

Special Investment Contracts

(SPIC)

Reload of the mechanism

PROPOSED LEGISLATIVE CHANGES CONCERNING SPIC (1)

The Government of the Russian Federation is preparing amendments to the Federal Law "On industrial policy", Tax and Budget Codes as related to new conditions and regulations on special investment contracts (SPIC)¹.

CONCEPTUAL CHANGES:



GOAL:

creation or modernization of (including best available techniques introduction) and/or mastering production

development and (or) implementation of modern techniques²



REGIONAL AND MUNICIPAL INVOLVEMENT:

involvement of a constituent of the Russian Federation and municipal government depending on the measures requested by the investor

new

involvement of a constituent of the Russian Federation and municipal government is obligatory



EVALUATION OF APPLICATIONS FOR SPIC CONCLUSION:

as available

competitive selection



ACCESS TO SUBSIDIARY INCENTIVES:

within budgetary provisions for the financial year

for the duration of SPIC

¹Draft amendments can be reviewed at the federal web-portal http://regulation.gov.ru.

²Modern technique is a manufacturing technology for a product which is competitive in the world market or which doesn't have Russian-made equivalents. The list of modern techniques is approved by the Government of the Russian Federation with the involvement of state authorities, business society and industrial groups.

PROPOSED LEGISLATIVE CHANGES CONCERNING SPIC (2)

CHANGES OF THE CONDITIONS:



DURATION OF SPIC:

up to 10 years

new

up to 15 years (investment ≤ 50 bln RUB) up to 20 years (investment > 50 bln RUB)



INVESTMENT VOLUME:

from 750 mln RUB (without VAT)

new

from 1 bln RUB (without VAT)



MULTIPLE INVESTORS:

1 investor only

new

multiple investors are possible



PROFIT TAX:

application of the preferential rate when at least 90% of revenue is generated by SPIC product sales

new

possibility to apply the preferential rate to the tax base from SPIC products



VOLUME OF STATE SUPPORT:

no limitations

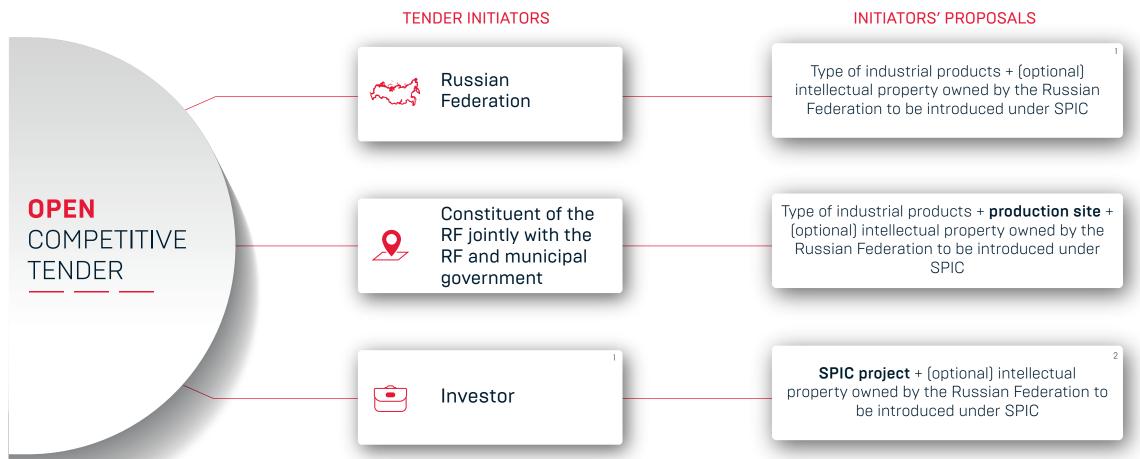
new

tax and non-tax project-related budgetary expenses – no more than 50% of capital investment

AMENDMENTS TO THE FEDERAL LAW "ON INDUSTRIAL POLICY" (1)



