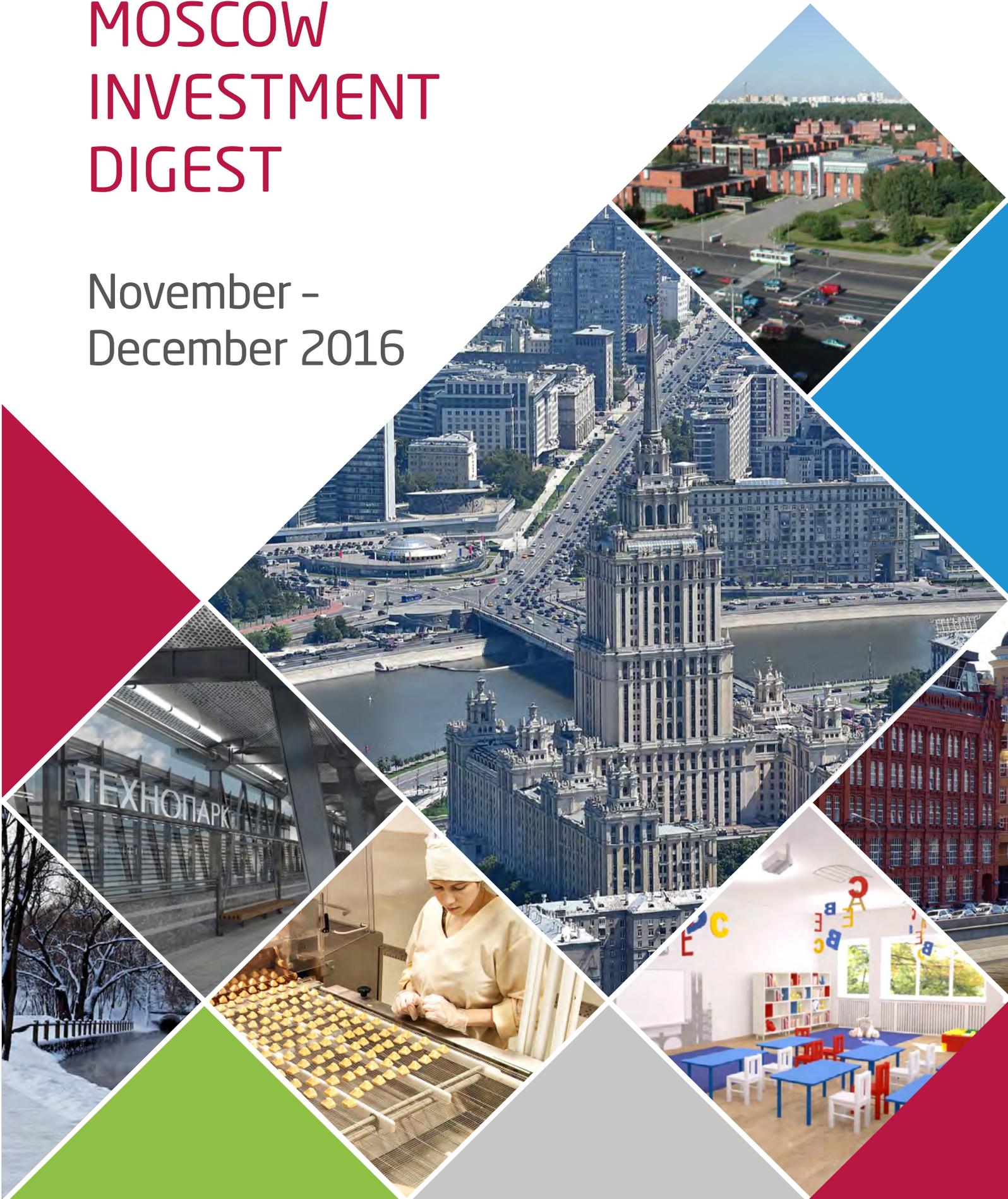




Moscow City  
Government

# MOSCOW INVESTMENT DIGEST

November –  
December 2016



## Dear Colleagues,

Department of Economic Policy and Development of Moscow, together with the Moscow City Investment Agency, are pleased to present the new monthly issue of the digest of key investment developments in Moscow.

### Tax breaks for the Zelenograd SEZ extended

A reduced profit tax rate of 12.5% will remain in effect for residents of the [Zelenograd Special Economic Zone](#) until January 2021. Moscow Mayor Sergei Sobyanin signed the law in November. It will come into force one month after its official publication and will apply to legal relations arising after 1 January 2016.



