

Joint Stock Companies (“JSC”)

1. Federal Law on the Amendment of Article 84.2 of the Joint Stock Companies Law, dated November 3, 2010, No. 292-FZ, has been promulgated. It expands the list of exemptions (Article 84.2(8) of the Joint Stock Companies Law) from the requirement to make a mandatory offer to acquire (buy out) shares or securities convertible into shares of an open joint stock company (“OJSC”), namely:

- if the shares are acquired as the result of their contribution by the Russian Federation, a constituent of the Russian Federation or a municipality to the charter capital of an OJSC in which the Russian Federation, the constituent of the Russian Federation or the municipality owns or becomes upon such contribution the owner of over 50% of common shares;
- if acquired are the shares contributed as payment for the additionally issued and placed through a closed subscription shares of an OJSC being on the list of strategic enterprises and strategic joint stock companies approved by the President of the Russian Federation.

2. The Informative Letter of the Federal Service for Financial Markets Regarding Payment for Additional Shares Placed Through a Closed Subscription by a Set-Off of Monetary Claims to a Joint Stock Company, dated November 3, 2010, explains how to apply Article 34(2) of the Joint Stock Companies Law: payment by a set-off of claims to a JSC for its additional shares is allowed where the shares are placed through a closed subscription. Such set-off is allowed exclusively for monetary claims, i.e., the company should have a counter monetary claim to the buyer of the shares. Payment for additional shares by property rights, bonds or promissory notes is not regarded as a set-off in the meaning of Article 410 of the Civil Code.

The resolution on placement of additional shares to be paid with money should indicate that such additional shares may be paid by a set-off of monetary claims to the JSC, otherwise a set-off of monetary claims is not allowed.

Insofar as the buyer’s obligation to pay for the additional shares with money and the counter monetary obligation of the JSC, both of which set the due date or make it possible to determine the due date, may be terminated by a set-off, the statement of a set-off may only be made after the due date of such obligations.

Taxation

1. Order of the Federal Tax Service on the Approval of the Uniform Standard of Taxpayers Servicing, dated October 5, 2010, No. MMV-7-10/478, changes the term for state registration of legal entities and individual entrepreneurs and issuance of relevant confirmations. Now, the term is six (formerly, five) business days.

If a Russian legal entity closes its branch (representative office) or another separate subdivision, it should be stricken off the register within ten (formerly, fourteen) business days following receipt by the local tax authority of the relevant notification, and in the event of a field tax audit – no earlier than the day of the audit completion.

A foreign legal entity should be recorded in the register within five business days following receipt by the local tax authority (formerly, following the day of filing) of the corresponding application, and stricken off the register – within ten (formerly, fourteen) business days. A foreign non-profit non-governmental organization is stricken off the register within five business days following receipt of the application.

In the event of a change of location of a legal entity or its branch (representative office), or the place of residence of an individual entrepreneur, the striking off the register is done within five business days following receipt by the local tax authority of the relevant information from the Consolidated State Register of Legal Entities. The registration file and the taxpayer's file are to be transferred from one local tax authority to the other within three business days after a corresponding record has been made in the Consolidated State Register of Legal Entities.

2. Order of the Federal Tax Service on the Approval of the Procedure for Change by Local Tax Authorities of the Due Date for Payment of Tax, Duty, Penalty or Fine, dated September 28, 2010, No. MMV-7-8-/469, (recorded by the Ministry of Justice on October 27, 2010) has been promulgated.

Local tax authorities may change the due date for payment of taxes and duties by granting the right to pay by installments, deferral, investment tax credit. The change of due date is now permitted for penalties and fines. Payment by installments, deferral and investment tax credit may be granted for a period not exceeding one year.

The relevant decisions with respect to federal taxes and duties are made by the Federal Tax Service, with respect to regional and local taxes and duties – by the Federal Tax Service Department for the RF constituent where the interested person is located, upon a consultation with the corresponding financial authorities of the RF constituent or the municipality. On the interested person's request, the competent authority may decide on a temporary suspension of the debt payment (for the period of consideration of the application for deferral or payment by installments).

