

New Local Internet Registry (LIR) Fact Book: Russia

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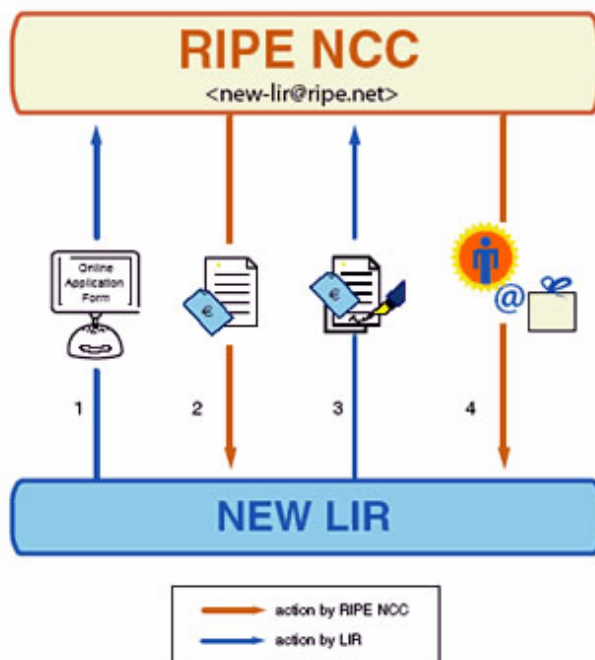
Part I How to Become an LIR

The RIPE NCC is a not-for-profit membership association and a Regional Internet Registry (RIR). It works in cooperation with the Internet Assigned Numbers Authority (IANA) and is legitimised by the Internet community to allocate Internet Protocol (IP) addresses (IPv4 and IPv6 addresses) and to assign Autonomous System (AS) Numbers within its [service region](#). The RIPE NCC membership consists of Local Internet Registries (LIRs).

What is an LIR?

An LIR is a member of a RIR, such as the RIPE NCC. A RIPE NCC LIR is responsible for the distribution and registration of Internet number resources at a local level. Organisations that become LIRs are usually Internet Service Providers (ISPs), telecommunication companies, large enterprises and academic institutions. LIRs receive blocks of addresses from the RIPE NCC and assign IP addresses to their customers.

Setting Up a New LIR



Step 1: New LIR fills in online member application form

Step 2: RIPE NCC sends contract and invoice

Step 3: New LIR returns signed contract, a copy of the registration papers and pays invoice

Step 4: RIPE NCC activates membership and sends setup e-mail and welcome package.

Note: The duration of the set-up process depends on the time you take to return the signed paperwork and to pay the invoice. If your membership has been activated (meaning you have paid your first invoice and provided us with the required documents) but do not request address space until months later, you will still be required to pay for the membership time prior to the address space request. It is therefore advisable to submit your application when you require the IP address space.

Step 1: New LIR fills in online member application form

The RIPE NCC new LIR membership application form can be found at:
<http://www.ripe.net/membership/new-members/registration.html>

Important: Before you send us your application, read the following documents carefully:

- [RIPE NCC Standard Service Agreement](#) (SSA)
- [RIPE NCC Standard Terms and Conditions](#) (ST&C)
- [RIPE NCC Charging Scheme](#)

The RIPE NCC needs your administrative information to set up your organisation as an LIR. We require:

- The full, legal company name
This is the name that is shown on official company registration papers.
Include any applicable 'legal form', for example: OJSC, CJSC, JSC (OAO, 3AO, OOO)
- The address of your registered office
This must be located within the [RIPE NCC service region](#). If it is not, please contact us.
We cannot accept a 'PO Box' number as the address of your registered office.
- The company postal address
This is where we will send all post. The company postal address can be the same as your registered office address.
- The company billing address
This is where we will send your invoices.
- The company phone number, fax number and general company e-mail address
- The names of the people in your company who will act as the registered contacts for the LIR
- A list of the countries in which your company operates or will operate
- The name of the organisation as registered at the Unified State Register of Legal Entities
- The name of the person signing the LIR contract
This is an 'authorised representative' of your company.

Correspondence with the RIPE NCC during LIR set-up

When the RIPE NCC receives your application, you will receive an automated e-mail reply to confirm this. This e-mail notification contains your registry identifier (RegID) and tracking identifier (tracking ID).

The RegID is used to identify you as an LIR and distinguish you from other organisations. The format for a RegID is: <country code>.<registry name>
Example: **zz.example**

The tracking ID is a unique ID only used during the set-up phase.

