

REGIONAL COMMITTEES

NORTH-WESTERN REGIONAL COMMITTEE

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HR AND MIGRATION SUBCOMMITTEE**SHORTAGE OF WORKERS**

An acute shortage of workers is one of the problems in the labor market today, including in the North-Western region, where there are many manufacturing companies and logistics centers. Blue-collar workers remain the base of the Russian labor market. According to various sources, at the end of 2019, the able-bodied population of Russia was about 75 million people, almost half of whom were line personnel.

There are several reasons for the shortage of workers:

- › Outflow of migrants due to restrictive anti-coronavirus measures. During the pandemic, about 500,000 migrants (internal and external) in total fled from St. Petersburg and Leningrad region.
- › Aging of personnel/Demographic crisis. Last year, the Russian economy lost about 7.7% of its young workers, while the number of working pensioners increased.

RECOMMENDATIONS

- › Adaptation for women of workplaces where men have traditionally worked.
- › Rejection of ageism.
- › Automation of labor.
- › Working with the employer's brand.

LEGAL AND TAXATION SUBCOMMITTEE**TAX ASPECTS**

In 2017, the Tax Code of the Russian Federation was supplemented with Article 286.1 on investment tax deductions (INV) as a mechanism to stimulate the renewal of fixed assets of companies in various fields. Unfortunately, the regulations adopted at the regional level significantly limit the circle of entities who are entitled to use the investment tax deduction and/or make them perform additional works and bear additional costs to prepare reports required by regional laws.

RECOMMENDATIONS

- › Development of proposals by Subcommittee members on the simplification of procedures for obtaining and confirming the right to INV.
- › Appeal to the competent authorities of the North-Western subjects of the Russian Federation for the urgent elaboration of mechanisms to improve the availability of INV for business.

LEGAL ASPECTS

The exchange of electronic documents for tax and legal purposes between Russian and foreign counterparties is not fully regulated. The main problem is that the counterparties must meet all the necessary legislative requirements of the different states of which they are residents.



RECOMMENDATIONS

- › Preparation of proposals to the Russian Ministry for Digital Development, Communications and Mass Media (MinTsifry) and the Government of the Russian Federation to accelerate the consideration and finalization of draft legislative amendments regarding the use of cross-border exchange of electronic documents under an electronic interaction agreement between counterparties.
- › Preparation and discussion of practical recommendations for the use of the specified capabilities in the implementation of the Concept of the Development of Electronic Document Management in Business.

OTHER ASPECTS

The Introduction of special provisions in the Tax Code of the Russian Federation regarding the timing of investors' capital investments in regional investment projects (RIP) during the difficult economic situation caused by the pandemic.

Amendments to the Federal Law "On the Procedure for Leaving and Entering the Russian Federation" to change the criteria for restricting entry for foreign citizens, in particular, the nature of offenses committed by a foreigner, the degree of guilt, the presence and severity of the damage.

CUSTOMS, TRANSPORT, AND LOGISTICS SUBCOMMITTEE

ISSUE

Under orders given by the Accounts Chamber, the customs authorities conducted mass inspections on the inclusion of license fees (royalties) in the customs value of imported goods. These inspections affected many regional companies producing finished products, including from imported components and raw materials, and using know-how and trademarks for the use of which royalties must be paid to foreign rightsholders. Another problem is the new practice of including VAT, paid by licensees from royalty amounts, in the customs value of imported goods, based on WTO recommendations. The above leads to legal uncertainty and instability of the legal status of foreign trade participants.

RECOMMENDATIONS

- › Amendments to the Recommendation of the Board of the Eurasian Economic Commission No. 20 dated November 15, 2016, regulating the procedure for including royalties in the customs value of imported goods with the active participation of business representatives.

ISSUE

By Order of the EEC Board No. 143 dated September 21, 2021, a draft resolution of the EEC Council "On the Proce-

cedure for the Import into the Customs Territory of the Eurasian Economic Union of Products subject to Mandatory Conformity Assessment in the Customs Territory of the Eurasian Economic Union" was submitted. In comparison with Resolution of the EEC Board No. 294 dated December 25, 2012, the procedure for importing controllable products into the Eurasian Union ("Import Procedure") was significantly detailed.

The new Import Procedure significantly tightened the rules for the movement of products imported by a declarant for personal use in a single unit. In the current version of the Import Procedure, the term "single unit" is indicated in the plural, i.e., "in single units". As the customs authorities traditionally interpret the word "single" as "one", it should be feared that, under the new version, confirmation of compliance with technical regulation measures will be required not only for goods imported as one unit for personal use. Thus, many foreign trade participants will be forced to confirm compliance with technical regulation measures of a small number of goods imported by them for personal use, which does not meet the goals of technical regulation.

The import of spare parts for the repair of previously certified products is also significantly limited. Now, only persons, who previously imported products for the repair of which imported spare parts are intended, will be able to import spare parts without certification. Other persons are deprived of this right.

RECOMMENDATIONS

- › The EEC should amend the new Import Procedure to expand the term "single unit" and prevent restrictions on the number of persons entitled to import spare parts without confirmation of compliance.

CONSTRUCTION AND REAL ESTATE SUBCOMMITTEE

ISSUE

New market segments are actively developing in the industry, and their regulation does not always consider the peculiarities of their development. Prompt cooperation with the regulator is required to develop adequate rules of interaction. In particular, the segment of apartments and co-livings requires regulatory differentiation with the hotel sector, as well as the establishment of standards for providing social infrastructure facilities intended for the permanent residence of citizens.

RECOMMENDATIONS

- › Improvement of the legislative regulation to determine the legal status of new forms of real estate, regulate the provision of social infrastructure facilities, as well as the procedure for transferring such facilities to public ownership on a reimbursable or gratuitous basis.

ISSUE

The rental housing segment in St. Petersburg is mainly represented by individuals. Often, transactions between individuals are not transparent to the tax authorities, which creates unequal conditions for different groups of investors – individuals and legal entities.

RECOMMENDATIONS

- › Implement the developed European countries' practices to create transparency in the rental market, offering incentives for lessors to move to a civilized market.

- › Propose to the legislative body of St. Petersburg to develop regulations aimed at providing corporate property tax benefits for institutional investors in the rental housing market.



[More information on the Committee page](#)