If the right to pay by installments or deferral is granted, the competent authority should sign a surety agreement or a pledge agreement with the surety or the pledgor, respectively, to secure payment of the tax. Such agreement is to be executed within twelve business days following receipt of the taxpayer's application and is subject to recordation by the tax authority.

When an investment tax credit is applied for, the applicant must submit a business plan of the investment project, documents supporting the need for a credit and documents confirming that the actions stipulated by the law have been performed.

Foreign Organizations. Registration with Tax Authorities.

Order of the RF Ministry of Finance on the Approval of the Specifics of Registration with Tax Authorities of Foreign Organizations Not Being Investors or Operators under a Production Sharing Agreement, dated September 30, 2010, No. 117n, (recorded by the Ministry of Justice on November 11, 2010) has been promulgated.

The Order establishes new rules for registration of foreign organizations (except for investors and operators under production sharing agreements) with tax authorities and striking them off the register.

Subject to registration with tax authorities are foreign organizations operating through a branch, representative office or other separate subdivision, or through a dependent agent; in the event of ownership of real estate, transportation vehicles, rent of subsoil for the extraction of minerals; and in connection with the opening of bank accounts. Notifications of the source of income and ownership of movable property do not serve as a ground for registration of foreign organizations with tax authorities.

An application (made as per the established form) for registration of a with tax authority and documents listed in the Order are to be submitted to the tax authority within 30 calendar days after the foreign organization begins its activity in Russia. There is a special procedure for registration with tax authorities of a new division of a foreign organization which is already registered with tax authorities.

The Order contains a list of documents required for registration and striking off the register, and introduction of changes in the Consolidated State Register of Taxpayers. Described are specifics of registration of foreign organizations, depending on what ground a corresponding tax obligation arises: foreign organizations owning real estate, transportation vehicles, using subsoil are registered on the basis of the information provided by the authorities responsible for keeping the state cadastre of real estate and for state registration of rights to and transactions with real estate, the authorities responsible for registration of transportation vehicles, the authorities responsible for registration of natural resources users and for licensing activities connected with the use of natural resources. The date of tax registration is the date on which the said corresponding registration actions are performed.

The Order provides for a fast-track procedure for striking off the tax register. It is used where a foreign organization does not file tax declarations and/or an annual report on its activity in Russia during eighteen months from the date of the last filing and also where it does not use during eighteen months its bank accounts opened on the basis of a tax registration certificate.

The old rules cease to be applicable as of the effective date of the Order (upon expiration of one month from the day of its official promulgation).

Labor Law

On November 17, 2010, the RF Government issued Regulation No. 925 on the Revocation of the Rules for Issuance of Temporary Work Permits to Foreigners (approved by the RF Government's Regulation No. 681 of November 15, 2006). By virtue of the applicable Federal Law on the Legal Status of Foreign Citizens in the Russian Federation, dated July 25, 2002, No. 115-FZ, the procedure for issuance of work permits is established by the Federal Migration Service.

Auditing Activity

Order of the Ministry of Finance on the Approval of the Federal Standards of Auditing Activity, dated August 17, 2010, No. 90n, (recorded by the Ministry of Justice on November 11, 2010) has been promulgated.

The new standard of auditing activity replaces Standards No. 13 and No. 14 approved by the Governmental Regulation on the Approval of the Federal Rules (Standards) of Auditing Activity, dated September 23, 2002, No. 696.

In particular, an auditor is not obligated to judge whether a bad-faith action has been committed and to conduct an expert examination of documents as to their authenticity. The auditor's task is to reveal the absence of figures, non-disclosure of information in accounts, other inconsistencies and distortions. The new standard contains examples of the potential risks of accounting data distortions, directions in which the auditor should move during an audit to reveal the inconsistency of accounting reports with reality.

Auditing procedures include: inquiries to the CEO, owner, employees, third persons; analysis of the internal control system; analysis of the revealed interactions evidencing the existence of risks; testing of the validity of accounting records and assessment of the economic substantiation of important economic operations; notification of the CEO, owner, competent authorities about the found material distortions; documentation of the audit results.

