



Deputy-Minister of Economic  
Development and Industry of the  
Republic of Karelia

# Dmitry S. Kislov

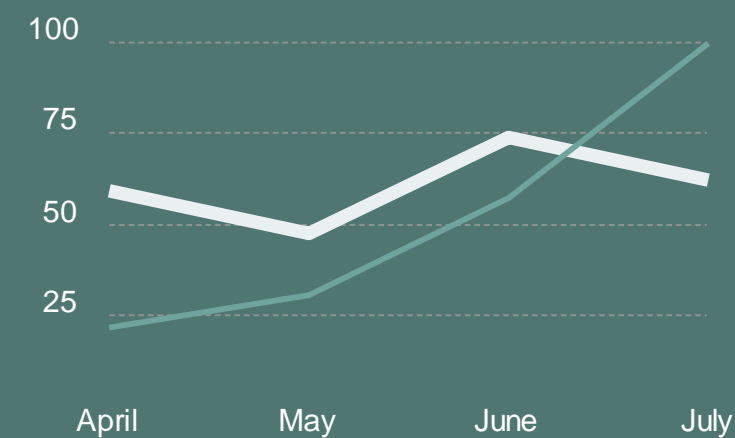
On State Support and Novelties in the Legislation  
of the Republic of Karelia for Entrepreneurship and  
Investment Potential Development



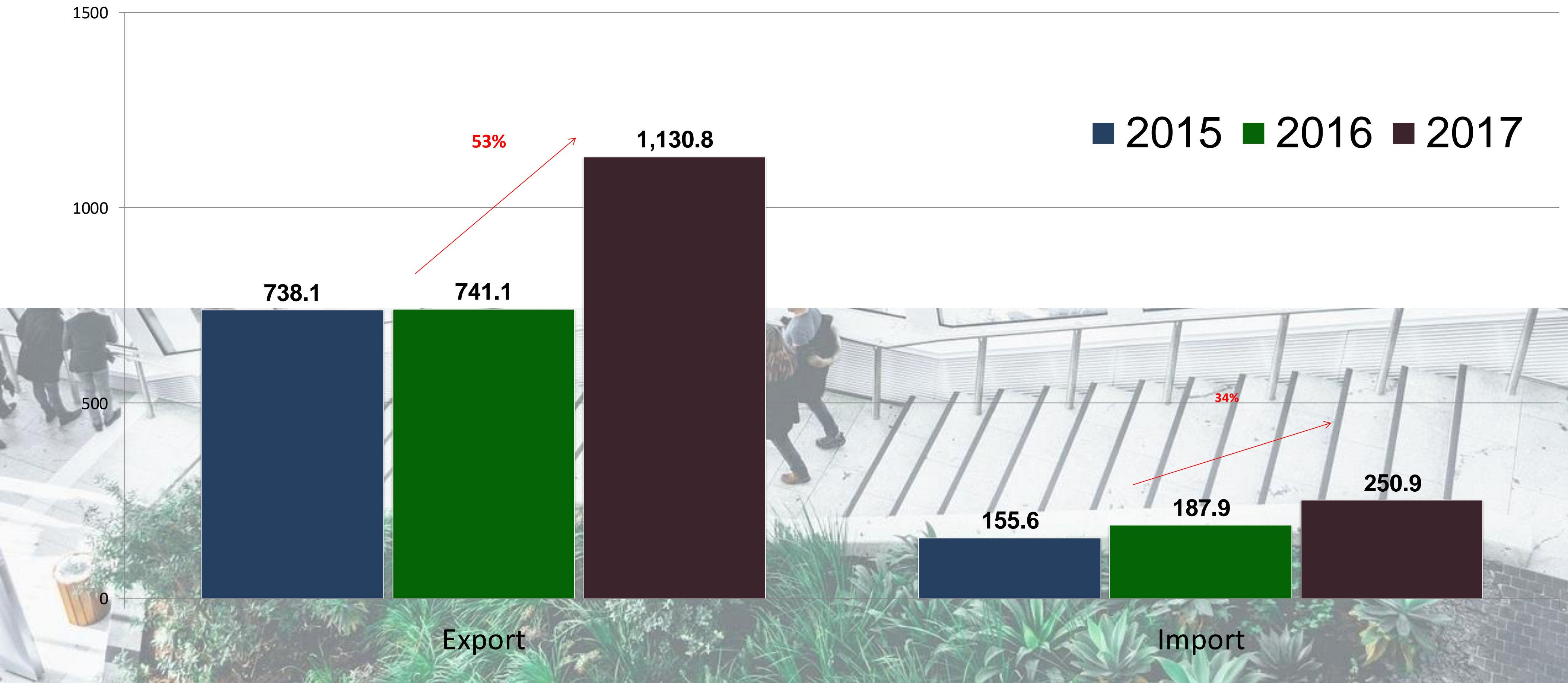




Development of favourable investment climate and creation of favourable conditions for entrepreneurial activities are considered as one of the main tasks for development of the country's economy



