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**SPECIAL REGIME OF INVESTMENT IN THE REPUBLIC OF CRIMEA:  
CONDITIONS AND PERSPECTIVES**

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**Abstract**

The article analyzes the evolution of special investment regimes in the Republic of Crimea as a free economic zone, the basic conditions for the functioning of a free economic zone in the Republic of Crimea, the tendencies of investment processes and their problems.

**Keywords:** investment process; a special mode of investment; free economic zone; the Republic of Crimea.

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**ОСОБЫЙ РЕЖИМ ИНВЕСТИРОВАНИЯ В РЕСПУБЛИКЕ КРЫМ:  
УСЛОВИЯ И ПЕРСПЕКТИВЫ**

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**Аннотация**

В статье проведен анализ эволюции особых режимов инвестирования в Республике Крым, рассмотрены основные условия функционирования СЭЗ на территории Республики Крым, выявлены тенденции инвестиционных процессов и их проблемы.

**Ключевые слова:** инвестиционный процесс; особый режим инвестирования; свободная экономическая зона; Республика Крым.

**Introduction.** In the territory of the Republic of Crimea since 2015 the specific mode of investment caused by coming into effect of the Federal law "About development of the Crimean Federal District and free economic zone in territories of the Republic of Crimea and the Federal value city of Sebastopol" [2, 3] started functioning.

The concept "free economic zone" (FEZ) reflects various forms of economy liberalization which priority directions historically changed within the modern world [9, p.8]:

– when trade was a basis of international economic relations it promoted development of duty-free trade zones where conditions for high capital turnover were created;

– from the middle of the XX century joint business caused FEZ creation which are carrying out production activity, including export industrial zones;

– in connection with the financial capital role increase in the international economic relations bank zones and offshore centers where production is no

longer on the first place, but commercial, financial and insurance activity gained development;

– during an era of scientific and technical progress there was a next FEZ generation which united science and high-tech production – scientific and technical zones, and in Japan the project of the third millennium technopolis where an attempt to combine strategy of economy intellectualization with national cultural and historical traditions was made, is realized.

Problems of special economic zones functioning were considered in works of many domestic and foreign scientists, such as Tis D., Buckley P., Kaesong M., Johnson G., Uilyamson O., Hauzer X., Alpatova E. S., Vasilyev L. I., Volkova E. S., Bykasov D. S., Danko T. P., Zimenkov R. I., Kalinina L. E. Kulakov V. V., Nikitina M. Nikolova L. V., Ovchinnikov S. G., Okrug Z. M, Petrunin V. V., Rybakov A. [8]. At the same time, problems of special economic zones functioning in Crimea currently are covered insufficiently.

Relevance of this article is defined by the need of attraction the additional investment for modernization of the Republic of Crimea economy, need for updating the infrastructure under conditions of sanctions.

**Research objective.** The purpose of article is defining prospects of specific investment mode in the Republic of Crimea under conditions of sanctions restrictions.

**Results and Discussion.** Functioning of investment specific mode in Crimea began in 1992 with adoption of law of Ukraine "About the general bases of creation and functioning of special (free) economic zones" on the basis of which the North Crimean

experimental economic zone "Sivash" was created and situated in Krasnoperekopsk area of Autonomic Republic of Crimea for a period of 5 years.

Further efficiency and appeal of special zones functioning in Ukraine began to decrease, the quantity of privileges came near to zero, free zones were transformed to territories of priority development. However, the status of the priority development territory actually did not give any privileges. In 2005 FEZ and TPD in Ukraine stopped the actual existence under the terms of IMF.

The new round of special economic zones development and investment activity in the Crimea began in 2014.

Investment activity in the Republic of Crimea (RC) in 2014 (only 21.5 billion rubles, 37% – housing, 23% – buildings, except inhabited, 34% – transport, cars and equipment) was defined by the following factors (fig. 1) [1, p. 444]:

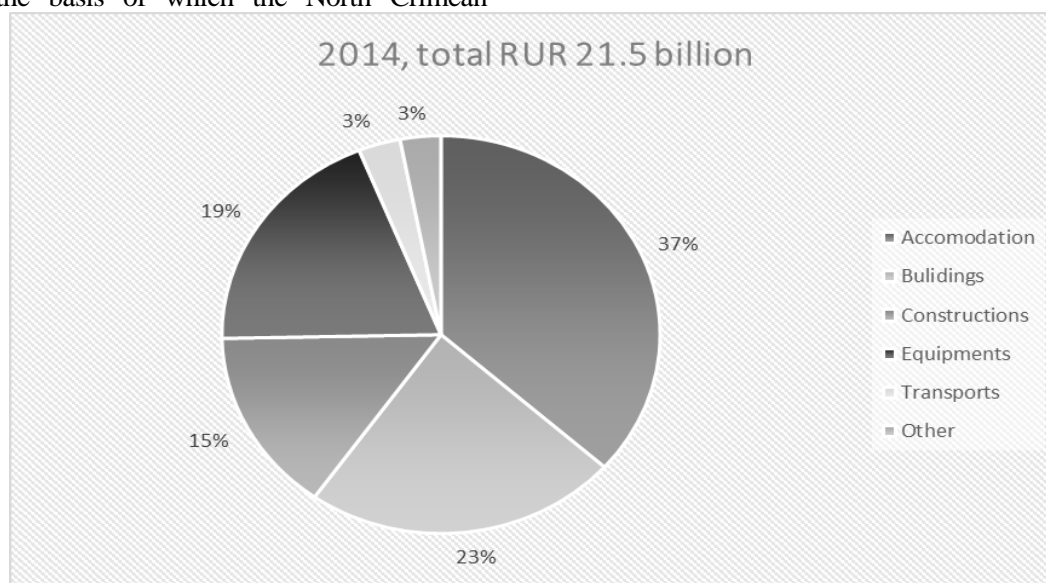
– Since 01.04.2014 registration of organizations in the territory of RC according to the legislation of the Russian Federation began;

