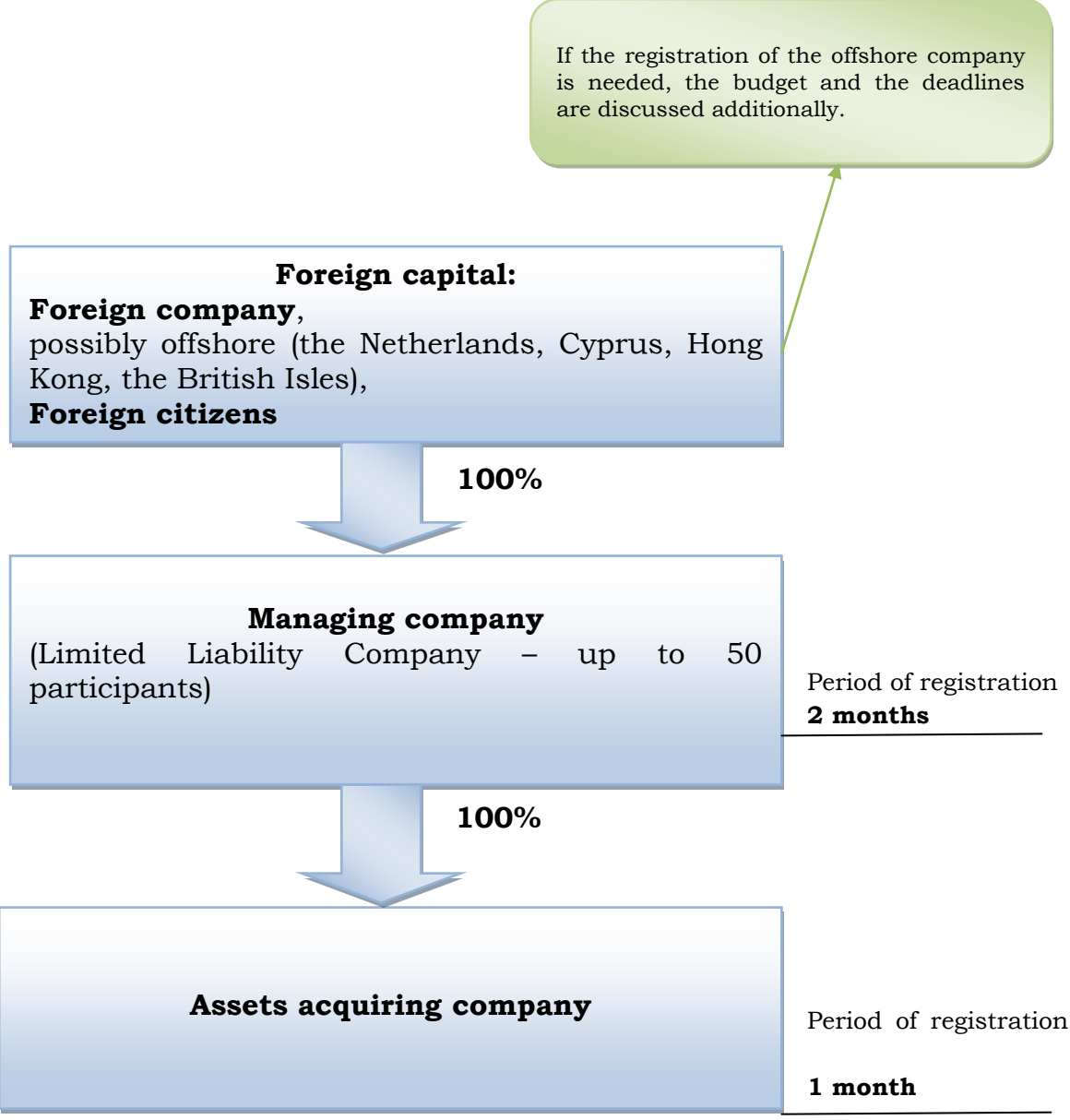




**Investment proposal
for organization of agricultural business
by foreign investors on the territory of the Russian Federation**

I. Corporate structure

The scheme of Corporate structure which lets to acquire the rights to agricultural land



d

Period of company registration- 3 months
Preliminary budget – 15 000 USD

Preliminary estimate for the conduct of activities for registration of a legal entity:

