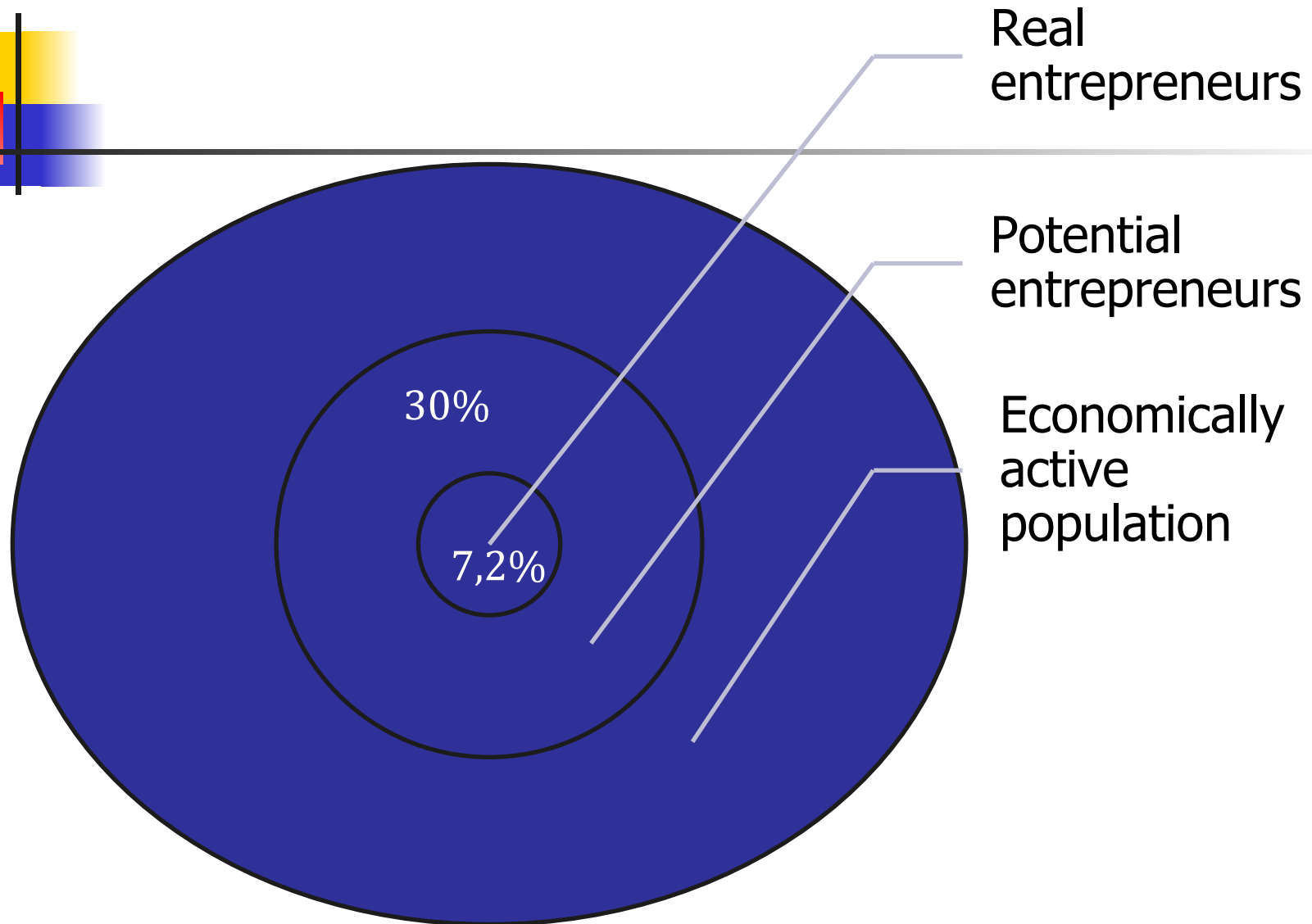
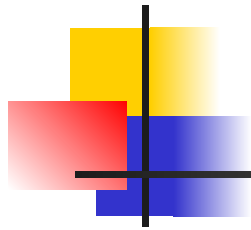


# Entrepreneurship in Russia



# Subjects of small and medium-size business in Russia



**medium-sized enterprises**



**small business**



**micro-enterprises**

# Subjects of small business in Russia



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According to the Federal law of Russian Federation "About small & medium business development in RF":

- Average number of employees not more than 250 persons
- Annual income not more than 2000 mln. roubles (App. 25 mln \$)
- The share of direct participation of other organizations (not small businesses) is not more than 25% (optional)



