



# MOSCOW: A CITY OPEN FOR INVESTORS



# CONT

- 1. Moscow today**  
*Moscow – social and economic status* 5
- 2. Why Moscow?**  
*Competitive advantages for doing business* 17
- 3. What does the Moscow City Government do for investors?**  
*Strategic priorities of investment policy and measures to encourage economic activity* 33
- 4. What kind of investments can be profitable?**  
*Promising fields for investment* 37



# ENTS

- 5. How does it work?**  
*Investment attraction mechanisms* **55**
- 6. Moscow is a city with a minimal tax burden on business!**  
*State support for investment activity – tax discounts* **61**
- 7. Moscow City Investment Portal**  
*Internet portal on investment opportunities in Moscow* **67**
- 8. Who to contact?**  
*Executive authorities and development institutions* **71**





# An address from the Mayor of Moscow, **Sergey Sobyenin**

Moscow is one of the world's largest business and financial centres. It is a metropolis on a global scale, it is in the process of carrying out a major infrastructure development programme, and it offers enormous opportunities for investors from all over the world.

Information and communication technology, banking, finance and insurance, construction and real estate, transport and trade, science, education and health care – these are the main industries that are driving Moscow's rapid development into a global hub. But Moscow still has a traditional industrial manufacturing sector, and it continues to grow – it accounts for nearly 20% of the capital's gross regional product.

A key priority for Moscow's investment policy is to involve business in the efforts to address the challenges currently facing the city and attract private investments into infrastructure projects. The city is actively promoting public-private partnership mechanisms, including concession, life cycle contracts and property lease with mutual obligations.

Another priority is to raise investments in creation of modern industrial enterprises. Moscow offers a huge range of modern facilities for business: we are opening up new technoparks and technopolises to cater for high-tech production lines.

Moscow has gained additional competitive advantages in the new economic context. While maintaining the superb quality of its investment environment, the capital has become one of the world's most attractive investment destinations in terms of many investment and business costs.

Moscow has preserved crucial non-price competitive advantages: a high quality workforce, developed transport infrastructure, advanced information and communication technologies, vast research and educational potential and a high quality urban environment.

One of the most important drivers for the new, modern Moscow economy is the development of areas that have only recently come under the city's management – what we call New Moscow. In 2012, administrative changes increased the territory of the city almost threefold. In New Moscow, we plan to create over a dozen big business and trade centres, and with them hundreds of thousands of high-quality jobs. The field is open for investors to come to Moscow and invest in all sorts of projects – from innovative manufacturing to residential, social and infrastructure facilities.

Improving the business climate is an unquestionable priority for the Moscow City Government. In recent years Russian capital has implemented a number of measures to reduce business running costs, simplify administrative procedures and improve tax and tariff policy.

We have established special bodies to interact with investors – Moscow City Investment Agency, Moscow Innovation Development Centre, Business Support Council and the Headquarters for the Commercialisation of Moscow Property – and they are all working efficiently. Their task is to align the interests of investors with the capital's development priorities, to suggest profitable projects and transparent ways of working to promote collaboration between the city and the business community.

In my view, all these factors will only ensure that Moscow will become more and more attractive to investors. In 2014, capital investments in Moscow amounted to RUB 1.48 tn (USD 38.3 bn), of which more than 70% came from private sources of financing. Since 2010, investment has risen by 52%.

Our overriding aim is to transform the capital of Russia into a modern, successful metropolis. A place that is enjoyable to live in and where it is easy to do business. To achieve this goal, we strive for a mutually beneficial and fruitful partnership with the investment community. A partnership that will result in exciting new ideas and projects – for the benefit of Moscow, all Muscovites, and the business community both in Moscow and worldwide.

**Mayor of Moscow**



**Sergey Sobyenin**



# Moscow today

## Social and economic status

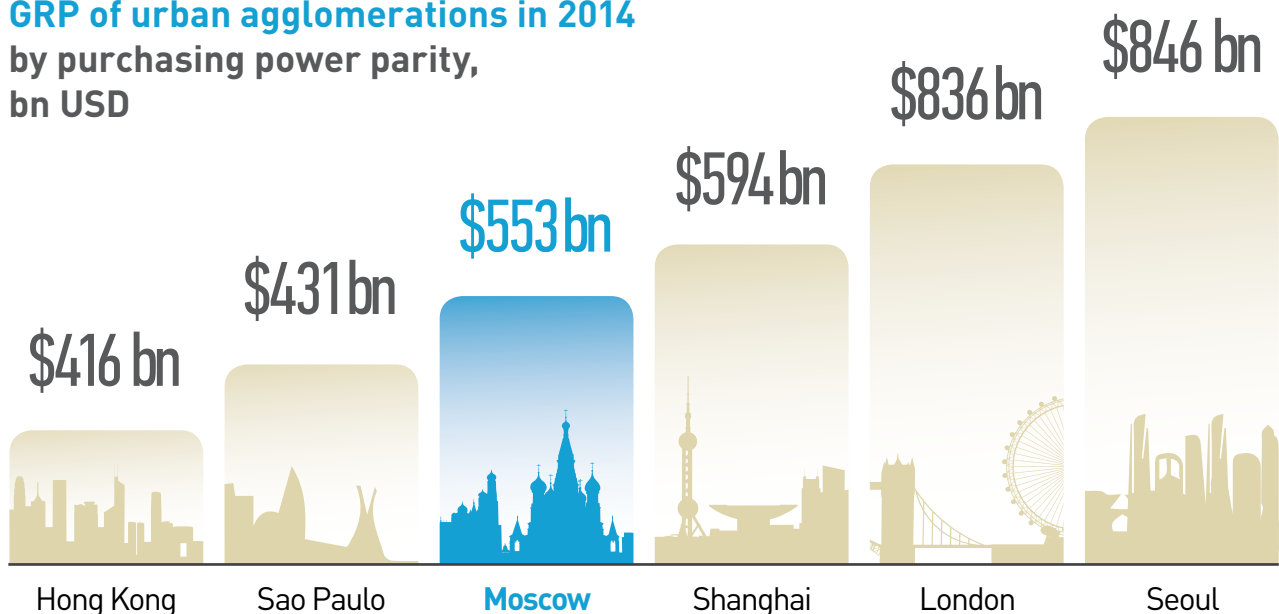
### Moscow – a global leader in gross regional product

Moscow is among **the ten largest metropolitan areas in the world in terms of gross regional product (GRP)**. It accounts for one-fifth of gross value added of all Russian regions. Moscow's economic structure is similar to the GRP structure of large urban agglomerations.



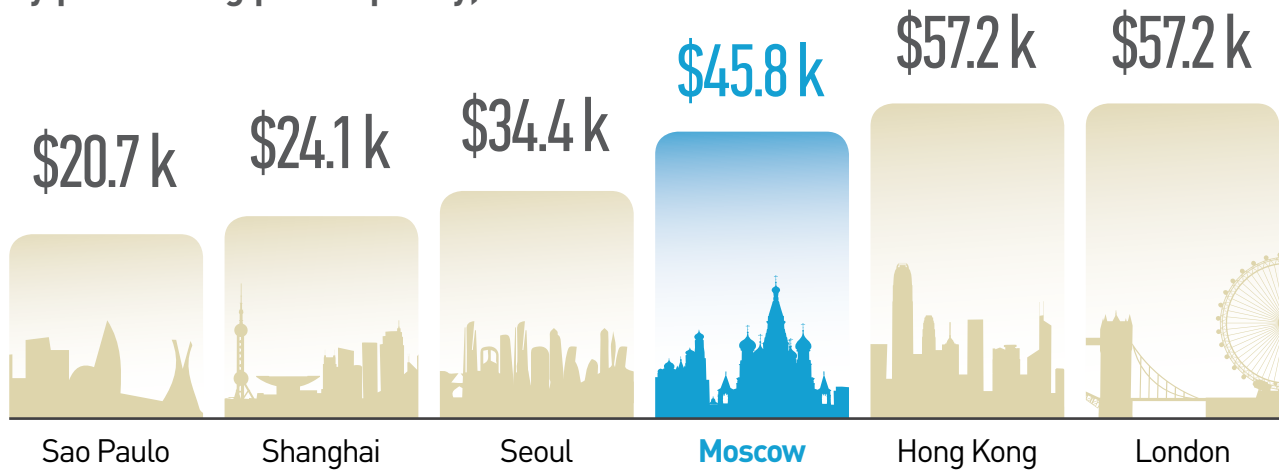
The largest contribution to the city's GRP is provided by the trade sector (31.3% of GRP) and the provision of business services (21.2% of GRP). Industry accounts for 18.6% of gross value added (including manufacturing – 14.9%).

**GRP of urban agglomerations in 2014**  
by purchasing power parity,  
bn USD



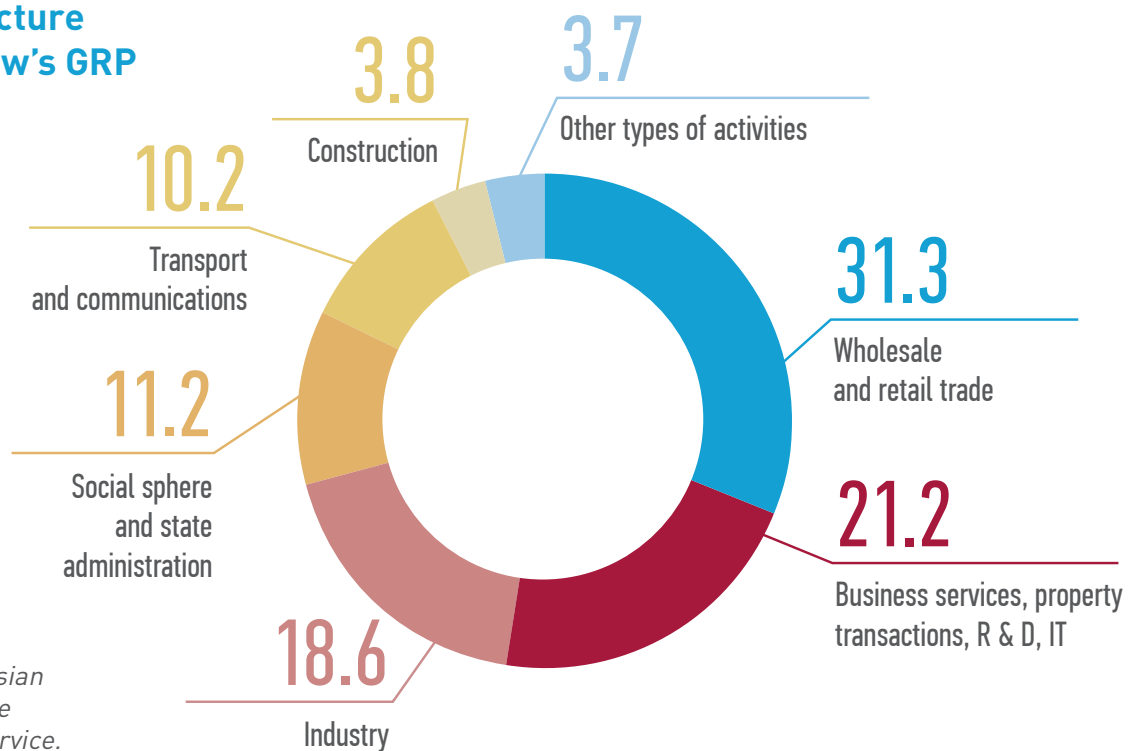
Source: Brookings Institution, Global Metro Monitor 2014.

**GRP per capita of urban agglomerations in 2014**  
by purchasing power parity, k USD



Source: Brookings Institution, Global Metro Monitor 2014.

**The structure of Moscow's GRP in 2013, %**



Source: Russian Federal State Statistics Service.

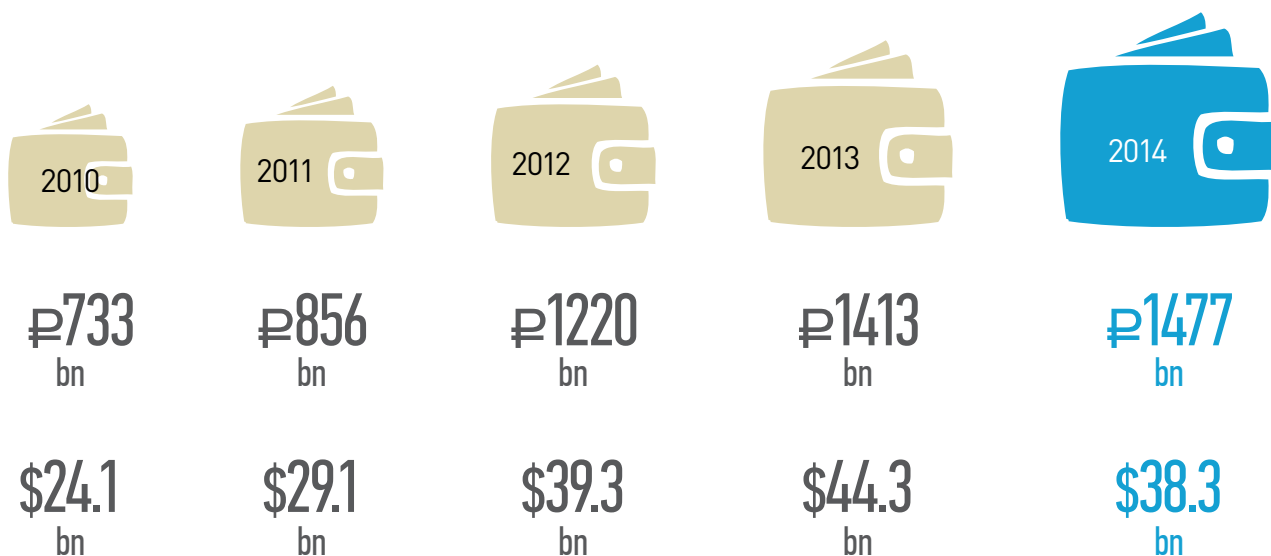
**Stable growth of investment in the Moscow economy**

Investment in fixed capital in Moscow in 2014 amounted to **USD 38.3 bn (RUB 1.477 tn)**, or 10.9% of total fixed capital investment in Russia. More than 70% of investments came from non-budgetary sources. In the last four years, **fixed capital investment rose by a combined 52.2%** in comparable prices over 2010.





## Fixed capital investment in Moscow

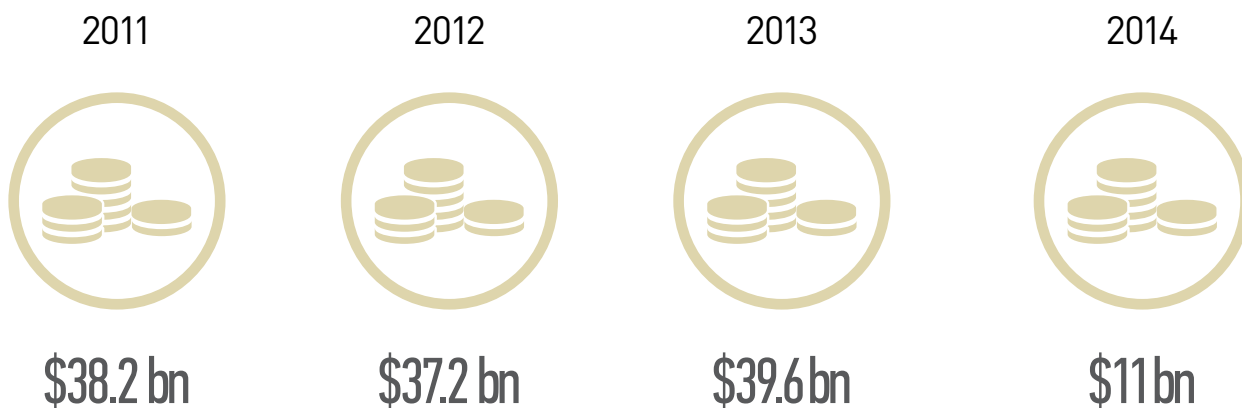


At the average annual USD exchange rate of the Central Bank of Russia.  
 Source: Russian Federal State Statistics Service.

