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**TRENDS AND OUTLOOKS**

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The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 44th issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 5 big sections that highlight different aspects of Russia’s economic development, which allow to monitor all angles of ongoing events over a prolonged period: the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

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## Customs administration in Russia in 2022<sup>2</sup>

The year 2022 saw the approval of numerous statutory and other regulatory legal acts aimed at mitigating administrative barriers on the way of movement of goods via the customs border.

The Federal Law “On Customs Regulation in the Russian Federation and Amendment of Legislative Acts of the Russian Federation» was amended for the purpose of upgrading customs administration, including the following:

- The procedure was simplified for importing equipment transported via the border by single consignments within a lengthy period of time up to six years: until January 1, 2029 it is permitted to import composite goods within the frameworks of several foreign economic deals; restrictions were lifted on importing equipment in a disassembled state; the period of preliminary decision-making regarding the classification of goods under FEACN (Customs Commodity Code) was reduced;<sup>3</sup>
- The order for applying customs procedures for processing goods at customs territories was simplified: the rates of output of processed products were set in the range varying from the minimal value to the maximum one; transportation of intermediate goods between various production sites was permitted; no advance notification of waste prior to the start of processing was required; the period of introducing changes into a processing permit was reduced;<sup>4</sup>
- Harmonization was carried out of activities of the customs authorities’ mobile groups with powers to stop automotive vehicles in the territory of the Russian Federation in specially designated places and check the compliance of transported goods with the customs regulation in order to identify sanctioned goods and goods which are illegally imported from the territory of Kazakhstan and other EUEU member-countries.<sup>5</sup>

The RF Government is empowered to carry out an experiment with customs monitoring of the goods accounting system data being at disposal of persons

1 H.R.7776 – *James M. Inhofe National Defense Authorization Act for Fiscal Year 2023*. URL: <https://www.congress.gov/bill/117th-congress/house-bill/7776/text>

2 Author: *G.V. Balandina*, Senior Researcher at the International Foreign Trade Studies Department, IAES RANEPA.

3 Federal Law No. 74-FZ of March 26, 2022 “On Amendment of Individual Statutory Acts of the Russian Federation and Suspension of Individual Provisions of Legislative Acts of the Russian Federation.”

4 Federal Law No. 152-FZ of May 28, 2022 on “Amendment of the Federal Law on “The Customs Regulation in the Russian Federation and Amendment of Individual Statutory Acts of the Russian Federation.”

5 Federal Law No. 313-FZ of July 14, 2022 “On Amendment of the Federal Law “On Customs Regulation in the Russian Federation and Amendment of Individual Statutory Acts of the Russian Federation.”

participating in the experiment.<sup>1</sup> It is believed that customs authorities will be granted a remote access to the system of accounting participants in foreign economic activities (FEA) and will notify of those declarations in respect of which risks have been identified based on the data monitoring results. A FEA participant carries out a self-check and informs the customs authorities of its results. If legitimacy of the declared data is proved, customs audit is not carried out. Such an experiment will be carried out from April 3, 2023 till November 1, 2024.<sup>2</sup>

The RF Government has taken measures aimed at simplifying imports.

As a measure of support, importers require primarily to simplify the compliance of imported goods with technical regulation requirements of the Customs Union. Without a conformity assessment being made, FEA participants were granted the right to receive on the basis of their own evidence base declarations on compliance in respect of a consignment of goods. Issued (registered) certificates of compliance and (or) declarations on compliance with mandatory requirements for mass-produced goods can be used by any importers and not only those FEA participants specified in the documents. A declarant is not obligated to confirm to the tax authorities the right to use these documents. Prior to September 1, 2023 included, goods are allowed to be imported without labelling envisaged by the EAEU technical regulations. The same procedure is applied to the unified circulation mark on the EAEU market. Relevant labelling is required to be made prior to the sale of products to the buyer (consumer).<sup>3</sup>

