



Special investment contract as a new instrument for investors support

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KPMG in Russia and the CIS

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Special investment contract (SPIC)* is a measure of state support in the form of agreement between investor and government authorities represented by the RF or/and regional authorities of the RF or/and municipal authorities aimed at the following purposes:



— Creation or modernization of industrial production.



— Introduction of the best available technologies.



— Development of industrial production which has no analogues produced in the RF.

*Regulation of the Russian Federation Government of 16 July 2015 No. 708 "On special investment contracts for certain industries", Federal Law of the Russian Federation of 31 December 2014 "On industrial policy of the Russian Federation"



Basic requirements for conclusion of SPIC

- The amount of capital investments - not less than **RUB 750 mln** at federal level.
- Business activity in the certain industrial sectors.
- It is necessary to indicate the list of state support measures suggested by investor to be included in SPIC.
- Certain list of documents (including business plan of investment project) should be provided to the government authorities.



Advantages of SPIC

- Conclusion of SPIC at federal, regional and/or municipal levels as well as combined options.
- Simplified access to government contracts (draft law stipulating amendments in the legislation).
- Simplified and accelerated procedure for receipt of "Russian producer" status.
- Possibility to receive certain measures of government support in simplified way.
- Guarantee of non-increase of total tax burden.



Main tax incentives*

- Federal budget: **0% tax rate.**
- Regional budget: tax rate **can be reduced to 0%.**
- Accelerated depreciation coefficient.
- Possibility to apply reduced property tax rate can be stipulated by regional authorities.
- Other tax incentives can be established by regional/ municipal authorities.



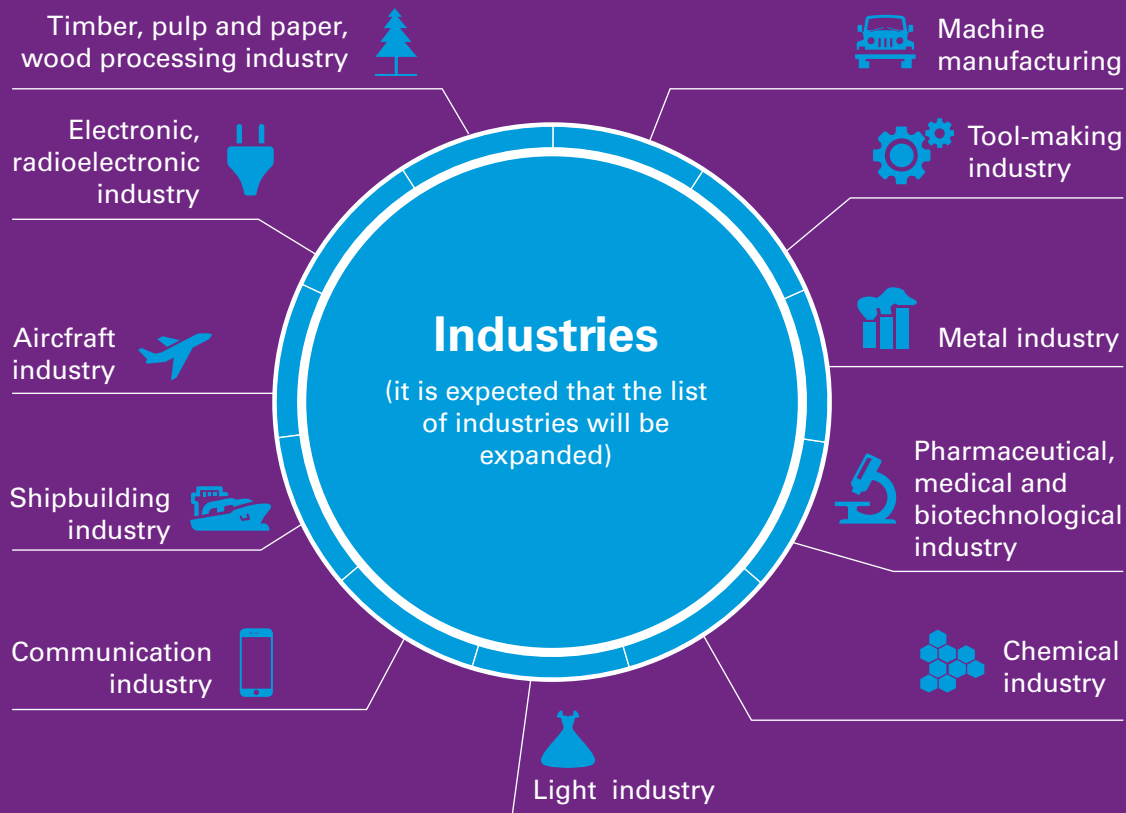
Period of SPIC validity

- **Payback period of the investment project plus 5 years** but not longer than 10 years.

Legislation relating to SPICs is actively developing and various questions require detailed analysis/elaboration before taking a decision to conclude SPIC.

*Incentives are provided in case of compliance with conditions stipulated by legislation - the preliminary analysis is required (amendments to the tax legislation specifying the conditions and procedure for obtaining tax incentives are under consideration).

Industries that fall within the scope of SPIC legislation:



KPMG services

- Assessment of possibility/reasonability to conclude SPIC taking into account Company's specific situation/details of investment project;
- Elaboration of major targeted incentives and measures of government support to be included in SPIC taking into account peculiarities of particular investment project;
- Choosing the optimal contract model for conclusion of SPIC (federal level, regional level etc.);
- Complex support in elaboration and clarification of specific questionable issues that need to be worked through before concluding SIC (inter alia through communications with the government authorities);
- Assistance in preparing draft of SIC, business plan and other supporting documents taking into account Company's specific situation that should be submitted to the government authorities;
- Reviewing the provisions of SIC/amendments to SIC (if any) suggested by the government authorities after the review process;
- Consultation on issues concerning amendments of SPIC provisions (if necessary);
- Communications with the government authorities during the all the stages of the process (contacting and organizing meetings with the authorities, participation in negotiation process, etc.).

Why KPMG

Highly qualified team of specialists from various service lines is dedicated to projects connected with conclusion of SPICs (specialists from finance, tax, legal departments are involved in the projects).



Within KPMG we are actively cooperating with the representatives of the Industrial Development Fund of the RF/ The Ministry of Industry and Trade of the RF on various issues concerning application of SPIC legislation and participate in legislation development process regarding SPIC (both at federal and regional levels).



Cross-functional team of qualified specialists allows KPMG to carry out a **complex support of projects on the "turn-key"** basis (including preliminary analysis of the company's position, support with complex issues, preparation of necessary documents and participation in the negotiation process).



KPMG is one of the best Tax Advisory (2012-2016) and the best Transfer Pricing Firm (2016) in Russia, International Tax Review magazine.



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