## Moscow is a major centre for attracting foreign direct investment (FDI).

The net inflow of FDI in Moscow totaled **USD 11 bn** in 2014. Companies registered in Moscow account for approximately half of FDI in Russia.

## Net inflow of FDI\* in Moscow, bn USD

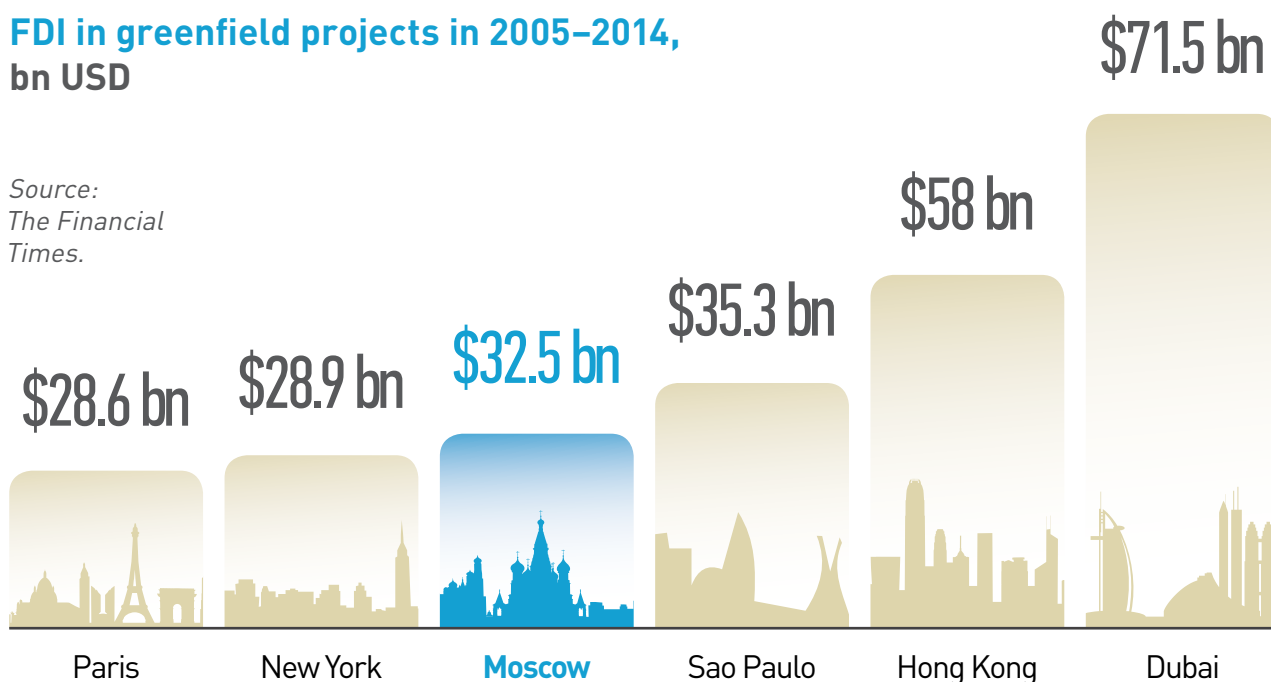


\* Equity capital, reinvested earnings, debt instruments.  
 Source: Bank of Russia.

Moscow is **ranked eighth** in the world among cities with the largest number of **greenfield FDI projects** in the past five years. Greenfield projects have attracted a total of USD **32.5 bn** in FDI in the last decade.

### FDI in greenfield projects in 2005–2014, bn USD

Source:  
*The Financial  
Times.*



## Wide-ranging financial opportunities

Moscow's budget for 2015 is worth **more than RUB 1.6 tn (USD 29 bn)** and is socially and investment oriented. The main goal is to make the city most comfortable, safe, healthy, barrier-free and convenient place to live for all citizens.



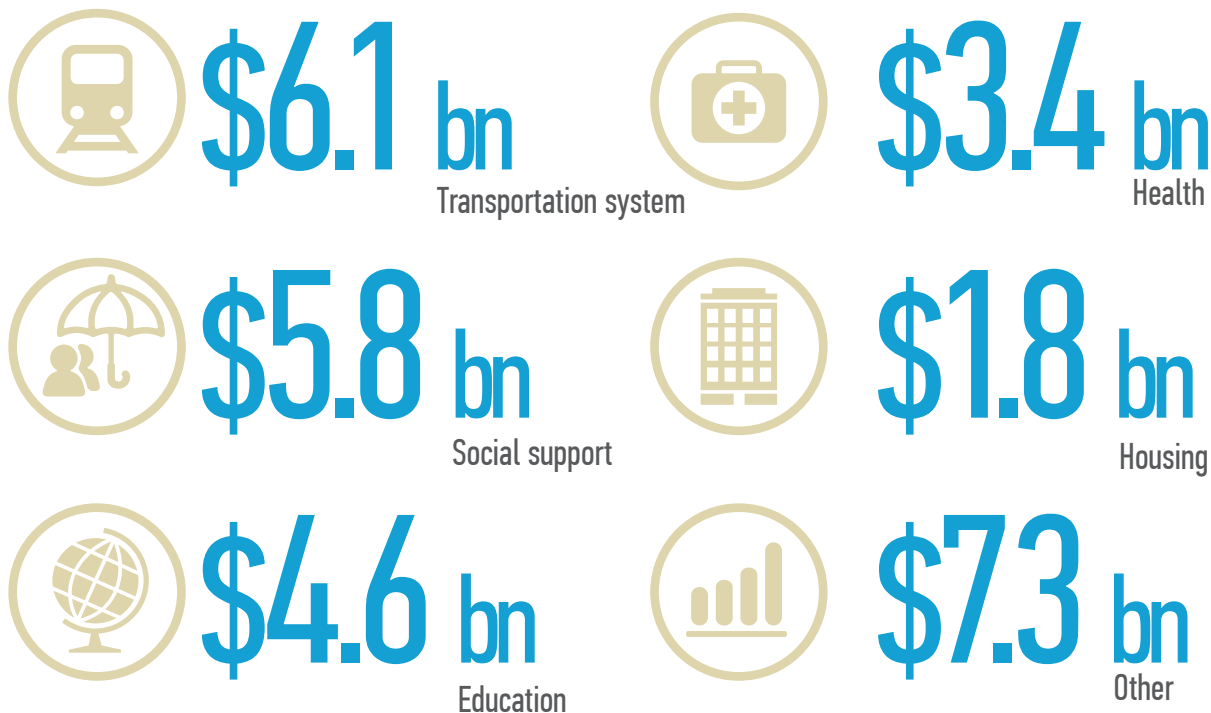
The Moscow City Government's key priorities are to develop the transport system, provide social support for Muscovites, develop education and healthcare, and create a convenient, high-quality, well-landscaped, and comfortable city environment, which includes reviving Moscow's parks.

Moscow is constantly working on increasing budget stability and reducing budget dependence on the oil and gas industry, increasing the share of revenue from personal income tax and corporate property tax and reducing the dependence of the city on corporate profit tax.

**29** **bn USD**  
Moscow budget

**23** %  
share of investment spending in 2015 in Moscow budget

Key areas of fiscal policy in Moscow in 2015, bn USD\*



\*At the USD exchange rate of the Central Bank of Russia by 1 July 2015.

## Moscow – the biggest consumer market in Russia and Eastern Europe

The population of the Moscow agglomeration surpasses 16 million people (making it the 15th largest urban agglomeration in the world by population), and if the Moscow region is included, the population reaches around **20 million people**. That is **14% of the population of Russia**.



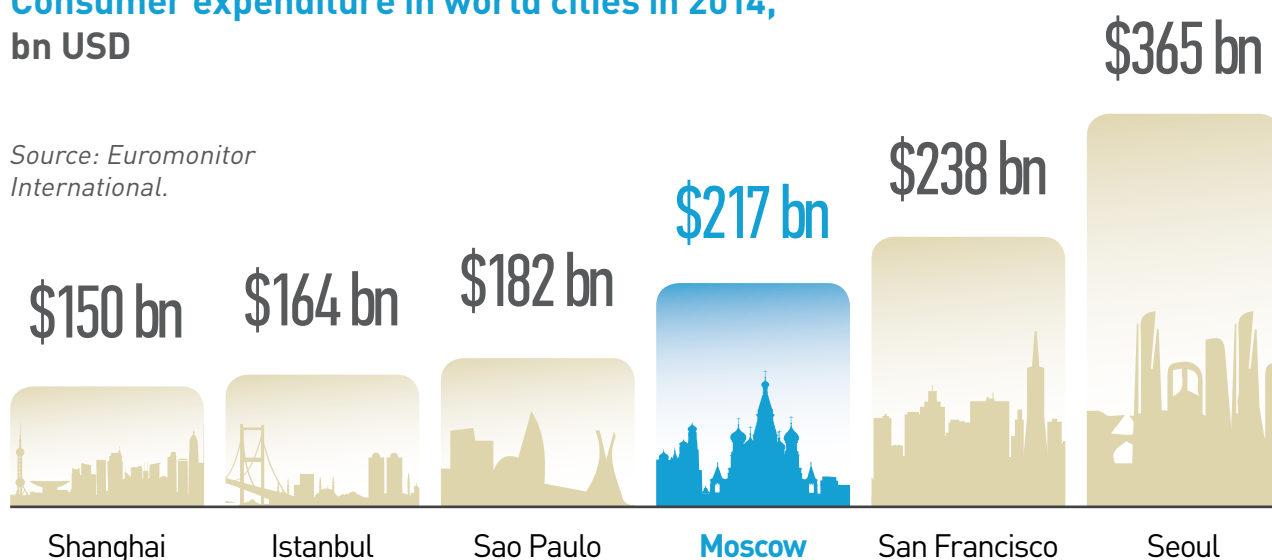
Moscow **ranks third** among European cities and 14th in the world in terms of consumer expenditure (USD 217 bn in 2014). Moscow accounts for **17% of the Russian retail trade turn over**.

**20** **mln**  
**people**  
population of Moscow  
Region

**14** **%**  
of population  
of Russia

### Consumer expenditure in world cities in 2014, bn USD

Source: Euromonitor  
International.

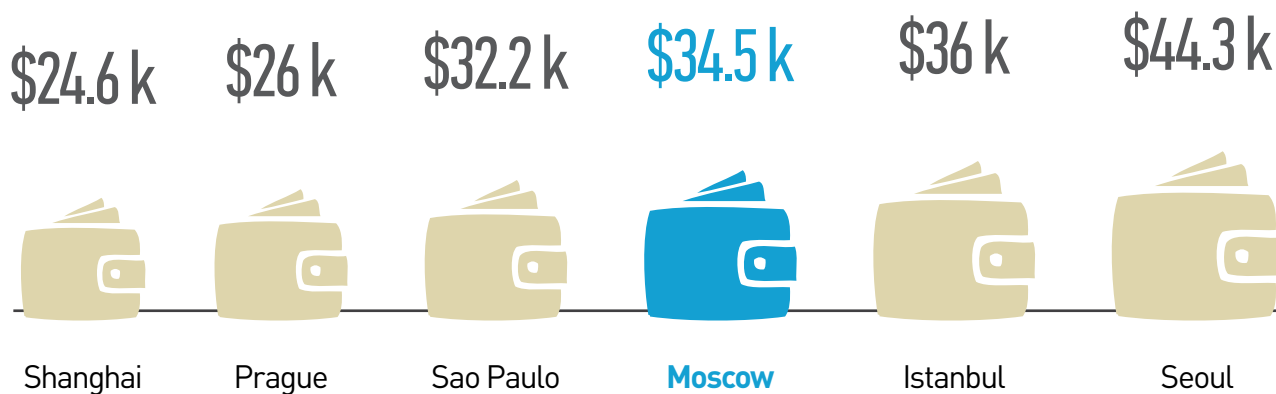


**Moscow has a high level of personal income:** in 2014 the average per capita cash income in Moscow was **USD 1,430 per month**; in **Russia as a whole** it was **USD 720 per month**.

### **Moscow demonstrates sustained effective demand:**

- **stable growth in consumer spending**  
(9% per year on average in 2011-2014);
- **faster growth in real wages** relative to growth in retail trade  
(25% and 15%, respectively in 2014 over 2010, in real terms);
- a relatively **low level of loan debt**  
(17% - the ratio of loan debt to deposits as of 1 July 2015).

## Average annual disposable household income in world cities in 2014, k USD



Source: Euromonitor International.

## Convenient geographical position

Moscow is **the centre** of a developed and diversified region of the **European part of Russia, the strategic centre of the Eurasian Customs Union and the CIS** free trade zone.

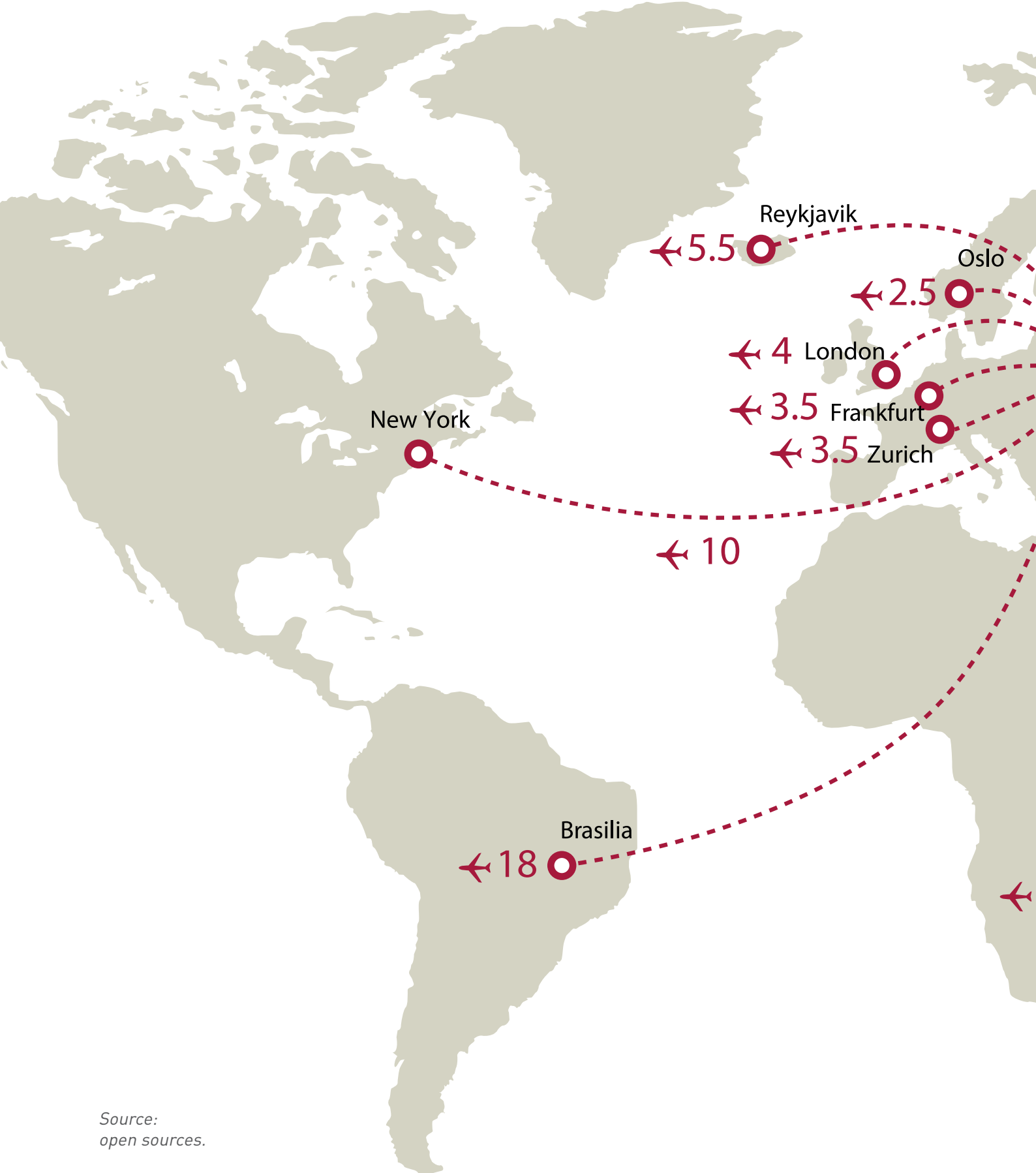


Moscow is relatively **equidistant from the major markets of Eastern Europe, the CIS and the Baltic countries**. Moscow is situated in a **convenient time zone between the European and Asian stock exchange markets**.

