

**A limited liability company (LLC) is a business entity established by one or more legal entities and/or individuals, the authorized capital of which is divided into shares of.**

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## REGISTRATION OF LLC BY STEPS

The procedure for registering a limited liability company is divided into several stages

### PREPARATION AND COMPLETION OF DOCUMENTS

What documents will be required to open an LLC on your own:

<b>Application form</b>	<i>The document is drawn up in accordance with the established form P11001, which consists of 20 pages. It is obligatory to enter information on the organization and its activities, the applicant, the founders and the director.</i>	
<b>The charter of the LLC</b>	<i>The main document defining the peculiarities of the organization's activity. It can be drawn up independently or a model charter can be used. The Ministry of Economic Development of the Russian Federation proposes 36 model charters in 2024.</i>	
<b>Decision to establish an LLC</b>	<i>It is executed in a free form only for companies with a single founder. The document reflects the founder's decision to establish a limited liability company.</i>	
<b>Minutes of the founders' meeting</b>	<i>Needed only for LLC with several founders. Analogous to the decision on the establishment of the LLC, it fixes the rights and obligations of the participants during the registration of the business.</i>	
<b>Agreement on establishment of LLC</b>	<i>It is drawn up only for cases when an LLC has two or more founders. The document records basic information about the established company and its management method, as well as data on the authorized capital and the share of the founders in it.</i>	
<b>Receipt for payment of state duty</b>	<i>It is provided only if the documents for opening an LLC were decided to be sent by mail or brought to the registering Federal Tax Service in person. It is important to fill in the details correctly when sending a payment, otherwise the money will not arrive at the Federal Tax Service and registration will be refused.</i>	
<b>Notification of transition to the simplified taxation system</b>	<i>If a company has chosen the simplified taxation system as its taxation regime, it must notify the Federal Tax Service of that fact. For this purpose, a document must be drawn up in Form 26.2-1. The notification can be attached to other documents for setting up an LLC or sent separately, the main thing is to meet the statutory deadline of 30 days from the date of opening the business. If you choose to submit documents in paper form, three copies must be prepared at once.</i>	

### Additionally, the federal tax service may request the following:

- ✓ *Power of attorney, certified by a notary, required for cases when the documents are submitted not by the founder, but by his representative.*
- ✓ *Documents confirming the right to stay in the country, is required for foreign citizens acting as founders of an LLC.*
- ✓ *Proof of legal capacity of the founder under 18 years of age or the consent of its representatives certified by a notary public.*
- ✓ *Consent of owners of residential premises, if his address is used to register an LLC.*
- ✓ *Guarantee letter, provided by the owner of the non-residential real estate object, if the LLC is registered at its address.*



### There are several ways to file documents to open an LLC:

- ✓ *To hand over in person when visiting the registering Federal Tax Service. This method may not always be convenient, especially if there is only one authorized inspectorate in your region.*
- ✓ *Transfer through a notary public. Notaries provide services on a fee basis.*
- ✓ *Send by mail. The documents must be notarized for this purpose.*
- ✓ *Send online on the website of the Federal Tax Service or using a banking service. The applicant is exempt from paying State duty in this case.*

### PREPARING THE LLC FOR WORK

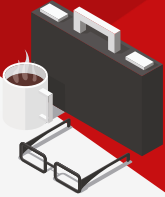
After receiving a reply from the Federal Tax Service stating that the business registration has been successfully completed, the founder of the LLC should take the following actions:

- ✓ *To formalize employment relations with the director of the company (for example, the sole founder can act as such).*
- ✓ *The founders have four months after the registration of the LLC to contribute the authorized capital.*
- ✓ *If the Federal Tax Service has not sent a notification of the organization's registration with the Social Fund of Russia within 14 days after the registration of the business, you must apply there yourself.*
- ✓ *Check the Federal State Statistics Service website for statistical codes for submitting declarations to the Federal Tax Service.*
- ✓ *Obtain a license from an authorized state service, if the type of the company's activity requires it. Licensing conditions depend on the type of license.*
- ✓ *If an organization decides to work with a seal, it must be ordered from a company that provides appropriate services. The law does not oblige an LLC to have a seal, but in practice its presence greatly facilitates working processes.*
- ✓ *It is necessary to open a current account for LLC in order to pay taxes in accordance with the current requirement to do it in a cashless manner. Also the presence of a current account simplifies the organization's settlements with counterparties because it will not have to comply with the restriction for cash transactions.*