# Value of external trade for the Republic of Karelia, USD million







## Factors, hindering investment attraction to the region in 2017

- Inefficiency of regulatory and legal framework for investors' support;
- High administrative barriers;
- Low level of entrepreneurship infrastructure development;
- High electric power tariffs;
- Lack of ready-to-use land plots with infrastructure;
- Insufficient informing of entrepreneurs about existing and introduced support measures for entrepreneurial and investment activities;
- Low index of the National rating for investment climate.





## Adopted measures for establishing favourable conditions for business activities



- ✓ Improving of regulatory and legal framework for investors' support;
- ✓ Decreasing of administrative barriers level;
- ✓ Increasing of entrepreneurship investment infrastructure level;
- ✓ Decreasing of tariffs;
- ✓ Forming of land plots with infrastructure;
- ✓ Informing business players on existing and introduced measures for entrepreneurial and investment activities support.





# Law of the Republic of Karelia of 05.03.2013 № 1687-ZRK



Tax privileges for regional taxes (0% property tax);

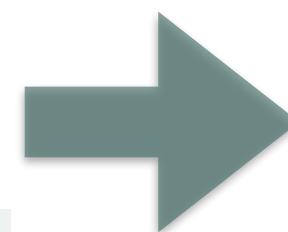
Advantages in the form of providing decreased regional part of the revenue tax (13,5%);

Investment tax loan for the organisation's revenue tax at the tax rate, set for paying the mentioned tax to the budget of the Republic of Karelia, and regional taxes according to the taxation legislation of the Russian Federation and the Republic of Karelia;

Privileged conditions for using land and other real estate (0,01%);

Subsidies from the budget of the Republic of Karelia for partial compensation of the cadaster works costs;

Partial compensation of the costs connected to paying the loan interest, for the loans received for implementing investment projects.



The subsidy from the budget of the Republic of Karelia for a partial compensation of the costs for the loan interest of the loans received for financing investment projects is set at the level of CB rate plus 2 percentage points;

Providing investors with a subsidy from the budget of the Republic of Karelia for a partial compensation of the costs of purchasing machinery and equipment for the purposes of implementing investment projects in accordance with the budget legislation of the Russian Federation and the Republic of Karelia.







# State Support of Bio-Pharmaceutical production

State support is provided to bio-pharmaceutical producers in the amount of no more than 90% of the personal income tax, paid by the bio-pharmaceutical producer to the budget of the Republic of Karelia in the previous financial year.

## **Subsidizing is provided for the following costs:**

- ▶ Certification and patenting
- ▶ Purchase of machinery, equipment and attachments
- ▶ For the purposes of establishing and (or) development, modernization of production lines for producing biologically active additives and pharmaceuticals.
- ▶ Purchase of raw materials and components for producing biologically active additives and pharmaceuticals





# Special Investment Contract (SpIC)



The project investment must be no less than 350 mln. rub.  
(Republic of Karelia).

SPIC support measures in the Republic of Karelia:

- Regional part of the revenue tax rate is set at 5% (Privileges are provided on condition that revenue from selling goods, produced as a result of implementing a project within SPIC are no less than 90% of the total revenue, taking into account at setting the taxation base);
- 0% property tax rate;
- Regional investment project.

According to the investment declaration, capital investment volume can not be less than:

- 50 million rubles on condition that the whole volume of investment is implemented within three years from including the organisation in the RIP participants list;
- 500 million rubles on condition that the capital investment is made within five years from including the organisation in the RIP participants list.

## Investor’s tax preferences

Tax type	Tax rate	SPiC RF	SPIC RK
Revenue tax (fed. budget)	3%	0%	3%
Revenue tax (reg. budget)	17%	17%	5%
Property tax	2,2%	-	0%



# SME Support Measures



Law of 03.07.2008 N 1215-ZRK

«On some issues of small and medium entrepreneurship development in the Republic of Karelia»



The law is being implemented via SME Support Programme **(49-P)** by the Ministry of Economic Development and Industry of the Republic of Karelia.



## Costs Recovery for the SME Subjects



Compensation of interest for loans from the Russian banks.

Partial subsidizing of costs for equipment, purchased for the purposes of establishing, development or renovation of production facilities, purchasing of mobile shops for arrangement of trade activities in remote settlements.