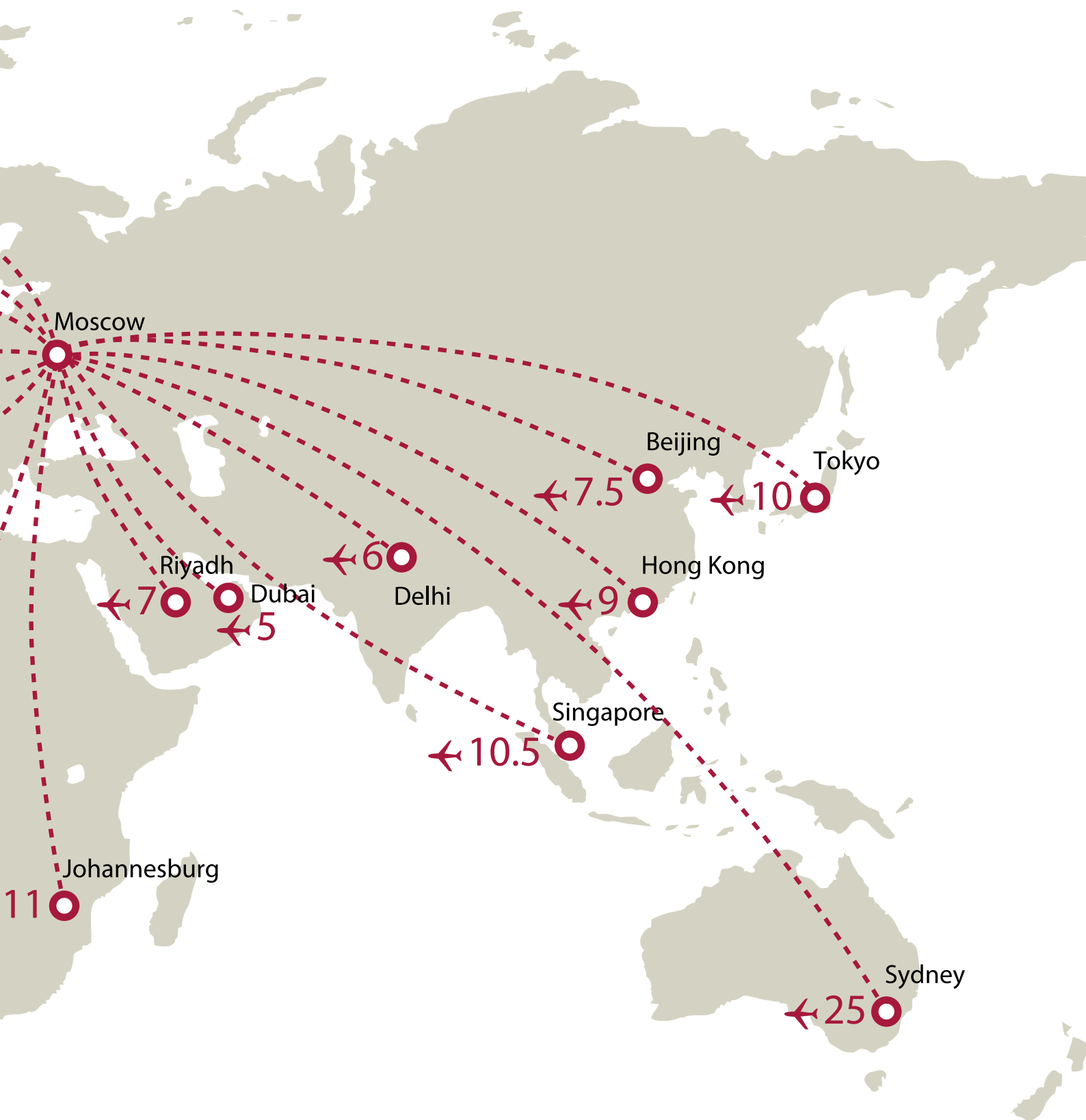
It takes less than four hours to get to the main European financial centres (London, Zurich, Frankfurt).

Moscow is the core of the Moscow urban agglomeration. In 2012, the territory of Moscow increased **2.5 times**. After the inclusion of the Troitsky and Novomoskovsky Administrative Districts, Moscow received **significant territorial reserves** for housing, civil and industrial construction, and **increased its recreational potential**.

# Flight Time to World Capitals and Financial Centres, Hours



Source: open sources.



## Moscow is an international business centre

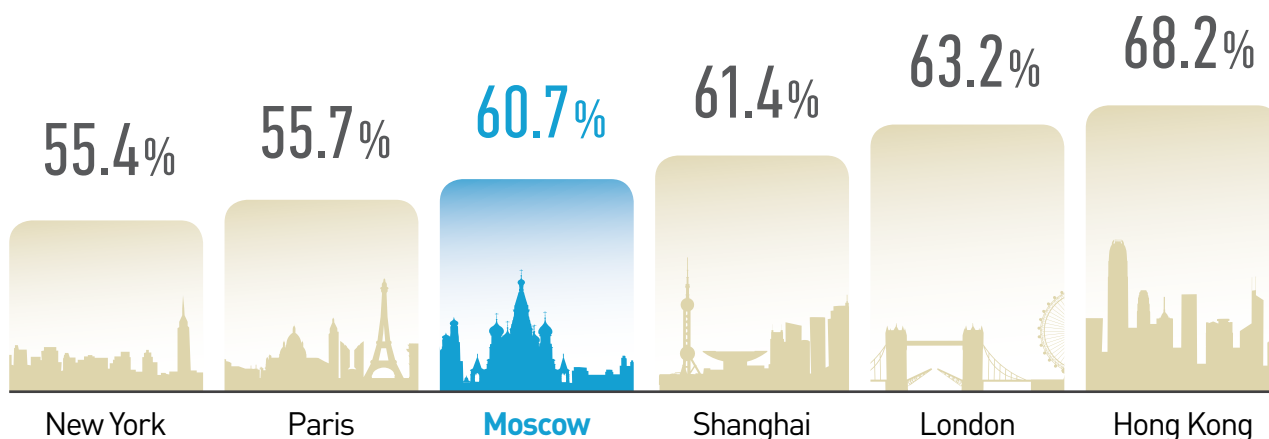
Moscow has high density of global companies and banks, mass media, diplomatic and trade missions. **Over 60% of the largest international companies have representative offices** in Moscow.



On this measure, **Moscow is one of the top ten global business hubs**, ahead of Dubai, Paris and New York. It is home to the **head offices of 7 major firms from the Fortune Global 500**, more than Shanghai or Frankfurt.

Moscow is also home to **the largest stock exchange in Eastern Europe**. The Moscow Stock Exchange is one of the 20 leading platforms in terms of the volume of securities trading and total capitalization of tradable shares, and it is one of the 10 largest stock exchanges for derivative financial instruments.

### Share of representative offices of major international companies in global cities, %



Source: CBRE.

Moscow is the business and financial centre of Russia. Moscow is home to **around 1.1 million legal entities and 225 thousand individual entrepreneurs**, or in total, **more than 15%** of all the companies registered in Russia. Over the past five years, the number of enterprises and organizations working in Moscow **increased by 20%**.

Over half of all Russia's credit organizations are registered in Moscow. The share of banks with their head offices in Moscow accounts for **about 80% of total banking assets**.



Of the 28 largest public companies in Russia that were listed in the **Forbes Global 2000** rating in 2014, **19 are headquartered in Moscow.**





# Why Moscow?

## Competitive advantages for doing business

Against the backdrop of today's unstable foreign economic conditions, Moscow has acquired additional advantages in the competitive struggle with the leading megapolises of the world. **While the quality parameters of the business environment have been preserved**, the weakened national currency and resulting **reduced cost of doing business have led to growth in potential return on investment.**

Moscow is one of the most attractive megapolises in the world with respect to many types of costs. The costs of infrastructure, wages, and rent have significantly declined in dollar terms. Depending on the industry, **the cost of doing business in Moscow in dollar terms has declined by 25–35%** in the first half of 2015 in comparison with the first half of 2014.

The cost of doing business in Moscow, \$



25-35 %



The price advantages over competing cities will prevail in the next several years.



Moscow continues to offer crucial non-price-related competitive advantages: high-quality labour resources, developed transport infrastructure, highly developed information and communication technology, scientific and educational potential, and a high-quality city environment.

## Crucial non-price-related competitive advantages of Moscow:



high-quality labour resources



developed transport infrastructure



highly developed information and communication technology



scientific and educational potential



high-quality city environment

## High-quality human resources

The economically active population of Moscow is more than 7 mln people, and this figure is rising every year. Moscow also attracts the most competitive and skilled specialists from other regions of Russia and the CIS.



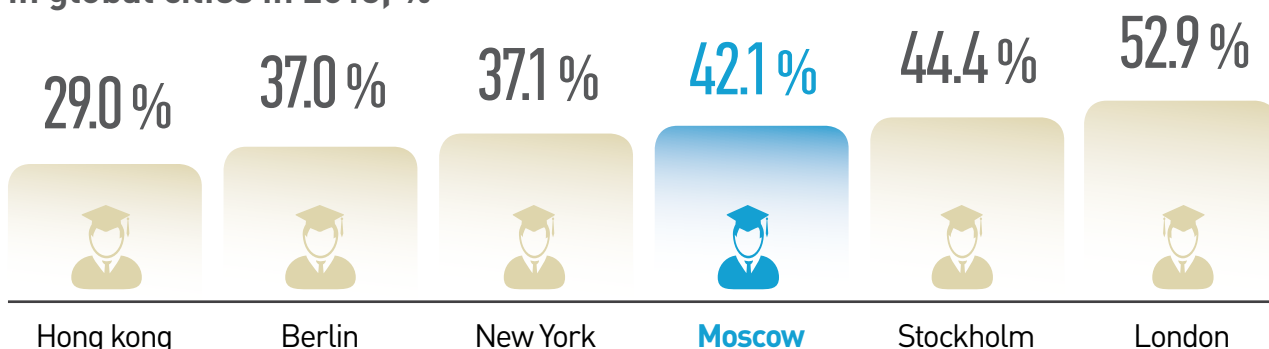
### Economically active population of Moscow, k people



Source: Russian Federal State Statistics Service.

Moscow's population has a high educational level: 815 of every 1,000 people aged 15 years and older have a vocational education (of which 421 have higher and postgraduate vocational education). According to «City of Opportunities» research conducted in 2014 by PwC, Moscow holds 8th place among the largest cities in the world by the share of people with higher education.

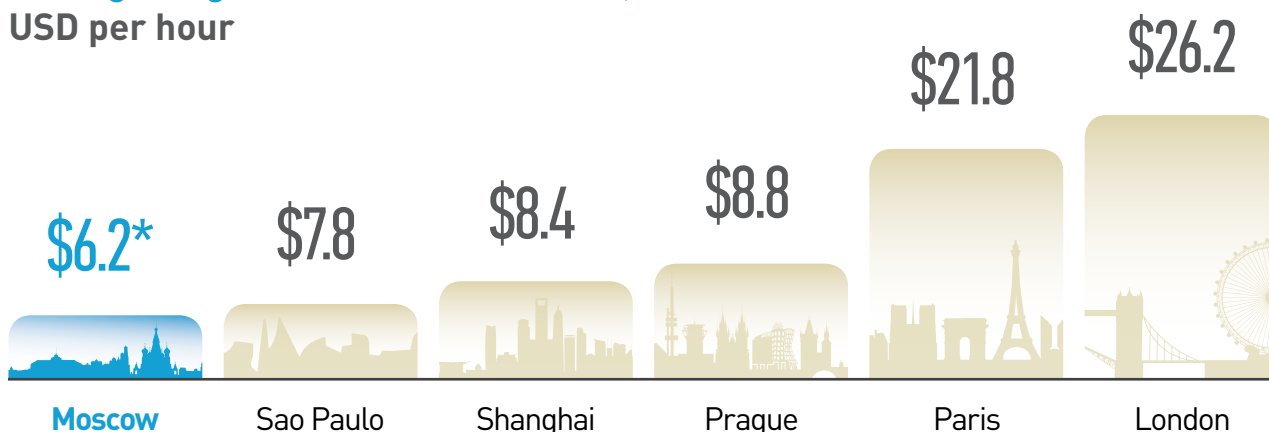
### Share of adult population with higher education in global cities in 2013, %



Source: Russian Federal State Statistics Service, Eurostat, Hong Kong SAR Government, The City University of New York.

The supply to demand ratio was 3.9 resumes per job vacancy in Moscow in July 2015, and the **average hourly wage was USD 6.2 at the middle of 2015.**

### Average wage in world cities in 2014, USD per hour



\*Based on the Bank of Russia's USD exchange rate on 1 January 2015.  
Source: Russian Federal State Statistics Service, Euromonitor International.

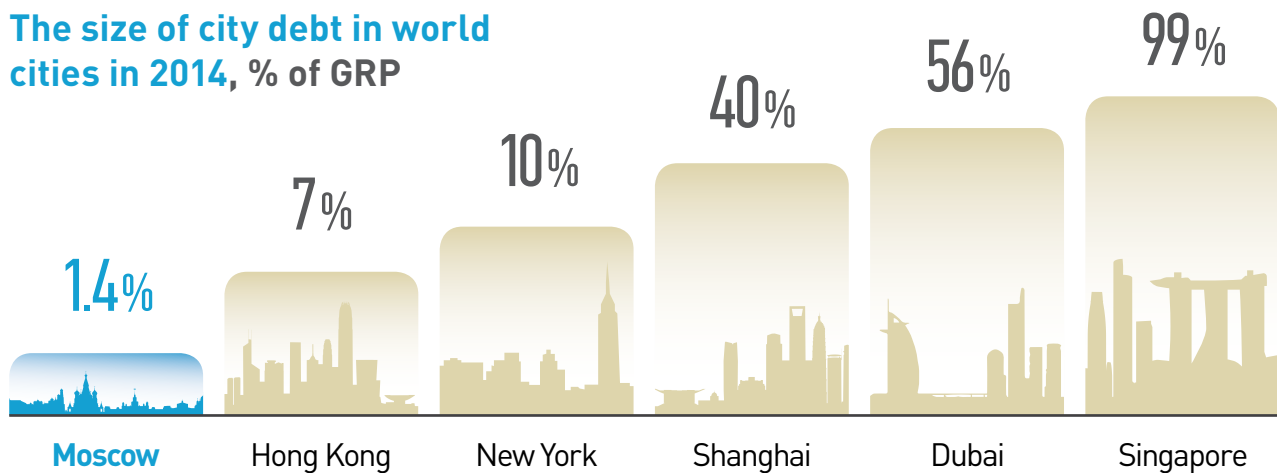
## Economic and financial stability

In 2015, the budget income of the city is expected to reach **USD 26.6 bn (RUB 1,486 bn), with expected spending of USD 29.2 bn (RUB 1,633 bn).** Moscow has a well-balanced budget and a low level of debt.



**Moscow's debt in terms of GRP has more than halved** over the past four years: from 3.6% of GRP in 2010 to 1.4% of GRP share in 2014. By comparison, the same figure in Shanghai is equal to 40%, and in Dubai it is equal to 56%.

