

RUSSIA

General information*

- Capital: Moscow
- Population: 143.5 million
- GDP: \$2.097 trillion

CSO legal forms and their characteristics

Public Organisation

- A voluntary, self-governing, non-profit formation, set up at the initiative of at least three natural persons (citizens, foreign nationals, stateless persons) who have united on the basis of the community of interests to realise common goals, indicated in the charter of the public organisation.

Fund

- A non-membership, non-profit organisation founded by citizens and (or) legal entities on the basis of voluntary assets contributions and pursuing social, charitable, cultural, educational or other socially useful purposes.

Key CSO laws



- Civil Code, First part (rev. of September 1, 2014);
- Federal Law No. 7-FZ On Non-Commercial Organisations, adopted on January 12, 1996;
- Federal Law No. 82-FZ On Public Organisations, adopted on May 19, 1995;
- Federal Law No. 121-FZ On Introducing Amendments to Certain Legislative Acts of the Russian Federation Regarding the Regulation of Activities of Non-commercial Organisations, Performing the Functions of Foreign Agents, adopted on July 20, 2012.

* Source: World Bank, 2013.

1. Existing forms of CSOs and their characteristics

? What forms of CSOs exist? What are their main characteristics?

The existing CSO forms are numerous. Non-profit organisations may be created in the form of social or religious organisations (combinations), communities of the aboriginal small peoples of the Russian Federation, cossack communities, institutions, autonomous non-profit organisations, social, charitable and any other funds, organisations and unions, and also in any other forms stipulated by the federal laws. For the purposes of this Handbook we will provide information on **Public organisation** (*общественная организация*) and **Fund** (*фонд*).

? Are there any restrictions on the permissible goals and activities of CSOs?

Public organisation & Fund: Public organisations and funds can carry out one or several types of activities in accordance with their statutory goals, as long as they comply with the federal laws.

Any public organisation and fund receiving funding or assets from outside of Russia and/or from Russian legal entities that have foreign financing and involved in political activities, are required to register as organisations performing functions of foreign agents. The Ministry of Justice maintains the online registry of this type of CSOs. All public communication by these organisations must have a disclaimer that the materials were prepared by an organisation performing functions of a foreign agent. Foreign agent organisations are subject to more stringent reporting requirements.

2. Requirements on the founders of a CSO

? What is the minimum number of founders required by law?

Public organisation: 3.

Fund: 1.

? What are the eligibility requirements for founders? Are foreign citizens allowed to serve as founders?

Public Organisation & Fund: Both physical persons and legal entities can be founders. Foreign citizens and stateless persons, who officially reside in Russia, can serve as founders.

? Are there any property or cash contribution requirements for the founders?

Public organisation: No.

Fund: Founders are required to transfer some money or assets to the organisation, however, the exact amount is not specified by law.

3. Registration procedure

? Which authority is responsible for the registration?

Application for registration can be submitted to a territorial division of the Ministry of Justice (one for each region of Russia). The list of territorial divisions is available at the Portal of electronic state services.

? What is the registration fee?

Public organisation & Fund: 4,000 Russian roubles (EUR 60).

? Are there any other direct financial costs of the establishment of a CSO?

Some documents required with the application for registration must be certified by a notary, which costs approximately 1,500 Russian roubles per document (EUR 20) and if documents are submitted by proxy, power of attorney must be certified by a notary as well (approx. 1000 Russian roubles per document or EUR 15).

? How long should the registration process take?

According to the portal of electronic state services, submission through the portal will require 33 days.

? Which documents are required for registration?

- *Statute* — 3 copies (one original to be returned to the founders, 2 copies certified by a notary);
- *Application form* — 2 (1 original and 1 copy certified by a notary);
- *Minutes of the statutory meeting for public organisations; Statement by the founders for funds;*
- Address of the official seat for the organisation;
- Registration payment slip.

Is electronic submission possible?

Yes. Through the Portal of electronic state services.

http://www.gosuslugi.ru/pgu/service/10002429292_10000015484.html#!_description

Is there a requirement to have an office in the country? Are there any specific requirements related to it?

Public organisation & Fund: Only address for correspondence or place of location is required at registration. The address can be residential (founders' address) or legal address (office edifice).

Are there additional requirements related to registration?

Public organisation & Fund: No.

Are there additional administrative procedures related to registration?

