



State Policy Developments

The Government introduces the bill on tax-free shopping in Russia

On June 13, 2017 the Commission on the Law-Making under the Russian Government approved amendments to the Tax Code aimed at VAT reimbursement for products purchased by foreign citizens in Russian retail outlets.

The bill envisages the right of deduction of appropriate VAT sums by the local retailers and 0% VAT rate for services related to VAT reimbursement. The amendments contain also the list of documents confirming the right to apply 0% VAT rate.

The bill is yet to be approved at the seating of the Russian Government before consideration by the Russian Parliament.

Comments on the bill at web site of the Russian Government: [Original](#) (Rus) | [Google Translate](#)

The Government elaborated new revision of the budgetary rule to be introduced starting from 2018

On June 13, 2017 the Commission on the Law-Making under the Russian Government approved amendments to the Budgetary Code related to new principles of the budgetary rule.

The Russian budgetary rule implemented until 2016 assumed that the additional budgetary income from the oil and gas sector received under the oil prices exceeding indicated level (so-called "base" crude oil price) is directed to the Russian [sovereign funds](#). The major purpose of introduction of the budgetary rule is securing less vulnerability of the national economy to the crude oil price fluctuations and economic crises.

Starting from 2016 the budgetary rule is not officially applied in Russia due to the budgetary gap. However, in February 2017 the Russian Ministry of Finance began foreign currency interventions in order to implement it de facto. It buys foreign currency in the amount of calculated additional budgetary income when the Urals crude oil price is above the specified level (presently USD 40 per barrel) and sells it when the price falls below that level. The Ministry of Finance plans to direct the accumulated sums to [the Reserve Fund](#) by the beginning of 2018.

The budgetary rule is supposed to be officially restored on January 1, 2018, but the transitional principles will be applied in the first year. Those principles envisage that the annual cap of the federal budget expenditures will be limited by the sum of the following indicators:

- (1) the revenues from the oil and gas sector calculated relying on the "base" crude oil price, "base" exports

price for natural gas and projected national currency exchange rate;

- (2) projected budgetary revenues excluding oil and gas sector; and
- (3) projected sum of expenses on serving the sovereign debt.

The "base" Urals crude oil price was indicated at the level of USD 40 per barrel, and is assumed to grow by 2% a year starting from 2018.

The Government also proposed to abolish the present standard level of the Reserve Fund (7% of projected GDP for a year), as far as it is not likely to be reached with the projected oil prices being close to the "base" price.

The bill shall be approved at the seating of the Russian Government before consideration by the Russian Parliament.

Comments on the bill at web site of the Russian Government: [Original](#) (Rus) | [Google Translate](#)

The Government prepared amendments to the law "On Joint Stock Companies" on appointment of managing director and preferred stock dividends

On June 15, 2017 Vedomosti newspaper reported that the Government considers amendments to the federal law #208-FZ "On Joint Stock Companies" dated December 26, 1995 (latest amendments dated July 3, 2016).

Referring to Vedomosti, the amendments envisage two major changes:

- (1) It will be possible to change the company's Charter (Articles of Association) and transfer the right to appoint the managing director from the Shareholders' Meeting to the Board without provision a right for minority shareholders to compel the company to buy back their shares;
- (2) The dividends on the preferred stock are considered to be defined in case they are not lower than appropriate sum indicated in a company's Charter. In case the preferred stock dividends threshold is not indicated in the Charter, those dividends shall not be less than dividends for ordinary stock.

Dedicated article in Vedomosti newspaper (subscription or paper version required): [Original](#) (Rus) | [Google Translate](#)

The Russian Central Bank cuts the base rate to 9.00%

On June 16, 2017 the Russian Central Bank expectedly cut the base rate from 9.25% following decelerating inflation expectations and reviving economic activity. [Two major options](#) for the cut were 25 and 50 bps. The 25 bps option was chosen most likely due to appearance of a number of additional risks influencing the monetary policy:

- (1) Introduction of new sanctions over Russia by the U.S.;
- (2) Cold spring and start of summer in Russia that may facilitate inflation due to the late crop;
- (3) Negative crude oil price dynamics after reaching agreement with OPEC.

Press release by the Russian Central Bank: [Original](#) (Eng)



Business Environment Developments

The U.S. to impose new sanctions on Russia

On June 12, 2017 the U.S. Senate agreed on introduction of new sanctions over Russia due to suspected interference in the 2016 U.S. elections, annexation of Crimea and support of Syrian government.

