

Russia

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I. Summary

A. Types of Organizations

The Russian Federation (Russia) recognizes a large number of organizational forms of non-governmental, non-commercial organizations (NCOs). The Civil Code and the Federal Law on Non-commercial Organizations establish the primary NCO legal framework and recognize a variety of NCO forms, including public organizations, foundations, institutions, non-profit partnerships, and autonomous non-governmental organizations. The Federal Law on Public Associations builds upon this framework and

carves out a sub-category of NCOs called "public associations" which consist of public organizations, mass movements, public foundations, public institutions, and several other forms.

International grantmakers commonly encounter three forms:

- (i) public associations,
- (ii) foundations, and
- (iii) institutions.

Complexity arises, however, because some of these forms (foundations and institutions) can be organized under either the Law on Public Associations or the 1996 Federal Law "On Not-for-Profit Organizations" (NCO Law). [1]

B. Tax Laws [\[2\]](#)

In 2005, the Russian Parliament adopted amendments to the Tax Code (Article 251) that expanded the list of NGO activities that can be funded through tax-exempt grants. This law does not affect activities funded through donations or designated funds other than grants. These amendments became effective on January 1, 2006. In addition to activities of organizations seeking to advance culture, art, environment, education, and science, the list now includes those activities designed to advance social welfare, medical care, and human rights protection.

Through a decree, the Russian Cabinet of Ministers approved a new version of the "Regulation on the List of Foreign and International Organizations Whose Grants are Not Included in Taxable Income of Russian Organizations - Recipients of Grants" (hereinafter "Revised Regulation"). The regulation limits the list of foreign organizations that are approved by the Government of the RF to provide tax-exempt grants to Russian NGOs. The Revised Regulation also tasks the Ministry of Finance with the development of criteria and a related procedure to define which foreign and international organizations will be included in the list of organizations approved by the government to provide tax-exempt grants to Russian NGOs.

Grants given to Russian NGOs by foreign organizations that are not on the government's pre-approved list will be considered taxable income to Russian NGOs. NCOs pay income tax on their economic activities in the same manner as commercial entities, without any benefits. The transfer of goods, services, and funds to NCOs is exempt from VAT if the transfer supports the organization's statutory goals (Article 39(3)(3), Tax Code). Goods and services provided free of charge as part of charitable activities (which can be conducted by any organization, not only a charity) are also exempt from VAT (Article 149(3)(12), Tax Code), as are various other transactions typically undertaken by NCOs (see Articles 149(2) and 149(3)(2), Tax Code).

Legal entities do not receive any federal tax deductions or credits for donations to NCOs, including charities. Individuals may deduct up to 25% of their taxable income for monetary donations (in-kind contributions are not deductible), but the pool of eligible recipients is limited almost exclusively to state-owned or state-subsidized organizations (Article 219, Tax Code). [\[3\]](#)

Russia's structure adds another layer of complexity, as Russia is a federation with 89 territorial jurisdictions. In theory, regional and local legislation should be consistent with federal law, but in practice inconsistencies have emerged. Local laws may provide benefits to NCOs beyond those offered under federal law. [\[4\]](#) This Note primarily focuses on federal legislation, but it would also be prudent to review the regional and local legislation where a prospective grantee is registered to obtain a full understanding of the applicable regulations.

