

Enacted by the State Duma
On September 11, 1998
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On October 14, 1998

- The aims of this federal law are to develop forms of investment in production equipment based on financial rental (leasing) (hereafter leasing), to protect ownership rights, the rights of participants in the investment process and to ensure the effectiveness of investment.
- This Federal Law establishes the legal and organizational-economic aspects of leasing.
- Section I
GENERAL CONDITIONS
- Article 1. Area of application of this Federal Law
- This Federal Law applies to leasing of property in the non-consumer category (except plots of land and other natural assets) transferred for temporary possession and use by private and corporate entities.
- Article 2. General concepts contained in this Federal Law
- The following general concepts are used in this Federal Law:
- Leasing – comprises the totality of economic and legal relations that arise in connection with the implementation of a lease agreement, including the acquisition of the leased asset;
- Lease agreement – is an agreement, according to which the entity leasing out the equipment (hereafter lessor) is obliged to acquire into ownership property from a vendor indicated by the leaseholder (hereafter lessee) and to supply said equipment to the lessee for temporary possession and use, for a fee. The lease agreement may state that the lessor may make the choice of vendor and the equipment acquired.
- Leasing activity – is a type of investment activity to acquire equipment and to lease it.
- Article 3. Leased Asset
- The leased asset may be any non-consumer good, including companies and other property complexes, buildings, installations, equipment, transport vehicles and other movable and real estate that may be used for entrepreneurial activity.
- The leased asset may not be a plot of land or other natural asset, or property the circulation of which is banned or restricted by federal laws.
- Article 4. Leasing Parties
- The leasing parties are:
- The lessor – a private or corporate entity that uses borrowed or its own funds to acquire property and, under a leasing contract, provide it to the lessee for temporary possession and use for a certain payment, a certain period of time and under certain conditions, with or without the transfer of ownership of the leased asset to the lessee;
- The lessee – a private or corporate entity that is obliged, under a leasing contract, to accept the leased asset for temporary possession and use for a certain payment, a certain period of time and under certain conditions;
- The vendor – a private or corporate entity that, under a sale agreement with the lessor, sells for a stipulated period said property, which is to become the leased asset, to the lessor. The vendor (supplier) is obliged to supply the leased asset to the lessor or the lessee in accordance with the conditions of the sale agreement. The vendor may simultaneously act as the lessee within one legal relationship.
- Any of the leasing parties may be a resident or non-resident of the Russian Federation.
- Article 5. Leasing companies (firms)
- Leasing companies (firms) are commercial organizations (residents or non-residents of the Russian Federation) that carry out the function of a lessor in accordance with the laws of the Russian Federation and in accordance with the company's founding documents.
- The founders of a leasing company (firm) may be individuals or legal entities (residents or non-residents of the Russian Federation).
- Non-resident leasing companies are foreign legal entities involved in leasing activity on the territory of the Russian Federation.

- Leasing companies have the right to receive funds from individuals and (or) legal entities (residents or non-residents of the Russian Federation) to carry out leasing activity in accordance with the legislation of the Russian Federation.
- Article 7. Forms of Leasing
- The main forms of leasing are domestic leasing and international leasing.
When leasing is domestic, both the lessor and the lessee are residents of the Russian Federation.
When leasing is international, either the lessor or the lessee is a non-resident of the Russian Federation.
- A leasing agreement may include conditions for the provision of additional services or the execution of additional work.
- Additional services (work) are services (work) of any kind provided by the lessor either prior to or during the use of the leased asset by the lessee that is directly connected with the implementation of the lease agreement.
- The range, volume and cost of the additional services (work) are established by contract.
- Article 8. Subleasing
- Subleasing is a type of sub-rental of the leased asset, under which the lessor, in line with the leasing agreement, supplies property received earlier from the lessor under the leasing agreement, which corresponds to the leased asset, to a third party (lessor under a subleasing agreement) to possess and use for payments and a period of time established in a subleasing contract. When subleasing property, the right of demand with respect to the vendor is transferred to the lessee under the subleasing agreement.
- The permission of the lessor in written form is compulsory when subleasing a leased asset.
- Chapter II
- LEGAL BASIS FOR LEASING RELATIONS
- Article 10. Rights and responsibilities of parties to a leasing agreement
- The rights and responsibilities of the parties in a leasing agreement are regulated by the civil legislation of the Russian Federation, this current law and the leasing agreement.
- In leasing, the lessee has the right to present demands directly to the vendor regarding the quality and completeness of the asset and the timeliness in which the asset is supplied, in addition to other requirements set down by the laws of the Russian Federation and the sale agreement between the vendor and the lessor.
- Article 11. Right of ownership to the leased asset
- The leased asset, transferred for temporary possession and use by the lessee, is the property of the lessor.
- The right to possess and use the leased asset is transferred to the lessee in full, unless stated otherwise in the leasing agreement.
- The right of the lessor to dispose of the leased asset includes the right to withdraw the leased asset from the possession and use of the lessee in certain situations according to conditions established in the laws of the Russian Federation and in the leasing agreement.
- Article 13. Ensuring the rights of the lessor
- If the lessee fails to make more than two consecutive leasing payments, once the payment deadline set down in the leasing agreement has expired, the withdrawal of these funds from the account of the lessee is carried out without contest by the lessor sending an order to the bank or other credit organization in which the lessee holds an account, to withdraw funds from the lessee's account in the amount of the overdue leasing payments. The uncontested withdrawal of funds does not affect the statutory rights of the lessee.
- The lessor has the right to demand the early annulment of the lease agreement and the return of property by the lessee within a reasonable amount of time in accordance with the legislation of the Russian Federation, this law and the lease agreement.
- In this case, all expenses connected with the return of the asset, including dismantling, insurance and transport costs, are borne by the lessee.
- Article 15. Content of the Lease Agreement
- A lease agreement, regardless of its term, is entered into in written form.
- To implement their responsibilities under the lease agreement, the parties enter into binding additional agreement(s).
- Binding agreements include sales agreements.
- Additional agreements may include credit agreements, collateral agreements, guarantee agreements, security agreements and others.