In 2022, the authorization of parallel imports, that is, imports of goods without the trademark holder's approval on condition of legal introduction of specified goods in circulation beyond the territory of the Russian Federation was a high-profile imports support measure. Although the international principle of exhaustion of trademark rights is allowed in numerous countries, including the USA, Brazil, China and India, parallel imports are authorized temporarily in Russia till the end of 2023 and only in respect of those goods which are included in the special list approved by the RF Ministry of Industry and Trade.<sup>4</sup> The procedure for forming the list is not formalized; it was amended three times within a year. It is understood that the list includes the brands of those companies which left the Russian market. Without networking with trademark holders, the customs authorities still intend to prevent counterfeit goods and request occasionally from importers the documents certifying the introduction of goods in circulation in the third country with the consent of the trademark holder and engage experts for this work. A temporary nature of these measures does not suggest a system-based

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1 Federal Law No. 314-FZ of July 14, 2022 "On Amendment of Article 120 of the Federal Law "On Customs Regulation in the Russian Federation and Amendment of Individual Statutory Acts of the Russian Federation."

2 URL: <https://www.osfts.ru/meropriyatiya/2022/3277-novye-problemy-regulyatory-i-biznes-dolzheny-reshat-vmeste>

3 RF Government Decree No. 353 of March 12, 2022 (as amended of December 23, 2022) "On the Specifics of Licensing Activity in the Russian Federation in 2022 and 2023."

4 Order No. 1532 of April 19, 2022 of the RF Ministry of Industry and Trade "On Approval of the List of Goods (Groups of Commodities) in Respect of which Provisions of Article 1359 (6) and Article 1487 of the Civil Code of the Russian Federation are not Applied Provided That Specified Goods (Groups of Commodities) Have Been Introduced into Circulation by Right Holders (Patent Holders), as well as with Their Consent Beyond the Territory of the Russian Federation."

parallel imports regulation which takes into account the interests of trademark holders and consumers and promotion of competition as customary in other countries applying the international principle of exhaustion of trademark rights. In 2022, the overall volume of parallel imports was estimated at \$17 bn-\$20 bn.<sup>1</sup>

For individual categories of FEA participants, the deadline for execution of the customs authorities' notifications of unpaid customs duties is extended from 15 business days to 45 calendar days until April 3, 2023.<sup>2</sup> Such payers include declarants which paid over Rb7 bn in the budget in the past three years or used the services of customs agents, authorized economic operators and customs representatives.

Until February 1, 2023, weight and dimensional control of motor vehicles transporting essential food products and non-food products from abroad is not carried out at entry points on Russia's state border.<sup>3</sup>

Multiple utilization of containers carried by rail, sea, inland waterway and mixed river-sea transport to the Russian Federation is allowed for domestic transportation.<sup>4</sup>

As a matter of priority, customs authorities carry out customs clearance of goods of the so-called critical imports without unjustified delays. The list of priority import products approved by the Government of the Russian Federation includes primarily food and medical goods, building materials, paper and cardboard, equipment and manufacturing components.

The year 2022 saw an automatic registration, that is, without involvement of customs officials, of 87% of declarations for goods (DG); autorelease was equal to about 33% (over 1.2 mn of DG out of 3.7 mn DG). Over 86% of the declarations are issued within 4 hours, while the remaining 14%, within a longer period; the Federal Customs Service believes it happens mainly because of declarants' errors (inaccurate completion of DG, late submission of documents, as well as a low level of professionalism of individual customs representatives<sup>6</sup>). According to FEA participants, unpredictable timing for the release of goods is related with multiple risk profiles established by customs authorities within the frameworks of the risk management system (RMS).

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1 URL: <https://www.vedomosti.ru/economics/news/2022/11/30/952811-obem-parallelnogo-importa-dostig-17-mlrd>

2 RF Government Decree No. 565 of April 02, 2022 "On the Establishment of the Categories of Payers of Customs Duties, Taxes and Special Anti-Dumping Countervailing Duties and Persons which are Jointly and Severally Liable with the Payer for Payment of Customs Duties, Taxes and Special Anti-Dumping Countervailing Duties."