No	Procedure	Approximate period of project implementation	The costs of conducting procedures			Comments
			Own costs	Payment for third party services	Payment for RATUM services	
1.	Creation of Managing company					
1.1.	Legalization of documents*	2 months		750		Interpreter and notary rates (notary rates in case the founder is a foreign legal entity)
1.2.	Legal entity registration (preparation of documents on establishment, presentation of interests in the registration authority)				7 000	Specified on the fact according to the scope of work
1.3.	Share capital payment		3 500			
1.4.	Accompanying expenses (payment for notary services, account opening etc)*			400		Bank and notary rates, government duty etc.
	TOTAL:		3 500	1 150	7 000	
2.	Creation of assets acquiring company					
2.1.	Legal entity registration (preparation of documents on establishment, presentation of interests in the registration authority)	1 month			3 000	
2.2.	Share capital payment		350			Minimal amount of payment is 10 000 rub.
2.3.	Accompanying expenses (payment for notary services, account opening etc)*			400		Bank and notary rates, government duty etc.
	TOTAL		350	400	3 000	
TOTAL own costs		3 850				
TOTAL payment for third party services		1 550				
TOTAL payment for RATUM services		10 000				
TOTAL amount		15 400				

*Given costs can be changed in case the bank or notary changes rates.

Documents that must be provided by founders- foreign companies, foreign citizens:

1. In case the founder is a foreign legal entity:

No	List of documents	Requirements to the provided documents
1.	Extract from the trade register of the country of origin or another equivalent proof of a legal status of the foreign investor in accordance with the legislation of the country of his location	Original with an apostil, the term of extract should be no more than 30 days from the day of issue
2.	Document that proves assignment of Tax ID in the country of origin (if there is such a document)	Copy with an apostil verified by a notary
3.	Charter of the legal entity- founder with all the changes	Original with an apostil
4.	Decision of the founder (decisions of the founders) to create a legal entity, in which it is needed to point the Head of the legal entity who is the founder, as an applicant for the state registration of enterprise	Original with an apostil
5.	Head's passport copy	Copy verified by a notary
6.	Document which proves authorities of the Head of legal entity- founder	Original with an apostil

2. In case the founder is a foreign individual

No	List of documents	Requirements to the provided documents
1.	Passport copy	Verified by a notary
2.	Document that proves assignment of Tax ID in the country of origin (if there is such a document)	Copy with an apostil verified by a notary

3. Power of attorney registration

No	List of documents	Requirements to the provided documents
1.	Power of attorney to the individual with granting of a right to execution of all the operations connected with the company registration with foreign investments.	Original with an apostil

II. Taxation

Organizations which are considered to be agricultural commodity producers have a right to apply a special taxation regime stipulated by the tax legislation of the Russian Federation- which is the taxation system for agricultural commodity producers with payment of common agricultural tax (hereinafter referred to as CAT). According to the tax code of the Russian Federation, those organizations are considered to be agricultural commodity producers whose income share from the realization of the produced by them agricultural products including the produce of its primary processing, produced by them from agricultural raw materials of own manufacture, makes 70%.

No	Category of tax payers	Tax rate, %	Tax base
1.	Organizations which come agricultural commodity producers applying CAT	6	Monetary value of income decreased in the amount of expenditures

Profit tax:

Tax rates depending on the category of a tax payer:

No	Tax denomination	Tax payers	Tax rate, %	Tax base
1.	Profit tax	Organizations which come agricultural commodity producers applying CAT	0	-
		Organizations which come agricultural commodity producers not using CAT *	2004 to 2012- 0	Activity connected with realization of agricultural output produced by them, and also with realization of own agricultural output produced and recycled by this organization

			0	Income obtained by Russian organizations as dividends (clause 284 Tax Code of Russian Federation)
			9	Income obtained by Russian organizations as dividends, which is not indicated when applying tax rate at 0
		Organizations which are not agricultural commodity producers	15	Income obtained as dividends by foreign organizations from Russian organizations
			20	From all the incomings except those incomings which are liable to tax rate 0,9 and 15 %

In order to confirm the status of agricultural commodity producer it is necessary to observe the following points:

1. Income share from realization of produced agricultural output, including the produce of its primary processing, produced from agricultural raw materials of own production, makes not less than 70 % per a calendar year (item 2 clause 346.2 of Tax Code of Russian Federation).

2. To provide separate accounting of other proceeds from the return of agricultural produce (item 2 clause 274 Tax Code of Russian Federation).

