

CLIENT UPDATE

RUSSIAN CUSTOMS EXEMPTIONS FOR FOREIGN AIRCRAFT ARE BACK

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In recent years, the Russian Government has actively contributed to the increase in the number of Russian-built commercial aircraft.

Under the Resolution of the Customs Union Commission No. 331, dated June 18, 2010, aircraft with a basic empty weight of 20 to 120 tonnes and a number of passenger seats of 110 to 170 and 218 to 300 temporarily imported into the Customs Union were exempted from customs duties and taxes until December 31, 2013. These requirements are met (with an appropriate seat configuration) by Airbus A319, A320, A321 and Boeing 737. The temporary import, with a full conditional exemption from customs duties and taxes, was permitted subject to a relevant agreement (mainly to include a lease) being made and such aircraft being placed under a temporary import procedure prior to the above date for a period of not more than 5 years.

Though some preliminary steps were taken at the end of last year to extend these exemptions, the required regulations were not adopted in 2013. As a consequence, in the beginning of 2014, the temporary import of the most popular types of aircraft became subject to customs duties causing significant losses to the airlines.

Finally, on January 31, 2014, the appropriate amendments to Resolution No. 331 were made. These amendments entered into force on March 3, 2014.

Under the new regime, an aircraft with a basic empty weight of 20 to 120 tonnes and a number of passenger seats of 110 to 300 may be temporarily imported into the Customs Union with a full conditional exemption from customs duties and taxes subject to a relevant agreement being made and such aircraft being placed under a temporary import procedure prior to January 1, 2017. The period of full conditional exemption from customs duties and taxes will be limited to 5 years.

At present, the full conditional exemption from customs duties and taxes does not apply to foreign-manufactured passenger aircraft with a capacity of 50 to 110 seats only. Therefore, for example, such aircraft as Airbus A320, A321 and certain series of Boeing 737 may be temporarily imported without being subject to any duties or taxes in popular 171–218 seat configurations as well.

It is likely that such changes are driven by the fact that the manufacture of Tu-204 and Tu-214 has in fact ceased, whereas the regional aircraft segment with the Russian SSJ-100 has been actively developed.

The phase-out date of January 1, 2017 probably corresponds to the proposed commencement of mass production of Russian advanced aircraft MS-21-200 and MS-21-300 (with seating capacity of 130 to 199). These aircraft are aimed at replacing those popular foreign built aircraft presently purchased by Russian airlines.

However, this optimism is not shared by all in the aviation industry. There is doubt that MS-21 aircraft will be ready for mass production by 2017. When this matter was discussed, a proposal was voiced to make the customs benefits applicable until the commencement of production of such aircraft rather than an exact date. However, as is apparent from the adopted resolution, such proposals were not supported.

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Please do not hesitate to contact us with any questions.

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