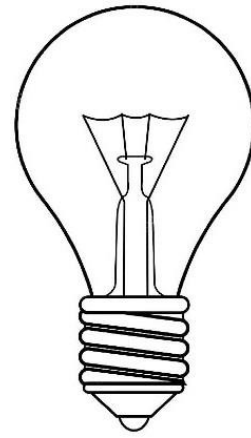
Grants for first-time entrepreneurs in the amount of 300 thousand rubles.





# Subsidizing technological connection to the electricity supply network facilities

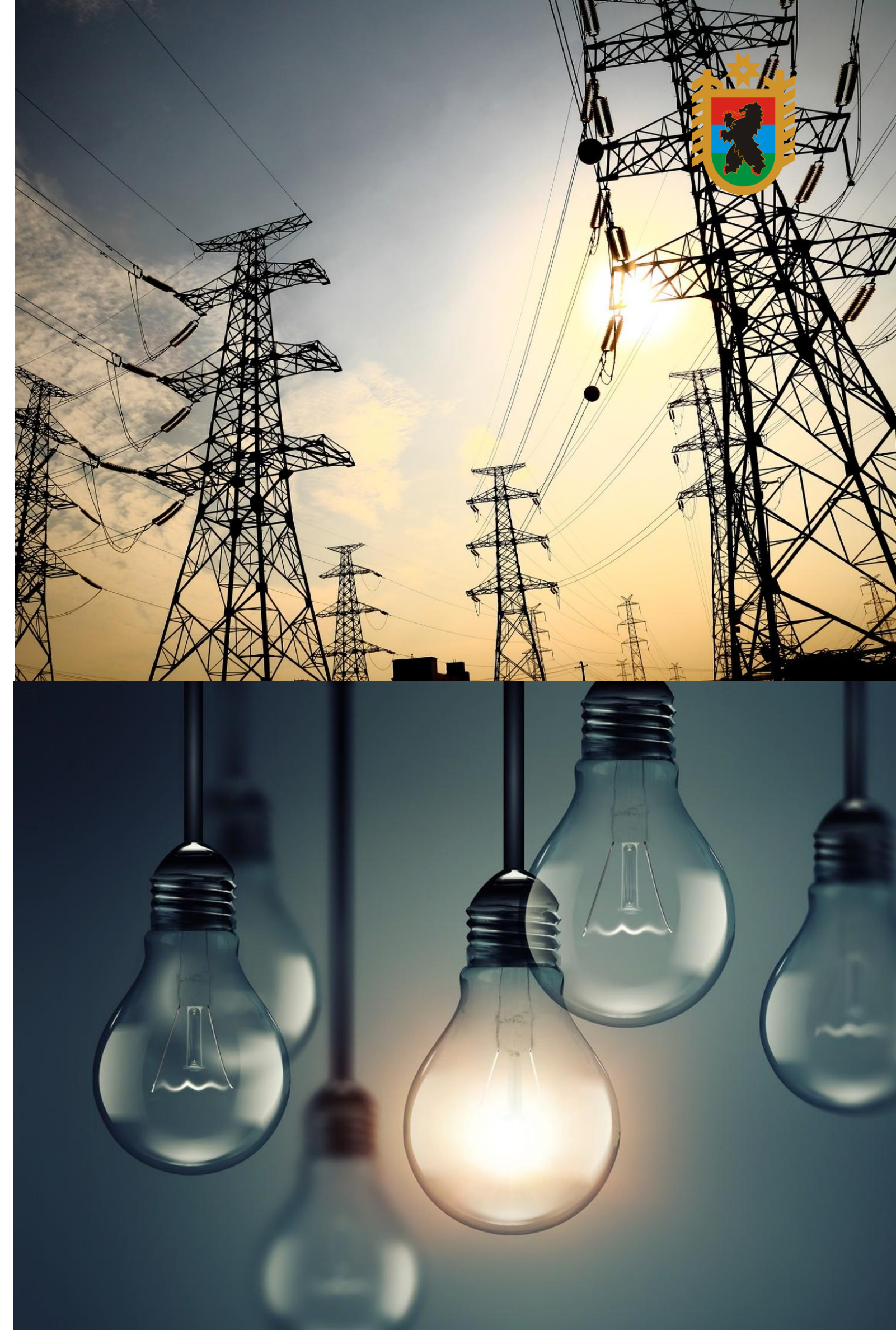
The subsidy size is 50% of the costs for technological connection to the electricity supply network facilities, but no more than 3 mln rubles.



## Selection criteria:

- Ensuring the average level of employees salaries, but not lower than the average salary in the industry;
- Investment volume of own and (or) loan funds;
- Jobs number increase;
- The activities location is in a mono-profile settlement.

Provided on a competitive basis.







# Subsidizing electric power costs

The subsidy size is 50% of the costs, but no more than 1 mln. rubles.

