

Changes into Russian legislation caused by the coronavirus Covid-19.

Covid-19 caused many changes to the legislative acts of all the countries through all over the world. In Russia there are changes to terms and conditions of payments for bank credits, licensing, terms of tax reporting, tax paying, terms of building permits, deferred and installment payment and so on.

We would like to stop on the changes on the provisions of lease, insolvency, operation of entities, construction of buildings.

It is also very essential to spotlight the legislative regulation directed to support for business, interpretation of force majeure clause and work of courts in the condition of the epidemic.

1. Lease

On the 1 of April 2020 the federal law No. 98 entered into force and it changed many of laws and relations.

All the changes about the lease are the changes regarding the lease agreements which were concluded before the regime of high alert or emergency.

The federal law sets three provisions.

1. In the regime of high alert, a lessee may ask property owner for a deferred payment and the property owner must provide it in 30 days.
2. the rate of the lease payment may be reduced by the agreement of the parties at any time in the 2020
3. the lessee may demand a reduction of lease payment for the period in 2020 when he could not use the real estate because of the restrictions

The government of Russia set the requirements of terms and conditions about lease.

Additionally to federal law the government recommends region authorities to downsize the property taxes, land taxes, land lease for the period of the deferred payment for those property owners who have postponed the lease payment, but for the lessees whom operate in the branch of economy that are suffered because of the restrictions.

The government sets the list of such suffered branches. Among them are air transportation, road transportation, airports, culture entertainment, sports, touristic agencies and hotel business, additional education, dental service, catering, dry cleaning, hairdressing services, etc.

The rules of delay payment spread to state, regional o private real estate except dwelling, but till the 1st of October.

The delay of payment is set for the period of high alert or emergency in full sum of monthly fee and the 50% of monthly fee for the period if the high alert or emergency will be cancelled till 01.10.2020.

The lease debt should be paid not earlier than 01.01.2021 and not later than 01.01.2023. It should be paid in equal parts every month and not bigger than 50% of monthly fee. No penalties can be applied for this debt.

As the governmental act is for the lessees whom operate in the suffered branches, but the norms of the federal law may be interpreted as for other lessees who are not in the list.

That interpretation may cause disputes between property owners and tenants.

2. Insolvency

On the 18 of March 2020 The government recommended to Federal Tax Service, State Corporations (for example Russian Space, RosTech, etc.), federal executive bodies, Central Bank, the Heads of regions of Russia not to apply for insolvency of the debtors for the period from 18.03 till 01.05

On the first of April the federal law # 98 changed the federal law #127 which regulates the insolvency procedures.

One article 9.1 was added that authorizes Government in the periods of nature or man-made reasons or in case of significant changing of ruble's rate to initiate moratorium on filing insolvency suites to the courts.

Russian government set the moratorium on 3 April. From 06/04/2020 and for 6 months it is forbidden for creditors to file the insolvency suites to the court against debtors whom operate in the branch of economy that are suffered because of the restrictions for struggling the virus. Among them are Air transportation, road transportation, airports, culture entertainment, sports, touristic agencies and hotel business, additional education, dental service, catering, dry cleaning, hairdressing services, etc., system-forming and strategic entities.

You may search your debtor in moratorium list with the help of federal tax service site, where you may just put the taxpayer identification number of your debtor and to check.

In the moratorium period it is also forbidden to foreclose on the mortgage property, all the enforcement proceedings for the debts appeared before moratorium are paused, ceo and the owner, individuals are not obliged to apply for the insolvency procedure, no payments to the shareholders are allowed, there some special rules for setoffs, all the penalties stop except current payments.

On the other hand there some rules about the insolvency procedures which could be initiated in 3 months after moratorium. For example, all the selling assets deals or other deals that are more than the cost of 1% of all the assets of the debtor concluded in moratorium period are invalid.

All the restrictions according to moratorium is about the creditors, the debtor himself may apply for his insolvency.

April 24, 2020 the new federal law gave the right to debtors from the moratorium list to refuse of moratorium status.

Now our courts are closed for everyday hearings, only urgent cases can be heard. But it is allowed to file a suit electronically or by post. The courts are closed until 05/05/2020.

3. Operation of entities

Due to the coronavirus, legislation provides more time to the annual general meeting of shareholders and the next general meeting of participants in limited liability companies. If the net assets value at the end of 2020 is lower than the size of the share capital, the consequences will be less painful. The innovations took effect on April 7th.

Annual general meeting of shareholders and participants.

In 2020, the annual general meeting of shareholders, LLC participants must be held no later than September 30.

Thus, the rule on holding such a meeting from March 1 to June 30 (inclusive) does not temporarily apply.

Decrease in the net assets value of JSC and LLC.