### SUBMISSION OF DOCUMENTS

Business registration in the Russian Federation is handled by the Federal Tax Service, namely its regional offices, which are called tax inspectorates. It is important to correctly determine which inspectorate to send documents to, as there is usually one registration service in a city. You can clarify this information on the official website of the Federal Tax Service. If you register an LLC through the bank's free online service, it will automatically select the appropriate tax inspectorate.

PROCEDURE FOR REGISTERING A LEGAL ENTITY



## REGISTRATION OF AN LLC WITH A FOREIGN FOUNDER

A foreign citizen may be both a founder and a director in a Russian limited liability company. The presence of such a participant may impose certain restrictions on the business. In addition, when registering an LLC, notarized translations of documents for such a founder will be required. A physical person may also need a copy of a birth certificate, while a foreign company may need an extract from the trade register (analogous to an individual tax number).

### 1. DOCUMENTS FOR REGISTRATION OF A FOREIGNER AS A FOUNDER

**For any composition of LLC members, the following documents must be submitted to the tax office:**

- ✓ Application for registration of LLC in the form P11001.
- ✓ Decision on the establishment of the LLC (if the founder is one).
- ✓ LLC establishment agreement and minutes of the general meeting of participants (if there are several owners).
- ✓ Articles of Association of LLC.

**A foreign citizen for registration as a founder shall additionally submit:**

- ✓ Identity card in the country of citizenship (original and notarized translation, and sometimes apostille).

**The foreign company shall additionally file:**

- ✓ Constituent documents.
- ✓ Copy of the registration certificate.
- ✓ Extract from the commercial register or its equivalent in the country of registration of the organization.
- ✓ Document on assignment of an individual tax number or its equivalent.
- ✓ Bank statement or certificate of account availability.
- ✓ Power of attorney (if the registration of the Russian LLC is not handled by the director of the foreign founder).



### 2. REQUIREMENTS FOR A FOREIGN NATIONAL MANAGER

A foreign citizen may act as a director of a Russian limited liability company. To do so, he or she must meet the following conditions:

- ✓ *Have a residence permit or temporary residence permit: this confirms legal and permanent residence in Russia.*
- ✓ *Have a patent or work permit in Russia: this confirms his right to enter into labor relations on the territory of the Russian Federation.*

It is important to take into account that if a foreign citizen fails to fulfill at least one of these requirements, he/she cannot be appointed as a director, even if he/she is one of the LLC participants. Before registering an LLC, it is necessary to draft an employment contract and sign it with the director after the organization is registered for tax registration.

### 3. RESTRICTIONS ON BUSINESS WITH FOREIGN FOUNDERS

If your LLC has a foreign co-owner, be prepared for the following features:

- ✓ Prohibition of certain activities.
- ✓ Tax features.
- ✓ Restrictions on foreign participation.

#### 3.1. PROHIBITED ACTIVITIES

Companies with foreign participation may not engage in the following activities:

- ✓ Lease land plots in port and border zones.
- ✓ Lead a large telecommunications and publishing business.
- ✓ Work with radioactive waste.
- ✓ Participate in defense enterprises.

#### 3.2. TAX FEATURES

LLCs with foreign participation are subject to certain restrictions in the application of tax regimes and may also be subject to increased tax rates.

Be aware of the following tax features:

- ✓ The dividend tax rate is increased for companies with foreign participants (up to 15 %);
- ✓ If the share of a foreign organization in your LLC exceeds 25 %, you cannot apply the simplified taxation system. This rule is similar to the restriction for companies with Russian legal entities as participants;
- ✓ If the foreign founders of an LLC are individuals, it is possible to operate under the simplified tax system.