Selection criteria:

- Ensuring the average level of employees salaries, but not lower than the average salary in the industry;
- Jobs number increase;
- Employing people with special needs;
- The activities location is in a mono-profile settlement.

The subsidy is granted to SME's in the following industries:

- a) food stuffs production;
- b) production of handicraft goods;
- c) providing tourist services;
- d) Social entrepreneurship in the following spheres:
  - Pre-school education services,
  - Supplementary children education services,
  - activities in the sphere of culture,
  - Activities in the sphere of physical training and sports,
  - Activities in the sphere of handicapped people employment,
  - Activities in the sphere of medical services,
  - activities in the sphere of social welfare facilities.

Provided on a competitive basis.





# Subsidizing construction and (or) reconstruction of motorway service objects

## The priority selection criteria are:

- Volume of own and (or) loan investment of the applicant
- Number of jobs

## The subsidy's size is 70% of the costs, but no more than 1.5 mln. rubles.

- For construction and (or) reconstruction of motorway service objects;
- For construction and (or) reconstruction of slip roads to the motorway service objects;
- For construction and (or) reconstruction of camping areas;
- For connection to electricity supply facilities;
- For construction of paved areas for vehicles;
- For construction of sanitary facilities (toilets, shower rooms);
- For developing of design estimate documentation.

Provided on a competitive basis.





# Subsidizing the costs, connected to establishing (reconstruction) of guest rooms/guest houses, meant for tourist accommodation.

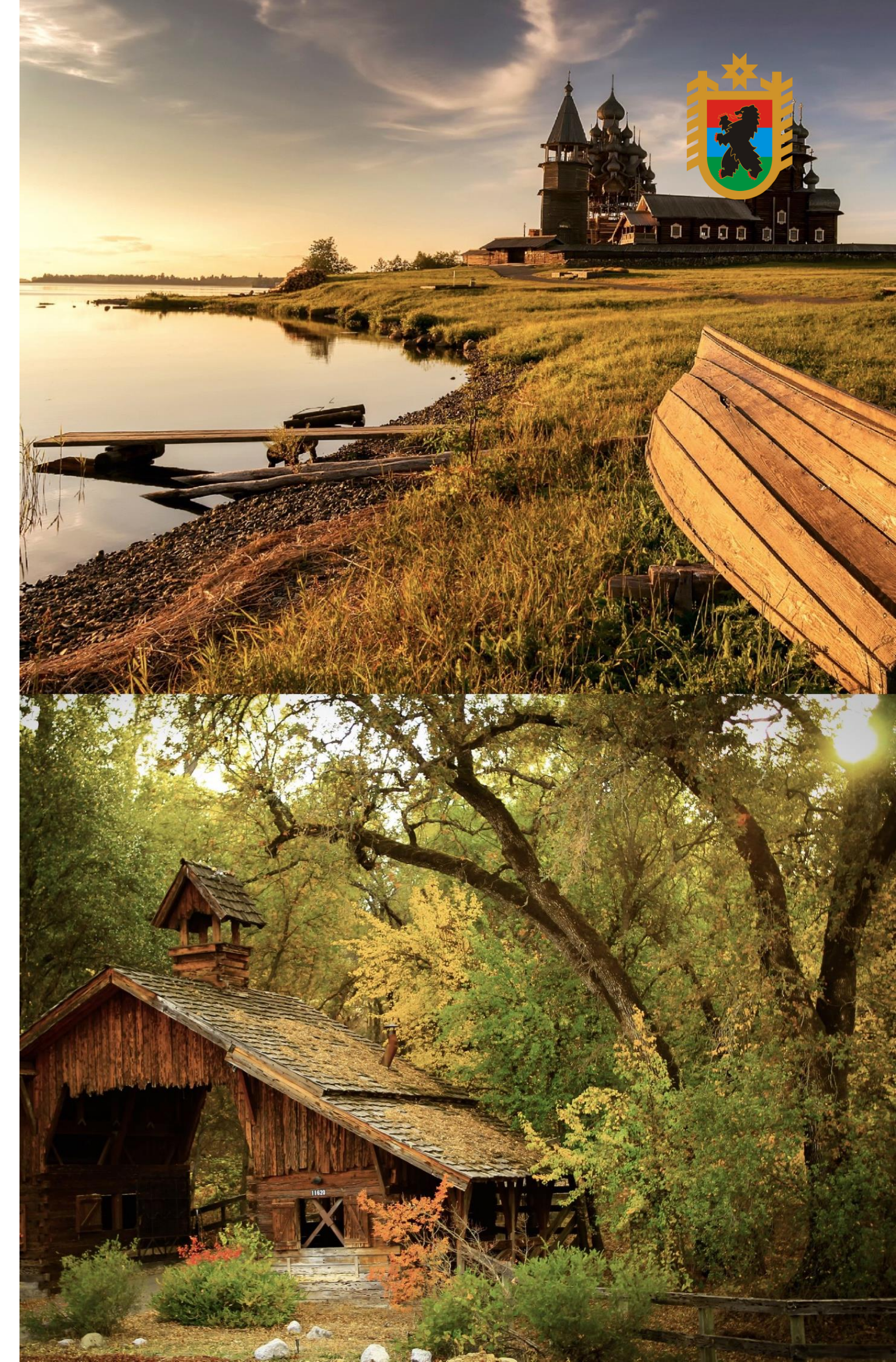
## In priority order is provided when:

