Russia

Expert: Daria Miloslavskaya
Institutional Affiliation: International Center for Not-for-Profit Law
With contributions from staff at the Indiana University Lilly Family School of Philanthropy

QUICK FACTS

Legal forms of philanthropic organizations included in the law: Association, Foundation, Institution (Art. 7 on the Law of Charities)

Five main social issues addressed by these organizations: Arts and Culture, Health and medical research, Basic Needs, Youth and Family, Human Rights

Average time established by law to register a philanthropic organization: 0-30 days

Average cost for registering a philanthropic organization: US $90 + notary fee US $50
In comparison with previous years, the registration process has become less burdensome.

Government levels primarily regulating the incorporation of philanthropic organizations: Other

Federal Ministry of Justice (MoJ) has regional departments in every region of Russia. A regional department of MoJ is responsible for regional and interregional organizations, and the Federal MoJ is responsible for the registration of all Russian organizations.

Philanthropic Environment Scores:

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<th>Ease of Operating</th>
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<td>2018</td>
<td>3.3</td>
<td>3.5</td>
<td>3.5</td>
<td>2.8</td>
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I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

The three questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration, (B) operations, and (C) dissolution.

Question 1: To what extent can individuals form and incorporate the organizations defined?

Score: 3.5

The Constitution of the Russian Federation recognizes the right of individuals to form organizations (Article 30). The Federal Law No. 7-FZ “On Non-Commercial Organizations,” determines the characteristics of the civil-legal status of non-commercial organizations (NCOs) and the procedures for the functioning of foreign NGOs.

There are some government restrictions on the permitted types of organizations, the purposes organizations can pursue, and on who can be a member or manage a non-commercial organization (i.e. individuals with dual US-Russian citizenship cannot be members or manage a NCO). The registration process is somewhat demanding, and it requires moderate time and resources. Additionally, registering officials’ attitude is sometimes discretionary. Nevertheless, in comparison with previous years, the process has become less burdensome, since changes made to laws and regulations in 2015 and 2016 gave clearer guidelines to founders. Now, it takes two weeks to register a charitable foundation and one month to register a charitable association. However, potential founders face burdensome restrictions due to severe legislations.

Question 2: To what extent are POs free to operate without excessive government interference?

Score: 3.5

Philanthropic organizations are somewhat inhibited in their internal governance due to rules and regulations, and have impediments on the purposes of their activities. Organizations are free to communicate through various media channels, but are somewhat restricted in their cooperation with domestic and international entities. There are some concerns about the political activity of charitable organizations, because of the possible status of foreign agent the organization may have (Federal Law No. 129-FZ On Amendments to Certain Legislative Acts of the Russian Federation, 2015), but from the legal point of view charitable activities are excluded. The reporting requirements are clear, but not well known by all organizations. Charitable organizations are not under state pressure in the current political situation. However, another problem has emerged in the last few years; there has been a surge in registered, fake charitable foundations that engage in aggressive, illegal fundraising activities. This fact influences the public image of the whole sector.
Question 3: To what extent is there government discretion in shutting down POs?

The governing body of a charitable organization is able to voluntarily terminate its activities (except in the case of charitable foundations) (Law on Charitable Activity and Charitable Organizations, Article 9); however, the process requires onerous reporting and can result in a state audit (more frequently tax audit).

Involuntary termination by a government entity can occur after a violation of the law. In such cases, the organization receives a warning in writing, which can be appealed in court (Article 20). In the case of repeated warnings, the organization is liquidated. Foundations can be liquidated only by court decision; voluntary liquidation is possible but the founder must appeal to court. If an organization has no money and had not reported during the year, the tax authorities can exclude it from the list of legal entities. If it is a public association, the organization is allowed to continue its activities as an unregistered association.

II. Domestic Tax and Fiscal Issues

The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.

Question 4: To what extent is the tax system favorable to making charitable donations?

Individuals have access to income tax deductions. The ceilings on such incentives are moderately high (up to 25% of one’s yearly income). The process of receiving tax benefits is clear and consistent, yet the amount of time and resources needed is not always reasonable, but is affordable. However, legal entities cannot claim a tax deduction or credit at the federal level for contributions made to NCOs, including charities.

Article 217 of the Tax Code establishes that one-time payments (including in-kind donations) made to taxpayers in the form of humanitarian aid (assistance) and in the form of charitable assistance provided by a duly registered Russian and foreign charitable organizations (funds, associations), are tax-exempt.

Legal entities, on the other hand, cannot claim tax deductions on donations to charity.

Question 5: To what extent is the tax system favorable to POs in receiving charitable donations?

Only charitable organizations are eligible to receive significant tax exemptions. The purposes of charitable activities are stated in the Law on Charitable Activity and Charitable Organizations (Article 2). Charitable organizations can carry out charitable activities aimed at achieving the objectives for
which it was created, as well as charitable activities aimed at achieving the objectives stipulated by the law. Charitable organizations can also engage in activities to attract resources and engage in entrepreneurial activities only for the purposes for which it was created, and relevant to these objectives (Article 12). The profit from these economic activities is generally taxed as commercial income.

Donations to charitable activities are always tax exempt (Tax Code, Article 149). The process to receive the tax exemption status is clear and consistent, and requires a reasonable amount of resources and time. A wide variety of organizations are eligible to receive such tax benefits. Organizations are able to raise a significant amount of funds from private sources.

