing facilities in Russia, in particular the practical aspects of design, construction and commissioning of production facilities, regional specifics, and tax issues.

Comprehensible, practical presentation, with an English translation of key legislation.

## Target Audience

Businesses and law firms, CEOs, senior executives, CFOs, lawyers, researchers and students in Law and Economics, specialists in comparative law.

## Publisher

**Falk Tischendorf** is an Attorney-at-law and the Managing Partner of the Moscow office of BEITEN BURKHARDT. He has been advising international and Russian companies on the Russian market for more than 18 years.

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Falk Tischendorf started his career in 2002 as an attorney at Haarmann Hemmelrath & Partner. From 2006 he worked at CMS Hasche Sigle as a salary partner and the head of their Moscow Commercial and Real Estate practice. He has been the Head of BEITEN BURKHARDT's Moscow office since 2009. He is registered with the Ministry of Justice of the Russian Federation in the register of lawyers of foreign states working as attorneys in the Russian Federation, and is named as an arbitrator for international commercial disputes of the International Commercial Arbitration Court at the Chamber of Commerce and Industry of the Russian Federation (MKAS) and as an arbitrator of the Arbitration Court of the Association of European Businesses (AEB). Falk has been honored by the Russian Ministry for Economic Development for his contribution to the development of Russian-German foreign economic relations. In 2016 he was appointed official representative of the Federal State of Mecklenburg-Western Pomerania (Germany) in Russia. Falk Tischendorf is a member of the board of the Russian-German Chamber of Commerce (AHK) and has been Head of the Compliance Committee since 2014. He is also a member of the board of the Ostinstitut Wismar.



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