- The lease agreement should contain information that clearly defines the property subject to transfer to the lessee as the leased asset. In the absence of this information, the clause on the leased asset is considered to have not been agreed by the sides and the lease agreement is not considered valid.
- Under the lease agreement, the lessor is obliged:
 - To acquire from a certain vendor a certain asset to supply same in return for lease payments over a certain period and under certain conditions, as the leased asset, to the lessee;
 - To meet other obligations established in the lease agreement.
- Under the lease agreement, the lessee is obliged:
 - To accept the leased asset in line with the conditions established in the lease agreement;
 - To make lease payments in accordance with the mechanism and schedule set down in the lease agreement;
 - With the expiry of the lease agreement, to return the leased asset, unless otherwise indicated in the lease agreement, or to acquire ownership of the leased asset based on a sale agreement;
 - To meet other obligations set down in the lease agreement.
- The lease agreement may state circumstances which the sides consider to be indisputable and obvious violations of responsibilities and which will lead to the annulment of the lease agreement and the return of the leased asset.
- The lease agreement may include the right of the lessee to extend the term of the lease, while retaining or changing the conditions of the lease agreement.
- Article 17. Providing a leased asset for temporary ownership and use, servicing and return of this asset
 - The lessor is obliged to provide the lessee with property, the leased asset, in a condition that corresponds with the terms of the lease agreement and the intended use of the property.
 - The leased asset is leased together with all its components and with all documents (technical and other), unless otherwise specified in the lease agreement.
 - The lessee is to service the leased asset at his own cost and to ensure its working order and also to carry out all major and ongoing repairs to the leased asset, unless otherwise specified in the lease agreement.
 - With the expiry of the lease agreement, the lessee is obliged to return the leased asset in the same condition in which it was received, with normal wear and tear taken into consideration, or wear and tear as established in the lease agreement.
 - If the lessee does not return the leased asset, or returns it late, the lessor has the right to demand payment for the period of the delay. In cases where this payment does not cover losses incurred by the lessor, he may demand that these losses be reimbursed.
 - In cases where the late return of the leased asset to the lessor is subject to a fine, reimbursement of losses may be demanded in full, in excess of the fine, unless otherwise stated in the lease agreement.
- Improvements to the leased assets carried out by the lessee that are separable, are the property of same, unless otherwise specified in the lease agreement.
- In cases where the lessee, with the written agreement of the lessor, carried out at his own expense improvements that are not separable without harming the leased asset, the lessee has the right to be reimbursed the cost of these improvements when the lease agreement expires, unless otherwise specified in the lease agreement.
- In cases where the lessee, at his own expense and without the written agreement of the lessor carries out improvements to the leased asset that are not separable without causing harm to the asset, unless otherwise stated in federal law, the lessee does not have the right to be reimbursed the cost of these improvements when the lease agreement expires.
- Article 18. Assignment of rights under the lease agreement to third parties and collateral for leased asset
 - The lessor may fully or partially assign his rights under the lease agreement to a third party.
 - The lessor has the right, so as to attract financing, to use as collateral the leased asset, which will be acquired in the future under the terms of the lease agreement.
 - The lessor is obliged to warn the lessee of all the rights of third parties to the leased asset.
- Article 19. Transfer of ownership rights to the leased asset
 - The lease agreement may state that the leased asset is transferred to the ownership of the lessee with the expiry of the lease agreement or before its expiry, based on conditions to be agreed by the sides.