– In August, 2014 the real estate re-registration in the territory of RC according to the legislation of the Russian Federation began;

– Many owners registered in Ukraine sold property that was fixed by statistics as investments;

– The enterprises which earlier changed the legal address to continental part, being physically in RC were registered in the location;

– There was a legalization of the existing assets.



Source: compiled by authors according to operational data of the Ministry of Economic Development of RC

Fig. 1. Structure of investment into fixed assets in the Republic of Crimea in 2014

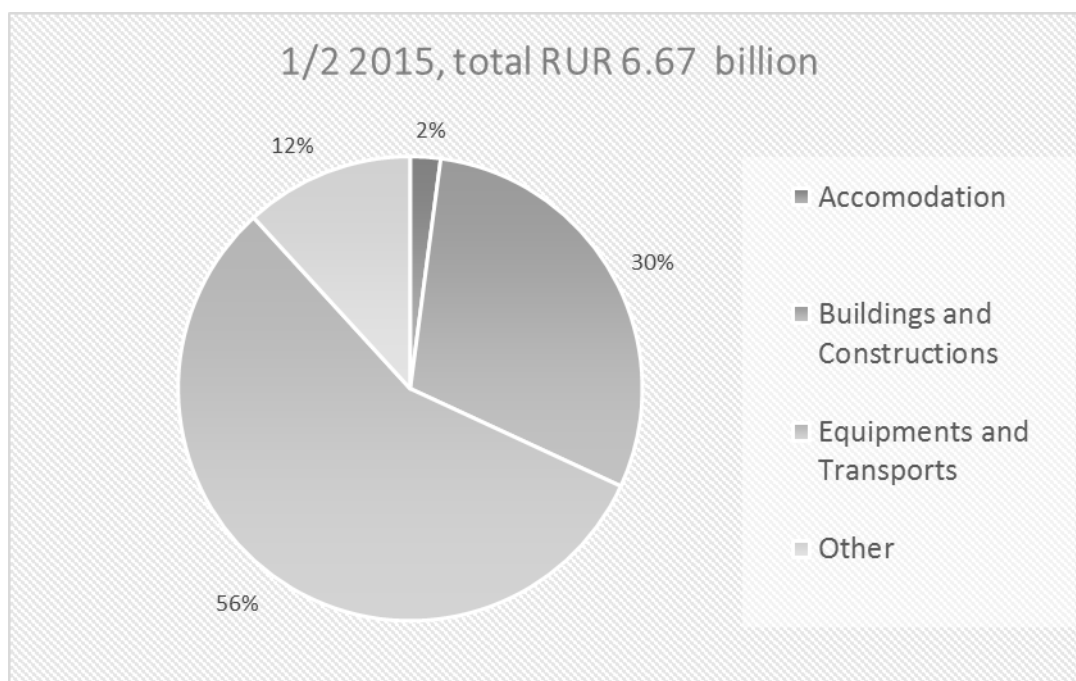
Рис. 1. Структура инвестиции в основные средства в Республике Крым в 2014 году

In the first half of the year 2015 tendency changed (the total amount of 6.67 billion rubles) – 56% made investments into transport, cars and equipment.

Investment activity in 2015 was defined by the beginning of FEZ functioning (fig. 2) [1, p. 445].

FEZ is created in all territory of the Republic of Crimea and the federal value city of Sevastopol.

The term of FEZ functioning makes 25 years (till December 31, 2039).



Source: compiled by authors according to operational data of the Ministry of Economic Development of RC

Fig. 2. Structure of investment into fixed assets in the Republic of Crimea in 1 half-year 2015

Рис. 2. Структура инвестиции в основные средства в Республике Крым в 1 полугодии 2015 года

FEZ is created according to the Federal law of the Russian Federation as of 29.11.2014 No. 377-FZ "About development of the Crimean Federal District and free economic zone in territories of the Republic of Crimea and the federal value city of Sevastopol".

FEZ provides a specific mode of entrepreneurial implementation and other activity, and also application of customs procedure of the free custom enforcement area.

The specific mode of entrepreneurial implementation and other activity in FEZ includes:

- features of town-planning activity implementation and land use in placement of the objects necessary for realization by FEZ participants of investment projects;

- specific mode of taxation;
- granting subsidies for expenses compensation of FEZ participants, including costs of custom duties payment, taxes and fees concerning goods (except excisable goods) imported for use in construction, equipment and hardware of the objects necessary for investment projects implementation.