3 RF Government Decree No. 1670 of September 22, 2022 "On the Specifics of State Control (Supervision) of International Road Transportation of Goods at Entry Points on the Border of the Russian Federation"; the list of essential goods is approved by RF Government Edict No. 762-r of March 27, 2020.

4 Federal Law No. 92-FZ of April 15, 2022 "On Amendment of Individual Statutory Acts of the Russian Federation."

5 RF Government Decree No. 895 of May 18, 2022 "On Approval of the Rules of Granting Subsidies out of the Federal Budget to Credit Institutions for Reimbursement of the Lost Income on Loans Extended for Purchasing Priority Import Products."

6 URL: <https://www.osfts.ru/meropriyatiya/2022/3341-zadacha-tamozhni-i-biznesa-ne-tolkoslushat-no-i-slyshat-drug-druga>

The Federal Customs Service of the Russian Federation announces a stepwise introduction of RMS in 2023—2024 based on the real-time monitoring and being capable of reducing an administrative load on bona fide FEA participants. The new model allows to identify in a real-time mode the known and new types of risk situations by means of modern data analysis technologies, artificial intelligence (AI) and machine learning, as well as carry out control measures to fix violations and determine the actual likelihood of occurrence thereof. Based on the real-time monitoring outputs, RNS instruments of nationwide, regional and area-based importance will be developed and measures on risk minimization will be applied in conformity with these risk profiles.

In 2022, amid a decrease in imports volumes the number of customs audits and cases of administrative violations increased. In 2022, the customs authorities carried out 1,940 customs audits and 8,161 forms of other customs control; the overall amount of additionally accrued liabilities was equal to Rb28 bn, the amount of those collected, to Rb18.5 bn.<sup>1</sup> By contrast, in 2021 they carried out 1866 customs audits and 8542 forms of customs control with additionally accrued liabilities and those collected amounting to Rb24.4 bn and Rb14.3 bn, respectively.<sup>2</sup> In 2022, customs authorities initiated 146,936 cases of administrative violations (AV), an increase of 6.5% relative to 2021 (138,818). It is noteworthy that legal entities account for over a half of them, that is, 50.7% (74,495 cases).<sup>3</sup>

The year 2022 saw the disruption of customary logistics routes and reorientation of commodity flows from the north-western to south-eastern and southern directions where entry lines happened to be unprepared to a substantial increase in commodity volumes. The seaports at the Far East and Novorossiysk reached the peak of their capacity. The reconstruction of automobile check points making it feasible to increase capacity is scheduled for 2024–2026.<sup>4</sup>

Amid infrastructure limitations, administrative state control procedures faded into the background. However, the means of optimization of control procedures at check points are already defined in numerous program and management documents of the RF Government and federal executive authorities, as well as statutory acts of the EAEU. Various concepts (prospective models), such as “An Intelligent Checkpoint”<sup>5</sup> (the responsibility of the Federal Customs Service), “the Single Window”<sup>6</sup> (the responsibility of the RF Ministry of Economic Development),

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1 URL: <https://customs.gov.ru/activity/results/itogi-deyatel-nosti-tamozhennyx-organov-posushhestvleniyu-tamozhennogo-kontrolya-posle-vypuska-tovarov/document/377866>

2 URL: <https://customs.gov.ru/activity/results/itogi-deyatel-nosti-tamozhennyx-organov-posushhestvleniyu-tamozhennogo-kontrolya-posle-vypuska-tovarov/document/342633>

3 URL: <https://customs.gov.ru/activity/pravooxranitel-naya-deyatel-nost-/informacziya-upravleniya-tamozhennyx-rassledovaniy-i-doznaniya/document/323702>

4 URL: <https://www.vedomosti.ru/business/articles/2022/12/23/956694-rasshirenie-punktov-propuska-s-kitaem>

5 The plan of measures in 2021–2024 approved by the RF Federal Customs Service on implementation of the Strategy of Development of the Customs Service of the Russian Federation till 2030.

6 Decision No. 68 of May 29, 2014 of the Supreme Eurasian Economic Council “On the Main Guidelines for the Development of the “Single Window” Mechanism in the System of Regulation of the Foreign Economic Activity.”

