

## RUSSIAN PRESIDENT ANNOUNCES RUSSIA'S ANTI-COVID-19 ACTION PLAN

In his Address to the Nation on 25 March 2020 President Putin announced a range of economic measures to mitigate the adverse effects of COVID-19 on the Russian economy. The purpose of this note is to provide initial high-level comments on these measures:

- the week commencing Monday, 30 March 2020 until Friday, 3 April 2020 will be a non-working week with all employees continuing to receive their regular salary entitlements during this period. On the evening of 25 March 2020 the President issued a Decree implementing this measure, although theoretically one may question if this is sufficient without amending the Labor Code. This measure appears to be addressed primarily at business enterprises and the current expectation is that Governmental authorities will continue to function during that week (i.e., applications for clearances, permissions, property registrations, etc., will continue to be processed);
- a number of fiscal measures to support SMEs have been announced, which would require the Russian Parliament to adopt changes to federal legislation. These measures include:
  - 6 month payment deferral with respect to all taxes, except for VAT;
  - 6 month deferral of social security contribution payments; and
  - a decrease of social security contributions payable by SMEs with respect to salaries above the statutory minimum salary from 30% to 15%.
- further support for SMEs, which is also likely to require changes to federal legislation, include:
  - 6 month deferral for SMEs on servicing banking laws; and
  - a moratorium on filing creditor applications for the bankruptcy of companies and collection of debts and fines.

Last, but certainly, not least, the President announced that Russia will be revising its double taxation treaties to introduce a 15% withholding tax on dividends and interest (currently most of the Russian double taxation treaties provide for a 5%-10% withholding tax on dividends and a 0% withholding tax on interest), and withdrawing from the treaties with jurisdictions which would not be willing to accommodate this change. From the Presidential address it is not clear whether Russia proposes to re-negotiate all of its double taxation treaties, or only treaties with a limited number of countries which, in the view of the Russian authorities, are more likely to be used as conduits for payments into offshore low tax jurisdictions.

The authors of this alert and your usual Clifford Chance contacts are available at any time to discuss potential implications of these measures on your business.

## CONTACTS



Alexander Anichkin  
Partner

T +7 495 258 5050  
E alexander.anichkin  
@cliffordchance.com

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Clifford Chance, Ul. Gasheka 6, 125047  
Moscow, Russia

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