

Coronavirus FAQ: Key legal considerations for Russia

27 March 2020

1. EMPLOYMENT

Moscow authorities strongly encourage employers to introduce remote working (work from home) regime where possible. **Please make sure you carefully document the new working regime in the addenda to the employment contract or have special internal policy governing this.** We may also expect that the ad hoc remote working regulations will be introduced into the law due to the COVID-19 outbreak. **Consider outlining the main rules for fully online communication and performance of business-critical functions as well as back-up function options in a local policy.**

Russian authorities issued several instructions and guidelines for employers on the federal and local levels in connection with the health and safety of employees. They include, *inter alia*, measuring employees' temperature (with mandatory suspension from work in case of high temperature); facilitating employees' remote work if the employees are subject to self-isolation (e.g. due to having been in high-risk countries etc.); submitting the authorities upon their request with information on any contacts made by infected persons etc. **Review your local regulations before any actions!**

Another measure that the employers tend to introduce is limiting or prohibiting business travel, particularly to high-risk areas, and discouraging face-to-face meetings. Instead, introduce 'virtual' meeting solutions such as videoconferences, skype meetings etc.

Temporary rules also provide for issuing disability certificates, assigning and paying temporary disability benefits to specified individuals in connection with the spread of a coronavirus infection.

The Russian President announced that **the week from 30 March until 3 April 2020 will be a non-working but paid week** for the most employees and companies in Russia to prevent the coronavirus spread. No quarantine is implemented but the significant part of the employees in Russia should stay at home next week. This non-working week **will not affect essential businesses** such as medical and pharmacy organizations; organizations providing people with food and essential commodities; e-commerce companies, organisations performing necessary work in emergency circumstances and in other cases that endanger people's lives and normal living conditions; and organisations performing urgent repair and loading-and-unloading works.

2. MIGRATION

Russia bans entry of foreigners until 1 May 2020 and temporarily stops issuing work permits and working visas for foreign employees. **Do inform your foreign employees and their family members that if they leave Russia they will not be able to come back at least until 1 May 2020.** Verify whether you or your foreign employees have submitted documents to extend the existing work permits and working visas and be ready to approach the local authorities for clarifications. The Russian government has also suspended all regular and charter flights in and out of the country effective from March 27, except for special flights authorised by the Government and those intended to bring the Russian citizens back to the country nominated by the Ministry of Foreign Affairs.

3. COMMERCIAL CONTRACTS

Review contracts to identify governing law and dispute resolution provisions, your rights and obligations in respect of delays in supply or failure to pay in time (e.g., events of default, termination, and applicability of force majeure). Pay attention to how the force majeure or material adverse change (MAC) clauses are drafted and whether the current circumstances trigger them.

For Russia force majeure can be generally enforced if the event meets two criteria: it is extraordinary (exceptional, unusual in specific conditions) and inevitable (could not have been avoided by similar party). For international contracts the decision of the Russian Chamber of Commerce and Industry may serve as a confirmation of a force-majeure event. As an alternative a significant adverse change rules may apply by virtue of law to change or terminate a contract in court. **Check local regulations qualifying COVID-19 as force majeure event and prescribing related consequences.**

Consider the supply chain and the options to adapt its structure to the current risks. The longer the supply chain, the more vulnerable the end user will be to delays, disruptions etc. **Be ready to closely collaborate with your suppliers and resellers. Keep in mind antimonopoly law restrictions, though.**

Review your R&W clauses. The COVID-19 outbreak may lead to certain representations and warranties no longer being true – this may give rise to your liability or vice versa may give you leverage vis-a-vis your counterparty.

Carefully check the procedure for serving notice on the counterparty. Following the relevant notice provisions is important, particularly in certain industries where it can impact a claim.

It is always open for parties to renegotiate their agreement. **Carefully consider the wider effects this may have.** Note that any modifications to the existing contractual terms should be properly documented.

4. CORPORATE GOVERNANCE

COVID-19 poses a challenge given that government and local authorities are increasingly advising people to avoid large gatherings and imposing quarantines. Companies are already exploring holding virtual general meetings.