- Providing the employees average salary no less than the average salary in the industry;
- Having signed public agreements between the applicant and potential services consumers;
- Increasing the number of jobs;
- Increasing the turnover from selling goods (works, services);
- Depending on the number of beds in the accommodation facility, including guest rooms and guest houses;
- Depending on the own and (or) loan funds investment volume

## The subsidy's size is 70% of the costs, but no more than 1.5 mln. rubles:

- Compensation of costs for bringing the facilities, buildings and constructions to the necessary (normative) condition;
- For purchasing of the engineer infrastructure systems;
- For purchasing furniture, household appliances, other equipment for the purpose of providing accommodation services;
- For improving the area, adjacent to the accommodation facilities.

Provided on a competitive basis.







# Subsidizing SME subjects, producing goods



**The subsidy's size is 70% of the costs, but no more than 2 mln. rubles for purchasing equipment by enterprises producing :**

- *Food stuffs*
- *Handicraft goods.*

**In priority order is provided when:**

- Providing the employee's average salary no lower than the average salary in the industry;
- Increasing the number of jobs;
- Increasing the turnover volume;
- Employing handicapped people;
- The business activities are located in a mono-profile municipality.



**Provided on a competitive basis.**





**Novelties in the law of the  
Republic of Karelia “On  
Some Issues of Regulating  
Land matters in the  
Republic of Karelia”**

- The buy-back price for renters of land plots with tourist infrastructure objects (recreational centres, hotels) is set in the amount of 20% of the cadaster cost;
- Providing the real estate objects to the SME subjects at a privileged rent rate or free of charge
- Real estate objects will be provided free of charge on a competitive basis. At the moment these are 8 real estate objects which are the state property of the Republic of Karelia.

**Novelties in the Law of the Republic of Karelia on  
implementation of the Land Code of the Russian  
federation in the Republic of Karelia (N 1921-ZRK (as  
amended of 31.05.2018)**

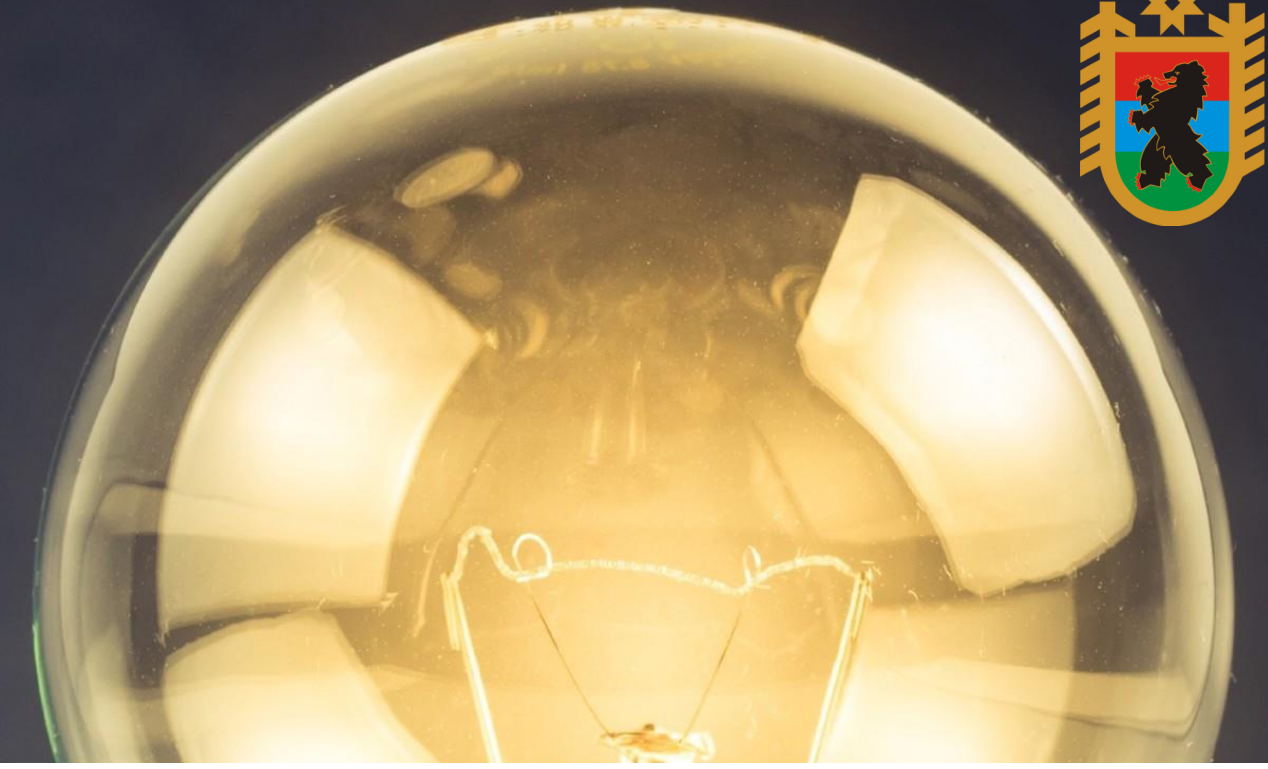
**New levelled down criteria are set for large-scale  
investment projects**