Reason for tender: initiator's proposal



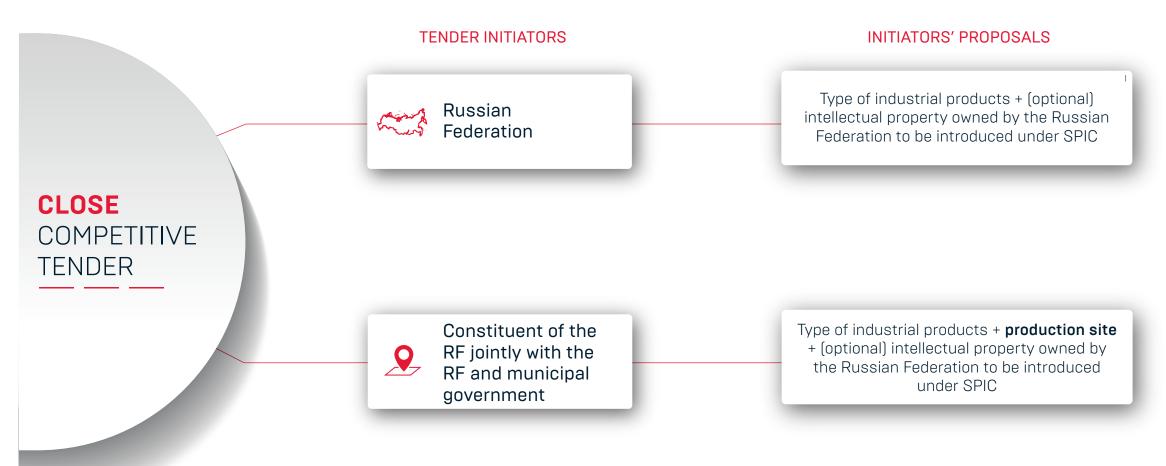
¹ The decision to hold competitive tender is based on the results of public hearing of the investment project

² Investor agrees upon the production site with the constituent of the Russian Federation and municipal government in advance

AMENDMENTS TO THE FEDERAL LAW "ON INDUSTRIAL POLICY" (2)



Reason for tender: military, special or double-purpose production engineering to ensure national defense and security



AMENDMENTS TO THE FEDERAL LAW "ON INDUSTRIAL POLICY" (3)



TAX CODE AMENDMENTS

I. TAXPAYER - SPIC PARTY

investor that entered into SPIC with the Russian Federation

Organization implementing the project as part of federal SPIC¹

II. NON-DETERIORATION OF TAX CONDITIONS

regarding all the taxes paid by the investor

will not apply to VAT and excise duties

III. PROFIT TAX BENEFIT

applies to the entire tax base of the investors – federal SPIC parties whose income from SPIC products accounts for more than 90% of all income

- » applies to the entire tax base of the organization that implements the project under federal SPIC²
- income from SPIC products accounts for more than 90% of all income
- income from SPIC products is less than 90% of all income; in this case, tax budgetary expenses are ≤ 25% of SPIC project investment

» applies to the tax base from operations as part of SPIC with regard to the organization that implements the project under federal SPIC¹

Investor is not: a member of a consolidated taxpayers' group; resident of special economic zone or territory of priority social and economic development; participant (successor of the participant) of the regional investment project. Does not apply special tax regimes.

² The chosen tax rate application method must be formalized in the accounting practices and may not be revised during the SPIC effective period

SPIC MECHANISM RELOAD STAGES¹

1st stage

Amendments to the Federal Law "On industrial policy", Tax and Budget Codes have been adopted

SPIC CONCLUSION PROCEDURE

MODERN TECHNOLOGY LIST

- » GOVERNMENT of the Russian Federation approves:
 - SPIC conclusion rules, including competitive selection procedure and bidders' application evaluation method
 - requirements to the structure and content of SPIC reports
- GOVERNMENT of the Russian Federation approves
 the method for enlisting modern technologies

» AUTHORIZED BODIES³ approve:

- form of proposal for SPIC conclusion
- SPIC monitoring and control
- SPIC register administration



» AUTHORIZED BODIES are in charge of:

- collecting proposals for enlisting modern technologies
- determining authorized organizations²
- OVERNMENT of the Russian Federation approves the modern technology list