III. Cross-Border Philanthropic Flows

The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.

Question 6: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 3.5

Cross-border charitable donations can be sent without additional cost. Cross-border donations are not eligible for the same tax incentives as domestic donations. The process to send charitable donations abroad is clear and consistent, requiring a moderate amount of resources and time. There are some limitations on the type of activities supported through donated cross-border contributions, but cross-border contributions are not very regular in Russia.

Question 7: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Score: 3.5

Cross-border charitable donations can be received without significant and additional cost. Cross-border donations are not eligible for the same tax incentives as domestic donations. The process to receive charitable donations from abroad is clear and consistent, and requires a moderate amount of resources and time. The Federal Law No. 135-FZ, “On Charitable Activities and Charitable Organizations” requires that non-commercial organizations receiving monetary assets and other property from foreign sources keep separate records of incomes received from foreign sources and report to the authorized body (Article 32).

There are some limitations on the type of activities supported through cross-border contributions. Only charitable and public benefit activities can be supported by donations. There are some concerns about financing political activities overseas, which is determined in the NCO law very broadly leading to unintended categorization of NCOs as “foreign agents” and lose their legal status. Specifically, the Federal Law N 272-FZ “On measures for affecting persons implicated in violation of basic human rights and freedoms, rights and freedoms of the citizens of the Russian Federation”
establishes that a NCO can be suspended if it carries out political activities or other activities considered to be a threat to the interests of the Russian Federation, or receive funds from the US citizens or organizations (Section 3.1). Civil legislation determines donations as a kind of gift.

IV. Political and Governance Environment

The three indicator questions in the next two sections concern the political and governance context, socio-cultural characteristics, and economic conditions that influence the environment for philanthropy.

Question 8: To what extent is the political and governance environment favorable for philanthropy?

Score: 2.8

There is growing collaboration between the government and the philanthropic sector. The government is open to recognize the role of philanthropic organizations as change agents and, on certain occasions, has encouraged the participation of philanthropic organizations in implementing public programs. Nevertheless, there is no great government support toward charitable programs in terms of money allocated to charity. There have been talks to transfer some social duties to the non-governmental sector, and the government has promised to finance social services.

There is an acceptable level of political and economic stability in the country that is favorable to the success and growth of philanthropy, although this growth is not always in full compliance with the law.

Question 9: To what extent are public policies and practices favorable for philanthropy?

Score: 2.8

The government rarely promotes or systematically supports philanthropic values and/or facilitates access to national and international resources and opportunities. In recent years, President Vladimir Putin established the Decoration "For Beneficence," which is awarded to highlight significant charity efforts to support social causes and for assisting non-governmental organizations or religious organizations with socially significant activities. However, legal entities do not receive incentives for giving. On the other hand, government agencies still do not have enough capacity to support charities.

V. Socio-Cultural Environment

Question 10: To what extent are socio-cultural values and practices favorable for philanthropy?

Score: 3.5

Although Russia has strong religious traditions that support its philanthropic culture, social traditions and values have sometimes been an obstacle to philanthropic success. Before the communist
revolution in Russia (1917), the tradition of philanthropy was in the hands of the wealthy and aristocrats who gave to arts and made contributions to public and social needs (Spero, 2014). Under the communist regime, public well-being was in the hands of the State, and organized charity was not permitted. In the nineties, charitable giving and philanthropy started to grow in the form of corporate philanthropy and foundations. Because of its late development, philanthropy in Russia is in a relatively early stage of development, and the culture of giving to others is not well established among the general population. In fact, it could be said that that the idea that social issues are the responsibility of the State still remains in the public. However, philanthropy among the wealthy is significant. The 2015 Coutts report found that 55 percent of donations were given by corporations, 28 percent by foundations, and only 16 percent were given by individuals.

Additionally, people tend to distrust POs sometimes not only due to issues with transparency and accountability, but also because many charitable NGOs are created to avoid taxation or just to publicly fundraise without any clear goals, which is not prohibited by law. People perceive that POs do not always function effectively because there is no strong and transparent criteria of efficiency.

VI. Future of Philanthropy

*These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.*

**Current state of the philanthropic sector**

The philanthropic sector can be separated into three groups: two of them are large, both almost of the same size, and the third group is smaller. One has strong government support, including state media and state advertisement, and most of these charitable organizations help children and people with disabilities. The second group acts independently and is, more or less, successful. This subsector has neither State support nor does it receive government pressure. The third portion is rather small, but currently growing. This represents the number of fake charitable organizations that take names similar to famous foundations and try to fundraise from the public with fake stories and without transparent reporting. The government does not pay attention to this situation, which has given this type of organizations the freedom to act.

**Three major recent events affecting the philanthropic landscape between January 2014 and December 2016**

- Giving Tuesday November 29. It engaged with 900 partners in 124 cities and towns.
- Conferences “Charity in provincial Russia,” which take place every year and gathers potential business partners and regional NGOs to exchange experiences in the implementation of charity programs and discussion of new project ideas.
- Significant increase of private donations.
Future development trends in the philanthropic landscape

The current situation will not change in the near future. We do not expect any new positive or negative legislation or political development in the sphere of philanthropy.

Three key recommendations to improve the environment for philanthropy

1. Do not change any charity-related legislation;

2. Pay attention to growing fake philanthropy; and

3. Increase transparency of the charity activity taking place in this country.