“Seamless Freight Logistics”<sup>1</sup> (the responsibility of the Ministry of Transport of the Russian Federation) were developed. The Ministry of Transport of the Russian Federation approved the prospective checkpoint models for all means of transportation<sup>2</sup>; these models are expected to implement from 2025. The RF Federal Customs Service introduced the electronic document management technology in exercising state control at sea checkpoints (KPS “Portal Morskoi Port”). It is important to introduce developed concepts on the basis of the “single window” mechanism which facilitates a one-time submission of data in an electronic format for a multiple utilization thereof by all state supervising authorities.

For the purpose of reducing an administrative load and making customs administration clearer and more predictable in order to facilitate more companies, including small and mid-sized business, to engage in foreign economic activity, it is proposed to do the following:

1. Ensure real-time notification on a regular basis of new requirements to imports, exports and transit of goods on the website of the RF Federal Customs Service, as well as uniform application of the customs legislation by means of monitoring, generalization and analysis of case law and FEA participants’ complaints and queries and preparation by the RF Federal Customs Service of explanations (guidelines) on how to apply individual provisions of the customs legislation.
2. Introduce in the legislation reservations regarding inadmissibility of a retroactive change in the stable law enforcement practice in carrying out of control after the release (including the rule that all explanations by the RF Ministry of Finance and the RF Federal Customs Service, on which basis FEA participants’ customs payments due have been increased, are applicable only after the publication thereof without extension on legal relations which took place prior to the publication of such explanations).
3. Facilitate regular consultations with business associations on issues related with efficiency of the risk management system, categorizing of FEA participants for the purpose of identification and elimination of excessive and ineffective audits and refinement of the criteria for assessment of FEA participants in order to attribute them to a certain risk category.
4. Organize the work of the institute of preliminary decisions, including:
  - 1) Establish regional customs authorities’ specialization by individual types of goods in issuing of a preliminary decision on the classification of goods in accordance with FEACN; this will make it feasible to distribute

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1 RF Government Edict No.3363-r (On the Transport Strategy of the Russian Federation till 2030 with Outlook till 2035); RF Government Edict No. 3744-r of December 21, 2021; RF Government Decree No.1596 of December 20, 2017 “On Approval of the “Development of the Transport System” State Program.”

2 Instructions No.VS-270-r of October 21, 2022 of the Ministry of Transport of the Russian Federation “On Prospective Models of Automobile, Sea, Rail and Air Checkpoints Through the State Border of the Russian Federation Used as a Standard in Building, Reconstruction, Outfit and Technical Equipment of Buildings, Premises and Facilities Required for the Organization of Border, Customs and other Types of Control Carried Out Checkpoints Through the State Border of the Russian Federation.”

appropriately the functions of specialists in individual markets (sectors); facilitate control over issuing of preliminary decisions by the RF Federal Customs Service and disapprove unjustified refusals;

2) Take preliminary decisions on the classification of goods in accordance with FEACN per name of the goods and not per article, provided that the differences between articles do not affect the classification of goods, with a FEA participant having the right to prove that the preliminary decision is also applicable to other goods with similar classification features;

3) Renew the practice of regular written explanations on classification in accordance with FEACN of individual types of goods, with their state registration with the Ministry of Justice of the Russian Federation and official publication, including on the basis of classification decisions and opinions of the World Customs Organization (WCO);

4) Establish procedures for issuing mandatory preliminary decisions on the issues related with the methodology of determining the customs value and other customs issues, having excluded the requirements to provide unnecessary documents and data which have nothing to do with the subject of a preliminary decision in order to rule out denials in issuing such decisions on formal grounds.