The tax break extension will encourage growth of high-tech industries and drive innovation and job creation.

The federal government placed the Zelenograd Special Economic Zone under the Moscow City Government's control in August 2016.

### The Moscow City Government expands the list of real-sector economic activities eligible for tax breaks and other support measures

Companies combining R&D and manufacturing may claim [industrial complex status and tax breaks](#), provided manufacturing activities generate at least a quarter of their total revenues and the share of natural science and technology in their total R&D revenue is at least 80%.

According to Maxim Reshetnikov, Moscow City Government Minister and Head of the Department of Economic Policy and Development of Moscow, the amendments will help efficient companies that combine manufacturing and R&D enjoy a substantial reduction in a number of taxes and expand development opportunities.



Economic performance requirements have also been relaxed for bakeries and confectionery manufacturers. Companies claiming technopark status and operating on non-adjoining land plots located more than 500 metres from one another may file a single application for exemptions.

Thirty companies have taken advantage of the real sector support mechanism to date, including 22 industrial complexes, seven technoparks, and one anchor technopark resident. Those companies employ some 43,000 between them, with the industrial complexes accounting for 29,000 jobs and the technoparks and the anchor technopark resident for another 14,000. The companies have invested more than RUB 26 bn over the past five years, including RUB 17 bn in industrial complexes and around RUB 9 bn in technoparks and the anchor technopark resident.

## Six more Moscow industrial companies join the real sector support programme

The companies will get [substantial tax breaks](#) and land lease reductions and will be able to use the resulting savings to upgrade and expand their production facilities. The exemptions will apply to profit, property and land tax and land lease payments. The total reduction in the regional tax burden for the beneficiaries will reach between 17% and 25%.



Industrial complex status has been granted to four big companies in the textile, pharmaceutical and food & beverage industries: Start, a manufacturer of children's clothing, the Moscow Endocrine Plant, Ostankinskiy zavod baranochnih izdeliy and the East Bolt Rus bakery group. Federal Centre of Science and High Technologies Eleron territory has obtained technopark status. ABBYY Production, an OCR and linguistic software developer, has received the status of an anchor resident at the Otradnoye technopark.

Earlier in November, industrial complex status was conferred on six more real-sector companies: the Bolshevichka menswear company, the Udarnitsa confectionery and the Cher-

emushki bakery and confectionery factories, as well as the Makiz-Pharma, Moscow Pharmaceutical Company and Serdiks pharmaceutical companies.

## The Moscow City Government to grant tax breaks to science laboratories



The Department of Economic Policy and Development of Moscow, together with the Department of Science, Industrial Policy and Entrepreneurship of Moscow and the State Inspectorate for Control over Use of Real Estate Properties of Moscow, have [drafted methodological recommendations](#) for determining how laboratories are actually used.

In practice, organisations use some premises to conduct laboratory research. The methodological recommendations allow such premises to be classified as production or research facilities, exempting them from calculation of the share of retail and office space. For reference, starting 2015, properties actually used more than 20% as retail or office space are assessable for property tax based on their cadastral value. Business representatives had stressed the need for the clarification.

## The 2017 list of properties assessable for property tax based on cadastral value approved

The Moscow City Government has approved a [list of commercial properties](#) assessable for property tax based on their cadastral value.

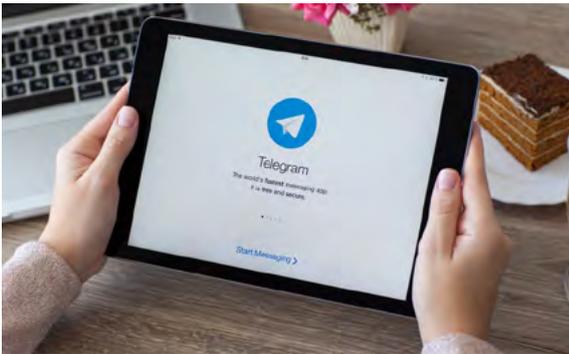
The 2017 list includes around 24,000 properties: retail and office buildings and premises, restaurants and service facilities. The combined area of the properties has increased by 23% over 2016.



The system of property tax breaks for organisations enshrined in the legislation provides

protection for small businesses that do actual work, for socially important industries and for manufacturing. Please visit the [Department of Economic Policy and Development of Moscow](#) website to learn more about the list of preferential categories and the steps required to obtain the exemptions.

