

Russia

1. Government requirements

Registration requirements

Registration of the company is done once at its establishment and covers all the authorities at the same time. No separate payroll registrations are required. Please see below the procedure for Russian legal entities.

Registration with the tax authorities

Statutory registration of a legal entity is carried out by the tax office at the location of the company. The list of required documents for the statutory registration is set by the Federal Law 129-FZ.

Documents for the registration may be submitted to the tax inspectorate in person or remotely. Upon submission and acceptance of the documents by the authorities, the registration will be completed within five working days. Upon completion of registration, the company receives the list of records on including of the company to the Uniform State Register of Legal Entities and the certificate of tax registration. The statutory duty for registration is RUB4,000. Since 2019, it is possible to make registration without any duty, in case documents for the registration have been submitted electronically.

Generally, additional company's tax registration may be required if employees are working in another region.

Registration with the social insurance funds

Registration with the social insurance funds comprises registration with the pension fund and social insurance fund. A subdivision of a legal entity with a separate bank account which calculates and processes payments to individuals, should be registered at the location of the particular subdivision within 30 calendar days from the date of its creation. The registration of organizations as insurers occurs automatically without the need for the legal entity to apply, on the basis of the transmission of information from the tax inspectorate to the funds.

Registration with the federal statistic authorities

Companies should also register with the federal statistic authorities. As a result

of this registration, specific statistical codes are assigned to the company.

Ongoing compliance requirements

Reporting requirements of the Federal Tax Service

The following reports specifying the data regarding Personal Income Tax (PIT) should be submitted to the tax authorities:

Frequency	Report*	Paper form	Deadline
Quarterly	Report on the accrued income and withheld personal income tax (6-NDFL form)	Number of employees: • 1-10 — paper or electronically • 11 and more — only electronically	31st day of the month following the reporting quarter

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Frequency	Report*	Paper form	Deadline
Annually	Report on the accrued income and withheld personal income tax (6-NDFL form with annex 2-NDFL)	Number of employees: • 1-10 — paper or electronically • 11 and more — only electronically	1 March of the following year

Other requirements

Organizations from which a taxpayer receives income are obliged to accrue, withhold from the taxpayer and transfer the amount of PIT to the budget. Companies should withhold the assessed amount of tax directly from the taxpayer's income when the income is actually received by the individual.

PIT in most cases, is transferred on the day of the transfer of income to the individual, or the following day.

Tax rates

An individual's tax residency status depends on the number of days spent in Russia in a period comprising 12 consecutive months. However, the current interpretation of the Ministry of Finance of the Russian Federation and the tax authorities is to continue to assess an individual's residency status on the basis of the number of days spent in a particular calendar year. On the basis of the tax authorities' current interpretation of the residency rule,

if an individual spends at least 183 days in Russia in a calendar year, then he is a tax resident. Tax residents are taxable in Russia on most types of their worldwide income at a 13% tax rate. If an individual does not meet the above presence test, he or she is a nonresident. Tax nonresidents are taxable in Russia at a 30% tax rate on their Russian source income. Russian source income is generally defined as income arising from assets in Russia, or earned in Russia, irrespective of where the income is paid. All foreign individuals who are Highly Qualified Specialists (HQS) for immigration

purposes and who have received HQS work permits are taxable at 13% on their earnings in an HQS capacity, irrespective of their actual Russian tax residency status.

Starting from 2021, the increased personal income tax rate of 15% applies to certain types of personal income amounting to more than 5 million roubles in the course of a year.

Pension requirements

Registration requirements

In addition to the company's registration mentioned above, each individual should have an individual registration number with the Pension fund which is used for individual pension records.

Ongoing compliance requirements

Terms for the transfer of social contributions

All social contributions from the individual's income should be transferred to the budget by the company not later than the 15th day of the month following the month of payroll.

Base and rates of social contributions

Social contributions are accrued from payments and other types of remuneration, which are made by payers of social contributions in favor of individuals in the context of employment relations and civil-legal agreements for the performance of work or rendering of services.

Social insurance contributions are composed of four parts:

1. Contributions payable for pension insurance
2. Contributions payable for medical insurance
3. Contributions payable for social insurance in cases of temporary disability and maternity leave
4. Contributions payable to the social insurance fund against accidents in the workplace and occupational diseases

The rate for pension contributions is 22% for the income not exceeding RUB1,465,000 per year calculated accumulatively from month to month. All income which exceeds this limit is taxed at the rate of 10%.

The rate for medical insurance is 5.1% and there is no income cap for

this.

The rate for social insurance contributions is 2.9% and the threshold for this type of contribution is RUB966,000 per year (cumulatively). After exceeding this threshold, contributions are not accrued. Payments under civil- legal agreements are not subject to social insurance contributions.

The rate of contributions payable to the social insurance fund against workplace accidents and occupational diseases varies from 0.2% to 8.5%, depending on the class of professional risk associated with the company's industry and activities. These contributions have no threshold.

The above-mentioned rates of social contributions are applicable to Russian citizens, citizens of the Eurasian Economic Union, and temporarily and permanently resident foreign employees. These are the following rates of social contributions for temporary staying foreign employees:

- Social contributions to the pension fund – same as Russian citizens (22% and 10% after the threshold)
- Social contributions to the medical insurance fund – 0%
- Social contributions to the social insurance fund – 1.8% and 0% after the threshold
- Social contributions to the social insurance fund against accidents at workplaces and occupational diseases - same as Russian citizens (vary from 0.2% to 8.5%)

Payment of remuneration to HQS is subject only to contributions payable to the social insurance fund against accidents.

