



CONNER & COMPANY VERSUS THE CORONAVIRUS

27.03.2020:

Recent developments – President Putin’s speech
(25.03) and Mayor Sobyanin’s order (26.03)

This week, President Putin made a live broadcast to the nation on Wednesday which was welcomed by businesses as the Russian government's response to the coronavirus. Following that, yesterday (Thursday), Mayor Sobyenin provided further information about restrictions on businesses in Moscow.

Conner & Company is committed to supporting our clients and members of the British Business Club during these unprecedented times. Below we set out the key detail of both missives.

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The day before yesterday, the Russian President addressed the nation on live television regarding the coronavirus situation in the country and the government's measures in response to it.

These measures include

A WEEK-LONG PAID NATIONAL HOLIDAY FROM 30 MARCH TO 3 APRIL

The President has already signed a Presidential Decree "Presidential Decree": <http://kremlin.ru/events/president/news/63065>.

The week-long paid holiday does not apply to the following categories of workers:

1. companies providing ongoing services, such as gas stations, utility providers;
2. healthcare organisations and pharmacies;
3. food shops and shops selling goods of prime necessity;
4. companies providing urgent services in emergency situations and other situations endangering life and living conditions of the population; and
5. companies providing urgent repair and loading and unloading services.

What this means to you and / or your business:

1. If you are an employee and do not fall under the exempt category of workers, and being forced to come to work, your employer might face potential administrative penalties and you can bring an employment claim against your employer;
2. If you now work remotely, your employer should follow certain procedures laid out in the Russian Labour Code. In addition, there are certain obligations imposed on the employer if it asks employees to work during the holidays;
3. Employers should comply with the Russian Labour Code when transferring their employees to work from home.

These rules are not flexible and should be rigorously followed by employers to avoid any potential claims and penalties from employees.

Please get in touch with us if you need legal advice regarding your employment situation - info@connerco.ru.

MEASURES REGARDING BENEFITS AND CONSUMER CREDITS, TO SUPPORT ELDERLY AND FAMILIES WITH CHILDREN

1. Social benefits should be extended automatically for the following six months;
2. Payments to Second World War veterans and war workers should be made in April;
3. Families, who have the right to receive maternity capital, should receive additional monthly payments of 5,000 RUB per child until the child reaches three years of age;
4. Payments to families for children from three to seven years old should be expedited, with the government aiming to start these in June;
5. Sick leave payments should be calculated based on the salary no less than the minimum monthly wage (12,130 RUB);
6. Unemployment benefits should be increased to the minimum monthly wage (12,130 RUB);
7. Payment holidays for consumer loans and mortgages will be introduced;
8. Payment holidays for bank loans for sole entrepreneurs (IPs) will be introduced.

TAX MEASURES FOR BUSINESSES AND MORATORIUM ON PETITIONS FOR BANKRUPTCY

1. Six-month payment holidays for all tax, excluding VAT, for medium and small businesses;
2. In addition to the above, six-month payment holidays for social contributions for micro-companies;
3. Six-month payment holidays for bank loans for medium and small businesses and for micro-companies;
4. Six-month moratorium on filing petitions (by creditors) for bankruptcy;
5. For mostly medium and small businesses, there should be a reduced rate (from 30% to 15%) regarding social insurance contributions. This reduced rate of 15% should be applicable to the portion of the salary above the minimum monthly wage. This is not a short-term interim measure, but is designed to remain even after the coronavirus-related crisis is over, meaning that it is a fairly pro-business move and should be very welcome.

What this means to you and / or your business (tax and bankruptcy moratoria:

1. Although the measures seem to be reassuring, they do not cover all businesses because the President reiterated at the end of his speech that “these measures will be applicable to companies who have been the most affected by the current uneasy situation”. The Russian government will keep updating the list of the most affected industries which require the support from the government. It remains to be seen how these measures will be implemented and what companies should do in order to benefit from them;
2. The moratorium is only to stop creditors from filing petitions for bankruptcy. It remains to be seen what will happen to companies who are unable to pay their debts and want to go into voluntary liquidation to avoid escalation of their debts. For example, what will happen to airline companies hugely affected by this crisis? Will the government intervene and help them? In any event, such companies should mitigate their risks by reviewing their financial situation, their contracts, and protecting themselves from unsubstantiated claims from creditors;

3. These measures will not be incorporated into your contract automatically and therefore we urge you to review your contracts with banks and implement changes properly to avoid any disputes in the future.