You will also receive a request to confirm your application within two working days. This e-mail contains a ticket number in the subject line. *Please use this ticket number in all your correspondence during the set-up of your LIR.*



This ticket number will follow the format:
Example: **NCC#YYYYmm####**.

We will not process your request until we have received confirmation from you.

You can check the current status of your request at:

<http://www.ripe.net/cgi-bin/rttquery>

There are three categories of ticket status:

- 1). **OPEN-REG**: the RIPE NCC is waiting for an answer from you.
- 2). **OPEN-NCC**: the RIPE NCC will respond to your e-mail as soon as possible.
- 3). **CLOSED**: process completed.

Step 2: The RIPE NCC sends corporate documents (*Standard Service Agreement, Standard Terms and Conditions and Charging Scheme*) and billing documents (*Invoice, Service Agreement and Act of Acceptance*) to you.

a. The *Standard Service Agreement (SSA)*

When Step 1 is completed, the RIPE NCC sends you two signed copies of the Standard Service Agreement (SSA) by post. The contents of the SSA can also be found at:

<http://www.ripe.net/ripe/docs/service-agreement.html>

A representative of the LIR who holds the power to sign contracts (this is usually a director) must countersign the SSA. Please include the following:

- Name of the organisation
- Title of the person signing
- Location of the organisation
- Date

Do not modify the layout or content of the SSA. One signed copy of the SSA must be returned to the RIPE NCC by post.

b. The RIPE NCC *Standard Terms and Conditions (ST&C)* is sent for your information regarding SSA regulations.

c. The RIPE NCC *Charging Scheme* for the current year is sent for your information.

d. The *Invoice, Service Agreement and Act of Acceptance* are billing documents. The amount on the invoice must be paid before you can use RIPE NCC services such as requesting addresses or attending an LIR Training Course.

Note: The RIPE NCC *Standard Service Agreement (SSA)* and the *Service Agreement (SA)* are different documents.

- One copy of the SSA should be signed and returned to the RIPE NCC for our records.
- The SA is sent to you for use in the internal procedures within your country (such as correspondence with your bank). They do not have to be returned to the RIPE NCC.

e. *Registration papers*

We require proof that your business is registered with the authorities in your country. We therefore ask you to send us a copy of an extract from the Unified State Register of Legal Entities.

If you represent a non-commercial organisation, governmental institution or other state authority, you are required to provide proof that you can legally represent the entity that is entering into the agreement with RIPE NCC. If your organisation is not listed on the Unified State Register of Legal Entities because it has a special status, we require a copy of its corporate/title documents.

If the person signing the SSA is acting on the basis of a Power of Attorney, please include a copy of the Power of Attorney document as well.

We prefer to receive these documents in English. However, we will accept them in your local language if an English version is not available.

Step 3: The New LIR returns a signed contract, a copy of the registration papers and pays the invoice

Please send one signed copy of the SSA and a copy of an extract from the Unified State Register of Legal Entities to the RIPE NCC by courier mail using the prepaid DHL envelope enclosed in your application package.

We will activate the membership of the LIR after we receive:

- One signed copy of the SSA
- The relevant extract from the Unified State Register of Legal Entities
- The payment of the first invoice amount

Upon receipt of these three items (and a copy of the relevant registration papers according to Step 2 above), the LIR will be able to start using the RIPE NCC's services.

Step 4: The RIPE NCC activates membership and sends set-up e-mail and welcome package.

After all steps have been concluded successfully, the LIR will be activated and the RIPE NCC will send you a set-up e-mail. Your welcome pack will also be sent by post.

Contact

Any questions regarding billing and payments should be e-mailed to: billing@ripe.net.

Any queries about becoming a member should be sent to: new-lir@ripe.net.

Any questions about Internet number resource requests should be sent to: lir-help@ripe.net. This is for existing RIPE NCC members, please include your RegID in all e-mails to us.

Part II Explanation of the RIPE NCC Corporate and Billing Documents

This section describes and explains the documents that are sent to you during the set-up of your LIR. All documents are explained:

- The *Standard Service Agreement* (SSA)
- The *Standard Terms and Conditions* (ST&C)
- Your *Invoice* from the RIPE NCC
- The *Service Agreement* (SA)
- The *Act of Acceptance*

These documents are also available in Russian and are represented as dual language documents. Where discrepancies occur, the English text will take precedence in law.