- Federal law may set down cases where the transfer of ownership of the leased asset to the lessee is banned.
- Article 20. System for registering property (leased asset) and rights to same
- In some cases, set down in the law of the Russian Legislation, the right to the property leased and (or) the lease agreement for such property, is subject to state registration.
- Special requirements, based on the laws of the Russian Federation, from the owner of the registered property (aviation technology, marine and other ships and other property) are accepted by the lessor or the lessee by mutual agreement.
- The leased asset subject to registration by state bodies (transport vehicles, dangerous equipment and other leased assets) is registered, in the name of the lessor or the lessee, as agreed by the parties.
- Upon agreement by the parties, the lessor has the right to order the lessee to register the leased asset in the name of the lessor. In addition, registration documents shall indicate information about the owner and possessor (user) of the property. In cases where the agreement is annulled and the leased asset is reclaimed by the lessor, at the request of the latter the state bodies that registered the property are obliged to annul the registration of possession (use).
- Article 21. Insurance of leased asset and entrepreneurial (financial) risks.
- The leased asset may be insured against risks of loss (destruction), flaws or damage from the moment the property is supplied by the vendor to the moment the lease agreement expires, unless otherwise specified in the agreement. The parties acting as insurer and beneficiary, and also the period for which the leased asset is insured, are to be specified in the lease agreement.
- Insurance of entrepreneurial (financial risks) is carried out at the agreement of the parties to the lease agreement and is not compulsory.
- The lessee, in some cases set down in the laws of the Russian Federation, should insure against responsibilities that would arise as a result of damage to the life, health or property of other individuals during use of the leased property.
- The lessee has the right to insure himself against his obligations arising from the breach of the leasing agreement, in favor of the lessor.
- Article 22. Distribution of risks between the parties to a leasing agreement
- Responsibility for keeping the leased asset from all types of harm and also for risks connected with its destruction, loss, damage, theft, premature breakdown, mistakes during installation or use and other property risks is borne by the lessee from the moment the leased asset is accepted, unless otherwise specified in the lease agreement.
- The risk of non-fulfillment by the vendor of his obligations under the sale agreement for the leased asset and losses connected with this are the responsibility of the party to the lease agreement that chose the vendor, unless otherwise specified in the lease agreement.
- The risk of the leased asset not corresponding with its intended use as set down in the lease agreement and losses connected with this are the responsibility of the party that chose the leased asset, unless otherwise stated in the lease agreement.
- Article 23. Claims of third parties to the leased asset
- Third parties cannot have any claim to the leased asset under the obligations of the lessee, including in cases where the leased asset is registered in the name of the lessee.
- Claims by third parties to the property of the lessor may be only be made against the right of ownership of the lessor to the leased asset. The acquirer of the rights of the lessor to the leased asset, as a result of upheld claims, receives not only the rights but also the responsibilities of the lessor, as set down in the lease agreement.
- Article 26. Responsibilities of the lessee for loss of leased asset
- Loss of the leased asset, or loss of its function due to the fault of the lessee, does not free the lessee from his responsibilities under the lease agreement, unless otherwise stated in the lease agreement.
- Section III
- ECONOMIC BASIS OF LEASING
- Article 28 Leasing payments
- Leasing payments are understood as being the total amount of payments under the lease agreement for the entire term of the agreement, including reimbursement of the lessor's costs arising from the acquisition of the leased asset and its delivery to the lessee and costs connected with the provision of other services dealt with in the lease agreement, and also

the lessor's revenue. The total value of the lease agreement may include the purchase price of the leased asset if the lease agreement deals with the transfer of ownership of the leased asset to the lessee.