#### 3.3. OTHER RESTRICTIONS

Take into account other restrictions for LLCs with foreign participants:

- ✓ If the share of foreign founders exceeds 50 %: you can't start an insurance company;
- ✓ If a foreign company's share in a Russian LLC exceeds 49 %: small business exemptions cannot be applied;
- ✓ According to Russian law, foreign citizens are allowed to open LLCs, however, the founder of a company in Russia cannot be a company with only one participant.

## HOW TO OPEN AN INDIVIDUAL ENTREPRENEURSHIP FOR A FOREIGN CITIZEN

**Individual Entrepreneurship (IE) — is a form of business for individuals.**

First, the foreign national needs to obtain one of the documents:

- ✓ Residence permit. On the basis of this document, a non-resident may choose any region for registration and entrepreneurial activity.
- ✓ Temporary residence permit. A foreign citizen with a temporary residence permit may engage in entrepreneurial activity only in the region of Russia where he/she has obtained a temporary residence permit (example: Republic of Tatarstan).



An important condition for opening an IE in Russia is that the applicant has registration at the place of residence or stay. A foreign citizen therefore needs to have registration at the place of residence or stay in the same way as others.

In addition, a foreign citizen with a temporary residence permit may open a sole proprietorship only in the region of the Russian Federation where the temporary residence permit was directly issued.

Otherwise, the procedure for registering a IE for a foreign citizen is practically the same. The only difference is that the standard list of documents must be supplemented by several additional documents.

#### COMMON PACKAGE OF DOCUMENTS FOR REGISTRATION:



- ✓ Application in Form R21001.
- ✓ Copy of passport or other identity document with notarized translation
- ✓ Residence permit or temporary residence permit
- ✓ Certificate of registration at the place of residence or stay.

If the identity document does not contain the date and place of birth, it is necessary to make an additional copy of the birth certificate and prepare its notarized translation.

When submitting documents to the tax service, copies of the papers must be accompanied by their originals.

If you submit documents to the tax office in paper form, you must also pay the state duty and attach the receipt.

## HOW TO SUBMIT DOCUMENTS FOR REGISTRATION OF INDIVIDUAL ENTREPRENEURSHIP TO A FOREIGN CITIZEN



Documents must be submitted to the Federal Tax Service in the place where the applicant is registered. You can find the required office using a special online service of the tax office.

**It is possible to submit documents for registration to a non-resident individual entrepreneurship:**

- ✓ *In person, by appearing at the office of the Inspectorate of the Federal Tax Service of Russia.*
- ✓ *Through a notary.*
- ✓ *Online through the website of the Federal Tax Service or the portal of State Services.*

To submit documents online, you must use an electronic signature. The presence of a notary or tax inspector is not required.



After the application has been accepted, the Federal Tax Service will decide whether to register an IE or not within three working days.

If the registration is successful, the inspectorate will send an electronic record sheet to the unified State register of individual entrepreneurs to the e-mail address which the applicant specified in form R21001.

If the applicant does not have an individual tax number, it is necessary to first obtain one, and then proceed to open an IE. Then the registration procedure can increase to five working days.

The Federal Tax Service will send information to the funds automatically. The only thing is that if a foreign IE will have employees, it should register with the Social Insurance Fund before doing so.

#### Why sometimes the Federal Tax Service refuses to open an individual entrepreneurship.

There may be many reasons for this. For example, the P21001 form is incorrectly filled out or the Federal Tax office does not have enough documents for registration, then the applicant can bring the necessary documents to the tax office within three months and not pay the state duty again.

In case of refusal, the tax office will indicate the exact reason. The applicant can work on the mistakes and then re-submit the documents for registration of an individual entrepreneurship.

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# How to register a business in Russia for a foreign citizen

## STEP-BY-STEP GUIDE

Doing business in Tatarstan  
on the investment portal of the Republic of Tatarstan

