



GLOBAL EXPANSION GUIDEBOOK GLOBAL EQUITY

Russia



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INTRODUCTION

Welcome to the 2024 edition of DLA Piper's *Global Expansion Guidebook – Global Equity*.

GLOBAL EXPANSION GUIDEBOOK SERIES

Many companies today aim to scale their businesses globally and into multiple countries simultaneously. In order to help clients meet this challenge, we have created a handy set of global guides that cover the basics companies need to know. The *Global Expansion Guidebook* series reviews business-relevant corporate, employment, intellectual property and technology, and tax laws in key jurisdictions around the world.

GLOBAL EQUITY

Our philosophy for providing services to our clients can best be described as a partnership. We strive to provide our clients with a solutions-oriented approach to address their current and future legal needs. Specifically, we analyze each project from a risk and cost-benefit standpoint. We also advise our clients of current best practices and keep them apprised of any legal, cultural, and business changes that may affect their programs. We hope that you find the information in this guide useful for the implementation of your company's equity compensation programs. In preparing the guide, we have made several assumptions about the stock awards that may or may not be applicable to your company. The assumptions include: (i) the local entity is a wholly-owned subsidiary of the issuing company; and (ii) the participants are employees of the local entity or the issuing company.

In addition, you should be aware that the information provided in the guide is presented in a general format and is not a comprehensive summary of all the tax and regulatory issues that may be applicable to your company's specific circumstances (i.e., plan design, corporate governance, tax practices and administration). Furthermore, the laws and regulations applicable to stock awards are constantly changing. These changes may not be incorporated into this version of the guide. With these factors in mind, it is important that you do not consider this guide to be legal advice and do not rely solely on the information provided when implementing an equity award plan abroad. We would be pleased to help you review all pertinent information and can assist you in developing a comprehensive strategy to offer an equity award plan globally.

We hope that you find this guide valuable and we welcome your feedback.

This publication is provided to you as a courtesy, and it does not establish a client relationship between DLA Piper and you, or any other person or entity that receives it.

This is a general reference document and should not be relied upon as legal advice. The application and effect of any law or regulation upon a particular situation can vary depending upon the specific facts and circumstances, and so you should consult with a lawyer regarding the impact of any of these regimes in any particular instance.

DLA Piper and any contributing law firms accept no liability for errors or omissions appearing in this publication and, in addition, DLA Piper accepts no liability at all for the content provided by the other contributing law firms. Please note that global equity law is dynamic, and the legal regime in the countries surveyed could change.

RUSSIA



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RESTRICTED STOCK AND RSUS

Securities

Generally, stock awards in public companies are subject to securities law restrictions, and currently, there is no special exemption for the offering to the employees. Special rules and additional restrictions exist for offering of securities and other financial instruments by non-Russian issuers.

Stock awards in Russian private companies are not common, and may be subject to different securities law restrictions depending on the nature of such private companies.

Foreign exchange

Russian residents are generally allowed to remit foreign currency to purchase shares of foreign corporations. Provided certain restrictions and reporting requirements are met, employees generally may hold foreign currency in banks located outside of Russia. However, proceeds from a sale of the foreign stock must always be transferred to the bank accounts of Russian currency control residents, opened with a Russian bank. Starting from January 1, 2018, proceeds from disposal of the foreign stock listed at foreign stock exchange in accordance with the list of foreign stock exchanges approved by an Order of the Federal Financial Markets Service could be transferred to foreign bank account of employees – Russian currency control residents provided that such bank accounts are opened with banks of OECD or FATF member states and have been notified by currency control residents to the Russian tax authorities in accordance with the statutory procedure.

Tax

Employee

On the condition that restricted stock and RSUs qualify as shares (securities) or "termed finance instruments" (as defined under the Russian law), they are taxed upon vesting.

Tax is imposed from the sale of shares.

Employer

Withholding & reporting

Employers generally must comply with reporting and withholding requirements on any income paid to Russian taxpayers.

Deduction

Generally, the subsidiary will not be able to deduct the cost of the benefits from its taxable income.

Social insurance

Unless the offer of restricted stock and RSUs is deemed to be an employment benefit, they generally are not subject to social insurance contributions.