According to the available information, the sanctions' list assumes for the following measures:

- (1) Imposing sanctions on selected Russian individuals involved in human rights abuses, supplies of weapons to Syria and the government-backed cyber-attacks;
- (2) Allowing new sanctions in the Russian mining industry, metallurgy, shipping and railways;
- (3) Putting into law sanctions that have already been introduced by presidential executive order (a number of Russian energy projects and debt financing in selected industries).

There will be a specific provision prohibiting the White House from softening or lifting sanctions. The appropriate law is expected to pass the Senate and House of Representatives with ease to be further signed by President Trump.

Dedicated article by Reuters: [Original](#) (Eng)

The Russian Supreme Court creates an important precedent on defining the customs duties irrelevant to the contract price

On June 13, 2017 the Russian Customs Service informed on the case won in the Russian Supreme Court in relation to definition of the customs duties for the imported goods.

OOO Mega imported dried grapes from Iran and provided contract and all other supporting documents to the customs officers. The price indicated in the contract was lower as compared to the market price, and the customs officers decided it to be a sufficient reason for inquiry of some additional materials to confirm the price (price list, exports declaration, etc.), which have not been provided. As a result, the customs officers defined the customs duties to be paid based on their own estimates of the market price. Therefore, despite the price was indicated in the contract, another method of definition of the price of goods subject to customs duty was used.

OOO Mega paid appropriate customs duties, but initiated the court case on the excess customs duty paid. It won the case in the [regional arbitration court](#), [appeal arbitration court](#) and [circuit arbitration court](#). The case was brought to [the Supreme Court](#) that cancelled decisions of the lower-level courts and resolved the case to the benefit of the Federal Customs Service confirming the right of customs officers to inquire additional documents justifying the price even in case the contract with the stated price is presented.

All Russian courts typically consider resolutions of the Supreme Court when assessing cases, so we can expect that after this precedent a number of similar cases will be resolved to the benefit of the Russian Customs Service.

Decision of Supreme Court dated June 7, 2017: [Original](#) (Rus)

Press release by the Russian Customs Service: [Original](#) (Rus)

The state reported on decreasing number of inspections of businesses by the Russian executive bodies

On June 14, 2017 the Ministry of Economic Development released the key findings of its reports on the state supervision and licensing in Russia in 2016 that have been delivered to the Government.

The Ministry registered 1.68 million of inspections of businesses by different state authorities in total reflecting an outstanding amount of the state control. However, that is 22% lower as compared to 2015 and 26% lower as compared to 2014.

The most part of inspections fell at the Ministry of Emergencies (241 132 inspections), Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (235 629 inspections), Federal Tax Service (184 434 inspections), Federal Environmental, Industrial and Nuclear Supervision Service (136 512 inspections) and Federal Service for Labour and Employment (134 568 inspections). Those state bodies stood for 78% of the total number of federal inspections.

The number of planned inspections decreased substantially from 887 973 in 2015 to 602 469 in 2016, so that the share of outstanding inspections in total number of inspections has increased.

The reported number of licenses granted by the state authorities was at 747 200 in 2016 (+6.3% as compared to 2015).

Key findings of the reports on the state supervision and licensing in Russia: [Original](#) (Rus) | [Google Translate](#)

Russia took 45th place in the Global Innovation Index 2017

On June 15, 2017 the Global Innovation Index 2017 was released that encompasses 127 economies. Russia holds 45th position in the index with 38.8 score (maximum score: 67.7) deteriorating slightly as compared to 2016 (2016: 43rd position with 38.5 score; the maximum score was at 66.3).

The GII is published by Cornell University, INSEAD and the World Intellectual Property Organization.

Global Innovation Index 2017: [Original](#) (Eng)

National Statistics

The Russian federal budget deficit for the past 5 months of 2017 is estimated at 1.7% of GDP

On June 15, 2017 the Ministry of Finance released data on the federal budget execution in January-May 2017. The federal budget revenues were estimated at RUR 5 829 709.9 million (43.2% of the planned revenues for the year), while



the outlays amounted to RUR 6 393 425.7 million (39.4% of the planned outlays for the year). The federal budget deficit amounted to RUR 563 715.8 million or 1.7% of GDP.

Press release by the Russian Ministry of Finance: [Original \(Rus\)](#)| [Google Translate](#)

The Russian State Statistics Service confirmed the Russian GDP growth estimate for 1Q 2017 at +0.5%

On June 16, 2017 the Russian State Statistics Service released the first estimate of the Russian GDP growth for 1Q 2017.

The GDP growth estimate was indicated at +0.5% as compared to 1Q 2016 confirming the preliminary figure [provided in May 2017](#). The quarter-over-quarter growth was at -17.3% (i.e. 82.7% of GDP registered in 4Q 2016). The GDP in current prices was estimated at RUR 20090.9 billion. The GDP deflator index was at 106.3% against 1Q 2016.