Also by Federal law are defined:

- order of customs procedure application of the free custom enforcement area, commission of customs operations concerning the aircrafts placed under customs procedure of the free custom enforcement area in the territory of FEZ;

- order of customs operations commission concerning goods of the Customs Union transported by air;

- features of the state control (supervision) implementation in the territory of FEZ.

The provisions concerning procedure of town-planning activity and land use in placement of the objects necessary for investment projects realization by FEZ participants will start being applied from January 1, 2017.

The main preferences for investors are directed on decrease in the tax burden, among them:

Reduction in the rate of corporate income tax:

- the federal budget – 0% for 10 years;
- the budget of Crimea – 2% in the first 3 years; – 6% - 4-8th years; – 13.5% – over 9th year.

Exemption from property tax – for 10 years.

The use of the accelerated depreciation concerning in respect of its depreciable assets by a factor of 2.

Release from payment of the land tax by the organizations - participants of FEZ concerning the land plots located in the territory of FEZ and used for implementation of the contract on implementation of activity in FEZ for 3 years starting the month of ownership right signing on each land plot.

Reduce rates of insurance premiums – 7.6%, including:

- Pension Fund of the Russian Federation – 6%,
- Social Insurance Fund of the Russian Federation – 1.5%,
- Federal Compulsory Health Insurance Fund – 0.1%.

Participants of FEZ have no right to carry out activity in the sphere of natural resources use for exploration and production of minerals, development of continental shelf fields of the Russian Federation.

The potential participant of FEZ has to be registered in the territory of the Republic of Crimea, be on tax accounting in taxing authority, and have the

investment declaration conforming to the established requirements.

The volume of capital investments on projects in the first 3 years from the date of the contract conclusion on activity conditions in FEZ has to make no less than:

- 3 million rubles – for subjects of small and medium business;
- 30 million rubles – for other persons.

The federal organ of the executive authority authorized by the Government of the Russian Federation appointed the Ministry of the Russian Federation for the Crimea. Before its abolition 48 certificates on participation were granted. In August-September, 2015 certificates of participants temporarily were not granted, in October the number of participants increased to 190.

Within the created Council for improvement of investment climate 335 demands for 710 billion rubles are considered, but contracts for rent of earth/property was concluded only 4 on 17.8 billion rubles. (table 1-2).

Table 1

**Structure of appeals to the Council on the improvement of the investment climate**

Таблица 1

**Структура обращений в Совет по улучшению инвестиционного климата**

Request category	Project number	Sum of investments, billion rubles.
Total, including:	335	709.86
At stage of the Demand coordination	251	620.33
At stage of the Agreement preparation	84	89.521
Projects on which Agreements are ready to signing	6	1.585
Projects on which there is a necessary package of documents, the draft agreement at a completion stage	32	26.471
Projects on which there is a process of documents preparation for the Agreement	46	61.465

Source: compiled by the authors according to the operational data of the Ministry of economic development of RC.

Table 2

**Structure of the Considered Appeals to the Council on the Improvement of the Investment Climate**

Таблица 2

**Структура рассмотренных обращений в Совет по улучшению инвестиционного климата**

Economy sphere	Project number	Sum, billion rubles.
Total signed Agreements	40	47 billion 060 million rubles.
Lease contracts signed	4 (МТПА - Simferopol, Crimean rod - Feodosiya, KRYMTETS – Simferopol, the Crimea Shuz - Yevpatoria)	17 billion 766 million rubles.
Additional agreements signed	1	In preparation 5
Industry	8	2.277
Construction	2	0.85
Tourism	6	0.867

Economy sphere	Project number	Sum, billion rubles.
ТЕК	12	38.698
Farming	7	4.084
Fishing	2	0.016
Sports	2	0.19
Ecology	1	0.073

Source: compiled by authors according to operational data of the Ministry of Economic Development of RC.

**Conclusion.** The carried-out analysis allowed to reveal the following problems:

– Registration of land associated with the lack of cadastral passports on land plots with possible counteraction of local authorities, the overestimated rental rates on a number of RC regions;

– Relationship with local authorities, connected with problems of decision-making (responsibility), existence of local elite which interests can clash with the interests of investors;

– No actual funds have a certain percentage of investors that can be revealed only after 01.04.2016 – the period of giving the first report on FEZ activity;

– Participants' knowledge which is manifested in the lack of experience, competence for FEZ activity among potential investors and government officials;

– Various interests of participants not always coinciding with declared which overcoming demands considerable material and temporary resources.

The solution of the designated problems is possible on the basis of "bottlenecks" identification after an operating time of experiment on work with the first investors that will allow to increase inflow of investments into the Republic of Crimea and to modernize economy and a social infrastructure of the region.

Further authors plan to develop indicators of investments into FEZ efficiency on the basis of the approved and realized investment projects analysis that will allow to accelerate decision-making by Council for improvement of investment RC climate and to increase quality of the investment projects realized within this FEZ.

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