II. Applicable Laws

- Constitution of the Russian Federation, December 12, 1993.
- Civil Code of the Russian Federation, Part I, Federal Law No. 51-FZ, November 30, 1994, as amended.
- Civil Code of the Russian Federation, Part II, Federal Law No. 14-FZ, January 26, 1996, as amended.
- [Federal Law No. 7-FZ, "On Not-for-Profit Organizations," January 12, 1996, as amended \(NCO Law\).](#)
- [Federal Law No. 135-FZ, "On Charitable Activities and Charitable Organizations," August 11, 1995, as amended \(Charities Law\).](#)
- [Federal Law No. 82-FZ, "On Public Associations," May 19, 1995, as amended \(Law on Public Associations\).](#)
- [Federal Law No. 95-FZ, "On Gratuitous Assistance," May 4, 1999, as amended \(Law on Gratuitous Assistance\).](#)
- Special Part of the RF Tax Code regulating property tax of legal entities, effective January 1, 2004.
- Federal Law No. 129-FZ, "On State Registration of Legal Entities," August 8, 2001 (Law on Registration of Legal Entities).
- Federal Law No. 275-FZ, "On Endowments," December 30, 2006.
- [Tax Code of the Russian Federation, Part I, Federal Law No. 146-FZ, July 31, 1998, as amended.](#)
- [Federal Law of the Russian Federation No. 18-FZ, "On Introducing Amendments to Certain Legislative Acts of the Russian Federation," January 17, 2006.](#)
- Decree of the Cabinet of Ministers of the Russian Federation # 212, "On measures aimed at implementing certain provisions of the federal laws regulating activities of non-commercial organizations," dated April 15, 2006.
- Decree of the Ministry of Justice of the Russian Federation # 222, "On the Procedure of State Control of NGO activity (including Spending of Resources)," dated June 22, 2006.
- Tax Code of the Russian Federation, Part II, Federal Law No. 118-FZ, August 5, 2000, as amended. [\[Excerpts\]](#)

- Federal Law No. 19-FZ "On RF Presidential Elections," January 10, 2003.
- Federal Law No. 175-FZ "On RF State Duma Deputies' Elections," July 20, 2002, as amended.

III. Relevant Legal Forms

A. General Legal Forms

Russian law contains a large number of legal forms of NCOs, resulting in a complex and oftentimes contradictory regulatory framework. The primary requirements are that NCOs, whatever their type, do not have the generation of profit as their primary objective and do not distribute any such profit among their participants ([Article 50\(1\), Civil Code](#)).

In the context of international grantmaking, common forms include:

- (i) public associations,
- (ii) foundations, and
- (iii) institutions.

A public association is the form most comparable to an "association" as used in international parlance. [\[5\]](#) A public association is a membership-based organization of individuals associated on the basis of common interests and goals stipulated in the organization's charter ([Article 117, Civil Code](#); Article 8, Law on Public Associations; and Article 6, NCO Law). Public associations register at various jurisdictional levels (national and regional) depending on the territorial scope of their activities (Article 21, Law on Public Associations). [\[6\]](#)

Foundations are property-based, non-membership organizations created by individuals or legal persons to pursue social, charitable, cultural, educational, or other public benefit goals ([Article 118\(1\), Civil Code](#); Article 7, NCO Law; and Article 10, Law on Public Associations). Endowments are also a kind of foundation and can be created for the special purpose of supporting cultural, social, medical and other issues (Article 3, Law on Endowments).

The institution (*uchrezhdeniye*) is a form encountered in Russia and several other Newly Independent States. Like foundations, institutions do not have members. Unlike foundations, the institution does not acquire property rights in the property conveyed to it ([Article 120, Civil Code](#), and Article 20, NCO Law). Moreover, the founder is liable for any obligations of the institution that it cannot meet on its own ([Article 120, Civil Code](#); Article 9(2) NCO Law; and Article 35, Law on Public Associations). Because of the founder's inability to shield itself from the institution's liabilities, private founders tend

not to use private institutions and generally seek other legal forms to undertake their activities. Public institutions are generally created using state or public assets. Schools, health care facilities, and cultural organizations are common examples of public institutions.

One should note that these three forms of NCOs may also register as a charity pursuant to the Charities Law. Registration as a charity does not affect the organization's legal form but rather subjects it to stricter regulation in terms of activities, expenditures, [\[7\]](#) and internal governance in return for limited tax benefits. Federal law currently does not provide any particular benefits that are exclusive to registered charities. Although legislation at the regional and local levels offers tax benefits to charities, they do not necessarily require the organization to be registered as a charity at the federal level. [\[8\]](#)

Legal Hierarchy

In analyzing the legal structure of NCOs in Russia, it is helpful to keep in mind a hierarchy of legal norms that moves from the general to the particular, beginning with the Civil Code, then the NCO Law, and finally the Law on Public Associations. As a rule, the provisions of the more general laws apply to all NCOs unless a more specific piece of legislation holds otherwise.