Customs Regulation

1. Federal Law on the Customs Regulation in the Russian Federation, dated November 27, 2010, No. 311-FZ, was promulgated on November 29, 2010.

The main goal of the Law is to ensure performance by the Russian Federation of the international treaties forming a contractual-legal base of the Customs Union (the "CU") within the Eurasian Economic Community, and decisions of the CU bodies in the area of customs regulation and customs. A distinction is made between the object of the Law regulation and the object of the CU customs laws regulation. Legal relationships connected with the movement of goods across the CU customs border are regulated in accordance with the CU customs laws.

Officially promulgated international treaties forming a contractual-legal base of the CU and the decisions of the CU bodies operate in Russia directly, if they do not require adoption of

national acts for their application. If the CU customs laws establish rules other than those stipulated by the Law, subject to application are the CU customs laws.

The Law establishes specifics of the application of customs procedures in the condition of the CU functioning, rules for determination of goods origin, measures for safeguarding IP rights, specifics of customs operations with certain categories of goods.

Among other things, the Law introduces the institute of authorized economic operator in accordance with Article 28 of the CU Customs Code. An authorized economic operator is a legal entity registered in accordance with Russian law that imports goods into Russia for use in the production and other entrepreneurial activity, exports goods from Russia, and is recorded in the register of authorized economic operators.

The Law will come into force upon expiration of one month from the date of its official promulgation, except for certain provisions that will come into force as of October 1, 2011 (including those on the rate of customs duty and the detention of goods not being the objects of administrative offences or crimes) and as of January 1, 2012.

2. Federal Law on the Ratification of the Treaty on the Consolidated Register of Intellectual Property of the Member States of the Customs Union, dated November 15, 2010, No. 303-FZ, has been promulgated.

The Treaty was signed on May 21, 2010 by the member states of the Eurasian Economic Community (Belarus, Kazakhstan, Russian Federation) (the "EAEC") for the purpose of implementation of the Treaty on the Customs Code of the Customs Union and to ensure customs regulation in the single customs territory of the CU.

The main task of the Treaty is to ensure legal protection of IP during the movement of goods across the border and performance of other actions with goods being under customs control.

The Law establishes the procedure for keeping the consolidated register of IP. Customs authorities of the CU member states are to interact among themselves and with IP right holders on the basis of the Regulations approved by the resolution of the CU Commission on June 18, 2010.

Information about the objects of author's rights and neighboring rights, trademarks, service marks is recorded in the consolidated register on the basis of applications filed with the central customs authority of each state. The right holder must submit a contract for the insurance of liability for damage caused to persons in connection with the suspension of the customs clearance of goods. The insurance amount should be no less than 10.000 euro. The data from the consolidated register will be published in the official press and will also be placed on the official sites of the CU Commission and customs authorities of the member states.

3. On November 3, 2010, the President signed Federal Law No. 279-FZ on Joining the International Convention on the Simplification and Harmonization of Customs Procedures of May

18, 1973 in the Wording of the June 26, 1999 Protocol of Amendment to the International Convention on the Simplification and Harmonization of Customs Procedures.

The Convention sets forth the principles of customs control, use of simplified procedures, calculation, collection and payment of duties and taxes.

Each contracting party has 60 months to bring the Transitory Standards of the General Annex to the Convention in force nationally and 36 months to do the same with the Standards of the General Annex and Specific Annexes or their Chapters and the Practical Application Recommendations.

Court and Law Application Practice

Informative Letter of the Presidium of the RF Supreme Arbitration Court on Certain Issues of Application of Article 319 of the RF Civil Code, dated October 20, 2010, No. 141, clarifies the issues connected with the order in which claims under a monetary obligation are satisfied, i.e., the paid amount insufficient for the discharge of the monetary obligation in full is first of all used for covering the creditor's expenses on the recovery of the debt, then for payment of interest, and in the remaining part for repayment of the principal amount, unless there is another agreement.

In particular, for the purpose of application of Article 319 of the Civil Code, the Letter specifies the "creditor's expenses" and "interest". It is clarified that the debtor's indication of the purpose of payment in the payment document has no bearing for the determination of the order in which the debtor's obligation to the creditor should be discharged, as set forth in Article 319.