Public organisation & Fund: opening a bank account for depositing the founding capital; notifying tax office about the bank account.

What are the legal grounds for denial of registration?

According to the *Law on Non-commercial Organisations* Article 23.1., the following can be reasons for denial of registration:

- If the constituent documents of the non-profit organisation contradict the Constitution of the Russian Federation and the laws of the Russian Federation;
- If there is a non-profit organisation bearing the same name;
- If the name of the non-profit organisation insults the morality and disturbs the national and religious feelings;
- If the documents required for state registration are not provided in full, or are submitted to an improper body;
- If the person acting as the founder of the non-profit organisation may not be the founder;
- If false information had been provided in the documents submitted for state registration.

If the applicant has not corrected the above-mentioned discrepancies, the Ministry of Justice or its territorial division can deny registration.

4. Sources of funding

? What are the possible sources of funding?

Public organisation:

- State support — e.g. government grants, subsidies, local authorities' subsidies;
- Foreign grants* also see the Section on limitations of possible sources of funding;
- Donations from private individuals, including crowd-funding;
- Membership fees;
- Income from statutory economic activities * also see the Section on limitations of possible sources of funding.

Fund:

- Contributions from founders;
- Donations;
- Economic activities conducted by LTDs.

? What are the restrictions on the possible sources of funding?

Public organisation & Fund:

- **Foreign agent law:** *The Federal Law No. 121-FZ On Introducing Amendments to Certain Legislative Acts of the Russian Federation Regarding the Regulation of Activities of Non-commercial Organisations, Performing the Functions of Foreign Agents, adopted on July 20, 2012*, imposes restrictions on income received from abroad. Any non-commercial organisation (public organisations and funds) receiving funds or assets from outside of Russia and/or from Russian legal entities that have foreign financing, are required to register as organisations performing functions of foreign agents. If an organisation does not comply with the requirement of registration as a foreign agent, its activities may be suspended.
- **Taxation of grants:** Grants from foreign donors are subject to regular taxation, unless the grantor is included in the special list of tax-exempt donors. The current list of tax exempt donors is available online.
- **Economic activities:** According to the changes to the *Civil Code* on 05.05.2014, an organisation can engage in statutory income-generating activities through establishing an LTD with the starting capital of approximately 10,000 roubles (EUR 160).

5. Tax treatment of CSOs

? What is the income tax treatment of CSOs?

General corporate income tax rate is 13%. Grants from foreign donors are subject to regular taxation, unless the grantor is included in the special list of tax-exempt donors. The current list of tax exempt donors includes thirteen organisations. Certain types of income, for instance, “receipts for designated purposes” shall not be included in the tax base of CSOs for the purpose of determining income tax. Article 251(2)(1) of the Tax Code specifically lists donations as one type of “receipts for designated purposes.” In order for this tax benefit to apply, the NCO is “required to maintain separate accounting” for its taxable and non-taxable income and expenditures. Economic activities: NCOs are obliged to pay income tax on income generated from their economic activities in the same manner as commercial entities.

? What is the VAT treatment of CSOs?

The provision of assets to a public organisation and a fund on a gratuitous basis is not subject to VAT if the assets are provided for the implementation of the CSO’s statutory goals and are unrelated to any commercial operation (Tax Code Article 39(3)(3)). Donations or grants to CSOs that meet these criteria, including those from abroad, are not subject to VAT. In addition, the gratuitous provision of goods or services (with the exception of excisable goods), provided in conjunction with charitable activities, is exempt from VAT (Tax Code Article 149(3) (12)).

? Are there any tax benefits for donors in place?

Only donations made by physical persons are subject to tax deductions, in the amount of up to 25% of the individual’s total taxable income.

6. Obligations of a registered CSO

? What are the reporting requirements of a registered CSO?

All CSOs (including public organisations and funds) must submit annually:

- *Official reporting forms OH0001*, which includes list of governing body members, and *a form of simplified annual financial report OH0002* to the Ministry of Justice;
- *Accounting reports* to the fiscal authorities.

CSOs that had no funding from foreign sources and with annual income less than over 3 mln Russian roubles (EUR 46,882) are not obliged to provide reports to the Ministry of Justice. These CSOs instead submit:

- *Official statement* that there was no funding from foreign sources and income was lower than 3 million roubles and notification on continuation of activities.

In addition, funds publish annual reports on available assets.