## The size of city debt in world cities in 2014, % of GRP



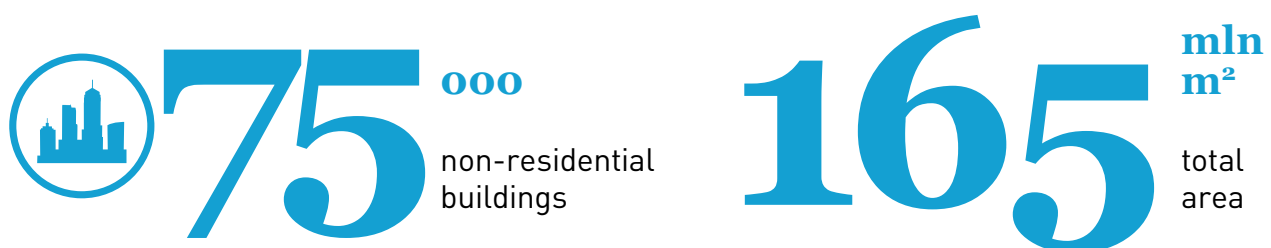
Sources: Department of Finance of the City of Moscow, IMF, NYC Office of the Comptroller, Shanghai Audit Bureau, Singapore Department of Statistics.

## Developed real estate market



In Moscow there are more than 110,000 buildings, with a total area of over 400 mln sq m. In 2014, 8.8 mln sq m of real estate were commissioned in Moscow, 3.3 mln sq m of which were housing.

Moscow has more than 75,000 buildings of **available non-residential real estate**, with a combined area of more than 165 mln sq m.



- In the first half of 2015, Moscow's **total supply of high-quality office premises** reached 15 mln sq m, including 3.6 mln sq m of class A offices. In 2014 1.4 mln sq m of office space were commissioned, which is a 60% increase over 2013. There are plans to build another approximately 1 mln sq m of office premises in 2015.
- As of 1 July 2015, the average annual rent for class A office real estate was around USD 508/m<sup>2</sup> in Moscow, which is the average figure for large megapolises (the average rent for class B offices is USD 297/m<sup>2</sup> per year).

## Average asking rental rates for office real estate as of 1 July 2015

Class B

\$297/m<sup>2</sup> per year

RUB 15,731

/m<sup>2</sup> per year



Class A

\$508 /m<sup>2</sup> per year

RUB 27,321

/m<sup>2</sup> per year



Source: Knight Frank.

- 19.9 % of office real estate in Moscow is vacant to be rented or purchased.



# 19.9

%

of office real estate  
in Moscow is vacant to be  
rented or purchased

Moscow's **available housing fund** includes more than 41,000 residential buildings with a combined living space of 233 mln sq m (19.3 sq m per tenant).

# 41 000

residential  
buildings

# 233

mln  
m<sup>2</sup>

total area

Up to 2017, the annual volume of premises coming into operation is expected to include at least 3.1 mln sq m of living space, including 0.6 mln sq m of housing at the expense of the Moscow city budget.

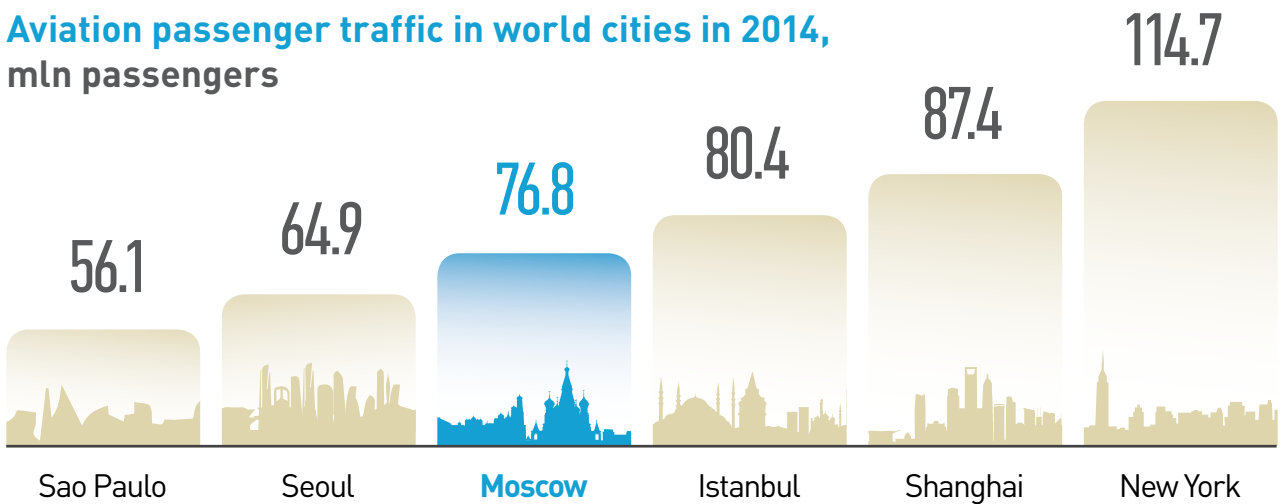
In total, for the period from 2015 to 2017, 9.36 mln sq m of living space are planned to be completed, with the stock of housing available to the population rising by 2%, which still leaves potential for further growth. Besides, major repairs are planned on at least 4.7 mln sq m per year at buildings that have been in service for 30 years or more.

## Developed transport infrastructure



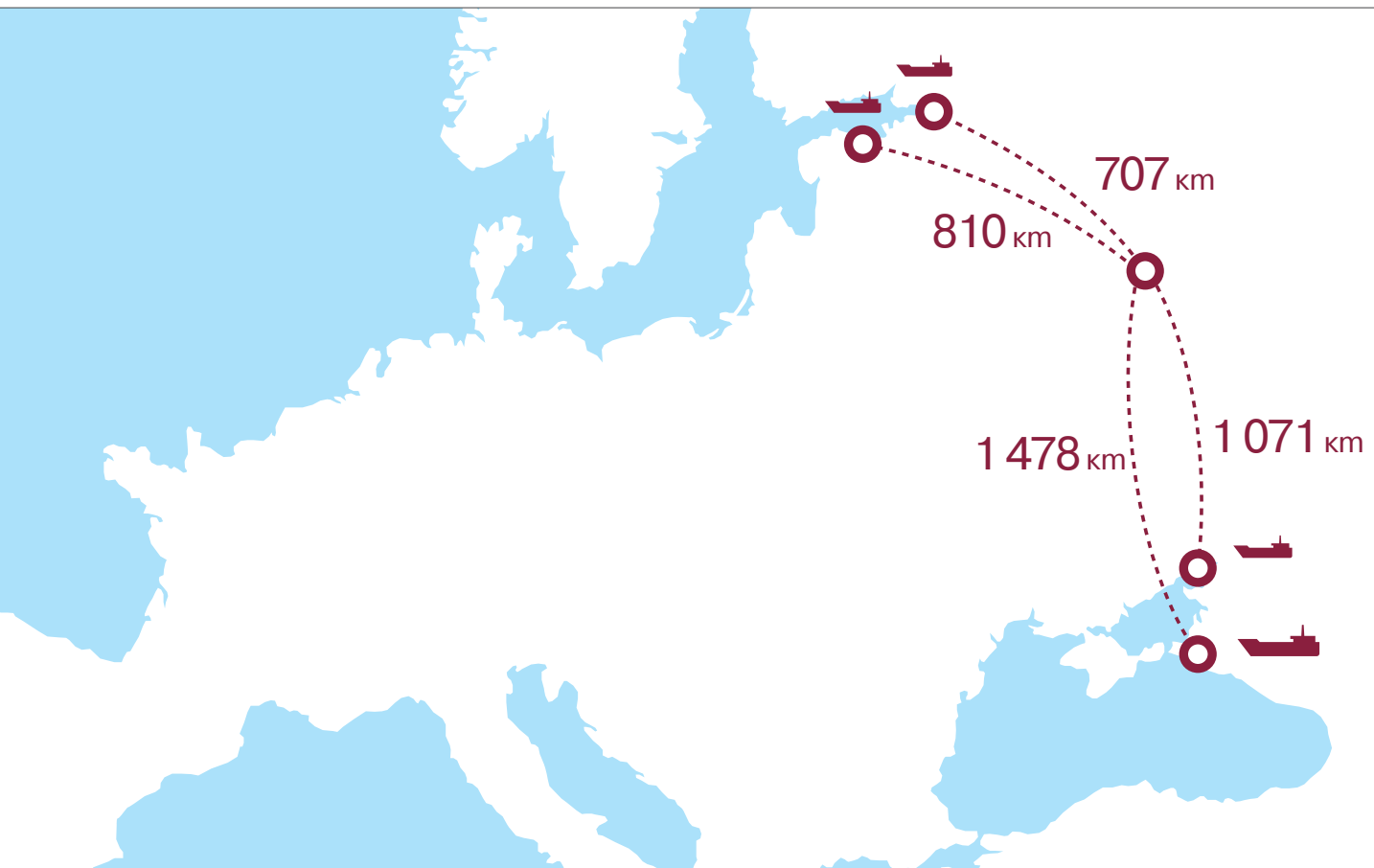
One of the largest aviation hubs in Central and Eastern Europe, Moscow has four international airports: Sheremetyevo, Domodedovo, Vnukovo and business airport Ostafyevo. **Passenger traffic in the Moscow aviation hub totaled almost 77 million passengers in 2014.**

Aviation passenger traffic in world cities in 2014, mln passengers



Source: Euromonitor International.

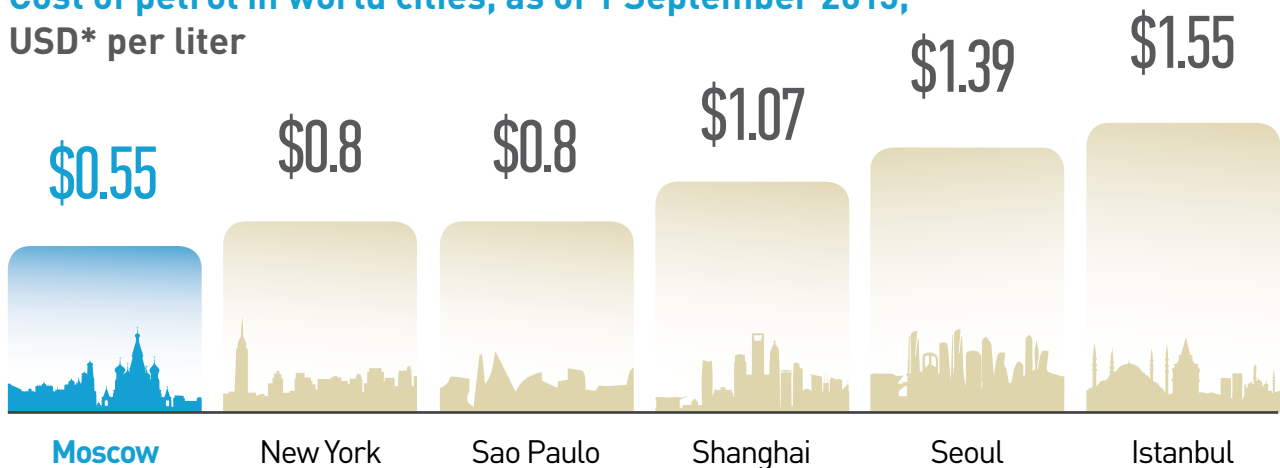
## Distance to the nearest seaports





**Moscow is Russia's largest logistical centre.** The system of ring roads around Moscow links 19 Federal highways into a single transport network. **Travel time on public roads to ports on the Baltic and Black Seas, as well as to regional centres in the European part of Russia and the Volga, is no more than 20 hours.**

**Cost of petrol in world cities, as of 1 September 2015,**  
USD\* per liter



\* Based on the exchange rate of national currencies on 1 September 2015.

Source: Russian Federal State Statistics Service, Numbeo.

The Moscow rail hub is a unified railway system covering and serving the entire Moscow region. It is **the largest rail hub in the CIS and one of the largest in the world.** It has a radial-ring structure, consisting of:

- Radial routes from 9 Moscow rail terminals, covering 10 arterial routes of the Moscow rail network (Savelovskoye, Yaroslavskoye, Ryazanskoye, Kazanskoye, Gorkovskoye, Kurskoye, Paveletskoye, Kievskoye, Smolenskoye, Rizhskoye) and a section of the Otyabrskaya rail network (Leningradskoye route);
- the Lesser Moscow Ring Railway;
- the Greater Moscow Ring Railway.

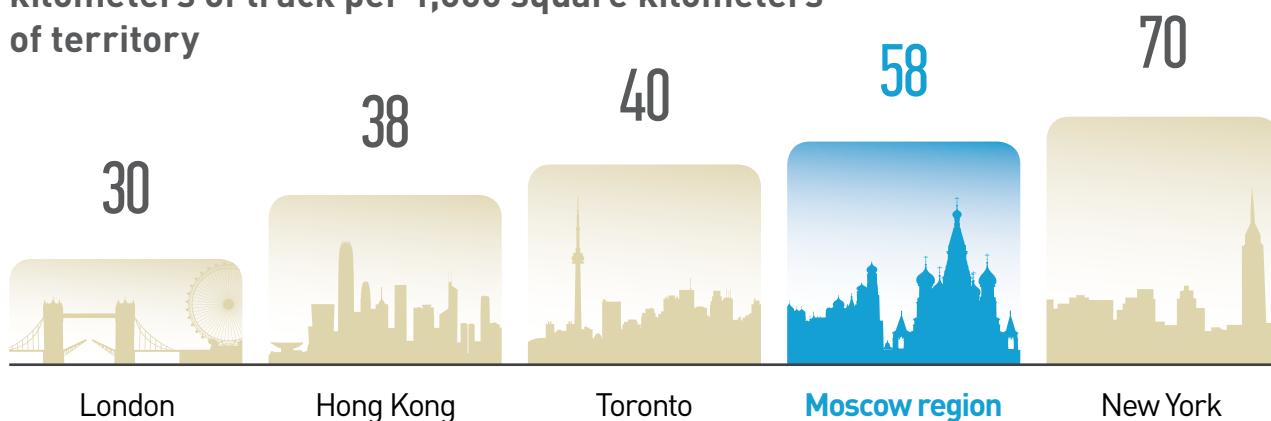
The total length of tracks is over 2,700 km.

Within Moscow there are **8 sorting stations, 52 freight stations (including sorting stations), 9 passenger stations, 3 technical passenger stations, and 4 motive power depots for suburban trains.**

Moscow comprises **88 local stations** (including passenger stations) for suburban and urban passengers. There are convenient transfers to the Moscow Metro from all rail terminals, as well as from some overland stations/platforms within the city.

There are high-speed transit links with the three major Moscow airports (Aero-expresses). The hub broadly covers the area within the Greater Moscow Ring Railway.

### Density of rail transport in world cities in 2012, kilometers of track per 1,000 square kilometers of territory



Source: Russian Federal State Statistics Service, municipal information services for railway transport.

## Availability of power supply



Moscow has **significant power reserves**. This creates the potential for attracting large energy consumers, including the industrial sector. The installed capacity of power sources comprises: electrical – 12.9 k MW, thermal – 53.8 k Gcal/h.