The table below is a summary of the various documents required by the RIPE NCC by Russian law. It details the purposes and the consequences if such documents are not correctly completed or if they are absent from the application.

	Civil Law	Currency Law	Profits Tax	Withholding Tax	VAT
Service Agreement	X	X	X	X	X
Invoice			X		X
Act of Acceptance	X	X	X		
Import Deal Passport*		X			
Consequence of deficiency	Lack of legal title, payment non-obligatory	Transaction void	Service payment becomes non-deductible	None	None

* more information on the Import Deal Passport is available in Part III, section 3.1.

1. Corporate Contractual Documents

Standard Service Agreement (SSA), *Standard Terms and Conditions* (ST&C) and the yearly RIPE NCC *Charging Scheme*.

1.1. SSA

This is the formal agreement between the RIPE NCC and your company on the service provided by the RIPE NCC and the terms and conditions. The SSA is accompanied by the ST&C document. We will send you two signed copies of the SSA. You should sign both of these, keep one copy for your company administration and return the other copy to the RIPE NCC. The SSA is sent to you only once, after your application has been received. The RIPE NCC services can only be used by LIRs after we have received the signed SSA.

1.2. ST&C

The ST&C gives more detail about the rights and obligations relating to the SSA. It is sent to you at the same time as the SSA. When signing the SSA, the LIR also agrees to adhere to the ST&C.

1.3. The RIPE NCC Charging Scheme

This document is revised every year. It details how and what the RIPE NCC charges its members, the LIRs, each year. The RIPE NCC bases its service fees on its yearly budget. It also describes how LIRs are allocated their billing categories. Each LIR is assigned a billing category ('Extra Small', 'Small', 'Medium', 'Large' or 'Extra Large') using the RIPE NCC Billing Score Algorithm.

More information on the RIPE NCC Charging Scheme can be found at:
<http://www.ripe.net/membership/billing/procedure.html>

2. Billing Documentation

Invoice, Service Agreement (SA) and Act of Acceptance

These are billing documents and will be sent to you according to the payment scheme you choose. You can choose to pay your invoices quarterly, half-yearly or yearly. These three documents will be sent to you at the same time.

2.1. An *invoice* is issued for every fee payment that an LIR needs to make. For Russian LIRs, this is usually quarterly.

Currently, RIPE NCC invoices meet the requirements of the Russian tax legislation, which are:

- The *invoice* must state the correct company name, address, registration details of the LIR and of the RIPE NCC, including the RIPE NCC's bank details;
- The amount shown on the invoice matches the amount shown on the SA and the Act of Acceptance;
- The service description gives details of, and complies with, the description that is in the SA and the Act of Acceptance.

The invoice is not just a payment document, it also substantiates the nature of the transaction for profits tax purposes. Tax authorities are keen to examine the details of such invoices. The invoice may also be important for the Value Added Tax (VAT) position (see part 2.1.2. of this document).

2.1.1. *Payment of invoice*

We will send you the invoice by both post and e-mail in .PDF format. Your payment must be made in euros.

Bank transfer

Bank transfer is the preferred method of payment. When making a bank transfer it is essential that you mention your payment reference (this is the customer number and your invoice number).

Example:

Customer number (contributor number): 101506

Invoice number: 10605698

Payment reference: 101506/10605698/zz.example

You should also include your RegID with the payment reference. You can find our bank details on the invoice or at:

<http://www.ripe.net/membership/billing/bank-details.html>

Credit card

The RIPE NCC also offers a secure online payment system for credit cards. You can use this by clicking on the payment URL on your invoice. A payment screen will open and you can make the payment using American Express, MasterCard or VISA.

2.1.2. Value Added Tax (VAT)

When determining whether or not VAT is applicable to the services provided by the RIPE NCC, the type of service must be specified. The RIPE NCC manages and distributes Internet resources from a global pool and a service fee is charged for this. RIPE NCC services, such as the allocation of IP address space are provided using servers located in the Netherlands.

For Russia VAT purposes: the services that are provided by the RIPE NCC are not physically carried out within the territory of Russia and, according to the Tax Code of the Russian Federation, are therefore not subject to VAT in Russia¹. For Dutch VAT purposes: the service provided is considered to be supplied outside the Netherlands because the recipient of the services (the member) is located outside the European Union. For this reason, the supply is “zero-rated” for Dutch VAT purposes².