## Moscow's economic news now on Telegram



The Department of Economic Policy and Development of Moscow's [official Moscow's Economy channel](#) has been launched on the Telegram online messenger platform. Check out [@moscow\\_economy](#) or Telegram: Contact [@moscow\\_economy](#).

The Department has been expanding its channels of communication with businesses and individuals to keep them up-to-date on important developments in the city's economic policy and build a constructive dialogue between the government and the public.

According to Deputy Mayor of Moscow in the Moscow City Government Natalya Sergunina, up-to-date information on important developments in the city's economic policy that affect everybody will now be readily available, including changes in taxation, exemptions, utility rates, etc.

## Macroeconomics: Moscow companies improve financial performance by a quarter

The total profits of Moscow's companies rose 24.9% in the [first three quarters](#) of this year to RUB 2,384.6 bn. The profit growth rates doubled in September after being reported at 12.6% in January–August.

Profits rose fastest in real estate operations



(176%), construction (140%) and hospitality (87%).

Light industry is now the leader of Moscow's manufacturing, whose combined profits rose 7.1% in the first nine months of the year. For instance, the textile and garment industries reported profit increases of 123% and 90%, respectively. Profitability in the electronics industry increased by 65%, in chemicals by 41%, and in food & beverages by 20%.

## Individual entrepreneurs bought almost 50,000 patents in 9M16



Almost [50,000 patents were purchased in Moscow](#) in the first nine months of 2016, a 60% year-on-year increase. The total value of patents bought as of the beginning of October 2016 was approximately RUB 3.2 bn vs. RUB 2.2 bn in 9M15 (an increase of 45%).

Services (more than 4,600 patents worth more than RUB 153 million), restaurants (780 patents worth more than RUB 77 million), and retail (26,000 patents worth around RUB 1.9 bn) demonstrate the best performances. In addition, the 9M16 results show a continued increase in Moscow individual entrepreneurs engaged in the so-called social sector.

According to Maxim Reshetnikov, Moscow City Government Minister and Head of the Department of Economic Policy and Development of Moscow, the number of entrepreneurs opting for a patent is increasing thanks to the Moscow City Government's individual entrepreneurship awareness campaign and its fine-tuning of the patent-based taxation system, including differentiation and expansion of activities eligible for patents, and as a result of introduction of a retail duty.

Overall, the number of individual entrepreneurs operating in Moscow has topped a quarter of a million. As of 1 November, Moscow had 253,553 registered individual entrepreneur enterprises, a 9% year-on-year increase.

## Moscow authorities to support investors developing technoparks

Moscow Mayor Sergey Sobyenin has [visited the Kalibr technopark](#) in northeastern Moscow. During his visit, he said the Moscow authorities would support development of technopark production capacity while focusing on supporting investors in developing specialised city territories.



A year and a half ago, the Kalibr technopark accommodated just three companies. This has increased to 47 current residents employing 367 people. Key business areas include micro-electronics, IT, telecommunications and additive technology. The technopark offers 28,500 square metres of production space, which is 93% occupied.

According to the 2015 results, the resident companies reported sales of RUB 4.6 bn after investing RUB 1.7 bn in production.

Moscow has 27 functioning technoparks at present, with a total of 1,437 resident companies and 38,324 jobs. Investment in those production facilities has amounted to RUB 58.9 bn over five years.

You can find more detail about the city's technoparks on the [Moscow Investment Portal](#). You can also apply online to lease vacant premises in technoparks or technopolises.

## PPP in education: A private kindergarten based on a British learning system opened on November, 19 under the Moscow reduced lease programme



The investor has already been granted the reduced lease rate of 'RUB 1 per square metre a year and is now operating the building effectively for free. The lease has been signed for 49 years.

The English-language Britannia School kindergarten is the 13th private educational institu-

tion to open in Moscow under the 'RUB 1 per square metre a year' programme of reduced lease payments for city-owned properties.

The more than 700-square metre building was leased to the investor in July 2015. Under the terms of the programme, the kindergarten must admit 30 children in its first year of operation and double this to 60 during the second year.

To date, 28 properties have been handed over to investors to set up private kindergartens or schools, including 13 granted the reduced lease exemption. As part of the education component of the reduced lease programme, one more building has been put up for sale, with bids accepted until 16 December and the auction scheduled for 22 December. Please visit the Moscow Investment Portal at [www.investmoscow.ru](http://www.investmoscow.ru) to learn more about the facility.