3. In order to confirm the status of agricultural commodity producer it is necessary to give the tax authority the calculation of value of the produced outcome with assignment of produced agricultural outcome.

Insurance fee:

Taxes on payroll

No	Taxpayers	Organizations using CAT			Organizations-agricultural commodity producers not using CAT			Organizations which are positioned in the common system of taxation	
		2011	2012	2013-2014	2011	2012	2013-2014	2011	2012
	Insurance fee								
1.	Pension fund (PF of RF), %	16	16	21	16	16	21	26	26
2.	Social Insurance Fund (SIF of RF), %	1.9	1.9	2.4	1.9	1.9	2.4	2.9	2.9
3.	Federal Health Insurance Fund (FHIF), %	1.1	2.3	3.7	1.1	2.3	3.7	3.1	5.1
4.	Territorial Health Insurance Fund (THIF), %	1.2	0	0	1.2	0	0	2.0	0
	TOTAL:	20.2	20.2	27.1	20.2	20.2	27.1	34	34

III. Possibilities of preferential import of equipment

3.1. When importing property as deposit to share capital, benefits are abolished in connection with enactment of Customs Code of the Customs Union, but there is a possibility of compensation of value added tax (VAT). Value added tax paid when importing goods, can be accepted for deduction or considered in their value. Only the company – VAT-payer acquiring assets has a right to deduct the value added tax paid when importing goods, under the following conditions: the goods are imported under regime of free intake; they are acquired for the operations assessed by VAT and taken into account; VAT payment is confirmed by the relevant documents- cargo customs declaration (CCD) and payment documents registered in purchases book.

3.2. Up to 1 January there is validity prolongation of privilege according to which the following actions become free from VAT: importing on the RF customs territory of pedigree cattle, pedigree pigs, sheep and goats, semen and embryos of the mentioned breeding animals, pedigree horses and pedigree eggs (Federal law No. 92-FL, dated 24.06.2008). This privilege can be used by both agricultural commodity producers meeting the criteria set in the Tax Code of RF, and leasing companies passing the indicated goods into leasing of agricultural commodity producers.

IV. Subsidies and grants for agricultural commodity producers

4.1. Functioning State program of agriculture development and regulation of markets of agricultural products, raw materials and supply for 2008-2012 (Resolution of the Russian Federation Government No 446 dated 14.07.2007).

According to this program, Rosselkhozbank fulfills crediting of enterprises of agricultural complex sector:

- Loan secured by the purchased equipment and/or outfit;
- Building loan, reconstruction and modernization of capacity for initial cultivation and grain storage;
- Building loan for citizens working in countryside;
- Credit for agricultural young animals acquisition in its pledge;
- Credit for acquisition of land from the structure of agricultural land in their pledge;
- Credit for carrying out seasonal work on the security of future harvest of agricultural crops;
- Credit for grain acquisition in its pledge;
- Credit on the security of acquiring property for agricultural cooperative markets;
- Crediting within the industrial purpose-oriented program «Development of pilot domestic dairy cattle farms based on peasant farms 2009-2011».

4.2. The following subsidies are provided: subsidies to support pedigree animal husbandry and elite seed growing (Resolution of RF Government 31.01.09 №79, Resolution of RF Government No 80 dated 31.01.09), subsidies to indemnification of part of the expenses for interest payments on loans received in Russian credit organizations, and on loans received in agricultural credit consumers cooperatives (Resolution of RF Government No 90 dated 04.02.09), subsidies to indemnification of part of the expenses for crop insurance of agricultural crops, crop of perennial plants and planting of perennial plants (Resolution of RF Government No 1199 dated 31.12.2009).

V. Employment of foreign nationals (visa) *(Enclosure 1)*

VI. The scheme of acquisition of rights to agricultural land *(Enclosure 2, 3, 4, 5)*

VII. Today there are offers concerning:

- Kursk Region – 30 000 hectares;
- Orel Region – 50 000 hectares;
- Samara Region – 100 000 hectares;
- Voronezh Region – 15 000 hectares.

Approximate cost of the establishment of the company on the territory of the Russian Federation is 15000 USD.

Approximate cost of the project taking into account the acquisition of ownership of agricultural land – 50 000 hectares- 34 000 000 USD (not taking into account the acquisition of agricultural machinery, equipment).