- Number of new jobs decreased from 200 to 100 employees;
- Investment volume decreased from 500 to 300 million rubles;
- Agriculture projects capital investment volume decreased from 200 to 100 million rubles;
- Capital investment volume to the projects for construction (reconstruction) of airport engineer works is decreased from 30 to 20 million rubles.



Resolution by the Government of RF of 27.12.2010 №1172  
(as amended of 19.01.2018)

«On Approving the Regulations for the Wholesale Market of Electric Power and Capacity and on Amending Some Acts by the Government of the Russian Federation on the Issues of Arranging and Functioning of the Wholesale Market of Electric Power and Capacity»



Electric power tariffs for small and medium business in Karelia

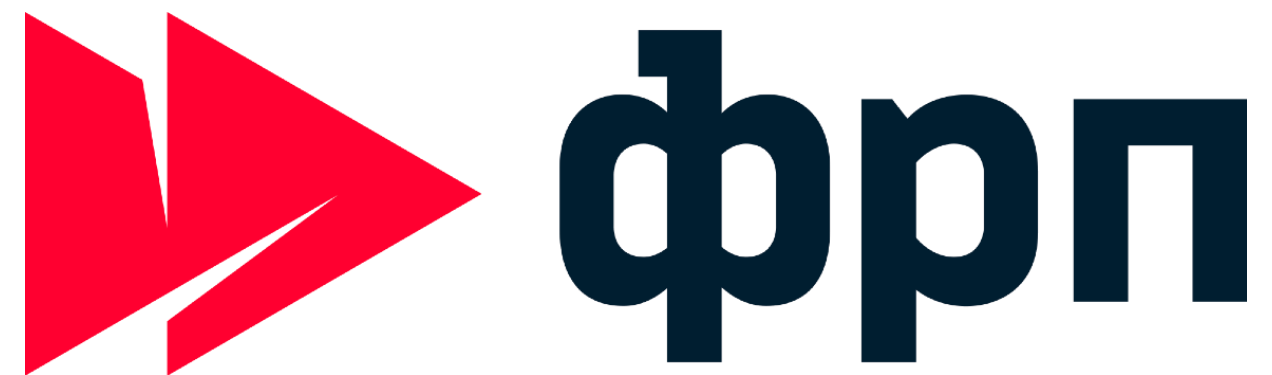
Was 9,5 rub for 1 kWh



Now 5,57 rub for 1 kWh





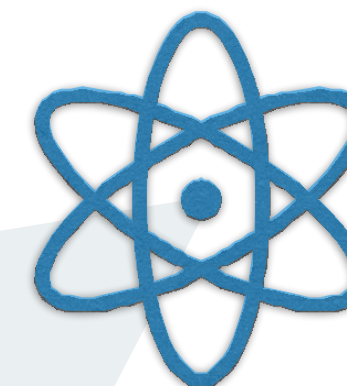


To provide financial support to industrial enterprises we established the Industry Development Fund of the Republic of Karelia. The Fund co-finances projects within “Development Projects” and “Component Parts” programs in proportion 70% (federal funds) to 30% (regional funds). The loan’s size is from 20 to 100 million rubles bearing 5% annual interest.

B



There are 11 mono-profile cities in the Republic of Karelia which comprise 46% of the total amount of towns where 23% of the total population of the Republic reside.



Co-financing of construction infrastructure objects, which are necessary to implement new investment projects and are located in a mono-profile town area.

Providing loans for implementing a new investment project in a mono-profile town for 8 years bearing 5% annual interest.