## **Moscow auctions: Moscow actively pursues its transfer hub construction programme**

Results of open tenders have been conducted for constructions of 8 transport hubs: Technopark, Paveletskaya, Fonvizinskaya, Park Pobedy, Pyatnitskoye Shosse, Dmitrovskaya, and Khovrino.



The Park Pobedy, Pyatnitskoye Shosse and Tropyayovo hubs are to be built by structures connected with the Tashir Group. Companies affiliated with the MR Group won the tenders for construction of the Dmitrovskaya, and Khovrino hubs. The Paveletskaya hub will be constructed by OOO Enka TC, the Technopark hub by OOO Region Yug, which is part of Regions Group, and the Fonvizinskaya hub by OOO RG-Development. In total, the investors are to pay RUB 1,141 bn for the right to build the 8 transport hubs. Construction of capital structures, housing and multi-functional centres is envisaged for the land plots within the bounds of the hubs.

Three more transfer hubs have been put up for sale since then. Envelopes with bids to buy a 99% stake in the charter capital of [OOO TPU Lyublino](http://www.tpu-lyublino.ru) will be opened on 14 December 2016. Auctions for lease rights to land plots for construction of the [Novokosino](http://www.novokosino.ru) and [Alma-Atinskaya](http://www.alma-atinskaya.ru) transfer hubs are scheduled for 26 January 2017.

Investors have already been selected for four transfer hubs: Botanichesky Sad, Seligerskaya, Rasskazovka and Lefortovo. Around 45 transfer hub projects are scheduled to go on the block by the end of 2017.

## Moscow carries on a dialogue with utility service consumers in the area of control over natural monopolies



A regular meeting of the Inter-Industry Consumer Council on Natural Monopoly Activities took place in November. Set up in 2016, the Council pursues protection of the rights of consumers of services provided by utility suppliers and the exercise of public control over tariff regulation.

Putting a break on utility rates is one area of cost cutting for real-sector companies. To increase the predictability of doing business in Moscow, a transition to long-term rates for business customers has been undertaken. The restraint on tariff growth is accompanied by stringent requirements on monopolists to increase their efficiency. On the Government's part, a detailed check is in progress to ensure that the costs they declare are really necessary and decide what could be avoided and how savings could be made by increasing labour productivity. In total, over four years, out of the expenditures declared by resource-supply organisations, almost RUB 300 bn have been excluded, including more than RUB 75 bn in 2016. Otherwise, utility rates would have gone up by more than 30%.

## Moscow to generate around RUB 14 bn from sale of patents to migrants in 2016

Moscow is continuing its [migration legislation reform](#) aimed at establishing an effective system for regulating labour migration.

As part of the reform, the quota system has been fully replaced with work patents and the regions, including Moscow, have been authorised to set patent prices based on their local labour market conditions. This has allowed Moscow to protect its labour market, reduce crime,

and equalise taxation for Moscow residents and immigrant workers.

Medical examination of immigrants has improved greatly: from this year onward, such examinations are conducted exclusively at the Multi-Functional Immigration Centre at Sakharovo, so forging of medical certificates is no longer possible. In addition to immigrants having to undergo mandatory Russian language tests and the need for a voluntary Insurance Policy, all this has helped improve the quality of foreign manpower. Budget revenues have also gone up: creation of the Multi-Functional Immigration Centre and the accompanying infrastructure covered its costs in less than a year. The forecast revenues for 2016 are over RUB 14 bn.



“The given reform is an excellent example of how to create, at the legislative level, an efficient mechanism for collaboration between the regions and the federal government in conducting such a complex matter as immigration management”, said Maxim Reshetnikov, Moscow City Government Minister and Head of the Department of Economic Policy and Development of Moscow, at a seminar at the State Duma dedicated to urgent legislative issues.

## Thank you for reading the Digest!

Yours sincerely and with hope of cooperation,



Department of Economic Policy and Development of Moscow

[www.depr.mos.ru](http://www.depr.mos.ru)



Moscow City Investment Agency

[www.investmoscow.ru/ag](http://www.investmoscow.ru/ag)



Vendor portal

[www.zakupki.mos.ru](http://www.zakupki.mos.ru)

An archive of past **2016** issues is available on the [Moscow Investment Portal](#).

If you want to get the Moscow Investment Digest monthly, please send a message to [invest-digest@gai.mos.ru](mailto:invest-digest@gai.mos.ru).