

# Newsletter

## *Restrictions on real estate transactions*

7 September 2022

Dear Ladies and Gentlemen,

Please be aware of the existing Russian counter-sanction regulations restricting certain real estate transactions in Russia.

### General rule

The conclusion and execution of **transactions** that result in the **transfer of ownership title to real estate**<sup>1</sup> between Russian **Residents**<sup>2</sup> and persons from **'Unfriendly' States**<sup>3</sup> (or controlled by persons from **'Unfriendly' States**, including Russian entities) requires prior **approval by a Sub-commission**<sup>4</sup>.

It is important to note that if real estate was acquired after 22 February 2022 by a foreign person (from a **'Friendly' State**) from a person from an **'Unfriendly' State**, the further alienation of this property is subject to the same restrictions as described above.

### Exceptions

Approval is **NOT required** for:

- The **transfer** of real estate objects to **individuals** from **'Unfriendly' States**
- The **purchase** of real estate from both **individuals** and **legal entities from 'Unfriendly' States** with payment **through a 'C'-type account**<sup>5</sup>
- Gratuitous transactions (gift agreements, etc.) between **spouses and close relatives** (parents and children, grandparents and grandchildren, full and half siblings)

- **Shared construction** agreements and agreements with **developers** that provide an ownership title to real estate
- Transactions with real estate **located outside Russia** if:
  - Payment for the transaction is made using accounts opened by Residents at **foreign financial organization**, and
  - Information on the **account is disclosed** to the Russian tax authorities
- Transactions involving **Special foreign persons**<sup>6</sup>
- Transactions concluded by Russian credit and non-credit **financial institutions that are under the control of foreign persons who are considered to be from 'Unfriendly' States** (if at a client's expense – the client cannot be a foreign person from an **'Unfriendly' State** or person under control of such persons)
- Transactions resulting in the acquisition of an ownership title to real estate that constitutes **mutual investment funds** between resident management companies of mutual investment funds, regardless of who owns the shares in the fund

<sup>1</sup> Sale and purchase agreements, gift agreements and other transactions providing for transfer of ownership title with regards to real estate.

<sup>2</sup> **Residents** – (i) Russian citizens; (ii) foreign citizens and stateless individuals permanently residing in Russia based on a residence permit; (iii) legal entities established in Russia (except for foreign legal entities registered in accordance with the Federal Law "On International Companies and International Funds"), branches, representative offices and other subdivisions of such legal entities located outside Russia. **NB!** Russian citizen who also has other citizenship is considered as Resident.

<sup>3</sup> **'Unfriendly' States** – the USA, the member states of the European Union, Canada, the UK and other foreign states based on a list of countries that have unilaterally imposed sanctions or other restrictions against Russia, Russian citizens and legal entities. **'Friendly' States** in this context refer to countries that are not listed as **'Unfriendly'** ones.

<sup>4</sup> **Sub-commission** – Sub-commission of the Government Commission for the Control of Foreign Investments in the Russian Federation.

<sup>5</sup> **'C'-type account** – a special purpose account that is opened by the paying party (Russian resident) for the counterparty and that has a very limited range of operations that are permitted.

<sup>6</sup> **Special foreign persons** – legal entities from **'Unfriendly' States** if they are controlled by Russian legal entities or individuals and information on their control is disclosed to the Russian tax authorities.

- Transactions with municipal authorities:
  - Land allotment under procedures established by the Land Code of the Russian Federation
  - Gratuitous transactions involving the transfer of property to the respective authority
  - Transactions, including in the event of the withdrawal of property for public needs, with compensation paid through a 'C'-type account
- The acquisition by Residents of the assets of bankrupt legal entities from 'Unfriendly' States through a public tender process
- Transactions involving the disposal of real estate by Residents to Residents who are directly or indirectly controlled by persons from 'Unfriendly' States whose share in the charter capital amounts to no more than:
  - 50% minus 1 share in a public joint-stock company
  - 25% minus 1 share/participatory interest in a non-public joint-stock company or a limited liability company

### Sub-commission

The Sub-commission is already operating and issues permits/denials in accordance with the following procedure.

**Applicant:** Resident or person from 'Unfriendly' States.

**Content of the application:** must comply with the requirements of Presidential Decree No. 295.

**Application form:** recommended by the Ministry of Finance, in paper/digital (e-signature).

**Timeframe:** there is currently no timeframe for the consideration of applications.

### Decision:

- Permit from the Sub-commission (conditional/unconditional, with/without expiration date), or
- Denial of a permit by the Sub-commission

We hope that the information provided herein will be useful for you. If any of your colleagues would also like to receive our newsletters, please let us know by sending us his/her email address in response to this message. If you would like to learn more about our **Real Estate Practice**, please let us know in reply to this email. We will be glad to provide you with our materials.

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If you have any questions, please, do not hesitate to contact ALRUD partner

Sincerely,  
ALRUD Law Firm



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