# PSEDA



Two PSEDA's already established in Nadvoitsy and Kondopoga. Decision to establish PSEDA in Kostomuksha already made. We are working on establishing PSEDA in Pitkyaranta.

		Tax		PSEDA	No PSEDA
		Revenue tax, including:		5%	20%
		Federal budget		0%	2%
		Regional budget		5%	18%
Land tax (Local budget)				0%	~1,5%
Corporate property tax (regional budget)				0%	2,2%
Insurance fees to the state non-budget funds, including:				7,6%	30%
		Pension Fund		6%	22%
		Social Insurance Fund		1,5%	2,9%
		Obligatory Medical Insurance Fund		0,1%	5,1%



# Special economic zone of industrial type Värtsilä



**The Government of the Republic of Karelia made a decision to establish a special economic zone of industrial-production type in the settlement of Värtsilä**

- ☐ Privileged taxation
- ☐ Free customs zone's customs procedures
- ☐ One-stop-shop approach
- ☐ Professional management by a specialized Managing company
- ☐ Access to the publicly-funded infrastructure





# Information support

## Ministry of Economic Development and Industry of the Republic of Karelia

Ул. Андропова, 2  
Эл. почта: [economy@karelia.ru](mailto:economy@karelia.ru)  
Сайт: [economy.karelia.ru](http://economy.karelia.ru)

## Development Corporation of the Republic of Karelia

Республика Карелия, г. Петрозаводск, наб. Гюллинга, 11 (Бизнес-инкубатор, офис 19)  
Телефон/факс: 8 (8142) 44-54-00  
Эл. почта: [economy@karelia.ru](mailto:economy@karelia.ru)

## Public reception office of the Business Rights Commissioner of the Republic of Karelia

Республика Карелия, г. Петрозаводск, наб. Гюллинга, 11 (каб. 1)  
Телефоны: 8 (8142) 67-20-53, 78-08-37  
Эл. почта: [ombudsmanbiz@gov.karelia.ru](mailto:ombudsmanbiz@gov.karelia.ru)

## SME Loan Fund of the Republic of Karelia

185005, г. Петрозаводск, наб. Гюллинга, 11 (оф. 11, 18)  
Телефоны: 8 (8142) 67-20-61; 67-20-51  
Эл. почта: [fsk.karelia@yandex.ru](mailto:fsk.karelia@yandex.ru)

## Business Incubator of the Republic of Karelia

Республика Карелия, г. Петрозаводск, наб. Гюллинга, 11  
Телефон: 8 (8142) 67-20-31  
Эл. почта: [info@binrk.ru](mailto:info@binrk.ru)  
Сайт: [binrk.ru](http://binrk.ru)