B. Public Benefit Status

At the federal level, the concept of public benefit or charitable status is generally not a prerequisite for an organization engaged in socially beneficial activities to receive tax and other benefits. Tax benefits under Russian law are primarily tied to the support or performance of particular activities specified in the Tax Code. Registration of an NCO as a charity pursuant to the Charities Law provides the organization with a particular status, but this status likewise does not in itself provide any unique tax benefits. Although certain tax benefits are granted for charitable activities, no benefits at present are provided exclusively to registered charities at the federal level. [\[9\]](#)

IV. Specific Questions Regarding Local Law

A. Inurement

NCOs generally cannot distribute profits to insiders ([Article 50\(1\), Civil Code](#)). The Law on Public Associations states that public foundations must use their assets for public benefit, and prohibits founders and managers from using assets for their personal interests (Article 10, Law on Public Associations). In addition, several provisions of the NCO Law are intended to prevent private enrichment and self-dealing by NCO directors and

officers. Specifically, an NCO may not remunerate, except for directly related expenses, members of its governing body for the performance of their governance functions (Article 29(5), NCO Law). Fiduciaries of NCOs are required to follow an established procedure of disclosure and recusal in circumstances where there is a conflict of interest with the organization (Article 27, NCO Law).

Institutions pose a unique situation distinct from other NCOs. Founders of institutions by law have broad discretion in extracting surplus property or funds from the institution's asset base and using them at their discretion (Article 296, Civil Code, and Article 35, Law on Public Associations).

Issues of unreasonable compensation and other forms of private inurement are not explicitly addressed in Russian legislation.

B. Proprietary Interest

The Civil Code and NCO Law state that members of public organizations may not assert proprietary interests over property they have contributed to a public organization, including membership fees ([Article 117\(2\), Civil Code](#), and Article 6(2), NCO Law). The Law on Public Associations expands on this slightly with respect to public organizations by explicitly precluding their members from asserting an ownership interest over the assets of the organization (Article 32, Law on Public Associations). Property contributed to a foundation by its founder(s) becomes the property of the foundation (Article 7(1), NCO Law).

Private and public institutions pose particular challenges for issues of proprietary interest, since the founders maintain their property rights and merely assign them to the organization for operational purposes only ([Article 120, Civil Code](#); Article 9, NCO Law; and Article 35, Law on Public Associations). As provided under law, founders of an institution can reserve for themselves, dispose of, or reallocate any surplus or unused property or income earned in the course of its activities. Therefore, the governing documents of institutions should be carefully reviewed for provisions that limit these rights.

An important caveat also exists regarding donations made for a specific purpose (a "conditioned gift"). Pursuant to Article 582 of the Civil Code, a donation may be conditioned by the donor upon the use of the gift for a defined purpose. An entity that has accepted a conditioned gift must account for it separately and distinctly from all its other operations. Should it become impossible to make use of the gift as stipulated, it may be used for another purpose *only* with the consent of the donor. Any other use of the conditioned gift in violation of the donor's wish entitles the donor to demand reversion of the conditioned gift. [\[10\]](#) Thus, Article 582 of the Civil Code merely codifies the rights of a donor and donee to agree contractually to the terms of a contribution. Although it may be difficult for grantmakers to gain access to such information, organizations are obliged to maintain separate accounting records for each conditioned gift. Thus, it would be possible to determine the number and size of an organization's conditioned gifts and

thereby determine any proprietary interests that may exist relating to the organization's assets.

C. Dissolution

Assets of an institution generally revert back to the founder unless the charter stipulates otherwise. For other NCOs, assets remaining upon liquidation are to be distributed to another NCO that pursues the same objectives for which the liquidating organization was created, in accordance with the NCO's governing documents, or to charitable purposes (Article 20(1), NCO Law). [\[11\]](#) If it is not possible to use the property in accordance with the organization's governing documents, it reverts to the state (Article 20(1), NCO Law).