It is further clarified that insofar as Article 319 does not concern the holding of the debtor liable for a breach of the obligation, the parties may agree to change the order of satisfaction of only those claims which are specified in Article 319. Therefore, the parties' agreement on the first-priority satisfaction of claims connected with the debtor's liability (e.g., payment of a penalty) contradicts the meaning of Article 319 and is void. Such claims may be satisfied by the debtor both before and after the satisfaction of the creditor's claims indicated in Article 319.

On the parties' agreement, settlements under a contract and payment of a penalty and other punitive sums being the debtor's liability for a breach of the contract may be effected by way of monetary claims without the payer's prior acceptance, which however does not deprive the debtor of the right to claim, including in court, a return of the excessively paid penalty both due to its being disproportionate (Article 333 of the Civil Code) and on other grounds stipulated by the law.

Civil Process

On December 1, 2010, the Council of the Federation adopted and sent the President for signing the Federal Law on the Amendment of the RF Code of Civil Procedure.

The Law introduces appeal instances in common courts of all levels. Section II of the Code of Civil Procedure (the "CCP") is supplemented with a chapter regulating the matters of process

in the court of appeal instance and, in particular, stipulating that judgments of a court of first instance (trial court) that have not come into force may be appealed (previously, only decisions of justices of the peace could be appealed). Rulings of trial courts may also be appealed (by way of a private petition, prosecutor's request). At the appeal level permitted are a written renunciation of suite by the plaintiff, confession of action by the defendant and a settlement. Not permitted are a combination or division of several claims, change of the subject or the cause of action, change of the amount of claims, filing of a counter claim, replacement of the improper defendant, involvement of third parties.

An appeal petition and prosecutor's appeal request may be filed within one month, and a private petition and prosecutor's request – within fifteen (formerly, ten) days upon delivery of judgment in the final form. Thus, the terms within which judgments of trial courts come into force have been changed.

An effective court judgment may be appealed in the cassation instance within six months, provided that the means of appealing from the court judgment before its effective date have been exhausted. Under the general rule, courts of appeal and cassation instances consider cases to the extent of arguments contained in the corresponding petition (request).

Certain changes have been introduced in the review proceedings. Provisions on a review of effective court judgments due to newly discovered circumstances have been amended. The possibility of a review due to new circumstances has been provided for. Specified are newly discovered circumstances and new circumstances.

In general, the Law considerably changes the regulation of appeal from and review of judicial acts in the civil process, is aimed at the unification of court disputes consideration and, consequently, introduces all corresponding procedural rules on the basis of which legal proceedings in the appeal, cassation and review instances are proposed to be conducted.

The main part of the Law provisions will come into force on January 1, 2012. Certain provisions (concerning appeals regarding compensations for an infringement of the right to a legal procedure within a reasonable period of time or the right to the execution of a court judgment within a reasonable period of time) will come into force on March 1, 2011.

Draft Laws. Amendment of the Civil Code

In pursuance of the Presidential Decree on the Perfection of Civil Legislation, dated July 18, 2008, No. 1108, the Council of the RF President for Codification and Perfection of Civil Legislation has developed a draft law providing for the amendment of the RF Civil Code. The proposed changes in Division I (General Provisions, Articles 1-208), Division II (Right of Ownership and Other Rights to Things), Division III (General Part of the Law of Obligations, Articles 307-453) and Division IV (Private International Law) of the Civil Code have been promulgated.

The preparation of the draft law had been preceded by the work on the Concept of Civil Legislation Development which was approved by the Council at its session of October 9, 2009 chaired by the President. The proposed changes in the Civil Code are of a fundamental nature,

are introduced for further development of the basic principles of civil legislation consistent with the new level of market relations, for reflection in the Civil Code of the experience of its application and construction by courts, for bringing the Civil Code provisions closer to the rules of regulation of corresponding relationships in the European Union law, and for use in the Russian civil legislation of the up-to-date positive experience of the modernization of civil codes of a number of European countries, and also to ensure stability of the civil legislation of the Russian Federation.

The texts of the changes are placed on the site of the Private Law Research Center <http://privlaw.ru/>.

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