

Newsletter

New rules for engaging individuals under civil law contracts

23 January 2023

Dear Ladies and Gentlemen,

On 1 January 2023, Federal Law No. 237-FZ dated 14 July 2022 (the "**Law**") came into force. The Law **changed the way companies cooperate** in terms of the engagement of individuals under civil law contracts. The text of the Law is available in Russian [here](#).

Considering the latest recommendations from the Russian Ministry of Labour, companies also need to consider these changes in relation to **contractors who live abroad**. The Ministry of Labour explained that it is recommended to conclude civil law contracts when formalizing relations with such individuals (Letter of the Ministry of Labour No. 14-2/OOG-5755 dated 9 September 2022).

Social guarantees as for employees

The Law **expanded** the list of individuals subject to **compulsory social insurance**. In particular, it includes:

- contractors who work and provide **services under civil law contracts**
- individuals who receive income under **commissioning agreements**
- authors of works who receive payments and other compensation under **agreements on the alienation of the exclusive right** to works of science, literature, art, **publishing licence agreements** or **licence agreements on granting the right to use** a work of science, literature or art.

Previously, companies were exempted from paying contributions to compulsory social insurance in the event of temporary disability and in connection with maternity for these categories of individuals. Now they must receive **the same social guarantees** as regular employees, including (in addition to mandatory pension and health insurance):

- sick leave payments
- maternity and child care payments, etc.

Only individuals for whom social insurance contributions were paid in the prescribed amount in 2022 may receive benefits in 2023.

Individual entrepreneurs and the self-employed

The changes did not affect individuals who have the status of individual entrepreneurs or are self-employed (i.e., providers who concluded civil law contracts and apply the special regime "Tax on Professional Income"). The previous regime remains in effect for them.

New reporting rules

The company must keep records of each contractor under the civil law contract. The Russian Pension and Social Insurance Fund (the "**Russian Social Fund**"¹) must be **notified** about the start date and the termination date of the civil law contract **no later than one working day**

¹ Since 1 January 2023, the Russian Pension Fund and the Social Insurance Fund have been merged into a single fund ([Federal Law](#) No. 236-FZ dated 14 July 2022).

from the date of conclusion or termination of the contract.

Single tariff of insurance contributions

Insurance contributions must be paid at a flat rate as part of a single contribution to the Russian Social Fund in the amount of:

- 30% - on payments within the single base limit²
- 15.1% - on payments above the single base limit.

Possibility to sign contracts on the platform "Work in Russia"

From 1 January 2023, companies can create, sign, use and store electronic civil law contracts on the single digital portal "[Work in Russia](#)" ([Government Decree](#) No. 867 dated 13 May 2022). In this case, it is not required to duplicate contracts in hard copy. This possibility may be relevant in the event contracts are concluded with individuals located abroad.

Practical recommendations

- Amend civil law contracts with individuals, taking into account the amendments that have entered into force
- Update local and accounting policies that establish the procedure and rules for the payment of benefits
- Check whether all contractors under civil law contracts are eligible to receive payments under compulsory social insurance in 2023
- Organize and control the accuracy of reporting for contractors under civil law contracts
- Monitor the distinction between employment and civil relations with performers.

The ALRUD Labour and Employment Team will be glad to provide legal support with any issues related to the engagement of individuals under civil law contracts.

We hope that the information provided herein will be useful for you. If any of your colleagues would also like to receive our newsletters, please let us know by sending us their email address in response to this message. If you would like to learn more about our [Labour and Employment Practice](#), please let us know in reply to this email. We will be glad to provide you with our materials.

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If you have any questions, please, do not hesitate to contact ALRUD Partner



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Sincerely,
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² The limit base is established in [Government Decree](#) No. 2143 dated 25 November 2022.