The following reports related to social contributions should be submitted:

Authority to which the report is submitted	Frequency	Report	Paper form	Deadline
Pension fund	Monthly	Report on insured persons (SZV-M form)	Number of employees: • 1-24 — paper or electronically • 25 and more —	no later than 15 days following the reporting month

			only electronically	
Tax authorities	Quarterly	Report on accrued and paid social contributions (except for accident insurance)	Number of employees: • 1-10 — paper or electronically • 11 and more — only electronically	30th day of the month following the reporting quarter
Social Insurance Fund	Quarterly	Report on accrued and paid insurance contributions against accidents at workplaces and professional diseases to the Social Insurance Fund (form 4-FSS)	Number of employees: • 1-24 — paper or electronically • 25 and more — only electronically	20th day of the month following the reporting quarter (on paper) 25th day (electronically)
Pension Fund	Annually	Report on employees' length of service (SZV-STAZH)	Number of employees: • 1-24 — paper or electronically • 25 and more — only electronically	1 March of the following year

Social Insurance Fund	Annually	Confirmation of the Main Type of Economic Activity	Paper electronically or	15 April of the following year
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In addition to the above, a new “electronic labor book” has been introduced. From January 2020, SZV-TD reporting must be submitted to the Pension Fund for all employees who are hired, transferred to another permanent job, terminated, and who submit requests for paper or electronic employment books.

3. Employment obligations

Vacation

Employees must be granted at least 28 calendar (as opposed to working) days of paid vacation a year.

Additional vacations are foreseen for certain categories of employees, i.e., those working under an irregular working hours regime, in harmful and hazardous conditions, in the Far North and locations equated to the Far North and in other instances envisaged by the Labour Code and other federal laws.

Maternity and childcare

There are several statutory allowances for maternity.

The allowance for early registration with a medical institution (during the first 12 weeks of pregnancy) is RUB 708.23 starting from 1 February 2021.

Maternity allowance is a one-time payment which is provided to the employee who is on maternity leave. The total amount of maternity allowance accrued for 140 days may not exceed RUB 340,795 in 2021. Maternity leave allowance is calculated on the basis of the earnings or the two calendar years preceding the year of the maternity leave. Earnings for two years are divided by the number of calendar days in the previous two years minus the days of excluded periods (for example, temporary disability periods). The total amount of maternity leave allowance to be paid is calculated as follows: average daily earnings multiplied by the number of calendar days of maternity leave.

The employees are also entitled to statutory child birth allowances (one-time payment is RUB 18,886.32 starting from 1 February 2021).

The duration of childcare leave may be up to three years from childbirth.

The childcare allowance for childcare leave of up to

1.5 years may not exceed RUB29,600.48 in 2021. Starting from 2021, all social allowances are paid by the social fund directly to employees.

4. Payroll requirements

Frequency of salary transfer and provision of payslips to employees

According to Russian legislation, salary shall be paid not less frequently than every half month on a day specified by the work regulations, by a collective agreement or by an employment agreement.

Companies are now required to pay salary no later than 15 calendar days after the last day of the payroll period.

The company should provide employees with payslips with details of the payroll calculation on a monthly basis.

Base salary and compensation for additional work

All employees should have a working schedule and the most common type of working schedule in Russia has five working days in a week.

In case there are no vacation days, business trips or other type of absences days during a month, the base salary for an employee for the current month will be calculated in a full amount envisaged by the employment agreement.

In case the employee has some days of absences, the base salary should be pro-rated by the days actually worked.

According to Russian labour law, the monthly salary paid to an individual may not be less than the minimum salary established by the regional agreement at the level of a constituent entity of Russia or, in the absence of such an agreement, by federal legislation. As of 1 January 2021, the minimum monthly salary established at the federal level is RUB12,792. The minimum salary in Moscow as of 1 January 2021 is RUB20,589.

In addition, the company should compensate overtime work and work on weekends and national holidays.

The compensation for work on weekends depends on whether the employee chooses to take additional rest time and whether the work is performed within the monthly norm of working hours.

Compensation for overtime work depends on how many additional hours the employee worked and whether he or she takes additional rest time. If the employee chooses to have additional rest time, the overtime is paid as usual working time and additional rest time is not paid. If the employee chooses not to have additional rest time, the first two hours of overtime is paid as 150% of the hourly salary and from the third hour, additional work is compensated as 200% of hourly salary.

Vacations and business trips

According to the Russian legislation, an employee on a vacation or a business trip does not receive base salary but average earnings.

Average earnings for vacation and compensation of unused vacation (the latter is provided to the employee upon termination) is determined on the basis of income received for 12 months preceding the month in which the vacation has been taken divided on the equivalent of total calendar days worked.

Income included into the calculation of average earnings is base salary, bonuses indicated in the internal rules or regulations, bonus payment policies, employment agreements, the compensation for work on weekends, night work and additional work and other compensation items.

The main difference in the business trip calculation versus the vacation calculation is that the income for 12 months is divided by the number of working days in the period of the business trip, instead of by calendar days.

5. Banking requirements related to payroll

Control of personal information and employment agreements

Banks require employees' personal data, and in some cases employment agreements for expatriate employees, to review the conformity of payments with the guaranteed amounts. There are also certain limits for transfers of significant amounts to personal accounts above which the bank may require additional supporting documents (e.g., payslips or bonus orders).

Salary transfer requirements

The labor law requires that the salary is paid in rubles. The salary can be paid in cash or transferred to the employee's bank account. From 1 June 2020, employers should specify the special income codes in payment orders for salary payment according to the changes in FZ-229 "Enforcement Proceedings".