The services that the RIPE NCC provides to its members do not fall within the scope of the point 4, paragraph 1, article 148 of the Tax Code of Russia, which refers to the place of the services supply where the recipient of the service has established his business. The RIPE NCC does not provide information or consulting services, referred to in the aforesaid provision. It allocates IP addresses to LIRs for use by the LIR itself and/or its customers. This service is provided from the territory of the Netherlands and therefore Russian VAT is not applicable.

2.1.3. Service fee

All new LIRs are automatically assigned to the Extra Small billing category. Existing LIRs are informed in October each year regarding their billing category for the following year. For the service fees to be paid, see the current RIPE NCC Charging Scheme in the RIPE Document Store at: <https://www.ripe.net/ripe/docs/charging.html>

All new LIRs pay a one-time sign-up fee. The sign-up fee covers the following:

- Administration costs of setting up a new LIR
- Access to RIPE NCC [Training Courses](#)
- Right to free attendance of a [RIPE Meeting](#) for two persons

2.2. Service Agreement (SA)

¹ Article 146 of the Tax Code of the Russian Federation

² Article 9 (2) (e) of the Sixth VAT Directive; Article 6 (d) (1) of the VAT law of the Netherlands

A signed copy of the SA is issued each time you make a fee payment - quarterly, half yearly or yearly. The SA is signed in order to meet the currency control procedures relating to payment transactions. It also simplifies the procedures between the LIR and the RIPE NCC. As your bank will ask for a copy of the SA, the RIPE NCC will send you a signed copy of it. There is no need for you to return the signed copy of the SA, as this is for your records. Your agreement is confirmed by your payment. For more information, see the Legal Issues paragraphs 1.1, 1.2 and 2.2 below.

The SA and the SSA are different documents. The SSA represents a contract between the RIPE NCC and an LIR for the provision of services. The SA is a billing document. The SSA is signed only once and one copy of it is returned to the RIPE NCC. The SA is signed with every invoice and payment (usually on a quarterly basis) and does not have to be sent back to the RIPE NCC.

The SA is the document that provides the parties with legal titles for the purposes of civil law. It is also important for the profit tax deductibility of the appropriate expenses. By defining the nature of the service in the SA, the parties also state that the payments made in accordance with it are not subject to withholding tax and Russian VAT. A copy of the agreement should be provided to the currency control department of the bank. In accordance with the amount referred to in the agreement the obligation to obtain an Import Deal Passport (IDP) would then be determined.

2.3. Act of Acceptance

This is sent to the LIR with every invoice for every fee payment. This document is sent because Russian legislation requires the result of the service to be confirmed by the Act of Acceptance. The legal requirements that are included in the Act of Acceptance will be discussed under Legal Issues section III, paragraph 1.3.

The Act of Acceptance is also important for the deduction of expenses for profits tax purposes, as well as currency control purposes. A copy of the act should also be submitted to the bank with the appropriate documents applicable for payments from Russian residents to non-residents.

Part III Legal Issues

This section covers the legal matters regarding invoicing documentation, currency control regulation and Russian taxes. It specifically addresses applicable Russian laws and the Russian legislative system.

1. *The Agreement signing process according to the Civil Code of the Russian Federation*

The Russian Civil Code gives companies the liberty to choose their preferred form of the agreement. The agreement is not necessarily a mutually agreed upon document: It can be organised in the form of an exchange of letters, or even in the form of one letter³.

The RIPE NCC has implemented a procedure to conclude agreements in accordance with Russian law:

- a. The RIPE NCC sends an “offer” (SSA) with the terms and conditions to the LIR. These contain the following information:
 - Complete description of the service(s)
 - Period of validity of the agreement (indefinite)
 - Payment details of both parties and method of payment
 - Short description of settlement procedure
- b. According to the conditions of the offer, the payment confirms the acceptance of the provisions of the agreement, and is considered entering into the agreement⁴. In other words, the LIR automatically enters into the agreement when the payment is made.

For making service payments, the currency control department of the bank will sometimes ask you to obtain an Import Deal Passport (IDP). For more information on this, see paragraph 3.2.

Your bank will also require a copy of the SSA for every payment to be made by a Russian resident to a non-resident. This applies even when there is no need to verify the IDP with the bank.

2. *Invoicing documentation*

2.1. *Service Agreement according to the Civil Code of the Russian Federation*

Russian civil law allows businesses the option of organising their transactions in a way that is most convenient for their needs. The RIPE NCC has structured this legal title as a Service Agreement (SA).