Public associations are similarly obligated to distribute remaining assets to advance the organization's objectives, and, in the absence of any indication in the governing documents how this is to be done, the general assembly votes how to distribute the remaining assets (Article 26, Law on Public Associations). In the case of charities, remaining assets must be distributed for charitable purposes under the procedure stipulated in the charity's charter, or, in the absence of such provisions in the charter, as determined by the liquidation commission (Article 11, Charities Law). [\[12\]](#)

D. Activities

1. General Activities

Public associations, with the exception of specialized organizations such as trade unions and political associations, have virtually no restrictions on the activities they may pursue as their primary objectives (Article 5, Law on Public Associations), including mutual benefit activities (Article 6(1), NCO Law, and Article 8, Law on Public Associations). All foundations are required to engage in public benefit activities ([Article 118\(1\), Civil Code](#), Article 7(1), NCO Law, and Article 10, Law on Public Associations). The primary activities of institutions are broadly defined as any social, cultural or other activities of a not-for-profit nature ([Article 120, Civil Code](#), Article 9, NCO Law, and Article 11, Law on Public Associations). Charities are required to promote at least one of the enumerated charitable activities indicated in the law (Article 2, Charities Law).

An NCO may generate profit from economic activities provided that (i) profit-making activities are a secondary objective of the NCO, and (ii) the profits are applied to pursuing the NCO's not-for-profit purposes ([Article 50\(3\), Civil Code](#), and Article 24, NCO Law). Registration as a charity does not affect or limit the right of an NCO to engage in economic activities (Article 12, Charities Law).

2. Public Benefit Activities

NCOs may serve multiple public benefit purposes, including the pursuit of social, charitable, cultural, educational, scientific, and managerial activities, as well as the protection of health and the development of fitness and sports activities (Article 2, NCO Law). However, there is no coordination between the notion of public benefit implicit in the NCO law and the Tax Code. Thus, organizations pursuing public benefit activities listed in the NCO legislation do not necessarily qualify for favorable tax treatment under the Tax Code.

Charities and foundations are restricted to publicly beneficial activities (Article 6, Charities Law, Article 10, Law on Public Associations, and Article 7, NCO Law). Charities must engage in charitable activities, which are defined as "voluntary activities of individuals and legal entities involved in the altruistic (gratuitous or on privileged terms) provision to individuals or legal entities of property, including money and the altruistic provision of services or other support" directed towards achieving any of the indicated objectives that generally correspond to public benefit activities (Articles 1 and 2(1), Charities Law). Foundations that are not charities must undertake "public benefit" activities, but the law does not define the term.

3. Economic Activities

An NCO may not have the generation of profit as its primary purpose, but it may engage in economic activities to the extent they advance the purposes for which the organization was created ([Article 50\(3\), Civil Code](#), Articles 2 and 24(2), NCO Law, Article 37, Law on Public Associations, and Article 12, Charities Law). Profit from the economic activities of NCOs, including charities, is generally [\[13\]](#) taxed in the same manner as for commercial organizations.

E. Political Activities

Neither the Civil Code nor the NCO Law limits the ability of NCOs to engage in political activities. All forms of public associations may participate in advocacy and lobbying activities. Under the law, NGOs generally may also engage in election campaigns for federal and local elections, subject to federal election laws (Article 27, Law on Public Associations). [\[14\]](#)

Charities are expressly prohibited from using their assets to support political parties, movements, and campaigns (Article 2(2), Charities Law). In addition, religious organizations, governmental and municipal institutions, international public associations, and international movements are prohibited from making donations to candidates ([Article 58 \(6\), Federal Law No. 19-FZ "On RF Presidential Elections," January 10, 2003](#), and [Article 66 \(7\), Federal Law No. 175-FZ "On RF State Duma Deputies' Elections," July 20, 2002, as amended](#)). However, these prohibitions do not appear to extend to involvement in lobbying or other politically-related activities.

F. Discrimination

The Russian Constitution generally guarantees individual rights regardless of sex, race, nationality, language, origin, property or employment status, residence, or religious belief ([Article 19\(2\), Constitution of the Russian Federation](#)). Article 5 of the Federal Law on Education (No. 12-FZ, 13/01/1996) guarantees citizens of RF the opportunity to receive an education regardless of race, gender, nationality, language, origin, residence, religion, involvement in public associations, age, or health, among other characteristics.