A company may need to postpone its annual meeting or move to a virtual meeting as permitted by its organizational documents. **Review your company's charter, internal regulations if you would like to adjust to virtual format.**

The recent federal law governing the sale of the shares in the major state Russian bank – Sberbank, has also introduced an option to convene annual general shareholders meeting (**GSM**) in a joint-stock company (**JSC**) remotely, while the Russian corporate law requires personal attendance at annual GSM. We note that there is no similar regulation for annual general meeting of participants in limited liability companies. The Government agencies may issue guidance on the procedures around these changes. **Note that the deadline for annual general meetings in LLC remains the same – 30 April, in JSC – 30 June. While planning your general meeting consider how sensitive is the agenda vs. risks of face-to-face meetings for your shareholders / participants.**

5. COURTS AND STATE AUTHORITIES

Russian courts stop considering all cases except the most urgent ones until 10 April 2020. The commercial cases fall within the category of postponed ones. The document filing shall be performed via postal services and online system. **Please note that this does not affect limitation periods.**

Majority of Russian government bodies work "as usual" but measure the temperature of visitors and may deny access in case some symptoms of illness are identified.

According to the official instruction of the Russian Prime Minister all planned inspections of the businesses including tax and customs ones are postponed until 1 May 2020. This does not refer to the critical ones connected with health and safety, emergency situations and related to issue of licenses and other permissive documents. The number of unplanned inspections shall be carefully considered by the authorities in charge and minimized where possible.

6. REGULATORY FRAMEWORK

The COVID-19 outbreak already impacts regulatory framework in Russia and require legislators to adopt new regulations. The President already issued an order allowing online sales of over-the-counter pharmaceuticals by the licensed pharmacies. The relevant amendments to the affected legislation are currently being considered in the second hearing by the State Duma (lower chamber of the Russian Parliament). No active work on this has been done since December 2017. Our previous alert can be found [here](#).

7. STATE SUPPORT

Review the current emergency regulations on additional state aid

The Government granted a pause in payment of taxes, insurance premiums, the due date of which falls on the period until 1 May 2020, for taxpayers in **tourism and air transportation industries. Travel companies** are temporarily exempted from payment of contributions to the reserve fund of the Association "Turpomoshch" and contributions to personal liability funds until the end of the year.

Transport and tourism

The Bank of Russia allowed banks to finance **companies from transportation and tourism** (or restructure existing loans) without prejudice to their financial situation. The Bank of Russia is ready to provide similar relaxation to **small and medium-size enterprises**.

Small and medium-size enterprises

Concessional lending and state aid programs will be expanded to support **small and medium-sized businesses**. A delay for lease payments for three months will be introduced for lease of the state and municipal property as well as with respect to the social insurance contributions.

Even those businesses in industries that are not in the government's list for emergency relief are promised to be granted a six-month tax holiday. Micro-enterprises will also be allowed to forgo social security contributions.

Trade support

Russian authorities have introduced the following **trade support measures**: (i) provision of short-term soft loans; (ii) zeroing of import duties; (iii) expansion of using the green corridor regime for certain types of socially significant goods.

Pharma and medical equipment

The Bank of Russia relaxed the requirements for banks for lending to **pharmaceutical and medical equipment industries**.

The Government will help government contract suppliers and will not apply fines for failure to follow the foreign currency control rules in non-resource exports.

The Government approved the list of 36 types of medical devices with low potential risks: including surgical suits, surgical and examination clothing sets, masks, shoe covers, respirators and gloves. These medical devices will be subject to a simplified process of state registration. This will make it possible to put these medical devices into the market faster in order to prevent the spread of infectious diseases.

Moratorium on bankruptcy claims

A six-month moratorium on bankruptcy applications will be introduced for companies affected by the coronavirus. Tax and fee collection from such companies will also be suspended.

New taxes

The President suggested introducing a new 15% income tax on the dividends that are transferred from Russia into offshore accounts.

Additionally, a 13% tax will apply to an individual's income gained from bank deposits and long-term bonds when those investments exceed one million rubles (approx. USD 12,500).

These tax-related measures were announced to be introduced for a long-term perspective and survive after the coronavirus pandemic.

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