Data protection

Obtaining employee consent for processing and transferring personal data is required.

Labor

Although not common, plan benefits may be considered part of the employment relationship, and may be included in the calculation of severance or retirement payments. To reduce the risk of entitlement claims, employees should expressly agree in writing that:

- Participation in the plan is discretionary
- Termination of employment will result in the loss of unvested rights

If stock awards are provided by an affiliated company of a Russian employer, it is essential to ensure that the employment agreement entered into between such Russian company and its employee does not contain any references to the stock awards.

Communications

Although not legally required, it is recommended that documents regarding employee stock plans be translated. Any filing with the government must be translated.

STOCK OPTIONS

Securities

Generally, stock awards in public companies are subject to securities law restrictions, and currently there is no special exemption for the offering to the employees. Special rules and additional restrictions exist for offering of securities and other financial instruments by non-Russian issuers.

Stock awards in Russian private companies are not common, and may be subject to different securities law restrictions depending on the nature of such private companies.

Foreign exchange

Russian residents generally are allowed to remit foreign currency to purchase shares of foreign corporations. Provided certain restrictions and reporting requirements are met, employees generally may hold foreign currency in banks located outside of Russia. However, proceeds from a sale of the foreign stock must always be transferred to the bank accounts of Russian currency control residents, opened with a Russian bank.

Tax

Employee

The spread generally is taxed upon exercise.

Tax is imposed upon the sale of shares.

Employer

Withholding & reporting

Employers generally must comply with reporting and withholding requirements on any income paid to Russian taxpayers.

Deduction

Generally, the subsidiary will not be able to deduct the cost of the option benefits (eg, the spread) from its taxable income.

Social insurance

Unless the offer of options is deemed to be an employment benefit, options generally are not subject to social insurance contributions.

Data protection

Obtaining employee consent for processing and transferring personal data is required.

Labor

Although not common, plan benefits may be considered part of the employment relationship and may be included in the calculation of severance or retirement payments. To reduce the risk of entitlement claims, employees should expressly agree in writing that:

- Participation in the plan is discretionary and
- Termination of employment will result in the loss of unvested rights

If stock awards are provided by an affiliated company of a Russian employer, it is essential to ensure that the employment agreement entered into between such Russian company and its employee does not contain any references to the stock awards.

Communications

Although not legally required, it is recommended that documents regarding employee option plans be translated. Any filing with the government must be translated.

STOCK PURCHASE RIGHTS

Securities

Generally, employee stock purchase rights in public companies are subject to securities law restrictions and currently there is no special exemption for the offering to the employees. Special rules and additional restrictions exist for offering of securities and other financial instruments by non-Russian issuers.

Stock awards in Russian private companies is not common and may be subject to different securities law restrictions depending on the nature of such private companies.

Foreign exchange

Russian residents generally are allowed to remit foreign currency to purchase shares of foreign corporations. Provided certain restrictions and reporting requirements are met, employees generally may hold foreign currency in banks located outside Russia. However, proceeds from a sale of foreign shares must always be transferred to the bank accounts of Russian currency control residents, opened with a Russian bank.

Tax

Employee

The spread generally is taxed upon purchase.

Tax is imposed upon the sale of shares.

Employer

Withholding & reporting

Employers generally must comply with reporting and withholding requirements on any income paid to Russian taxpayers.

Deduction

Generally, the subsidiary will not be able to deduct the cost of the benefits (ie, the discount at the time of purchase) from its taxable income.

Social insurance

Unless the offer of purchase rights is deemed to be an employment benefit, the spread generally is not subject to social insurance contributions.

Data protection

Obtaining employee consent for processing and transferring personal data is required.

Labor

Although not common, plan benefits may be considered part of the employment relationship, and may be included in the calculation of severance or retirement payments. To reduce the risk of entitlement claims, employees should expressly agree in writing that:

- Participation in the plan is discretionary
- Termination of employment will result in the loss of unvested rights

If stock awards are provided by an affiliated company of a Russian employer, it is essential to ensure that the employment agreement entered into between such Russian company and its employee does not contain any references to the stock awards.

Communications

Although not legally required, it is recommended that documents regarding employee purchase plans be translated. Any filing with the government must be translated.

KEY CONTACTS

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