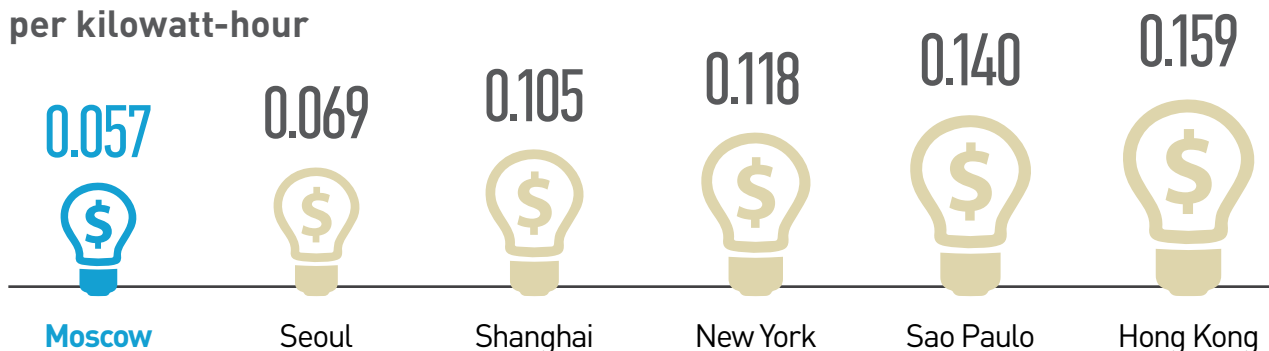
The power reserve of power generating facilities in Moscow is a minimum of 6.3 k MW.

During the period up to 2025, it is planned to create a distributed cogeneration system based on **10 new power facilities of various levels of installed capacity** in the Troitsky and Novomoskovsky Administrative Districts.

The thermal power reserve of the whole city is estimated at 20.53 k Gcal/h.

As of 1 July of 2015, the average cost of electricity for enterprises and organizations was USD 0.057 per kilowatt-hour (RUB 3.11 per kilowatt-hour).

**Cost of electricity for commercial and industrial enterprises in world cities, as of 1 July 2015, USD\* per kilowatt-hour**



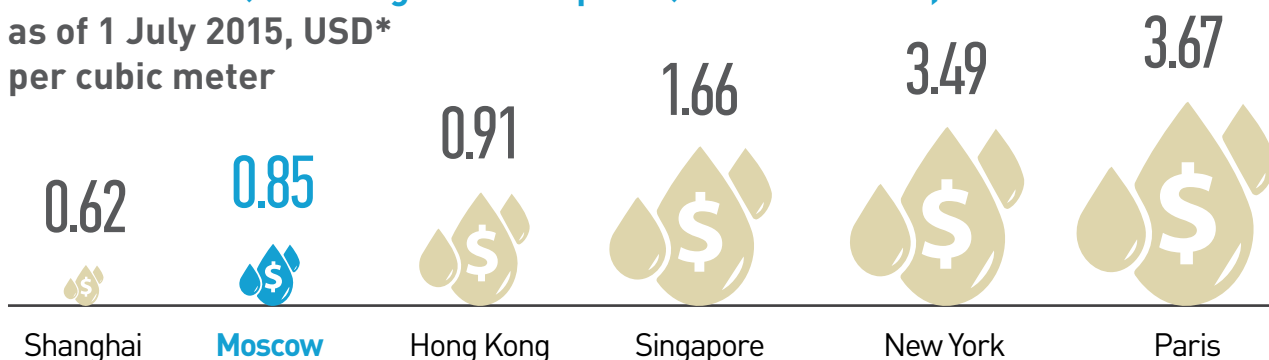
\* Based on the exchange rate of national currencies on 1 July 2015. Sources: OJSC Mosenergosbyt, municipal energy supply companies.

Purposeful **work** is under way in Moscow **to simplify the procedures for connecting to energy infrastructure**. In 2014, the number of procedures required to acquire a connection to the electricity network was reduced to 4, the wait was reduced to 90 days and the cost became 4 times lower. In 2014, OJSC «Moscow United Electric Grid» launched a pilot project, which allowed connections to the grid within 90 days after filing the application for consumption below 150 kW (and within 125 days for consumption from 150 kW to 670 kW). By 2018, the waiting time for technological grid connections will be reduced to 40 days.

**Availability of water resources**

Nowadays, power resources of constructions, the capacity of reservoirs of the regulating hubs with drinking water are much higher than the consumption of the city. The reserves are over 50%.

**Cost of water (including water disposal) in world cities, as of 1 July 2015, USD\* per cubic meter**



\* Based on the exchange rate of national currencies on 1 July 2015. Source: OJSC Mosvodokanal, water companies, municipal information resources.

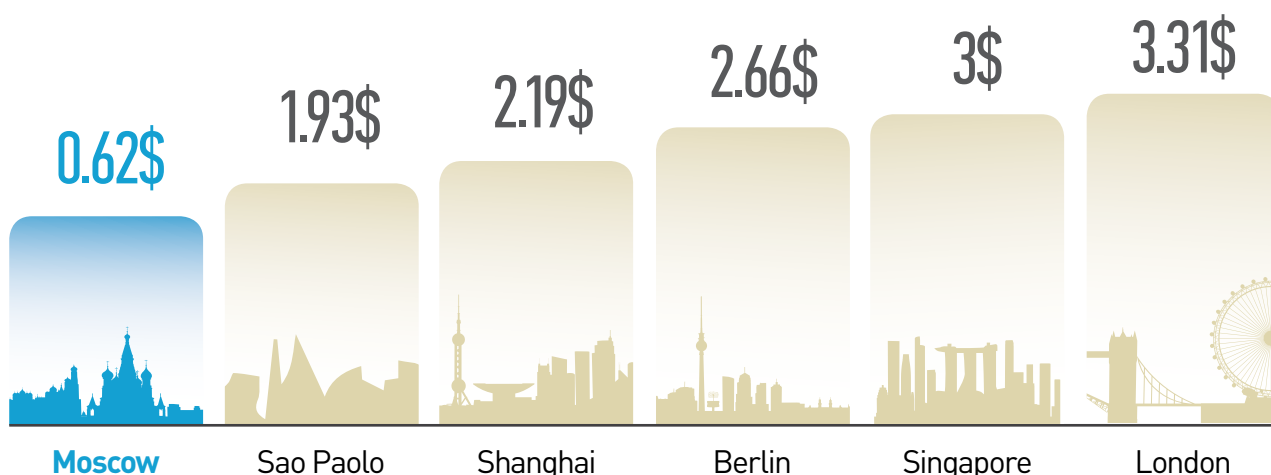
## High level of information and communication technology



Moscow accounts for more than 20% of all spending by Russian organizations on information and communication technology. Moscow's level of mobile penetration and fixed broadband Internet access is ahead of most countries of the world.

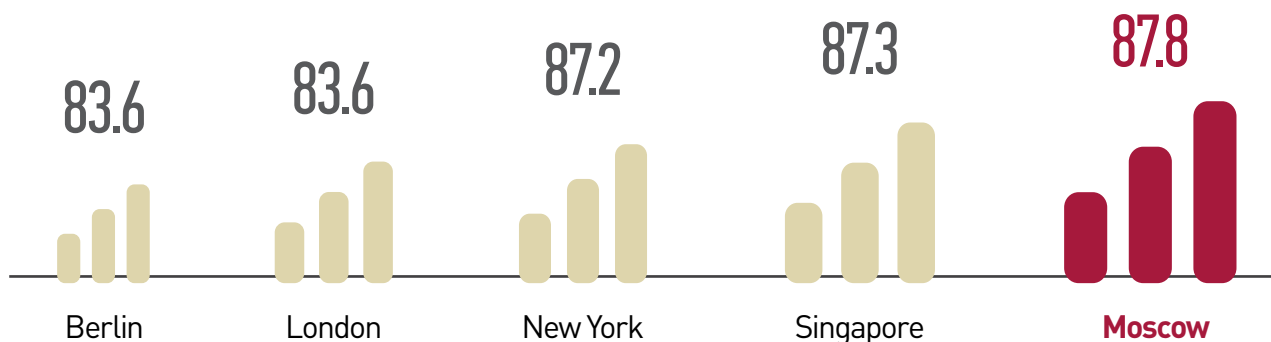
The average **cost of broadband Internet access in Moscow is around USD 0.6** per Megabit per second. The quality of Internet access in Moscow is comparable with that in the majority of the world's large megapolises.

### The average cost of broadband Internet access in global cities, September 2015, USD per Mbit/s



Source: Numbeo.

### Index of broadband Internet access quality in global cities, 2014



Source: Ookla, NetIndex.

## Moscow provides access to all kinds of business services



In 2015, there are **over 250,000 organizations in Moscow specializing in providing business and financial services**. This amounts to 25% of all companies operating in this field in Russia, and 23% of all companies in Moscow.

In Moscow, there are **423 banks**, including 146 banks with foreign capital (of which 67 banks with 100% non-resident participation).

Russian banks' assets were at **USD 1.2 tn (RUB 68.6 tn)** as of 1 July 2015, 80% of which are the assets of Moscow banks.

### Volume of assets of the Russian banking system As of 1 July 2015, tn USD

- Assets of Moscow banks
- Assets of other Russian banks



As of 1 July 2015, the borrowed funds in Moscow totalled **USD 450 bn (RUB 25.1 tn)**.

In Moscow, there are representative offices of all the world's leading consultancy firms. In addition, more than 5,000 organizations provide legal services, and about 3,500 provide accounting and auditing services.

## Moscow is a centre of science and innovation



In Moscow there are a great number of universities and research institutions, providing the capital with plenty of qualified personnel for innovation and technological development.

Moscow is a large scientific and industrial megalopolis, possessing **over one-third of the scientific potential of Russia**, including: **20% of research organizations**, almost one-third of the country's total number of researchers, more than **41% of PhDs, and 16% of students**.

The Moscow Region comprises five science cities, five innovative regional clusters, the Innovation centre «Skolkovo».

There are at least **4,400 scientific and industrial organizations** engaged in research and development operating in Moscow at the moment, employing over 304,000 people engaged in research and development.

There are **727 large and medium organizations engaged in scientific research** in Moscow, which is slightly more than half of the total number of scientific organizations in the Central Federal District and one-fifth of the total in Russia; 515 of them are scientific and research institutes.



5

science cities

Sk

Innovation Centre  
"Skolkovo"



5

innovative  
regional  
clusters



4400

scientific and industrial  
organizations



304<sup>000</sup>

people are engaged in research  
and development



727

large and medium  
research organizations



515

scientific and research institutes

A significant number of the city's research organizations belong to science academies with state status, including: more than 150 institutions of the Russian Academy of Sciences, 11 institutions of the Russian Academy of Education, 3 institutions of the Russian Academy of Arts, and 2 institutions of the Russian Academy of Architecture and Construction Sciences.

Moscow is also a leader by the total number of patents granted for utility models and inventions (10,200 in 2013, 30% of the total number of patents).

Moscow's scientific network is dominated by the scientific and technical branch. The share of organizations engaged in research and development in the technical sciences amounts to 65.9% of the total, in the natural sciences – 33.2%.

### Share of organizations engaged in research and development



### Higher educational institutions



There are **92 state and 131 private higher educational institutions**, producing over 225,600 qualified professionals each year in a broad range of specialist subjects.

According to the Quacquarelli Symonds 2015 World University Rankings by Subject four Moscow higher educational institutions are among 100 best universities of the world in different rankings.

By number of researchers per 10,000 economically active population, Russia is exceeded by only Japan and the United States, and is ahead of Germany, France, Canada, the UK and Italy.

The share of the employed population with higher education in Moscow is 50.3%, which is the highest rate among all the regions of the Russian Federation.

## Moscow is a city, comfortable for life



According to The World Cities Culture Forum 2014 research, Moscow is ahead of 24 world cities by the number of museums. In Moscow, there are more than **360 museums**, the general depository consists of more than 14,5 million items.

Moscow is a city of theaters. There are **241 theaters** with a rich repertoire of performances, from classical to modern. Over 7 million spectators visit Moscow theaters every year.

 **360**  
museums

 **241**  
theaters

 **110**  
cinemas

 **350**  
hotels



[www.travel2moscow.com](http://www.travel2moscow.com)



Moscow has over **110 cinemas** (with 585 screens). By number of cinema screens, Moscow is ahead of the largest cities in the world.

Moscow's stock of hotel accommodation includes over **350 hotels, mini-hotels and hostels**. There are plans to construct 172 hotels in Moscow (32,000 rooms, with 70,000 beds) by 2016.

More detailed information could be found **at the Moscow Travel Portal:**

[www.en.travel2moscow.com](http://www.en.travel2moscow.com)



It contains information about excursions, theaters, museums, architectural monuments, exhibition halls, parks, sports facilities, etc. In addition to a large volume of reference material and information on places of interest in Moscow, the portal contains a lot of useful information for tourists planning a trip to Moscow: about hotels, transport, restaurants, cultural events, etc.

Other useful information can be found at the **Open Data Portal of the Moscow City Government**: <http://data.mos.ru/>.



**OPEN DATA**  
The Government of Moscow



### Its pages contain information about:



**medical services** – adult hospitals, children’s hospitals, adult outpatient clinics, children’s outpatient clinics, pharmacies, and various other medical facilities for adults and children;

**education** – kindergartens, schools, other educational institutions, libraries;



**transport** – stops of public transport, petrol stations;

**recreation areas** – parks, Wi-Fi zones in parks, swimming pools, running tracks, amusement rides, bike paths, bicycle parking, and recreational areas near water.





# What does the Moscow City Government do for investors?

Strategic priorities of investment policy and measures to encourage economic activity

## The objectives of Moscow's investment policy



The objectives of Moscow's investment policy are set out in the Moscow Investment Strategy for the period up to 2025:

- to increase private investments in infrastructure sectors and the social sphere;
- to increase competitive investments (for which various cities in the world compete) in total investments in Moscow;
- to improve the investment climate for all investors while introducing understandable and transparent limitations in order to mitigate the negative impact of such investments on the urban environment and living standards in the city;
- to develop industrial and scientific potential of the city.

The current economic situation is characterised not only by objective challenges, but also **new opportunities**.

The **reduction in business costs** in Moscow provides additional possibilities for developing **industrial production** in the city, including **export-orientated** and **import-substituting** projects.

**One way or another, all economic policies are centred on raising investments. The key ones are:**

- **stable budget policy**, which aims to provide sufficient market liquidity and enhance the competitiveness and transparency of government orders;
- **incentivising tax policy**, which aims to shift the taxation focus towards assets and thus involve as many assets as possible in business within the city limits, and offer targeted tax incentives;
- **reasonable tariff policy**, which aims to curb increases in tariffs and limit cross subsidies;
- **active investment policy**, which aims to ensure a favourable environment for raising investments from various sources.

**In order for investors to make full use of all investment opportunities, a broad list of measures for supporting investment is being developed. The key ones include:**

- provision of **additional guarantees for investors** that implement industrial and/or high-tech projects in priority sectors in Moscow with a view to minimising risks that might frustrate the project or result in serious losses for investors;
- conclusion of **offset contracts**. Offset contracts are transactions that envisage investment obligations of suppliers to create/reconstruct companies in the territory of buyers or localise production. Moscow is looking to start implementing projects based upon offset contracts, in particular in pharmaceutical industry.

**Systemic measures for promoting industrial production:**

- **infrastructure financing** in industrial parks, technoparks and technopolises;
- **integrated development of industrial estates**, involvement of industrial land in business transactions;

## What does the Moscow City Government do for investors?

Strategic priorities of investment policy and measures to encourage economic activity

- **tax incentives to company investments, reduction in the tax burden** on the real economy;
- creation of a system of **benefits and respites on payment of land lease fees** for the real economy.

### Measures for supporting priority sectors:

- **development programmes for high-tech sectors;**
- state support for **creation of clusters, industrial parks and industrial estates;**
- mechanisms for **subsidising payment of loan interest by industrial companies** in priority sectors.

### Improvement in the conditions for doing business

**1** *Further reduction in the time taken by of administrative procedures and reduction in administrative costs for business*

---

**2** *Acceleration and cheapening of administrative procedures associated with technological connection of construction facilities;*

---

**3** *Simplification of tax registration procedures for corporate entities.*

---



# What kind of investments can be profitable?

## Promising fields for investment

### Sectoral priorities

---

Moscow's sectoral priorities have been determined based on the current economic structure and the city's strategic development goals. In priority sectors, the Moscow City Government will take special measures to attract investment to these sectors, and to support and assist investors.

