



## THE GOVERNMENT APPROVED THREE NEW PRIORITY DEVELOPMENT AREAS (PDA) ON SAKHALIN ISLAND

*FAO executives and heads of legal in companies planning to develop business in the Far East and to take advantage of preferential tax treatment*

**Pepeliaev Group advises that on 17 March 2016 the Russian Government signed two Resolutions that two new priority development areas be established in the Sakhalin Region.**

The above Resolutions supplement the existing list of priority development areas (PDAs). PDAs offer a preferential regime for tax treatment and state control. They are established for investment purposes pursuant to Federal Law No. 473-FZ dated 29 December 2014, which came into force on 31 March 2015.

The Gorny Vozdukh PDA has been established in the municipality of the “City of Yuzhno-Sakhalinsk”, Sakhalin Region.

The Yuzhnaya PDA covers the territory of the municipality of the “City of Yuzhno-Sakhalinsk”, Anivskiy municipality and Tomarinskiy municipality, Sakhalin Region.

The minimum amount of capital investments for residents of both the above PDAs is RUB 500,000.

The following lines of business are covered by the preferential regime of business in the above mentioned PDAs.

Priority development area (PDA)	Lines of business (extract)
The Yuzhnaya PDA	<ol style="list-style-type: none"> <li>1. The manufacture of chemical substances and chemical products</li> <li>2. Metallurgical production</li> <li>3. The manufacture of finished metal products, other than vehicles and equipment</li> <li>4. The manufacture of other finished products</li> <li>5. Food production</li> <li>6. The provision of pollution clean-up services and other waste disposal services</li> <li>7. Car and equipment repairs and assembly</li> <li>8. Electric power, gas and steam supplies; air-conditioning</li> <li>9. Forestry and wood cutting</li> </ol>
The Gorny Vozdukh PDA	<ol style="list-style-type: none"> <li>1. Ground and pipeline transport</li> <li>2. Rentals and leasing</li> <li>3. R&amp;D</li> <li>4. Job placement and recruitment</li> <li>5. Health care</li> <li>6. Temporary accommodation</li> <li>7. Tourist agencies and other organisations offering tourism services</li> <li>8. Creativity, arts and entertainment</li> <li>9. Sports, recreation and entertainment</li> </ol>

It should be noted that Sakhakin PDAs, as compared to PDAs that were established earlier, are of a more specialised nature: the number of lines of business covered by preferential legal treatment have been reduced significantly (e.g. 16 and 23 vs. 50 in the Bolshoy Kamen PDA); the PDAs are clearly targeted at a different type of business, namely recreational in the Gorny Vozdukh PDA and manufacturing in the Yuzhnaya PDA.

In addition to the above, the following PDAs have been established in Russia:

- Kamchatka (Elizovskoye urban district, Paratunskoye, Razdolnenskoye rural settlement, Nikolaevskoye rural settlement and Novoavachinskoye rural settlement included in Elizovskoye municipality, Petropavlovsk-Kamchatskiy urban district, Kamchatka Region);
- Belogorsk (Belogorsk urban district, Amursk Region);
- Priamurskaya (Blagoveschenskiy and Ivanovskiy Districts, Amursk Region);
- Kangalassy Industrial Park (Yakutsk, Republic Sakha (Yakutia));
- Mikhailovskiy (Mikhailovskiy, Spasskiy and Chernigovskiy municipalities, Primorie Region);
- Beringovskiy (Anadyrskiy municipality and Anadyr urban district, Chukotka Autonomous District);
- Komsomolsk (Komsomolsk-on-Amur and Amursk, Khabarovsk Region);
- Khabarovsk (Khabarovsk, Khabarovsk municipality and Rakitnenskoye rural settlement, Khabarovsk Region);
- Nadezhdinskaya (Nadezhdinskiy municipality, Primorie Region);
- The Bolshoy Kamen PDA (municipality of Bolshoy Kamen, Primorie Territory);
- Gukovo (municipality of Gukovo, Rostov Region);
- The Naberezhnye Chelny (municipality of Naberezhnye Chelny City, Republic of Tatarstan).

### What to think about

We remind you that the PDA legal regime presupposes various tax benefits; a special procedure for audits to be conducted by supervisory authorities; the applicability of the free customs zone procedure; a simplified procedure for PDA residents to obtain land plots and other real estate and conclude lease agreements or sale and purchase contracts with a Management Company, and other specific aspects facilitating business operations.

### Help from your adviser

Pepeliaev Group will keep you informed on further developments of the investment mechanism for the Far East and establishment of PDAs in Russia.

Pepeliaev Group is ready to provide full-fledged legal support, including in obtaining the status of a PDA resident and challenging decisions denying the status of a PDA resident; in concluding agreements with a Management Company regarding the business conducted within the PDA; entering into sale and purchase contracts and lease agreements regarding land plots and other real estate; in customs clearance and customs operations, including when goods produced are exported outside the PDA; and any legal assistance during subsequent business operations.

### Contact details



**Павел Кондуков**

Head of Far East practice,  
Head of Shelf Projects and PSA Group  
Tel.: +7 (495) 967-00-07  
[P.Kondukov@pgplaw.ru](mailto:P.Kondukov@pgplaw.ru)



**Andrey Mikulin**

Head of the Sakhalin Office  
Tel.: +7 (495) 967-00-07  
[A.Mikulin@pgplaw.ru](mailto:A.Mikulin@pgplaw.ru)