5. Supplement the provisions of the EUEU's customs legislation with the institute of FEA participants' self-check with a waiver to collect any fines or apply other penalties for infringements identified by FEA participants on their own unless it is proved that such violations were committed willfully.
6. Assign VAT charging functions – VAT is paid at importing goods – to tax authorities in order to reduce costs of importers and fiscal authorities. The recurring nature of the VAT suggests payment thereof in the amounts being equal to the difference between tax liabilities and tax deductions. At the first stage, the assignment of the “import” VAT charging function to the tax authorities can be limited to cases of existence of general (comprehensive) guarantees of payment of the required amounts and (or) collection of additional VAT amounts accrued on the basis of outputs of the audit after the release of goods and not at customs declaration of goods.
7. Grant the right to customs authorities to request the provision of security for the payment of customs duties from companies attributed to the medium and high levels of risks in cases of a quick release of goods without examination of the data defining the size of customs duties to be paid unless goods are declared by a customs representative. The size of a general guarantee is set at the level being equal to the full sum of charges and taxes and payable customs duties only in cases if such a guarantee is

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<sup>1</sup> Order No. 886 of October 24, 2022 of the RF Federal Customs Service “On Amendment of the Explanations Approved by Order No.995 of November 17, 2021 of the RF Federal Customs Service Regarding Classification of Individual Types of Goods in Accordance with the Single Commodity Nomenclature of Foreign Economic Activity of the Eurasian Economic Union” (registered by the RF Ministry of Justice, registration No.71173 of November 28, 2022).



- applied to customs operations with goods associated with a high risk of fraud. In all other cases, the customs service is in a position to set the sum of a guarantee at a lower level as 30%, 50%, 75% or 100% of the potential due sum of customs charges and taxes by means of using the existing criteria for categorization of FEA participants.
8. Limit the number of decisions to be taken on the basis of a single customs audit or verification of documents and data (one inspection report – one decision instead of multiple single decisions on each goods declaration).
  9. Take measures to develop the institute of authorized economic operators (AEO):
    - 1) Simplify the terms of including legal entities into the AEO register by reviewing the terms of provision of financial guarantees through correlation of the size of such guarantees with the volume of transactions, with the obligation to carry out activity as AEO replaced by a general guarantee to pay customs duties in the amount equal to the relevant volume of the transactions and the risk of customs duties avoidance; this initiative will make it feasible to apply the AEO institute to SME;
    - 2) Supplement the terms of inclusion of legal entities in the AEO register with the criteria for eligibility of persons for security requirements in accordance with the supply chain security standards based on international standards, which is the basis of mutual recognition of AEO status with third parties;
    - 3) Expand simplifications granted to AEO in customs clearance of goods in accordance with the WCO guidelines set in the Framework for Standards of Security and World Trade Facilitation.
  10. Continue work on simplifying confirmation of conformity of imported goods with technical regulation requirements of the Customs Union and the labelling of goods:
    - 1) Ensure recognition of certificates of compliance (other relevant documents) issued by some foreign countries;
    - 2) Transfer the confirmation of conformity requirement from the stage of importing (controlled by the customs authorities) to the stage of entry of good to the market;
    - 3) Give up certification of goods brought into the country by importers for their own production needs proceeding from the fact that only products put into circulation need to comply with safety requirements;
    - 4) Allow labelling of goods (the mark of conformity, identification mark, consumer information) after importing at temporary storage warehouses, other customs control zones, as well as the recipient's warehouses after a conditional release of goods.
  11. Take measures aimed at the liberalization of criminal and administrative responsibility for customs offences:
    - 1) Increase the thresholds of recognition of sums of unpaid customs duties as large and particularly large-scale offenses for qualification of the

offense envisaged by Article 194 of the RF Criminal Code (Rb2 mn and Rb6 mn to Rb15 mn and Rb45 mn, respectively);

2) Establish exemption from criminal responsibility under Article 194 of the RF Criminal Code in case of voluntary repayment of the debt on customs duties (by analogy with Article 199 of the RF Criminal Code envisaging a similar rule for tax crimes);

3) Introduce sanctions in terms of a warning and (or) fixed penalty for committing administrative customs offenses which implications are not related with customs duties avoidance or a failure to comply with non-tariff barriers;

4) Establish exemption from administrative responsibility for small, minor customs offenses (for example, in respect of individual copies of goods, goods valued under euro 200 and discrepancies of up to 5% between the declared and actual weight of goods).

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