At the same time, Moscow is also interested in investment in other sectors. The city aims to create favourable conditions for investment in all sectors of the economy, by implementing systemic measures to improve the investment climate.

### Transport infrastructure development

---



#### Main advantages for the investor:

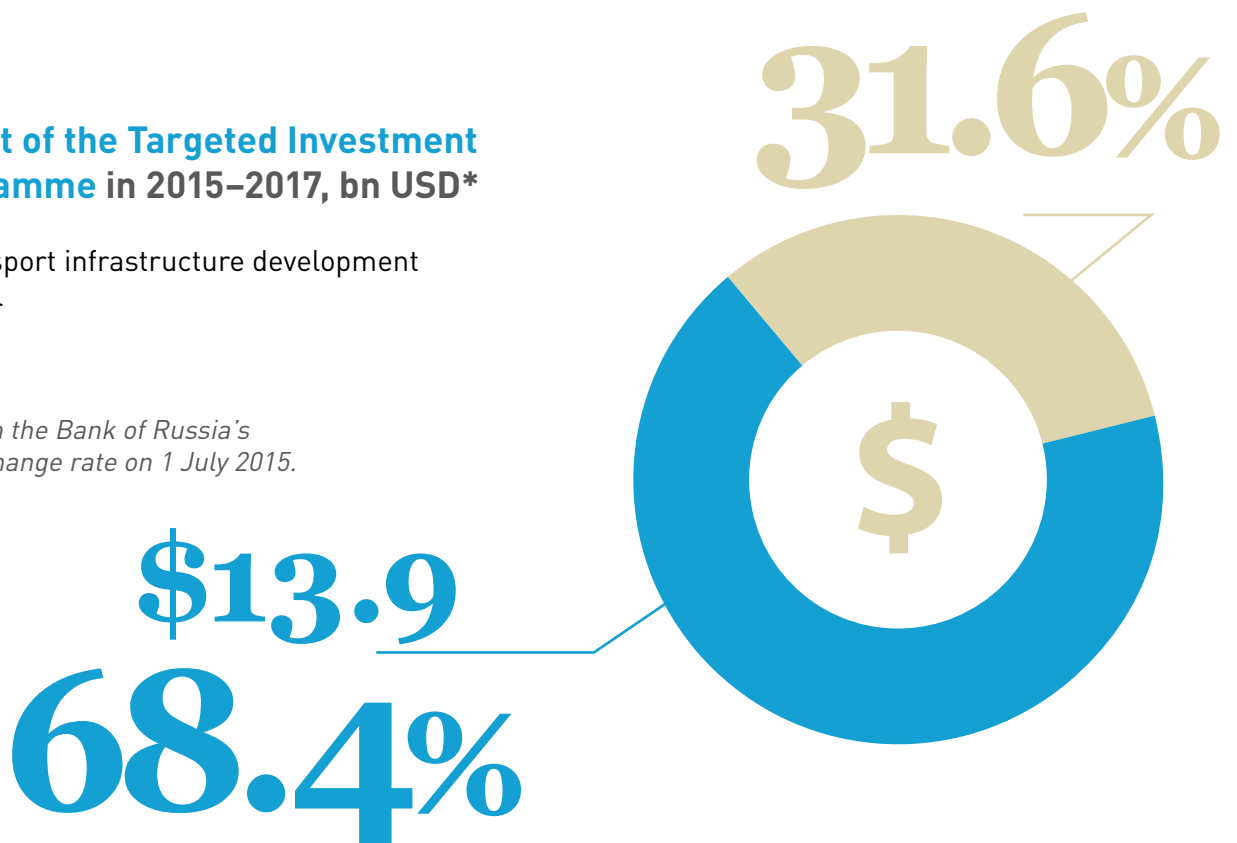
- **stable demand** for public transport services in the large metropolis. About 8.5 million passengers use the Moscow Metro every day;
- **long-term investments** in the urban transport sector (the Metro, suburban railway transport, trams) provide advantages for investors;

- **opportunities for commercialization** of transport infrastructure (commercial premises on the territory of transport interchange hubs (hereinafter referred to as TIH), the Metro, etc.)
- **attractive profit rate;**
- **availability of highly qualified professionals;**
- **support from the city.** Moscow's investment spending on developing the transport infrastructure is projected at RUB 774.3 bn (USD 13.9 bn) in 2015–2017, approximately 70% of the total budget of the three-year Targeted Investment Programme.

### Budget of the Targeted Investment Programme in 2015–2017, bn USD\*

- Transport infrastructure development
- Other

*\*Based on the Bank of Russia's USD exchange rate on 1 July 2015.*



### Key areas for private investments:

- **Construction of transfer hubs** on lines under construction and existing metro and municipal railway stations.

It is planned to build a total of 271 hubs, including 96 plane hubs and 175 permanent ones. It is planned to raise private investments making use of public-private partnership (PPP) mechanisms;





271

transfer hubs,  
including

96

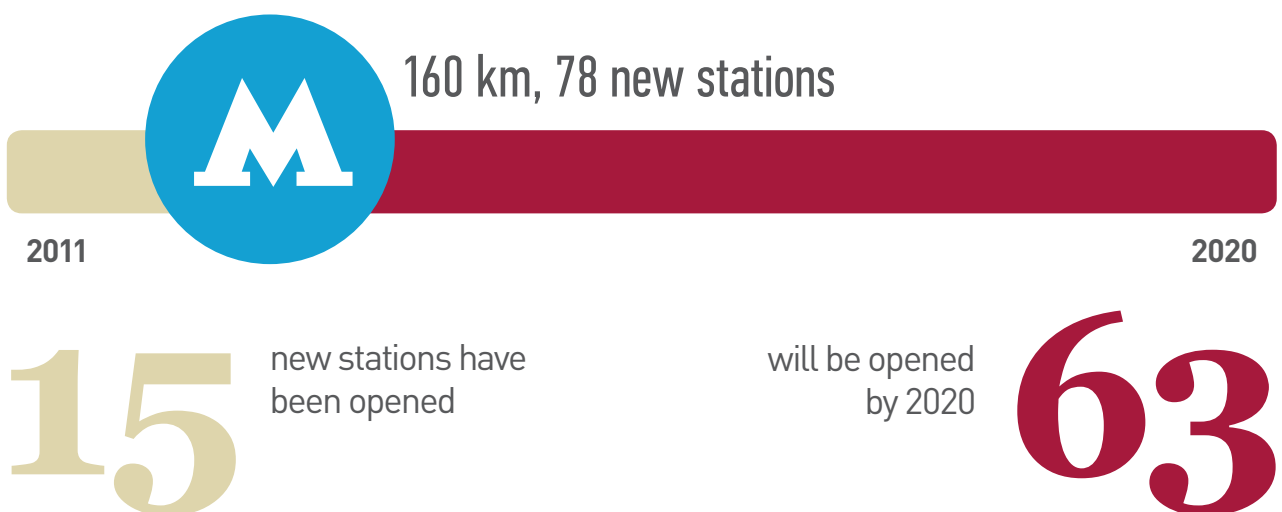
temporary  
hubs

175

permanent  
hubs

- **Construction and reconstruction of the road network and transport facilities (junctions, bridges, overpasses, etc.).** It is planned to raise private investments making use of PPP mechanisms (construction of the Northern Bypass for Kutuzovsky Prospekt, construction of road overpasses to replace existing railway crossings, etc.);
- **Development of the Moscow Metro, including construction of new stations and modernisation of the existing infrastructure.**

In the period from 2011 to 2020, it is planned to build more than 160 kilometres of metro lines and 78 new stations, of which 15 have already been opened. This will reduce the burden on the existing metro system and make sure that 93% of Moscow residents have a metro station within walking distance. Private investments will also be raised to buy rolling stock (life cycle contracts) and build new lines;



- **Creation of a fundamentally new system of municipal and suburban railway transport.** In 2016, the Moscow Ring Railway will start operating in test mode. The railway will be integrated into the radial routes of the suburban railway and metro stations within the Moscow Ring Railway area, with land transport and park-and-ride facilities.

It is planned that traffic via the Moscow Ring Railway will reach almost 300 million passengers by 2020. Private investments will be raised to purchase rolling stock and provide transport services;

- **Modernisation of the municipal land transport system,** including renewal of the vehicle fleet and modernisation of tram lines. Moscow’s vehicle fleet consists of 7,000 units, with 5,000 buses, 1,100 trolleybuses and 700 trams operating on a daily basis.

Over the last five years, some 60% of the vehicle fleet of Moscow’s land transport system has been renewed — the authorities and Mosgortrans purchased 4,816 buses, 526 trolleybuses and 190 trams worth a total of over USD 1 bn (RUB 47.6 bn). By 2020, it is planned to renew Moscow’s vehicle fleet completely. Private investments will be raised to purchase vehicles and provide transport services.

### Complete renewal of the vehicle fleet by 2020



**5000**

buses



**1100**

trolleybuses



**700**

trams

### Support measures:

- Implementation of projects on a public–private partnership basis (concession, life cycle contracts, long-term contracts with investment components).

## Development of the manufacturing industry — technical upgrade and increase in labour productivity



Moscow has significant industrial and manufacturing capacity, offers free land plots for launching new investment projects. The development of untapped areas, upgrading the existing infrastructure will give an additional impetus to industrial development, import substitution and localization of production in the territory of Moscow.

### Main advantages for investors:

- significant industrial potential of the city;
- 18,000 hectares of land for industrial and municipal use, including 207 industrial zones with a total area of 7,500 hectares;
- opportunity for training and retraining of highly qualified personnel using budget funds of the city of Moscow;
- active support from the Moscow City Government.

### Fields for private investors:

Building materials			Food and beverages
			Transport vehicles Pharmaceuticals Medical equipment
Electrical equipment			Optical, electronic, radio, computer equipment

## Support measures\*:

- **benefits in exchange for investments:**
  - ▶ reduced rate of profit tax (13.5%) and exemption from property tax for automobile manufacturers in Moscow in 2013-2018;
  - ▶ an agreement has been concluded with CJSC «Renault Russia». The automotive company invests in the city more than USD 350 mln (about RUB 20 bn) by 2020: it will carry out programmes to improve the skills of employees engaged in the automotive industry and create additional highly paid jobs for Muscovites;

Individual benefit programmes will soon be developed for other processing activities.

- **privileges** under the profit tax, property tax, land tax;
- **reduced** rental rates and installment payments on rents, fees for change of permitted use, etc;
- **provision** of land for industrial development in the existing industrial zones;
- **subsidies** for partial reimbursement of interest on credit or loans; for reimbursement of costs under lease contracts; for partial reimbursement of costs of international standards certificates; for partial reimbursement of costs of personnel training;
- implementation of projects within the scope **of offset contracts**;
- **additional guarantees and special conditions** for investors that implement new projects **in priority sectors**.

## Development of high-tech industries ('new economy' sectors)

---

Over the last three years, Moscow has risen 130 places (to rank 63rd) in one of the most authoritative global innovation city rankings by Australia's 2thinknow. Moscow scored the same number of points as 17 other cities, including Barcelona, San Diego, Cologne, Zurich and Prague. Moscow is in the **top 20 most innovative cities** ranked by size, number of students, scientific base and economic activity. The share of innovative companies among newly established industrial enterprises in Moscow is about 60%.



---

\* The Moscow City Government along with the business community is developing a new regulatory framework that aims to provide additional support for viable existing enterprises and new investment projects in the industrial sector.

The city has established an effective system of innovative infrastructure – technoparks and technopolises, offering residents preferential rental rates, substantial tax incentives and access to the facilities and equipment that are necessary for setting up the production process.

### Main advantages for investors:



Market for innovative products and services is growing rapidly



Highly qualified personnel, high scientific potential



Active support from the Moscow City Government



Developed infrastructure for innovative business



Many successful private innovative enterprises

### Fields for private investors:

- electronics, microelectronics and nanoelectronics;
- development of new materials, laser and radiation technology;
- aerospace industry;
- pharmaceuticals (in terms of research and development);
- production of medical equipment and provision of high-tech medical services;
- telecommunications and information technology.

### Support measures:

- creation of a specialised infrastructure for knowledge-intensive high-tech production projects (technoparks and technopolises);
- tax benefits for tenants of technoparks and technopolises, residents of the Zelenograd special economic zone;
- development of innovative territorial clusters in Moscow (assessment of innovative projects, personnel training, measures to boost demand for innovative products);
- additional guarantees for investors that implement high-tech projects in priority sectors.

# Development of the social sector –most importantly, investment in health and education

---

## *In the health sector*



### **Main advantages for investors:**

- growing market for paid medical services, strong consumer demand;
- Moscow's medical services market is attractive not only to Muscovites, but also for residents of other regions;
- potential to redirect the flow of outbound medical tourism (treatment in the country of residence rather than abroad), and in future to expand inbound medical tourism for foreigners;
- availability of a highly qualified labour force;
- system of support measures for private investors.

### **Areas for private investments:**

- creation of high-tech medical centres;
- creation of medical institutions in the vicinity of educational establishments and jobs in providing primary healthcare (Doctor Nearby programme).

### **Support measures:**

- preferential lease rates for state-owned property.

## *In the educational sector*



### **Main advantages for investors:**

- unsatisfied demand for educational services in the fields of pre-school education, school education according to international standards, and additional education;

- system of measures to support private investors in pre-school and school education.

### Areas for private investments:

- reconstruction and creation of primary, secondary and additional education institutions.

### Support measures:

- preferential lease rates for state-owned property.

## Development of the financial sector and the modern business services sector

---



### Main advantages for investors:



Moscow accounts for more than four-fifths of financial flows in Russia and more than a half of banking assets.



In the longer term, Russia, Belarus and Kazakhstan could form a single financial market, based on strengthening economic linkages within the framework of the Common Economic Space, which in its turn will strengthen Moscow's role as the regional financial centre.



Practically all the exchange trading of securities in the Russian Federation takes place in Moscow. The Moscow Stock Exchange is one of the 20 largest stock exchanges in the world by listed market capitalization.

By trading volume, the Moscow Interbank Currency Exchange is the largest stock exchange in the CIS and Central and Eastern Europe, and one-third of the turnover of the Russian stock market is provided by non-residents.

## Purposes and principles of attraction of private investments to the sector:

- attraction of global companies, particularly for the establishment of international (regional) headquarters and unified service centres of international companies;
- development of Moscow as an international financial centre.

## Priority lines for attraction of private investments:

- creation of infrastructure for the international financial centre, funded from private and public sources;
- attraction of private investment for the construction of modern offices outside the central part of the city and in the newly acquired territories.

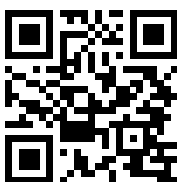
## Tourism development, including business tourism

---



### Main advantages for investors:

- the city's rich cultural and historical heritage;
- a high number of business, cultural, sporting and other events (FIFA World Cup – 2018, IIHF World Cup – 2016, International Military Music Festival «Tower of Our Saviour», IV Moscow International Festival «Circle of light», etc.);



- good transport accessibility: air, rail and road links domestically and with other countries of the world;
- well-developed financial infrastructure, wide choice of hotels of various categories, public eating facilities, medical aid stations;



- growing tourist traffic.

### **Priority areas for private investments:**

- reconstruction and construction of new three- and four-star hotels.

### **Support measures:**

- tax benefits for hotel facilities partially used for offices, retail facilities and the associated infrastructure.

## **Trading and logistics development**

---



### **Purposes and principles of attraction of private investments to the sector:**

- maximum satisfaction of the population's need for goods and services by ensuring an efficient, balanced development of industrial infrastructure, putting into place favourable conditions for the growth of entrepreneurial activities and competition, and ensuring the city's food security;
- improving the population's access to retail areas within walking distance;
- limiting the detrimental effects of retail real estate on the comfort of urban environment, the transport situation and city's image.