## Guarantee Fund of the Republic of Karelia

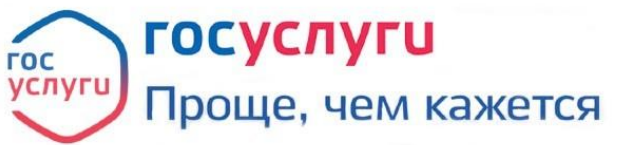
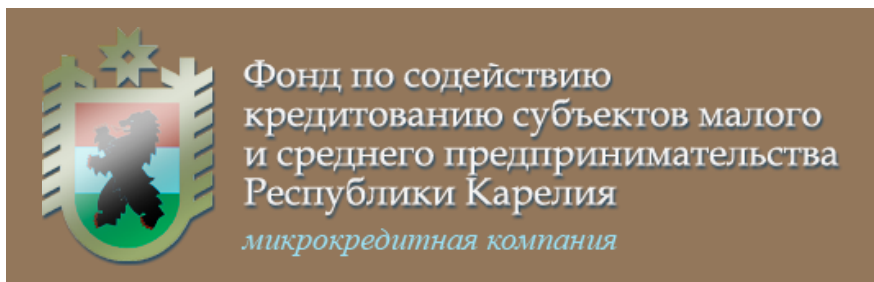
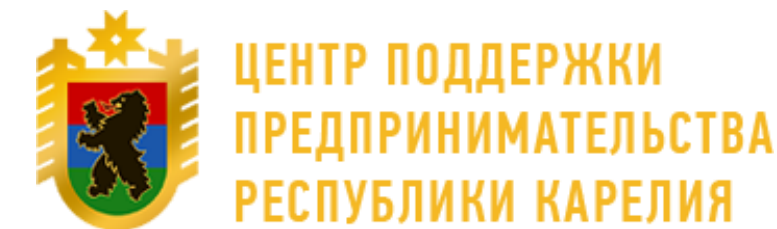
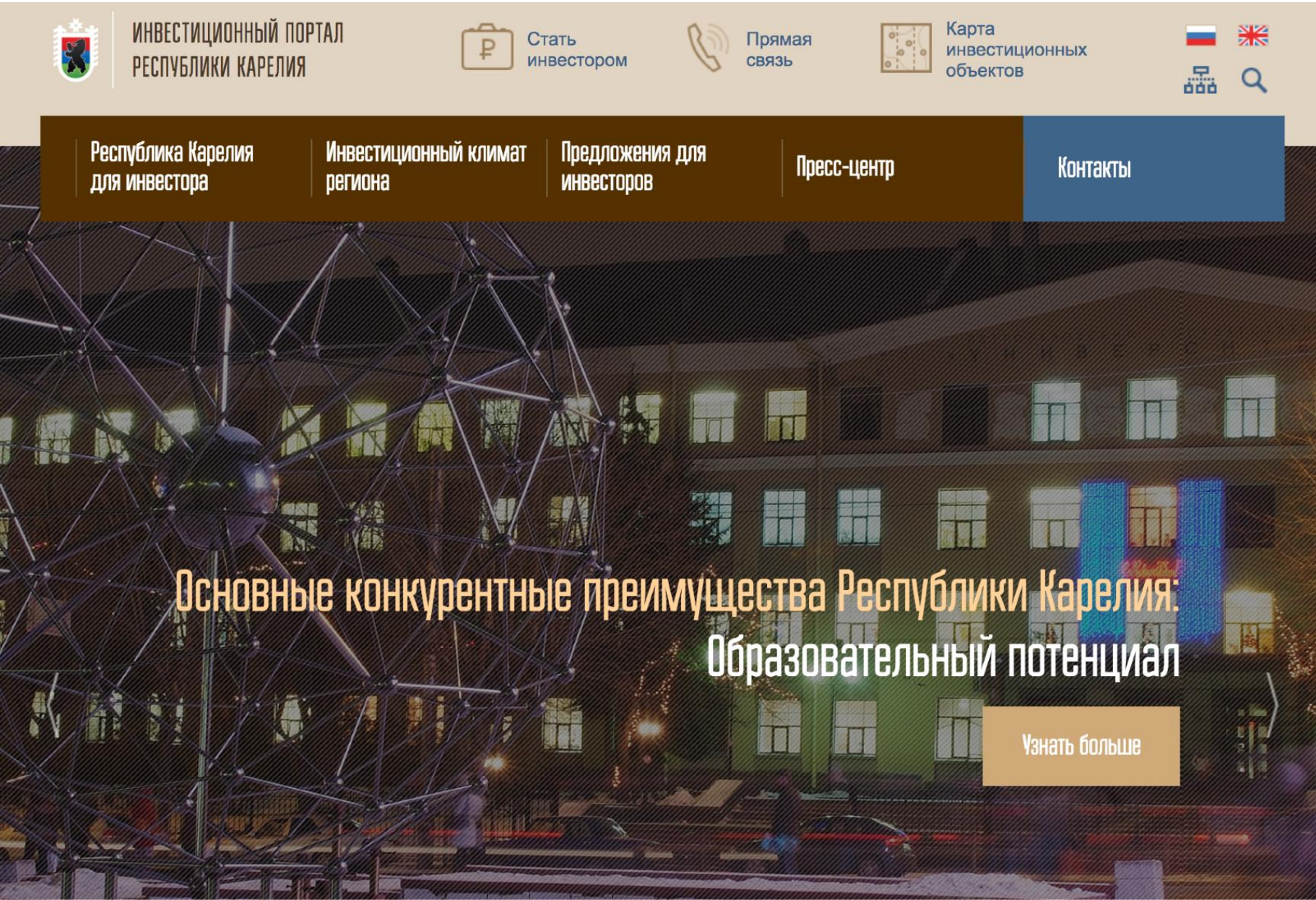
Республика Карелия, г. Петрозаводск, наб. Гюллинга, 11, (оф. 17)  
Телефон: 8 (8142) 67-20-61  
Эл. почта: [gar.fond@yandex.ru](mailto:gar.fond@yandex.ru)  
Сайт: [garfond.karelia.ru](http://garfond.karelia.ru)

## Regional Centre for Coordination of Export-Oriented SME's Support

Республика Карелия, г. Петрозаводск, наб. Гюллинга, 11, (2 этаж)  
Телефон: 8 (8142) 44-54-00  
Эл. почта: [export@kr-rk.ru](mailto:export@kr-rk.ru)  
Сайт: [export10.ru](http://export10.ru)

## Investment portal of the Republic of Karelia

Сайт: [kareliainvest.ru](http://kareliainvest.ru)







**Main directions of Euregio Karelia 2020**



# Thank you for your attention!

