

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

new

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

new

competitive selection



ACCESS TO SUBSIDIARY INCENTIVES:

within budgetary provisions for the financial year

new

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

OPEN COMPETITIVE TENDER

TENDER INITIATORS



Russian
Federation



Constituent of the
RF jointly with the
RF and municipal
government



Investor

INITIATORS' PROPOSALS

Type of industrial products + (optional) intellectual property owned by the Russian Federation to be introduced under SPIC

Type of industrial products + **production site** + (optional) intellectual property owned by the Russian Federation to be introduced under SPIC

SPIC project + (optional) intellectual property owned by the Russian Federation to be introduced under SPIC

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

CLOSE COMPETITIVE TENDER

TENDER INITIATORS



Russian
Federation



Constituent of the
RF jointly with the
RF and municipal
government

INITIATORS' PROPOSALS

Type of industrial products + (optional) intellectual property owned by the Russian Federation to be introduced under SPIC¹

Type of industrial products + **production site** + (optional) intellectual property owned by the Russian Federation to be introduced under SPIC

¹ 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" (3)



TAX CODE AMENDMENTS

I. TAXPAYER – SPIC PARTY

investor that entered into SPIC with the Russian Federation

new

Organization implementing the project
as part of federal SPIC¹

II. NON-DETERIORATION OF TAX CONDITIONS

regarding all the taxes paid by the investor

new

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

new

» 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
- or
- income from SPIC products is less than 90% of all income; in this case, tax budgetary expenses are ≤ 25% of SPIC project investment

new

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

¹ 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

2nd stage

- » 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

3rd stage

- » AUTHORIZED BODIES are in charge of:
 - collecting proposals for enlisting modern technologies
 - determining authorized organizations²
- » GOVERNMENT 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 juncture, the Bidder is advised to conduct preliminary assessment of project conformity to conceptual requirements of the updated mechanism

Project concept

Products list/structure of participants/localization/presence and scope of rights for intellectual property



Market analysis

uniqueness of technology and product compared to Russian and global counterparts



Financial structure

confirmation of sources of financing



Participation conditions for constituents of the RF and municipal governments

review of regional instruments and conditions of SPIC participation



Informing federal executive bodies on the project

discussion of the project configuration/joint follow-up revision of regulatory framework



LIST OF SIGNED SPICS

25

special investment
contracts signed

- » "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



9 815
number of jobs

DISTRIBUTION BY ECONOMIC SECTORS

[PCS.]