### **Priority lines of attracting private investments:**

- construction of modern logistics centres, including facilities for the agricultural cluster, funded by private investments;
- construction of small-format neighborhood retailers within walking distance;
- development of mobile forms of sales, including installation of vending machines.

## Development of communal infrastructure

---



### Goals and principles of attracting private investments into the sector:

- improving the quality and accessibility of communal infrastructure;
- transfer to the financing of engineering and communal infrastructure using funds from resource providers;
- conclusion of long-term service contracts.

### Priority lines of attracting private investment:

- electricity, heat and gas supply;
- development and modernization of underground engineering facilities;
- development of water supply and sewage systems;
- waste water treatment;
- development of a uniform lighting scheme.

## Sports development, preparation to FIFA World Cup

---

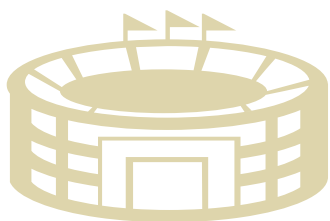


The programme of preparation for the FIFA World Cup 2018 includes nine main lines: construction and modernization of sports facilities, infrastructure, transport and power supply; preparation of medical, communication and IT facilities; an action plan to guarantee security during the World Cup; improve the quality of tourism services, as well as other measures.

Key stages in the programme include: design and modernization of the «Luzhnik» greater sport arena, as well as the establishment of an international broadcasting centre, the total cost of the project is estimated at RUB 82 bn, including

RUB 46 bn private investments; construction of the «Spartak» stadium, construction and modernization of training fields, design and erection of temporary structures with the required support services at stadiums.

## *Design and modernization of the “Luzhniki” greater sport arena*



**82** bn  
RUB  
the total cost of the project

**46** bn  
RUB  
private investment

## Improvement of the urban environment

---

### Main advantages for investors:

- significant cultural and historical heritage, high potential and high rates of growth of the tourist industry in Moscow;
- bringing back into operation dilapidated and damaged facilities on terms attractive to investors;
- state support (state projects and programmes aimed at developing the urban environment).



### Priority lines of attracting private investments:



- Reconstruction, restoration and preservation of dilapidated non-residential cultural heritage sites (by way of long-term lease on preferential terms, the 1 ruble per square metre programme).

# Territorial priorities

---



## Complex management of new territories

Our priority is the complex development of the newly acquired territories, prioritizing (over residential development) the construction of social, utility and transport infrastructure and the creation of highly productive jobs directly in the newly acquired territories.

In areas of growth we plan to establish clusters, within which as many new jobs will be created as the city needs, grouped as follows:



agrocluster



logistics clusters



historical and recreational complex



medical cluster



innovation and scientific centre



technoparks



educational cluster

In 2014 in New Moscow, over 1.64 mln sq m real estate were put into operation and 35 k jobs were created. Development of the newly acquired territories is continuing.

## Priority objectives of the New Moscow development:

- opening new underground stations,
- developing the road network,
- constructing social facilities,
- providing utilities,
- attracting new investors.

## Redevelopment of industrial and inefficiently used territories



Moscow has a number of inefficiently used territories. One of our objectives is the complex redevelopment of these territories, retaining their production profile (if it is practical) and developing residential and social infrastructure and creating public spaces.

Today, Moscow's industrial zones are potential growth and development points. In total the city has about **18,000 ha of land for industrial and municipal purposes.**

The largest projects with regard to redeveloping industrial zones are development projects for the territory of the former ZIL automobile factory and the «Serp i molot» factory.

**The redevelopment project for the territory of the former AMO ZIL plant** with an area of more than 333 hectares envisages reconstruction and large-scale construction of a total of 4.4 mln sq m of buildings and structures by 2018. The project costs an estimated USD 6.6 bn (RUB 370 bn), including USD 5.7 bn in private investments (RUB 320 bn). The project will create a large, environmentally sound, housing estate with an industrial focus and the requisite infrastructure.

### AMO ZIL territory redevelopment project



**4.4** mln sq m

Multiuse comprehensive development

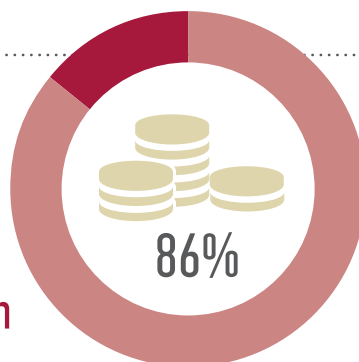


**333** ha

Territory area

**\$6.6** bn

Project investment

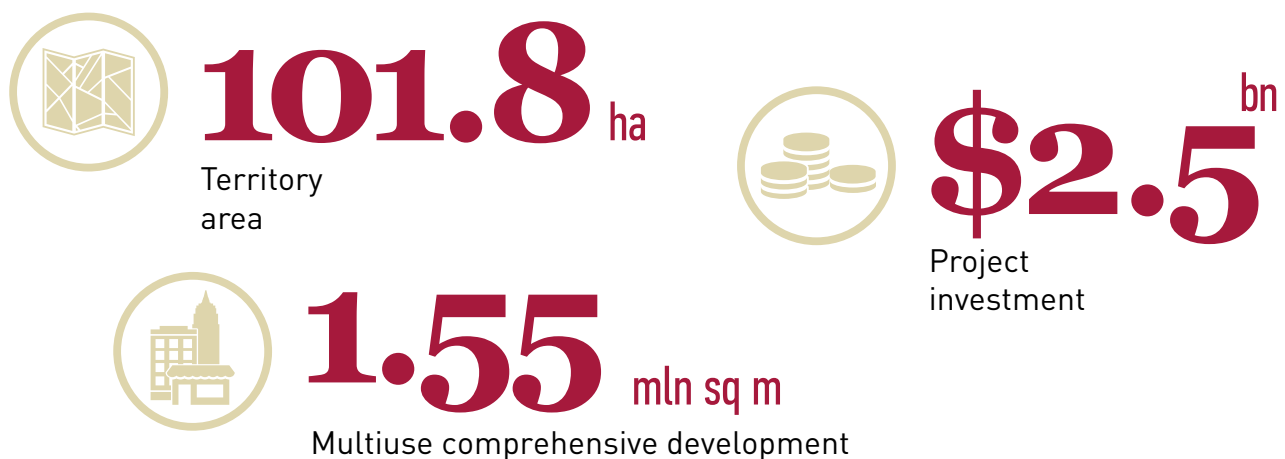


**\$5.7** bn

Private investment

The redevelopment project for the «Serp i molot» factory involves the re-organization of a territory with an area of 101.8 ha; investments in the project will amount to **USD 2.5 bn (about RUB 140 bn)**. Implementation of the project will result in the construction of dwellings for 19,000 people and the creation of 16,300 new jobs. Construction of new facilities within the area of the former plant is scheduled to begin in 2015. The whole reconstruction project is planned to be completed by 2021.

### «Serp i molot» factory redevelopment project



### Development of «Zelenograd» Special Economic Zone



«Zelenograd» SEZ is a technical innovation special economic zone, which was established to develop high-tech industries, develop and commercialize new technologies produce new types of products. The total area of the special economic zone is 145.8 ha, including the sites of the Moscow Electronics Institute (4.47 ha) and Alabushevo (141.33 ha).

#### Priority areas of interest in the «Zelenograd» SEZ include:

- microelectronics;
- energy-saving technologies;
- biotechnology;



**What kind of investments can be profitable?** Promising fields for investment

- information and communication technology;
- other types of high-tech scientific and production activity.

One advantage for residents is preferential access to infrastructure: preferential land lease rates, preferential terms for the purchase of land and preferential prices for engineering and transport services.





# How does it work?

## Investment attraction mechanisms

The city tries to attract investors to various sectors of the city's economy to create well-paid and highly productive jobs, including by attracting foreign investments and improving competitiveness. To achieve this goal, **Moscow uses the following mechanisms for attracting investments.**

### Public and private partnership, including life-cycle contracts and concessions

---



Moscow has accumulated substantial experience in implementing **public-private partnership projects on various scales and in various forms as well as contracts with investment conditions, which totalled more than USD 13 bn (RUB 500 bn) in 2013–2014 alone.**

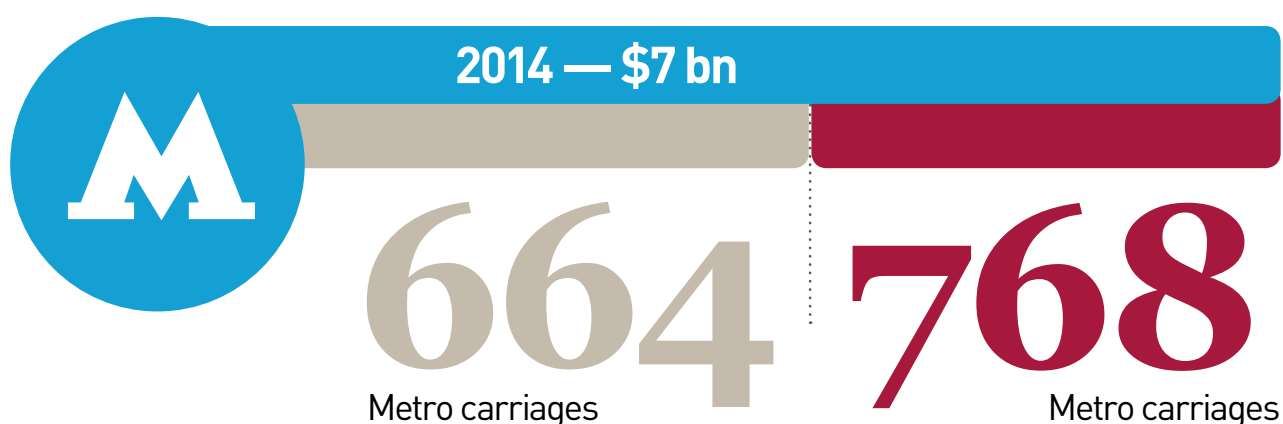
- **Northern bypass for Kutuzovsky Avenue:** the project consists of constructing a high speed toll road under a concession agreement. The length of the road will be about **11 km**. The number of lanes is no less than four.

Traffic volume is estimated at between **40,000 and 60,000 vehicles per day**. The concession agreement was signed in December 2014. The investor will contribute some **RUB 40 bn** in design and construction; investments will be repaid from toll payments, with ceiling rates set by the city. The agreement spells out conditions for cancelling the agreement and does not guarantee traffic volume and revenue for the concessionaire.

The concession agreement was signed for a period of **40 years**; the construction is expected to take up to five years.

- **Life-cycle contracts (LCCs) for the purchase of rolling-stock for the Metro:** The Metro will use LCCs for purchasing rolling stock and services from production plants. This new approach to the purchase and repair of Metro carriages will reduce annual spending from the city budget.

The contract is signed for the entire life cycle of the rolling stock. Two contracts were signed for supply of **664 and 768 metro carriages, respectively, with subsequent maintenance during 30 years.** The total value of the contracts exceeded **USD 7 bn (RUB 275 bn).**



- **Real estate rent with mutual obligations.** Reduced rent of premises for children’s educational institutions, reconstruction and preservation of items of cultural heritage and the provision of medical services within walking distance from citizens’ places of residence and employment (the programmes «1 ruble per square meter» and «Doctor Nearby»).

**By the mid of 2015,** investors had received **86 facilities,** including **33 that had already been commissioned.** Private investments in the project amounted to more than **USD 170 mln (RUB 6.5 bn).**

- **Long-term public contracts:** Project for handling solid domestic waste and bulk waste. The scheme we have developed provides for the conclusion of a public contract for services in handling waste (transportation of waste from collection points (domestic waste disposal points) and subsequent decontamination (disposal), including the collection of recyclable materials).

The scheme we have implemented to integrate the removal and disposal (decontamination) of waste by a single large contractor (instead of a high

number of small ones) allows us to conclude **a long-term contract for 15 years**, which will allow the contractor to invest funds in developing waste handling infrastructure.

In 2013-2014, **nine contracts** for removal and recycling of household waste, worth **a total of approximately USD 4.5 bn (RUB 142 bn)**, were signed in nine Moscow administrative districts.



## Privatization of municipal property

---



Moscow is actively selling its non-core property that is not related to city functioning. Moscow uses the funds from the assets sold for targeted support in cases of need. Over the four years from 2011 until 2014, Moscow sold non-core assets for more than USD 10.5 bn, including:

- ▶ equity stakes worth RUB 211.4 bn (USD 6.8 bn);
- ▶ property - RUB 55.5 bn (USD 1.7 bn);
- ▶ apartments - RUB 38.2 bn (USD 1.2 bn);
- ▶ land - of RUB 26.9 bn (USD 0.9 bn).

Among the largest assets sold there are JSC “World Trade Center”, JSC “MOEK”, Bank of Moscow, “Olympiysky” sports complex, hotels “Metropol”, “National”, and “Radisson Slavyanskaya”.

**In 2015, more than 1000 real estate facilities** will be put up for privatisation auctions.

## Special forms: technopolises, technoparks, etc.

---

One of priorities in the city's economic policy is high technology, industry modernization and attracting investment in the city's knowledge-intensive industries. Moscow is already a convenient place for establishing and developing high-tech businesses.

The sector's companies generate demand for specialized infrastructure. In Moscow, high-technology companies can take advantage of active technoparks with high-quality infrastructure and tax incentives. Moscow's technoparks offer favourable terms for the **development of innovative business and high-technology production and bringing it to the capital's market and beyond.**

Specialised infrastructure facilities are put on the Investment Map of the city, which is available on the **Moscow Investment Portal** [www.en.investmoscow.ru/investment/investment-map](http://www.en.investmoscow.ru/investment/investment-map)



On 1 August 2015 Moscow operated **nine technoparks and two technopolises**, whose tenants enjoy tax benefits, and the **Zelenograd special economic zone.**

The city plans to increase the number of specialized areas, while continuing to support their management companies and residents, offering discounted rental rates, substantial tax incentives and access to the facilities that are necessary for setting up the production process.





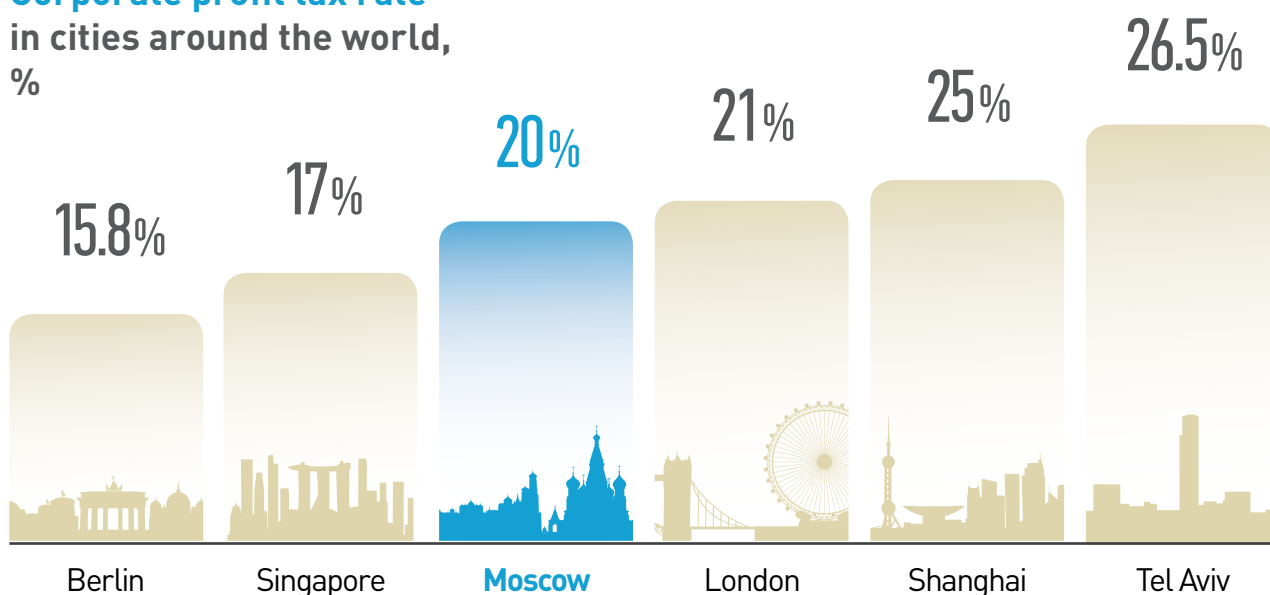
# Moscow is a city with a minimal tax burden on business!