4th stage

START OF THE NEW MECHANISM, ANNOUNCEMENT OF THE FIRST TENDERS

¹ The slide shows approximate stages

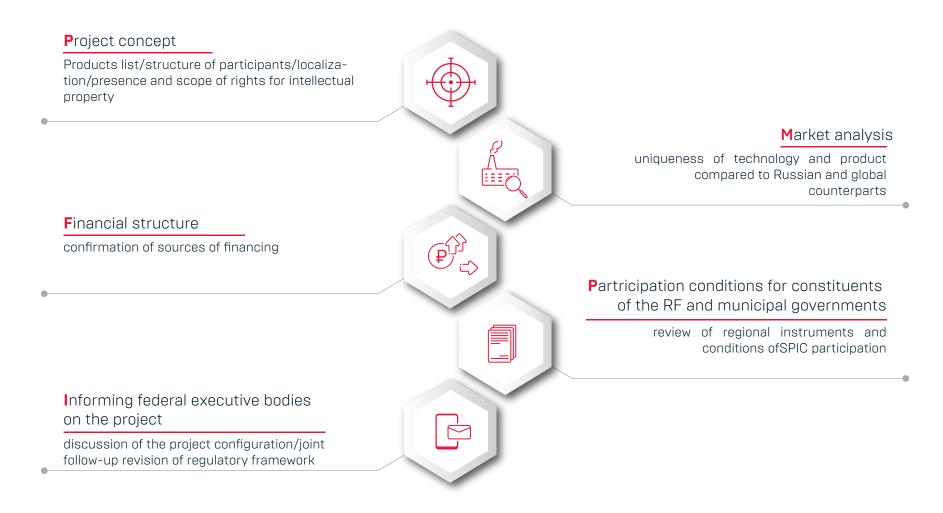
² Organizations authorized to draw conclusions on manufacturability of a product that is competitive in the world market or which doesn't have Russian-made equivalents, based on the claimed technology

³ Field-specific sectoral ministries

RECOMMENDATIONS FOR BIDDERS



Due to SPIC mechanism restart, application processing is suspended. However, at this conjuncture, the Bidder is advised to conduct preliminary assessment of project conformity to conceptual requirements of the updated mechanism



LIST OF SIGNED SPICS



- "AstraZeneca Industries" (LLC) Kaluga Region
- "BIOCAD" (CJSC) Saint Petersburg
- "VESTAS MANUFACTURING RUS" (LLC) Ulyanovsk Region
- "Vilo Rus" (LLC) Moscow Region
- "WINDAR RUS" (LLC) Rostov Region
- "GEROPHARM" (LLC) Saint Petersburg
- "HMS Livgidromas" (JSC)
 Orel Region
- "DMG MORI AG" (Group) Ulyanovsk Region
- "EuroChem-VolgaKaliy" (LLC) Volgograd Region
- "EuroChem-North-Wes" (JSC) Leningrad Region
- "EuroChem UKK" (LLC)
 Perm Territory
- "ISUZU SOLLERS" (LLC) Ulyanovsk Region
- "Interpak-M" (LLC) Chelyabinsk Region

- "KAMAZ" (PJSC), "DAIMLER KAMAZ RUS" (LLC) Republic of Tatarstan
- "Claas" (LLC) Krasnodar Territory
- "Kovrov Electromechanical Plant" (OJSC) Vladimir Region
- "MAZDA SOLLERS Manufacturing Rus" (LLC) Primorye Territory
- "Mercedes Benz RUS" (JSC) Moscow Region
- "NovaMedica" (LLC) Kaluga Region
- "Sanofi Russia" (JSC) Orel Region
- "Transneft Siberia" (JSC) Tyumen Region
- "TTM" ((LLC) Tomsk Region
- "TULACHERMET-STAL" (LLC) Tula Region
- "Hamilton Standard Nauka" (CJSC) Tver Region
- "OCTAPHARMA-PHARMIMEX" (LLC) Ryazan Region

DATA ON SPICS SIGNED

KEY INDICATORS



268,4 bln RUB total volume of investment



106,6 bln RUB volume of tax contributions



9815 number of jobs