The content of the SA is clearly explained in the Civil Code of the Russian Federation. In accordance with the Code, the following necessary items are included in the RIPE NCC SA:

- A detailed description of the service
- The period of time in which the service will be provided
- The amount to be paid
- The payment procedures
- The settlement procedure for potential conflicts
- A list of information and documents to be provided by the RIPE NCC to its LIRs

The tax aspects of the service agreement structure will be discussed below in part 4.3.2.

³ Para 2 article 434 of the Civil Code of the Russian Federation

⁴ Para 2 article 438 of the Civil Code of the Russian Federation

2.2. *Act of Acceptance*

The Act of Acceptance is required by Russian law to emphasise the result of the service. The document confirms the following aspects:

- Confirmation that the services were provided and that the recipient of the services is satisfied with the quality
- The deductibility of expenses relating to the services in question for corporate income tax purposes.

The RIPE NCC Act of Acceptance, in line with Russian legislation, contains the following information:

- The full company name and legal addresses of both parties;
- A detailed description of the services provided. It specifies that the Act of Acceptance, the invoice and the agreement describe the same services.
- The amount of compensation for the relevant services. The amount will be the same as the amounts stated in the SA and the invoice.

3. Currency Control Regulation

Certain specific procedures for foreign currency transactions were abolished as of 1 July 2006.

3.1. *Import Deal Passport (IDP)*

The changes have not influenced the regulation relating to IDPs or their necessity for RIPE NCC members located in Russia. However, we do expect changes in this area and will keep you informed of any changes to this procedure.

The IDP form that is completed by RIPE NCC members located in Russia. In case of doubt, we recommend that you fill out this form. For your convenience, we have attached this form. However, your bank may require you to use a specific format.

The IDP should be filled out only when the amount of the agreement, including amendments and alterations, exceeds 5,000 USD. When the amount referred to in the SA is less than 5,000 USD there is no need to complete an IDP.

At the same time, the currency control department of the bank can take the view that the separate SA signed by the client on a regular basis constitute one agreement, and therefore the amount of the agreement exceeds the 5,000 USD limit. In this case, we recommend that the client fills out IDPs for every agreement after the accumulated amount has exceeded 5,000 USD.

According to the currency control regulations, a Russian member of the RIPE NCC will have to obtain an IDP to make service fee payments. In order to do so, you will have to submit the following documents to the currency control department of the bank:

- Two copies of the IDP drafted by the company (a sample of an IDP is attached in the Appendix)
- One copy of the Service Agreement (SA)
- One copy of the Standard Service Agreement (SSA)
- The documents confirming registration of the Russian LIR with the Unified State Register of Legal Entities
- The tax registration certificate of the Russian LIR
- A copy of an extract from the Dutch Chamber of Commerce showing the registration of the RIPE NCC (this document can be requested from the RIPE NCC)

4. Tax issues

Russian Corporate Income Tax (CIT)

4.1.1. *Status of the RIPE NCC service fee for Russian Corporate Income Tax*

Russian tax legislation provides for a limited number of cases where Russian source income paid to a foreign legal entity is subject to a withholding on income tax. If this is applicable, Russian residents must act as tax agents and withhold 20% of the income to be paid out.

Article 309 of the Russian Tax Code lists the types of "passive" income or income in some way territorially connected to Russia, which is considered to be from a Russian source and therefore taxable in Russia. Income derived from services physically carried out in the Netherlands does not fall into this category and service income is specifically exempt from the obligation to withhold income tax. Therefore, the services received from the RIPE NCC are not taxable in Russia and therefore the CIT at 20% does not have to be withheld by Russian LIRs.

4.1.2. *Deductibility of fee payments for Corporate Income Tax purposes in the hands of Russian LIRs*

The Tax Code refers to the economic justification of the expenses as a test for their deductibility. This means that the expenses should be aimed at achieving a positive economic result for the legal entity.

Although payments for services to provide Internet resources are not specifically listed in the Tax Code as a tax-deductible expense, expenses for services of information systems are listed as such along with telephone, fax, e-mail, Internet, and SWIFT expenses⁵.

On this basis, it is our interpretation that payments for the services to provide Internet, such as IPv4, IPv6 and AS Number resources and related services, are tax deductible.

*Note: This document refers to the Russian Federation Tax Code which is subject to change.
The RIPE NCC aims to incorporate changes as they arise.*

⁵ Article 264.1 (25) of the Tax Code of the Russian Federation