G. Control of Organization

The new law amends Article 15 of the NCO Law and Article 19 of the Law on Public Associations to permit only those foreign nationals and stateless persons who are “legally domiciled in the Russian Federation” to be founders, members, or participants in public associations or non-commercial organizations. Certain persons may not become founders, members or participants, including:

- Foreign nationals or stateless persons whose stay is deemed “undesirable”;
- Persons appearing on a money laundering and anti-terrorist financing watch list maintained by the Russian government;
- Organizations that have been suspended under the Law Countering Extremist Activities;
- Persons found by court decision to show signs of participating in extremist activity; and
- Persons who are currently incarcerated as a result of conviction of a crime.

Public associations, such as public organizations and public foundations, by definition can be created only by natural persons. These organizations cannot be founded by legal persons, but other public organizations may join as members (Articles 18 and 19, Law on Public Associations). By comparison, legal persons, including commercial entities, may found all other forms of NCOs, except public associations.

H. Government Reporting Requirements and Control Over Foreign Funding

Legislation imposes several provisions that may be of interest to US grantmakers. First, it requires all NCOs to report on all funds received from foreign sources and to detail how these funds are allocated or used. Foreign grantmakers need not comply with these reporting requirements unless they have a registered subdivision (branch, representative office, or affiliate) in Russia. [15]

Second, the law allows the registration authority to terminate any existing program of a foreign non-governmental, non-commercial organization (FNNO) subdivision (NCO Law, Article 23). The law does not stipulate the grounds on which the government may make this decision. Third, the law allows the registration authority to prevent an FNNO's

subdivision from transferring funds or other resources to recipients, if doing so will “protect[] the basis of the Constitutional system ... with the aim of defending the country and the state security.” Implementation will reveal how broadly the government construes this language (Article 23(1) of the Law on NCOs). For additional information on these and other provisions, please visit www.icnl.org. [16]

V. Tax Laws

The following section discusses relevant tax legislation, recognizing that taxes may affect the amount of the grant actually flowing to the grantee.

A. Tax Exemptions

Article 582 of the Civil Code describes a donation as a gift of an item or a right for public benefit purposes. Donations can be given to individuals, health care, welfare, social protection and other similar institutions, charitable, science and educational institutions, funds, museums and other cultural institutions, public and religious organizations, and other non-commercial organizations in compliance with the law. Effective January 1, 2006, organizations seeking to advance social welfare, medical care, and human rights protection are also eligible (Tax Code, Article 251). All types of NCOs registered under the Federal Law on Non-commercial Organizations can be recipients of donations (Article 582, Civil Code, as amended by Federal Law # 276-Φ3 "On Introducing Amendments Into Selected Legislative Acts of the Russian Federation Relating to Adoption of Federal Law On Procedures for Creating and Disposing of Non-Commercial Organizations' Endowments," dated December 30, 2006 and effective January 11, 2007).

An otherwise-eligible grant may not qualify for tax exemption if the donor is a foreign or international grantmaker. Such a grant is tax-exempt only if the grantmaker appears on an official government list. A January 2009 regulation limits the list of foreign organizations that are approved by the Government of the RF to provide tax exempt grants to Russian NGOs. The Revised Regulation also tasks the Ministry of Finance with the development of criteria and a related procedure to define which foreign and international organizations will be included in the list of organizations approved by the government to provide tax-exempt grants to Russian NGOs.

Earnings from economic activities of NCOs do not receive any beneficial treatment and are taxed in the same manner as commercial entities. Benefits (e.g., some exemptions from income tax on profits generated from economic activities, benefits on VAT) are allowed for certain religious organizations and public organizations of the disabled.

B. Deductibility of Charitable Contributions

Legal entities cannot claim a tax deduction or credit at a federal level for contributions made to NCOs, including charities. Individuals may deduct from taxable income any

monetary donations to scientific, cultural, health care, educational, sports-related, and social security organizations up to 25% of their total income (Article 219, Tax Code). However, with the exception of sports organizations, the recipient organization must be state-subsidized or state-owned for the donation to qualify as deductible. Thus, donations to not-for-profit private schools, museums, or health care providers do not qualify for a tax deduction. In addition, Article 219 has been interpreted to require that the deductible donations be made directly to the beneficiary organization. Consequently, donations to umbrella organizations or other intermediaries that redistribute the funds to NCOs that actually undertake the specified activity are not tax deductible. Deductions for individuals may be claimed only for monetary donations; in-kind donations are not eligible for tax deductions (Article 219, Tax Code). Donors may not carry forward or accumulate unclaimed tax deductions or other unused tax benefits.

