



INTEREST ON A MONETARY OBLIGATION (ARTICLE 317.1 of the RUSSIAN CIVIL CODE)

FAO Heads of legal departments, finance and tax departments

Pepeliaev Group advises that starting from 1 June 2015 article 317.1 of the Civil Code regarding interest on a monetary obligation has come into effect

According to the article, a creditor under a monetary obligation may demand that interest be paid by the debtor on the principal amount of the debt over the period when the debtor used the money.



Interest accrues on the outstanding amount due from the debtor for goods (work or a service). The legal provision covers all contracts containing monetary obligations (a supply contract, contractor agreement, contract for services, lease agreement, etc.) and providing for subsequent payments.

What to think about and what to do

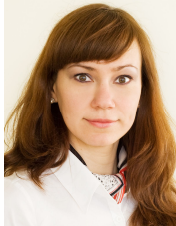
In view of the changes in legislation, the following questions need to be resolved:

- if there is an obligation to automatically pay interest by virtue of the law as interest under a loan agreement (unless the parties have agreed otherwise);
- regarding interest under contracts that have not yet come into force;
- regarding interest under existing contracts, goods under which have been shipped since 1 June 2015 and have not yet been paid for;
- regarding interest under existing contracts, goods under which were shipped before 1 June 2015, but the settlements had not been made in full as at 1 June 2015;
- regarding the tax consequences of the legal provision.

Help from your adviser

Pepeliaev Group is ready to assist you with any practical issues arising for companies that apply the legal provision in question, including the risk that income may be recognised under the concluded contracts. We will also help in mitigating the risk.

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