

## Russia: Foreign IT companies to be required to open local offices

### News in brief

Foreign Internet sites, web-pages, information systems and programs aimed at Russian audiences may be required to open local offices in accordance with a draft law being considered by the Russian parliament.

The new rules<sup>1</sup> will apply to foreign companies or individuals if their daily audience in Russia is more than 500 thousand users, provided they meet one of the following conditions:

1. the information resource is in Russian or uses the languages of Russia's regions and nations,
2. the information resource contains advertising aimed at Russian users,
3. the foreign entity processes Russian users' data, or
4. the foreign entity receives money from Russian individuals or legal entities.

Roskomnadzor (the Russian telecoms supervisory body) may impose the new requirements on individual hosting providers, advertising system operators or information distribution organizers.

### New requirements

If the draft law is adopted, foreign entities will need to create local offices (a branch, representative office or legal entity at their choice).

This local office must represent the interests of the foreign entity in Russia and be liable for the information resource, including:

- process enquiries,
- implement the rulings of courts and state bodies,
- represent the interests of the foreign entity in Russian courts,
- ensure the blocking of restricted content on the information resource.

Foreign entities will also have to:

1. provide an electronic feedback form on their information resource for use by Russian individuals and entities,
2. register an account on the Roskomnadzor site.

### Possible consequences

Failure to meet the new requirements may result in the following measures:

- notifying users that the entity violates Russian law,
- a ban on advertising of and on the information resource,
- a ban on money transfers and payments to the foreign entity,
- a ban on being included in search results,

### Contacts:

*Denis Khabarov*  
Partner  
Moscow  
*Denis.Khabarov*  
*@bakermckenzie.com*

*Alexander Monin*  
Partner  
Moscow  
*Alexander.Monin*  
*@bakermckenzie.com*

*Arseny Seidov*  
Partner  
Moscow  
*Arseny.Seidov*  
*@bakermckenzie.com*

*Darya Ermolina*  
Counsel  
Moscow  
*Darya.Ermolina*  
*@bakermckenzie.com*

*Valeriya Eystrakh*  
Associate  
Moscow  
*Valeriya.Eystrakh*  
*@bakermckenzie.com*

*Maxim Kalinin*  
Partner  
St. Petersburg  
*Maxim.Kalinin*  
*@bakermckenzie.com*

<sup>1</sup> The draft law was presented to the State Duma on 21 May 2021 and the full text is available at: <https://sozd.duma.gov.ru/bill/1176731-7>



- a ban on the collection and cross-border transfer of personal data,
- full or partial blocking of the information resource.

## Status of the draft law

Parliament is expected to discuss the bill in June 2021. If the law is adopted the obligation to create local offices will come into effect from 1 January 2022.

---

## Recommended actions

Foreign entities whose information resources target Russian users are recommended to:

- analyze the state of compliance with Russian law on personal data, protection of information and tax (including on imposition of VAT on electronic services),
- assess the options for opening a local office in Russia,
- analyze the tax consequences of opening a local office (including the additional risks of creation of a permanent establishment and the necessity to pay VAT on Russian operations),
- make sure they are technically able to meet the new requirements (including creating and hosting a feedback form on the information resource).