C. Value Added Tax

As a general rule, all organizations, including NCOs, must pay VAT, regardless of whether they engage in entrepreneurial activities. There are two general exceptions. The provision of services or goods (including money) to an NCO is exempt from VAT if they are provided for implementation of its statutory goals, unrelated to any commercial operation (Article 39(3)(3), Tax Code). Thus, any donations or grants to NCOs, including those from abroad, would not be subject to VAT. In addition, gratuitous goods and services, with the exception of excisable goods, provided in conjunction with charitable activities are exempt from VAT (Article 149 (3)(12), Tax Code). This exemption is not limited to registered charities: VAT is not imposed on the provision of goods or services that are provided free of charge by any organization in conjunction with charitable activities, as defined in the Charities Law.

Other VAT exemptions are also granted to certain organizations on the goods they purchase as well as services and products they provide, including educational and cultural institutions, health-care providers, and scientific research funded by the government (Article 149(2), Tax Code). Also exempt from VAT are goods (except excisable goods) imported under an approved humanitarian or technical assistance program pursuant to the Gratuitous Assistance Law (Article 150(1), Tax Code).

D. Property Tax

A chapter of the Russian Federation Tax Code, which came into force on January 1, 2004, grants only a few exemptions from property tax relevant to NCOs. Exemptions from the property tax are granted on property of (1) religious organizations that use the property for religious activities; (2) national public associations of the disabled under certain circumstances; (3) some kinds of state scientific centers; and (4) cultural and social organizations that use the property to advance culture and the arts, education, physical education and sport, public health, or welfare (Article 381, Tax Code of the Russian Federation, Part II). The last of these exemptions, covering certain cultural and social organizations, became inoperative on January 1, 2006.

E. Customs Duties

As a general rule, no exemptions or reductions in customs duties are extended to goods imported for or by NCOs. An exception does exist, however, under the Law on Gratuitous Assistance. Pursuant to this law, donations of funds, goods, and services (with the exception of excisable goods) imported for not-for-profit and charitable purposes may be exempt from custom duties if they are provided in conjunction with an accredited project or program in the form of gratuitous technical or humanitarian assistance. [\[17\]](#) It is forbidden to sell gratuitous assistance imported pursuant to the Law on Gratuitous Assistance.

F. Double Tax Treaties

The Russian Federation and the United States signed a double-tax treaty on June 17, 1992. No specific provisions of the treaty address cross-border grantmaking or charitable contributions.

VI. Knowledgeable Contacts

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Footnotes

[1] This Note primarily focuses on issues most relevant to equivalency determinations. It bears mention, however, that on April 17, 2006, the Russian Federal Law “On Introducing Amendments to Certain Legislative Acts of the Russian Federation” (hereinafter “NGO Law”) entered into effect. For a detailed analysis of the law, please visit <http://www.icnl.org/knowledge/news/2006/02-28.htm>. On August 1, 2009, the Russian Federal Law FZ-170 “On Introducing Amendments to the Federal Law on Not-for-Profit Organizations” entered into effect. The law seeks to address several issues arising under the 2006 NGO Law.

[2] Russian tax legislation is currently undergoing significant revisions, many of which will likely affect the not-for-profit sector and grantmaking activities. The planned amendments to the Tax Code and related statutes are not expected to be completely in place for several years. Recognizing this fluidity, grantmakers should reconfirm current governing laws before relying on legislative texts.

[3] In addition, local jurisdictions may offer tax benefits to donors that are legal persons but not, under the Tax Code, to natural persons (Article 284(1), Tax Code).

[4] For example, some regions of the Russian Federation are granting tax deductions to legal entities supporting NCOs, up to 4 percent of the regional profit tax due.

[5] Public organizations are a form of "public associations," which is a term of art under Russian law that refers to those forms of NCOs regulated under the Law on Public Associations.

[6] Consequently, multiple identically named organizations can exist which are distinguished only by varying geographic scopes of their activities.

