

Business Protection?

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The Russian president is once again attempting to take control of the business marketplace. Upcoming changes to the Civil Code are going to bring significant adjustments to the rules surrounding the establishment, liquidation, activity regulation and corporate relations of legal entities.

On one hand, the government is trying to get rid of phony companies, to protect creditors and to avoid the situation where small companies with base capital of 10,000 rubles amounting to just office furniture produce billions in turnover. On the other hand, the need to stimulate commercial activity, competition and international capital flows must be balanced, and does not require such strict regulation. The amendments to the Civil Code are intended to balance these goals.

Among the basic suggestions by lawmakers in the matters of business regulation the following policies can be identified:

- delegation of powers over a company's registration to an institution of justice, and formal validation of the articles of association;
- the minimal amount of authorized capital, which must be covered by liquidity, is to be set at 500,000 rubles for limited liability companies, 5 million rubles for joint stock companies and 100 million rubles for public joint stock companies;
- all legal entities are to be divided into corporate and unitary enterprises;
- legal entities are to be responsible for receipt of judicially significant mail;
- if a legal entity has been incorporated in a foreign country that has more favorable taxation, and/or if this country does not require information disclosure, the company should be allowed to conduct commercial activity in Russia only if it provides an official Russian body with information about its shareholders and beneficiaries. If this information is not disclosed, then the individuals who control the company's activity and/or its representatives are jointly liable for its obligations;
- other important developments.

President Dmitry Medvedev has requested that work be continued on the bill and has disapproved the conditions concerning the delegation of powers for a company's registration to an institution of justice, or validation of the articles of association. The president also suggested a compromise regarding the amounts of base capital and obligatory notary verification of corporate decisions.

These changes to the Civil Code have not yet been brought up in the State Duma, and the bill is to be further edited. This is why the lawyers of Russia must use this opportunity to discuss the draft, send their suggestions to the lawmakers and prepare the business community for the upcoming changes.

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