

Government Commission clarifies grounds for authorising the distribution of profits (payment of dividends)

The Government Commission for Control over Foreign Investments in the Russian Federation has adopted a decision* setting out additional criteria for authorising the distribution of profits (payment of dividends) to participants (shareholders) of Russian companies that are foreign persons from or under the control of “unfriendly” states.

The new decision of the Government Commission applies to “unfriendly” foreign participants (shareholders) of Russian companies that have made investments in the Russian economy after 1 April 2023, including expansion of production or development of new technologies.

According to the new decision, authorisation may be granted to such foreign persons without complying with the general conditions previously set by the Government Commission.

If this exception is applied, the amount of profit (dividends) that can be paid by authorisation of a competent body (the Russian Ministry of Finance or the Central Bank of Russia) cannot exceed the value of such investments. However, at this stage it is not yet fully clear how and through what mechanisms the amount of investments will be confirmed in practice.

Importantly, this decision does not override the existing dividend authorisation procedure, nor the validity of the conditions previously imposed.

Consequently, making investments does not in itself eliminate the need to obtain authorisation for the distribution of profits (payment of dividends), but allows such authorisation to be obtained without complying with the conditions previously established by the Government Commission.

On the other hand, a lack of investment does not mean that authorisation to pay profits (dividends) cannot be obtained, provided all the necessary conditions are met.

We would also remind you that under the current regulation (Decrees Nos. 95* and 254*) the distribution of profits (payment of dividends) to an “unfriendly” foreign participant (shareholder) in an amount of up to RUB 10m per month (in the aggregate with other payments to “unfriendly” foreign creditors) can be made without obtaining the relevant authorisation.

This decision is thus aimed at supporting investors that are continuing their activities on the Russian market, and the conditions for them to obtain authorisation to distribute profits (pay dividends) have become more flexible.

* *In Russian*

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