Please get in touch with us if you need legal assistance and / or review of your contracts – info@connerco.ru.

LASTLY, BUT NOT LEAST: TAX ON OFFSHORE DIVIDENDS AND TAX ON INTERESTS FROM BANK DEPOSITS AND INVESTMENTS IN SECURITIES

1. Those individuals and companies who transfer their dividends to offshore jurisdictions will now pay 15% on such dividends. This will require renegotiating and amending treaties on avoidance of double taxation, to which Russia is a party. If it is not possible to negotiate the desired amendment with some countries, Russia will terminate such treaty unilaterally;
2. Those individuals and companies with bank deposits and investments in securities more than RUB 1 million, will now pay 13% tax on interest received from such deposits and securities.

What this means to you and / or your business:

It remains to be seen how quickly Russia will renegotiate treaties on avoidance of double taxation with countries where reach Russians prefer to keep their money, such as Cyprus, BVI, the Channel Islands etc.

The process will be lengthy and involve diplomatic channels, which are inherently slow, especially in this situation. Further, international treaties usually contain a sunset clause, meaning that even if a treaty has been unilaterally terminated by one party, the benefits of the treaty will be in effect over a certain period of time. During this time, financial planning can be amended.

Please get in touch with us if you need legal advice and / or a comprehensive review of your current financial planning – info@connerco.ru.



Mayor Sobyenin's Latest Decree

On March 26 Moscow Mayor, Sergey Sobyenin, issued a new version of the decree, "On the introduction of a high-alert mode" in Moscow. It will dramatically affect small and medium businesses in the spheres of restaurants, entertainment, sales of retail products, exhibition and marketing activities.

1. This presupposes the suspension of the activities of shopping and entertainment centres, attractions, parks as well as visits by citizens to buildings, structures, structures (premises in them) intended primarily for the provision of services, including nightclubs (discos) and other similar facilities, cinemas, children's playrooms and children's entertainment centers, plus other entertainment and leisure facilities from 28 March until 5 April, 2020.

2. Mayor Sobyenin also introduced a ban smoking hookahs in restaurants, bars, cafes and other public places from 28 March until 5 April, 2020.

3. The operation of restaurants, cafes, canteens, buffets, bars, eateries and other catering establishments (with the exception of take-away services and orders for delivery) will be suspended from 28 March, 2020 to 5 April, 2020.

This restriction does not apply to canteens, buffets, cafes and other catering establishments providing catering for employees.

Mayor Sobyenin included in the suspension list: retail trade facilities (with the exception of pharmacies and pharmacy points, retail trade facilities in the sale of food products and essential sanitary goods, childcare accessories, oil and diesel) until 5 April, 2020.

4. All beauty salons, SPAs, massage centers, tanning salons, bathhouses (i.e. banyas), saunas and other facilities where such services are provided (with the exception of services provided remotely or by delivery), will be closed for the same period.

5. Unless, services can be provided exclusively within the multifunctional centres used by the Moscow government, provision of state services will be suspended for the same period.

6. In the decree, Mayor Sobyenin also draws attention to the need to close educational institutions, libraries, public service centers, dentists (except for urgent cases), churches, mosques and monasteries for mass visits, from 28 March till 5 April, 2020.

Decree signed and published 26 March, 2020

If you have just returned from a trip abroad, please, do not hesitate to contact us for more details on the new rules and your rights in any doubtful situation. If you are over 65 or living with close relatives of that age, or people with diseases of the lungs, urinary system, heart and blood circulation, or cancer of any age, you are to keep the regime of self-isolation from March 26 until April 14, 2020.

Please contact Luke Conner LLB, Managing Partner – lconner@connerco.ru

Dated 27 March, 2020, with special thanks to contributors, Lily Akkuchukova and Polina Nesterova

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