[7] For example, a registered charity must expend at least 80% of the charitable donations (in monetary form) it receives within a year after the donation is received (Article 16(4), Charities Law).

[8] In addition, there are autonomous non-profit organizations (ANO) and nonprofit partnerships (NP). An ANO is a non-membership organization undertaking services in the field of education, social policy, culture, etc. An NP is a membership organization pursuing activity for the mutual benefit of members. They are ineligible to become charitable entities, but the Tax Code allows them to receive grants (Article 251 of the Tax Code).

The situation is not entirely clear whether ANOs and NPs can receive donations. On one hand, the Civil Code allows all NCOs registered under the Federal Law on Non-Commercial Organizations to be recipients of donations. On the other hand, the Civil Code defines a donation as a gift of an item or a right for public benefit purpose, and by definition, NPs undertake activity for the mutual benefit of members. Of course, it is possible that an NP could undertake activities that serve members' interests as well as the public benefit, but there is ambiguity as to how the authorities will treat these organizations.

In addition, there are at least two cases where the Ministry of Justice informed NPs that they were not eligible to receive donations. Experts also assert that there is ambiguity as to how the authorities will treat ANOs.

[9] Various regional and local authorities have enacted their own regulations that provide additional privileges and tax benefits to charities operating in their territory. Eligibility criteria for these benefits do not necessarily match those for federal tax benefits.

[10] However, the practical ability of a foreign grantmaker to repatriate any donation or grant is virtually nonexistent due to strict foreign currency export regulations. The funds could be reallocated for other purposes within the country.

[11] It is presumed that since a foundation does not have a general assembly, the procedures under the NCO Law are applied for a liquidating foundation registered under the Law on Public Associations.

[12] Although there are no explicit limitations on how the liquidation commission can dispose of the assets, it presumably must observe the general provision allowing distribution only to charitable purposes.

[13] Benefits (exemptions from income tax on profits generated from economic activities, benefits on VAT) are extended to certain religious organizations and public organizations of the disabled.

[14] Depending on its implementation, the 2006 law may restrict the ability of NCOs to engage in certain political activities by cutting off their financing. The registration authority can prevent a foreign non-governmental organization's branch, representative office, or affiliate from transferring funds or other resources to recipients if doing so will "protect[] the basis of the Constitutional system ... with the aim of defending the country and the state security." The language of the law could be construed to cover a range of political activities (Article 23(1) of the Law on NCOs).

[15] Under the Ministry of Justice Decree #222 "On the Procedure of State Control of NGO Activity (Including Spending of Resources)," the Federal Registration Service formed a new department to control and supervise NCO activity and the spending of resources. This new department also monitors whether NCOs programmatic and financial activities comport with the organization's stated goals.

[16] On August 1, 2009, the Russian Federal Law FZ-170 "On Introducing Amendments to the Federal Law on Not-for-Profit Organizations" entered into effect. These amendments seek to address several issues arising under the 2006 NGO Law. Changes under the law include the following:

- Small non-commercial organizations (NCOs) that do not receive foreign funding and have no foreign founders will be exempt from formal reporting of annual revenue totaling less than 3 million rubles, or approximately USD \$100,000;
- All NCOs may make required reports on their activities publicly available by either posting the reports on their website or publishing them in selected media;
- Mandatory government audits of NCOs will no longer take place annually, but rather every three years (the same as with commercial enterprises);
- If an NCO does not submit all of the documents required for registration or if there are mistakes in the submitted documents, instead of an automatic denial of registration, the registration process may be suspended for up to three months, until the applicant completes or corrects the application. The registration body will proceed with registering an NCO once the application file is complete;
- In considering a registration application, the registration body may only request documents specified in the law; and

- Refusal to register a foreign NCO representative office may no longer be based on criteria such as “threats to unique character, cultural heritage, or national interests of the Russian Federation.” These criteria have been removed from the law.

[17] Humanitarian assistance is defined as health care or social support to help disadvantaged segments of the population as well as victims of natural disasters or other emergencies. Technical assistance is broadly defined and includes equipment and services designed to support economic and social reforms and disarmament (Article 1, Law on Gratuitous Assistance).