# Forms of business activities in Russia


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- Sole proprietorship (individual entrepreneur)
- Legal entity (commercial and non-commercial companies)

# Special features of individual entrepreneur and legal entity.

| Entrepreneur                                   | Legal entity and it's owners   |
|--|--|
| <b>Property liability</b>                      |  |
| Liability on the whole property of the owner   | Only company has liability on the property, not the owners   |
| <b>Tax liability</b>                           |  |
| Entrepreneur is responsible for tax violations | Tax liability bears the entity   |
| <b>Administrative liability</b>                |  |
| Entrepreneur and public servants               | Organization as well as public servants, not the owners  |
| <b>Accounting</b>                              |  |
| Simplified, only Profits and charges book      | Accounting in full – with all reports and registers of account (if it's not simplified system of taxation) |

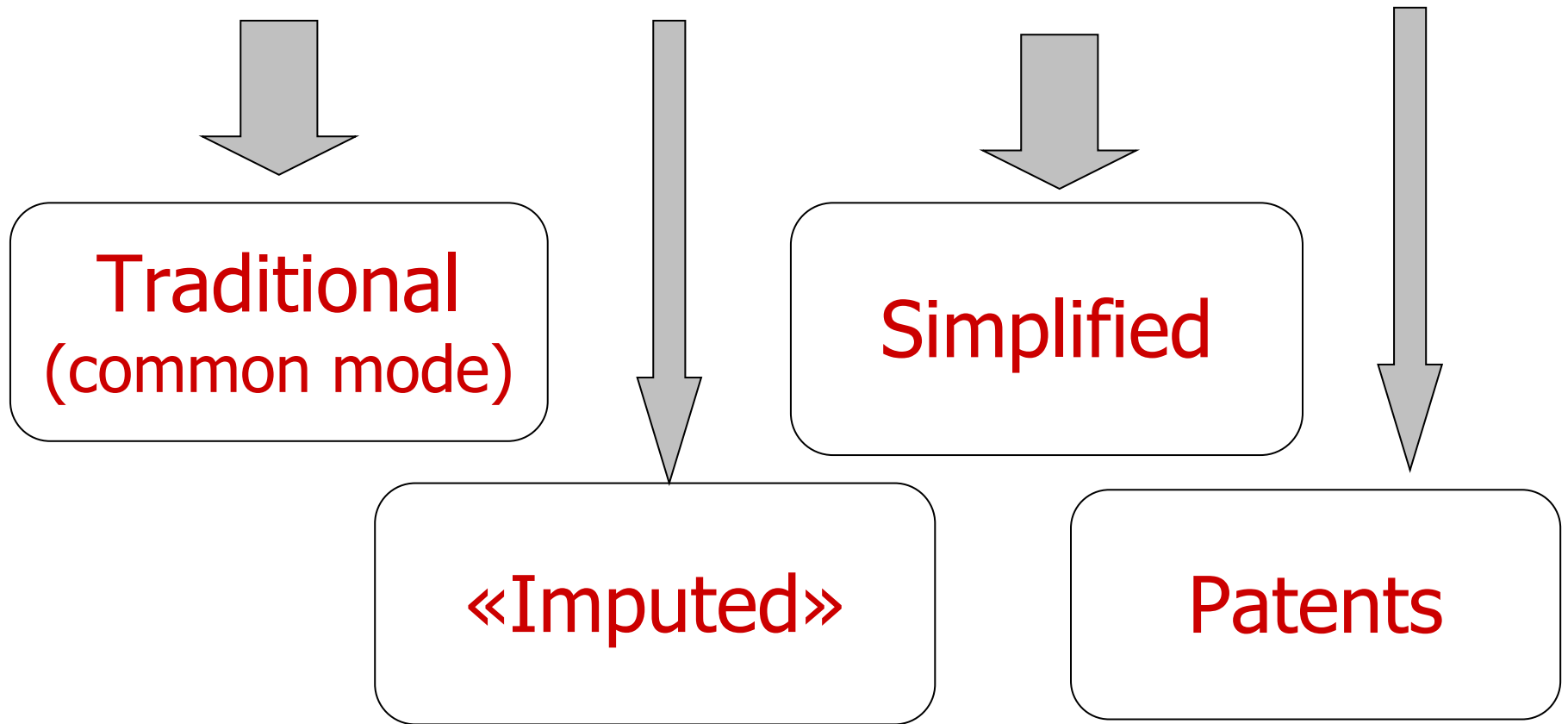
# Special features of individual entrepreneur and legal entity.

