

All exit transactions with an “unfriendly” element now officially subject to a contribution to the Russian federal budget

The previously introduced payment to the Russian budget is now mandatory when owners from “unfriendly” states sell their stakes in Russian companies. This is in addition to the existing compulsory 50% discount on the market value of the sold stakes and other conditions which we commented on [earlier](#).

On 27 March 2023, the Russian Ministry of Finance published on its website an [extract](#)* from Minutes No. 143/4 of the meeting of the Sub-Commission of the Government Commission on Control over Foreign Investment in the Russian Federation dated 2 March 2023, which set forth additional conditions for approval by the Commission of transactions related to the disposal by “unfriendly” foreign entities of shares and/or participatory interests in Russian companies (exit transactions).

Contribution to the federal budget

The Commission’s approval of exit transactions is now conditional upon a contribution being made to the federal budget. The minutes do not specify which party to any such transaction will have this obligation, but in practice, and, given the wording of the relevant provisions of the minutes, it is usually the asset purchaser who will have to make this payment.

The official procedure for making the payment has not yet been defined. In practice, information on making payment to the federal budget is expressly specified in the decision on the specific transaction. The amount to be paid is to be determined based on the market value of the assets indicated in the valuation report of the assets for sale.

As a general rule, the amount of the payment must be at least 5% of the market value of the assets. However, if the assets are sold at a discount of more than 90% of their market value, the amount of the payment will be at least 10% of the market value of the assets.

The minutes essentially formalise an already established practice: making the Commission’s approval of corporate exit transactions subject to payment to the budget (based on the market value of the assets) was widespread even before the date of the minutes.

Submission of an SRO expert opinion together with an asset valuation report

The minutes also state that, as part of the approval of corporate exit transactions, along with the mandatory report on the valuation of the market value of assets, it is also recommended to provide the Commission with an expert opinion by a self-regulated organisation of valuers confirming the asset valuation report complies with applicable legal requirements. This clarification also confirms the existing practice. Although this condition is formulated as a recommendation, it should be complied with.

It should be recalled that, on 22 February 2023, the Russian Ministry of Finance published on its website a [list](#)* of valuers recommended for the valuation of the market value of assets as part of the Commission’s approval of exit transactions. This list states the firms are merely recommended, but, in practice, an asset valuation report prepared by a valuation organisation not on the list may be rejected from consideration.

* *In Russian*

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