It is important that starting from 1Q 2017 the Russian State Statistics Service changed the base year for the real GDP calculation from 2011 to 2016 (i.e. GDP is calculated in constant prices of 2016). The Service also started to use the new classification of economic activities (OKVED2) for GDP physical volume indices calculations.

Dedicated message at web site the Russian State Statistics Service: [Original \(Rus\)](#)| [Google Translate](#)

GDP physical volume indices for 1Q 2017 at Factosphere.com, breakdown by economic activity: [Original \(Eng\)](#)

The Russian industrial production showed 5.6% growth in May 2017

On June 16, 2017 the Russian State Statistics Service released data on industrial production in January-May 2017. The industrial production index grew by 5.6% in May 2017 as compared to May 2016 and by 1.2% as compared to April 2017. The cumulative growth for January-May 2017 was indicated at 1.7% as compared to January-May 2016.

Dedicated message at web site the Russian State Statistics Service: [Original \(Rus\)](#)| [Google Translate](#)

Reports and Forecasts on Russia Traced by Factosphere

Date	Publisher	Document name	URL
13.06.2017	ROMIR	Survey on the daily consumer expenses in May 2017.	Original (Rus) Google Translate
13.06.2017	OPEC	OPEC Monthly Oil Market Report	Original (Eng)
14.06.2017	The Economist Intelligence Unit	Europe growth and inflation forecast	Original (Eng)
14.06.2017	PwC	Global Economy Watch June 2017	Original (Eng)
15.06.2017	IFW Kiel	Summer forecast (June 15, 2017)	Original (Ger) Original (Eng)
15.06.2017	Gaidar Institute in cooperation with Russian Presidential Academy of National Economy and Public Administration and Russian Foreign Trade Academy	Monitoring of Economic Situation in Russia. June 2017, #11(49)	Original (Rus) Google Translate
15.06.2017	The Center for Macroeconomic Analysis and Short-Term Forecasting	What do the leading indicators of systematic financial and macroeconomic risks show? (based on statistical data as of May 1, 2017)	Original (Rus)
16.06.2017	Centre for Development of Higher School of Economics	Comments on the state and the business, May 31-June 14, 2017 (#134)	Original (Rus)
16.06.2017	VTB	Weekly Custody newsletter #22 / 2017	Original (Eng)
16.06.2017	BOFIT	BOFIT Weekly	Original (Eng)
16.06.2017	Commerzbank	Week in Focus	Original (Eng)
16.06.2017	Berenberg	Makroausblick Juni 2017	Original (Ger)

Statistical Publications Traced by Factosphere

Date	Publisher	Document name	URL
13.06.2017	The Russian Central Bank	Main stock market indicators (daily MICEX and RTS indices for May 2017)	Original (Eng)
13.06.2017	The Russian Central Bank	Review of the banking sector of the Russian Federation	Original (Eng)
13.06.2017	The Russian Ministry of Finance	Weekly data on budget funds in deposits, public budget loans and REPO	Original (Eng)
15.06.2017	The Russian State Statistics Service	On CPI estimate for June 6-13, 2017	Original (Rus) Google Translate
15.06.2017	The Russian Ministry of Finance	On average crude oil price and the exports duties	Original (Rus) Google Translate
15.06.2017	The Russian Ministry of Finance	Preliminary estimate of the federal budget execution for January-May, 2017	Original (Rus) Google Translate
15.06.2017	The Russian Ministry of Finance	Preliminary estimate of the federal budget execution for January-May 2017	Original (Rus) Google Translate
15.06.2017	The Russian Central Bank	International reserves of the Russian Federation (weekly)	Original (Eng)
15.06.2017	The Russian Central Bank	Russian Federation: Inward Foreign Direct Investment in the Russian Regions, breakdown by country and industry	Original (Eng)
15.06.2017	The Russian Central Bank	The yearbook Balance of Payments, International Investment Position, and External Debt of the Russian Federation for 2016	Original (Eng)
15.06.2017	The Russian Customs Service	Foreign trade of subjects of the Federation in 1Q 2017	Original (Rus)
16.06.2017	The Russian State Statistics Service	On production volumes of oil products and dynamics of their retail prices for June 5-11, 2017	Original (Rus) Google Translate
16.06.2017	The Russian State Statistics Service	On GDP in 1Q 2017	Original (Rus) Google Translate
16.06.2017	The Russian State Statistics Service	On industrial production in January-May 2017	Original (Rus) Google Translate
16.06.2017	The Russian Central Bank	Bank of Russia Statistical Bulletin #5 2017	Original (Eng)



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