| Entrepreneur   | Legal entity and it's owners  |
|--|---|
| <b>Registration process</b>  |   |
| <p>Registration fee – 800 rub</p> <div data-bbox="67 668 678 825" style="border: 1px solid black; border-radius: 15px; padding: 10px; background-color: #e0f2f1; display: inline-block;"> <p><b>Simplified!</b></p> </div> <p><u>Not necessarily</u></p>  <p>Seal – 500 rub</p> <p>Opening a bank account – 5000 rub</p> | <p>Authorized capital stock – 10000 rub</p> <p>Registration fee – 4000 rub</p> <p>Charter</p> <p>Articles of incorporation</p> <p>Seal – 500 rub</p> <p>Opening a bank account – 5000 rub</p> |

# FORMS OF LEGAL ENTITIES WIDELY USED IN RUSSIA

| <b>Commercial</b>   | <b>Non-commercial</b>  |
|---|--|
| <p>Companies:</p> <ol style="list-style-type: none"><li>1. Limited liability company</li><li>2. Joint-stock companies<ol style="list-style-type: none"><li>a) Public</li><li>b) Private</li></ol></li></ol> | <ol style="list-style-type: none"><li>1. Publicity or religious organizations</li><li>2. Foundations</li></ol> |

# Making choice for taxation system





# Traditional Taxation system

| Tax type                           | Tax rates   |   |
|------------------------------------|---|---|
|                                    | Legal entities  | Individual entrepreneurs  |
| Insurance payments to Social Funds | 30,0%   | Fixed annual payment<br>For turnover up to 300 000 rub<br>In 2017 – 27990 rub<br>Plus<br>1% from the turnover exceeding |
| Value added tax (VAT)              | 10 % - for articles of food (except delicacies) and goods for children<br>18 % - for all the rest | The same  |
| Profit tax                         | 20 %  | 13 %  |
| Property tax                       | 2%  | 2%  |

# Simplified taxation system(STS)- for WHOM?

ANY legal form of business with share in the authorized capital of other entities not > **25 %**

## **For legal entities and individual entrepreneurs**

- Turnover not > **150 mln rub per year.**
- book value of depreciable assets to **150 mln rub**
- Number of employees not more than **100**

## **It is prohibited for:**

Banks, Pawn Shops, state pension funds, insurers, investment funds, professional participants of the securities market, organizations and entrepreneurs producing excisable goods engaged in production and marketing of minerals, gambling organizations that have branches, budget organizations.

# STS

Application of the simplified system of taxation provides uniform tax payment that **substitutes**:

- Profit tax;
- VAT;
- Social and medical insurance payments.

# STS – how much to PAY?



Income  
6%

Income, reduced  
on expenses  
7% (SpB)

*Changes of tax base only once in a year before 25.12 of the previous one*

**BUT**

**not less than 1 % from the income**

# «STS»

## Pluses and Minuses

### Main advantages:

LESS TAXES

POSSIBILITY OF MAKING  
CHOICE FOR TAXATION BASE

SIMPLIFIED ACCOUNTING

### Main disadvantages:

ABSENCE OF VAT

PROBLEMS WITH EXCEEDING OF  
TAXATION BASE

COMPLICATION OF ACCOUNTING

# «Imputed» system: features

**1.** Obligation

**2.** You have to prepay your future income

**3.** The same requirements as for STS except depreciable assets

**4.** Needs separate accounting

# «IMPUTED» - WHO IS PAYING?

It differs for the regions in Russia:

1. **Retail** (sales area not > 150 square meters, tents, trays, etc.)
2. **Transportation services** for passengers and cargoes (Not > 20 cars)
3. **Services in repair, maintenance and cleaning of the vehicles**
4. **Parking services**
5. **Veterinary services**
6. **Catering without service hall**
7. **Outdoor advertising and advertising on public transport**
8. **Services for the provision of trading places without service halls** (in the markets and other places of trade)
9. **Domestic services**: shoe repair, clothes, watches and jewelry, repair and maintenance of household appliances, computers and office equipment, laundry, dry cleaning and photo shop, furniture repair, housing, hairdressing services, baths and showers, rental services, funeral services, perform language translation

# «Imputed» – now much to PAY?

Rate: **15%** of imputed income

Sum of tax=

= basic profitability ×  
× physical indicator ×  
× **K1** × **K2** (correction factors) × **15%**

in 2015 K1= 1,798  
in 2016 K1=1,798  
**In 2017 = 1,798**  
(deflator)

Depends on local authorities  
and varies from 0.7 to 1



**«IMPUTED» -  
PLUSES AND MINUSES**

**WHAT ARE THEY?**