Are there additional obligations of a registered CSO?

Order no. 50 by the Ministry of Justice of April 16, 2013 no.50 On reporting and terms of submission to the Ministry of Justice of the Russian Federation reports by noncommercial organisations performing functions of foreign agents requires CSOs performing functions of foreign agents to submit following reports to the Ministry of Justice:

- *activity report and composition of governing bodies* according to the provided reporting form twice a year — by January 15, July 15;
- *financial report and accounting report* on the use all assets in the previous quarter, including from foreign sources, on a quarterly basis — by January 15, April 15, July 15, October 15);
- *annual auditor's report* — no later than 15 April of the year following the reporting year.

7. Internal governance of the organisation

What are the basic requirements related to the governance and internal structure as provided by law?

Public organisations: Two mandatory bodies include:

- *Supreme governing body* — a general assembly of members;
- *Executive body* — e.g. an executive director, a chairperson;

Permanent collegial executive body (not compulsory) — e.g. executive board, council, presidium.

Funds: The governing structure (board of trustees) is defined by its statute.

The governing body is in charge of making sure that CSO complies with its purposes. The governing body possesses the competences on:

- amendment of the statute;
- setting the priorities of the nonprofit organisation, principles of formation and use of its property;
- the formation of the executive bodies of the nonprofit organisation and the early termination of their powers;
- approval of the annual report and annual balance sheet;
- approval of the financial plan for a nonprofit organisation and amendments;
- establishment of branches and representative offices of non-profit organisations;

- participation in other organisations;
- reorganisation and liquidation of non-profit organisations (except for liquidation of the fund).

? Are there any eligibility requirements to the members of the governing bodies?

Any physical person with full legal capacity without restrictions on the place of residence or citizenship can be a member of the governing body.

? Are foreign citizens allowed to serve on the board?

Yes.

? Are founders and members financially liable by law?

No.

8. Staff and members of the organisation

? Are there any eligibility requirements of the staff and members of a CSO?

Any citizen, foreign citizen or stateless person who legally reside in Russia and are of full legal capacity. Legal entities and associations can also be members of a CSO.

? Is there a requirement to have a full-time employee?

No requirements for a full-time employee (even for director and an accountant). Part time employment is also permissible.

? Is there a requirement to have an accountant?

Yes.

9. Voluntary dissolution and liquidation

What is the liquidation procedure in case of voluntary dissolution of a CSO?

According to Article 21.1 of the Civil Code, a legal entity that did not submit reports and did not have any activity with at least one of its banking accounts during the last 12 months will be removed from the Unitary Registry of Legal Entities. However, only a registration note on liquidation in the Unitary Registry of Legal Entities constitutes liquidation of the CSO.

Article 18 of the *Law on Noncommercial organisations* refers to the general liquidation procedure in the Civil Code. Article 62 of the Civil Code on liquidation of legal entities outlines the steps of general liquidation process.

The founders or another governing body that decided on liquidation must create a *liquidation commission*. The liquidation commission is in charge of all further proceedings by CSO and can represent its interests in court. The commission must notify the registration body about the intent to liquidate and submit an interim assets balance sheet.

The liquidation commission issues an official announcement on liquidation and publicises it through mass media for at least 2 months. Upon submission of creditors' claims the liquidation commission issues an interim liquidation balance sheet, which includes the order of payments.

After the settlement, the liquidation commission submits to the registration body the following documents:

- *An application form for registration of liquidation process* according to the official template;
- *A liquidation balance sheet*;
- *Proof of payment* for the administrative fee.

The decision on registration of liquidation is made by the registration body within 5 days. The remaining assets must be distributed to the CSO statutory purposes or for the charity purposes, unless otherwise prescribed by the federal law. The liquidation process is complete after a corresponding note on liquidation has been made to the Unitary Registry of Legal Entities.

Article 18 of the *Law on Noncommercial organisations* provides that **funds** can only be liquidated through a court procedure, i.e. upon submission of the court's decision to the registration authority.

The fund may be liquidated:

- if the fund's assets are insufficient to carry out its objectives and there is no probability of obtaining the necessary assets;
- if the fund's objectives cannot be achieved, and the necessary changes to the statutory purposes of the fund cannot be made;
- in case of failure by the fund to comply with the statutory goals through performing its activities;
- in other cases stipulated by federal law.