

Russia:

An Overview of Select Markets' Government Response to COVID-19 and State-Sponsored Relief Programs

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Russia

To mitigate the impact of the COVID-19 outbreak on the Russian economy and society, the Russian government has implemented a number of measures, expected to cost up to RUB300b (about USD4b), to support businesses. These measures include measures that are available to businesses generally, and specific measures targeted at the most vulnerable enterprises, namely entities operating in the economic sectors most affected by the COVID-19 pandemic ("Vulnerable Sectors"), small and medium-sized enterprises ("SMEs") and systemically important companies ("Systemic Companies").

General Measures:

- A six-month moratorium on bankruptcy claims against certain companies, including but not limited to SMEs operating in Vulnerable Sectors and Systemic Companies. The companies subject to the moratorium have a right to opt-out of it;
- An open market share buyback procedure for public joint stock companies, the price of shares and the securities market index of which in any three months from March 1, 2020 decreased by 20% as compared with the price of shares and the securities market index in any three months starting from October 1, 2019.

Specific Measures:

- An interest-free loan from banks, available to enterprises operating in Vulnerable Sectors. The term of such loans will be six months. To be eligible for the loan, a medium or a large-sized enterprise must retain 90% of its employees;
- A loan at reduced interest rate of 5% per annum for Systemic Companies. The loan amount will depend on the average monthly earnings, amortization, and profits of the borrower, but will not exceed RUB3b. The loan must be used for the purposes determined by the Russian government (which include paying salaries, leasing of premises and equipment, and the servicing of equipment);
- A direct subsidy for emergency needs for SMEs (the amount subsidized depends on the number of employees of the business) operating in Vulnerable Sectors. The subsidy may be granted only to SMEs who retain 90% of their workforce;
- An up to six-month grace period for SMEs to perform or comply with their obligations under loan agreements;
- Grace periods for tenant SMEs, operating in the Vulnerable Sectors, for the payment of rent, a reduction of their rental payments or the full release from paying rent for leasing certain property, such as federal state-owned property in particular;
- A reduction in social insurance contributions for SMEs and a grace period for the payment of certain taxes and insurance contributions by enterprises operating in Vulnerable Sectors. The grace period is available to companies that meet certain criteria, such as a decrease of income by 10% or more and the incurrance of losses. The length of the grace period is dependent on the total amount of the income and losses.

Proposed Measures:

- Complete exemption from paying taxes (other than VAT) and insurance contributions for Q2 2020 for SMEs operating in Vulnerable Sectors;
- Loan program at 2% interest rate to support employment for companies operating in Vulnerable Sectors. Companies that retain 90% or more of their workforce may enjoy complete exemption from repaying the loan and interest at the expense of the state.