If the value of the company's net assets at the end of 2020 is lower than its authorized capital:

- board of directors (supervisory board) of the joint-stock company does not have to include a section on the status of its net assets in the annual report of the company;
- joint-stock company does not have to make a decision to reduce the authorized capital to a value not exceeding the value of its net assets, or to liquidate the company. A similar reservation was introduced with respect to a similar obligation of limited liability companies.

4. Construction of buildings

If the expiration of the construction permit falls on the period from April 7, 2020 to January 1, 2021, this period is extended for another year.

A similar rule applies:

- for urban plans for land plots that are used when obtaining building permits, making changes to them, preparing and examining project documentation;
- territory planning projects that are used in the examination of project documentation.

5. Support for business

During a meeting with the Cabinet of Ministers on April 08, 2020, the President of the Russian Federation proclaimed that the economy cannot be stopped, so the government must not:

- close transport, freight, passenger traffic between regions;
- massively restrict the work of enterprises.

According to the President, it is necessary to create all conditions for companies, organizations, entrepreneurs to come back to their normal work schedule. A list of organizations with work limited due to increased risks should be developed. Each region will have its own list of enterprises that play an important, systemic role for the economy of a region.

The President of the Russian Federation proposed the following measures:

- to extend a deferral of payment of insurance contributions to social funds for six months to all affected small and medium-sized enterprises – as it was done for microenterprises;
- to restructure tax debts (except VAT) for small and medium-sized businesses. It can be paid smoothly, monthly, in equal parts for at least a year after the end of the deferment;
- the Government should prepare a program for additional business support with the participation of the Central Bank of the Russian Federation. It should allow companies to maximize their employment and employee income. The President noted that it is fair to help primarily those companies that maintain employment on the same level;
- small and medium-sized enterprises from the affected sectors of the economy are entitled to receive a 6-month deferral of payments under any loan agreements concluded before April 3, 2020, as well as to receive financial assistance depending on the number of employees – a fixed amount is deducted for each employee. Such assistance is entitled to companies operating in the field of air transport, culture, organization of leisure and entertainment, sports and fitness activities, tourism, the hotel business, catering, etc.

All organizations and individual entrepreneurs can submit three months later documents that must be submitted in March - May 2020. These include declarations (excluding VAT

reporting), tax calculations on the amounts of income paid to foreign organizations and withheld taxes, and other documents of mandatory reporting.

For small and medium-sized enterprises, which are included in the register as of March 1, 2020 and operate in the most affected sectors of the economy (the list is determined by the government), the deadlines for paying a number of mandatory payments have been extended. For example, the deadline for paying income tax for 2019 is extended for six months, and the deadline for paying personal income taxes for individual entrepreneurs is extended for three months.

6. Interpretation of force majeure clause

On the 21 April 26, 2020 the Supreme Court of Russia published its overview regarding the interpretation of legislation and cases according to COVID-19.

Regarding the force majeure there are some things to take into account:

First of all, force majeure mostly is the reason not to apply the liability of the party of a contract but not the reason to set the party free of main commitment of the contract. For example, because of force majeure you may not be obliged to pay fine, penalties for a payment delay but ought to pay the main debt.

Secondly, sometimes the force majeure may cause the cancellation or changing of a contract

So in each case you have to determine if you have force majeure situation or not.

Ordinary the absence of money can't be interpreted like force majeure situation but if you do not have money because of the emergency restrictions it may be force majeure.

For example, you are the owner of the restaurant and because of the restrictions should close it that's why you do not have income. In that case the absence of money may be interpreted like force majeure and you can be exempt from charging penalties.

Please take into consideration that in every time you are not sure that you will fulfill your contract properly because of force majeure, it is recommended to notify your party about that.

Now there is the ability to take the certificate from Chamber of Commerce of Russia that you can't fulfill your contract because of force majeure. It can be in domestic and international contracts. According to the letter of Chamber of Commerce of Russia getting certificate is free of charge now.

But take into account that in case of litigation this certificate will be one of the proofs but not the absolute proof of force majeure.

That is why it is highly recommended to consult lawyer in the situation that may cause disputes.

7. Work of courts

Until May 11, 2020, the personal reception of citizens was still suspended in the courts, documents should be sent by mail or via the Internet.

Courts are recommended to consider cases of an urgent nature. A recommended list of such cases has been expanded. It includes affairs:

- about security for a claim;
- administrative offenses that may result in suspension of activity, arrest or expulsion, as well as violations in the field of electoral law;

- selection, extension, cancellation or change of a preventive measure for an accusable person;
- protection of the interests of a minor or a person declared legally incapable;
- gross disciplinary misconduct when applying disciplinary arrest to military personnel and the execution of disciplinary arrest.

The courts are also recommended to consider cases in the order of writ proceedings and simplified proceedings, as well as cases that can be tried in the absence of parties (all parties of the case gave such consent).

An important addition appeared: the court has the right to decide on the consideration of any other case, taking into account its circumstances and the conditions of the high-alert regime in a particular region.

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