State support for investment activity – tax discounts



Moscow has a moderate tax burden in comparison with other major cities of the world, with a 20% profit tax rate, which is lower than in London (21%) or Shanghai (25%).

**Corporate profit tax rate in cities around the world, %**



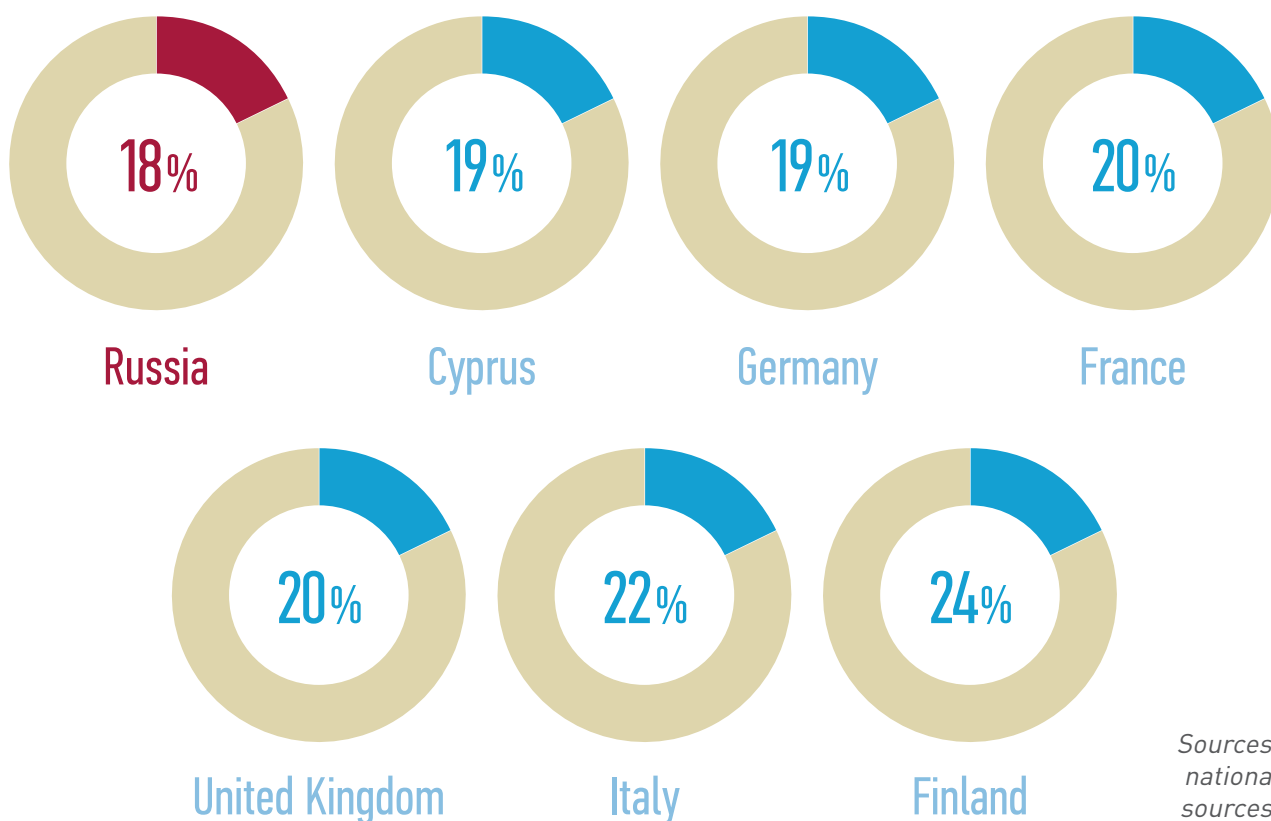
Source: PwC, national sources.

**The standard value-added tax rate in Russia is 18%**, lower than in most European Union economies– e.g., the standard VAT rate in Germany is 19%, in the UK 20%, and in Italy 22%.

**A zero VAT rate** applies to sales of products exported following the export customs procedure, products placed under the customs procedure of the free customs zone, international transport services and some other transactions.

**A 10% VAT** applies to sales of foodstuffs, children’s goods, printed periodicals and books, and medical products.

### **VAT rate in Russia compared with other countries, %**



### **For investing companies**

**Moscow city legislation provides for special tax discounts:**

- **lower rate of corporate tax** payable to the Moscow budget, of 13.5% for entities in the territory of Moscow involved in automobile manufacture, residents of technopolises, technological parks and industrial parks, and for residents of the «Zelenograd» techno-innovative Special Economic Zone;



- **exemption from transport tax** for residents of the «Zelenograd» technologically innovative Special Economic Zone;
- **land tax preferences** for managing organisations of technopolises, of technology and industrial parks;
- **exemption of the corporate property tax for:**
  - resident organisations of technopolises as well as technological and industrial parks;
  - management organisations of technopolises or technological parks;
  - organisations manufacturing cars in the city of Moscow;
- **the following shall be entitled to tax incentives:**
  - management organisations of industrial parks (50% of taxes);
  - scientific organisations engaged in R&D (25% of taxes calculated based on the cadastral value);
  - manufacturing organisations with respect to plant administration buildings (25% of taxes calculated based on the cadastral value).

**Other property tax benefits include:**

With the aim of lowering the **tax burden on small businesses**, the property tax base for such businesses was reduced by the cadastral value of 300 sq. m with respect to real estate items subject to property tax based on their cadastral value, provided that certain requirements are met.

To facilitate **transport system development** and balanced city-building policy implementation, the tax burden on enterprises providing transport system services was reduced. The following were exempt from property tax:

- municipal public transport organisations;
- organisations maintaining roads, highway road and bridge structures;
- multi-storey car parks.

To **facilitate residential and social sphere development, as well as that of the communal infrastructure, healthcare and education**, the following property tax benefits were provided for:

- Tax exemption for certain organisations, provided that certain requirements are met.
- Payment of 25% of the tax based on the cadastral value for organisations carrying out educational or medical activities.

To attract investment into the **hotel business, public catering and sport**, the following property tax benefits were provided for:

- For hotels: a benefit consisting in a reduction of the tax base by the cadastral value of the minimal residential floor area multiplied by 2 with respect to real estate items subject to property tax based on their cadastral value.
- For public catering facilities: application of a reduced tax rate (reduction factor 0.1) with respect to real estate items subject to property tax based on their cadastral value.
- With respect to sports facilities with stands seating at least 12 thousand, organisations pay 10% of the tax.

### **The patent taxation system was introduced in Moscow in 2013.**

- The patent taxation system for entrepreneurs was introduced for **65 activities**, including retail, passenger and freight carriage, maintenance and repair of vehicles, machinery and equipment, provision of consumer services to households, lease of residential and non-residential property. Currently, one in six Moscow entrepreneurs makes use of the patent taxation system.
- The patent taxation system results in a minimum tax burden on business and offers entrepreneurs numerous advantages compared to other taxation systems:
  - There is no need to fill in and file a tax return.
  - There is no need to use a cash register.
  - Exemption from a number of taxes (VAT, personal income tax and sales tax).
  - A differentiated approach to estimating the patent cost for a number of activities (trade, public catering, transport, real estate lease).
  - The possibility of paying for a patent in instalments.
  - The patented types of activities are to be expanded.

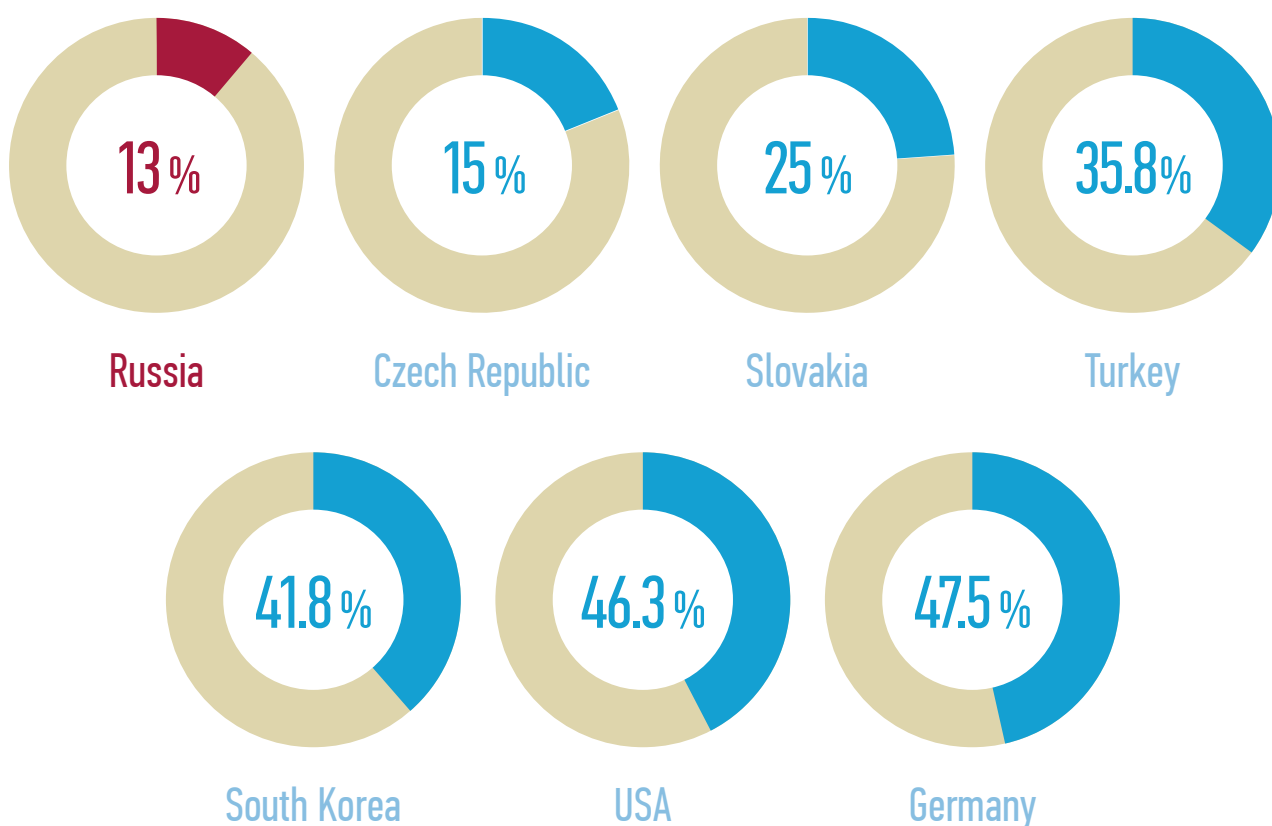
**Starting March 2015**, Moscow introduced **two-year tax holidays** envisaging zero-rated taxes for 24 months for newly-registered entrepreneurs in production, social and research sectors.

**Moscow is a city with a minimal tax burden on business!**  
State support for investment activity – tax discounts

## The tax burden on private individuals in Russia is one of the lowest in the world:

- Russia has a flat (proportional) income tax scale. For private individuals who are tax resident in the Russian Federation, most of their income will be liable to a 13% tax rate. Such incomes include, among other things, wages and property sale revenues.

### Maximum personal income tax rate\* in various countries, %



\* Maximum combined income tax rate at the central and regional levels.  
Sources: Russian Federal Tax Service, OECD.



# Moscow City Investment Portal



## **The interactive multi-purpose Moscow Investment Portal**

([www.en.investmoscow.ru](http://www.en.investmoscow.ru)) was created in 2014 as a single point of entry for investors and entrepreneurs.

Starting 2015, the portal is available in **Russian, English, German, Spanish, Chinese and Arabic.**

This is a unique, multi-function platform for investors and entrepreneurs who are operating or planning to open a business in Moscow.

The portal provides investors with **up-to-date information** about the **city's attractiveness to investment**, describes the **support measures** offered by the city, provides **a guide to the steps involved in opening or operating a business in Moscow**, and provides **current business information about investment projects** being planned and carried out.

For this purpose, the portal incorporates a convenient system of **navigation** and **search** by key projects, an **interactive investment map** of the city, and **regulations and documents** related to investment activity.

In addition, the portal provides investors with access to the **city's integrated trading platform**. Using a **multi-criteria search system**, investors can obtain **information on all city assets** that are being sold off on Moscow's trading platforms and familiarize themselves with the **tender documentation** and **tender calendar**, etc.

One unprecedented service offered by Moscow's investment practice is the ability to open **a personal investor account**, ensuring efficient and personalized interaction with the Moscow City Government. Registering a personal account gives investors a **direct line** to ask questions, submit proposals for collaborative investment, and send messages about violations of their interests in carrying out investment projects, as well as individually monitor the status of their submissions and receive information about them in an efficient manner.

In addition, the functionality of the personal account allows investors to **subscribe to tender assets** in which they are interested, **up-to-date news and announcements of events** on topics that interest them, and receive notifications about changes in their status.

With the aim of conveniently and efficiently carrying out their business activities, investors now have the possibility of **familiarizing themselves in advance with those municipal assets that are planned to be put up for tender**.

The information and services provided on the portal are seeing keen interest from a wide range of users and are a significant achievement in improving openness and establishing the optimal conditions for doing business in Moscow.





8



# Who to contact?

## Executive authorities and development institutions

### Development institutions

---



**Moscow City Investment Agency:** promotion of investment opportunities, benefits and achievements of the city of Moscow, increase the investment attractiveness of urban infrastructure and streamline the investment process.



The agency aims to introduce new forms of interaction with the investment community, both Russian and foreign, develop the investment process and make cooperation between the state authorities, business and society more effective. The Moscow City Investment Agency is an authorised organization providing one-stop-shop support for investment projects in Moscow.

[www.en.investmoscow.ru/agency](http://www.en.investmoscow.ru/agency)



**Moscow Innovation Development Centre:** Moscow Innovation Development Centre has been created for the development and implementation of state programmes to develop high-tech sectors of the city's economy.



[en.inno.msk.ru](http://en.inno.msk.ru)



**Business Support Council:** protection of Moscow entrepreneurs, their rights and interests, including protection against misappropriation of property rights and illegal take-over. Promotion of entrepreneurship development and elimination of administrative barriers. Strengthening cooperation between federal and municipal authorities, public authorities, non-governmental and other organizations in the field of protecting entrepreneurs and their interests.



[www.dnpp.mos.ru/service/the-headquarters-for-the-protection-of-entrepreneurship/general-information](http://www.dnpp.mos.ru/service/the-headquarters-for-the-protection-of-entrepreneurship/general-information)

## Moscow Executive Authorities

---



**Moscow  
City Government**  
[www.mos.ru/en](http://www.mos.ru/en)



**Department of Economic Policy  
and Development of Moscow City**  
[www.depr.mos.ru/en](http://www.depr.mos.ru/en)



**Department  
for Competition Policy**  
[www.tender.mos.ru](http://www.tender.mos.ru)





**Department of Science, Industrial Policy  
and Entrepreneurship of Moscow**  
[www.dnpp.mos.ru/en](http://www.dnpp.mos.ru/en)



**Department of Municipal Property  
of Moscow**  
[www.dgi.mos.ru](http://www.dgi.mos.ru)



**Department of Foreign Economic  
and International Relations of Moscow**  
[www.dvms.mos.ru](http://www.dvms.mos.ru)