- The size, methods of payment and schedule for leasing payments are set down in the lease agreement, taking the present law into consideration.
- If the lessee and the lessor make leasing payments in-kind using production (in its natural form) produced with the help of the leased asset, the price of these products is calculated with the agreement of the parties to the lease agreement.
- Unless otherwise stated in the lease agreement, the size of the lease payments may be changed with the agreement of the parties in a period of time set down in the agreement, but not more frequently than once every three months.
- The responsibility of the lessee to make leasing payments starts from the moment use of the leased asset begins, unless otherwise specified in the lease agreement.
- For profit taxation purposes, leasing payments are considered to be expenditure connected with production and (or) sales, in accordance with tax legislation.
- Article 31. Right of the parties in the lease agreement to implement a mechanism for accelerated depreciation of the leased asset
- The leased asset, supplied to the lessee under the lease agreement, is included on the books of the lessor or the lessee, based on mutual agreement. The sides in the lease agreement have the right, under mutual agreement, to apply accelerated depreciation of the leased asset.
- The party on whose books the leased asset is included makes amortization payments.
- Article 34. Peculiarities of international operations carried out by leasing companies
- The lessor has the right, without a license from the Central Bank of the Russian Federation, to carry out international operations connected with the movement of capital to attract funds from non-residents of the Russian Federation, so as to acquire a leased asset for a period of more than six months (180 days), but not in excess of the term of the lease agreement.
- The leasing company has the right, without a license from the Central Bank of the Russian Federation, to carry out operations connected with the movement of capital, to pay interest for the use of staggered payments offered by the vendor, irrespective of the period the leased asset is actually received for (current hard currency operations and operations connected with the movement of capital).
- For international leasing, current Federal Law states that:
- the import on the territory of the Russian Federation and the export from the territory of the Russian Federation (crossing the customs border of the Russian Federation) of a leased asset for the purpose of its use under a lease agreement for more than six months, and also payment of the full value of a lease agreement for a period of six months or more, are not operations connected with the movement of capital, in accordance with the law of the Russian Federation of currency control and currency regulation;
- when importing leased assets of all types into the territory of the Russian Federation and exporting same from the territory of the Russian Federation (crossing the customs border of the Russian Federation), customs payments are made on the full customs value of the property. Payment of customs, taxes and tariffs is made:
- at the moment the leased asset is imported (exported) in the amount of the paid portion of the customs value of the property, which is confirmed by bank documents;
- thereafter, customs payments are made at the same time as leasing payments or within 20 days from the receipt of the lease payment.
- The system for customs payments set down in this article is not considered to be a delayed customs payment or a taxation investment credit.
- Article 35. Avoidance, restriction and prevention of antitrust activity and unfair competition
- Avoidance, restriction and prevention of antitrust activity and unfair competition on the market for leasing services are ensured by the federal antitrust authorities in accordance with antitrust legislation of the Russian Federation.
- Section IV
- STATE SUPPORT FOR LEASING ACTIVITY
- Article 36. State support for leasing activity
- Measures of state support for the activity of leasing organizations (companies, firms) set down in the laws of the Russian Federation and in rulings from the government of the

Russian Federation and also rulings by state authorities in the regions of the Russian Federation, when within their competence, may include:

- The development and implementation of a federal program for the development of leasing activity in the Russian Federation or in individual regions, as part of a program for the mid-term or long-term socioeconomic development of the Russian Federation or of regions;
- The establishment of collateral funds to guarantee bank investment in leasing, with the use of state property;
- Share participation by government capital in the setting up of leasing activity infrastructure in individual targeted investment-leasing projects;
- Measures of state protectionism in the development, production and use of high-tech equipment;
- Federal budget financing and state guarantees for the implementation of leasing projects (Development Budget of the Russian Federation), including those with the participation of non-resident companies;
- Granting of investment credits for the implementation of leasing projects;
- Exempting banks and other credit organizations, under a system set down in the laws of the Russian Federation, from payment of tax on profit earned from credits granted by them to leasing companies for a period of not less than three years, for the implementation of lease agreements;
- The granting, based on legislation, of tax and credit privileges to leasing companies (firms) so as to create favorable economic conditions for their activity;
- The creation, development, formation and perfection of a regulatory – legislative base to protect the legal and property interests of participants in leasing activity;
- Granting lessees involved in the processing of agricultural produce, the right to make leasing payments with supplies of products, based on conditions set down in the lease agreement;
- Inclusion of livestock as a leased asset in carrying out leasing operations in the agro-industrial complex;
- The creation of a state fund to guarantee exports of domestically produced machinery and equipment, during international leasing operations.
- Section V
- RIGHT OF INSPECTION AND CONTROL
- Article 37. Right of inspection under a leasing deal
- The lessor has the right to monitor that the lessee meets the conditions of the lease agreement and other accompanying agreements.
- The aims of inspection and a system for this inspection are to be dealt with in the lease agreement and in other accompanying agreements between the parties.
- The lessee is obliged to grant the lessor unhindered access to financial documents and to the leased asset.
- Article 38. Right of lessee to financial control
- The lessee has the right to exert financial control over the activity of the lessee insofar as it concerns the leased asset, in addition to keeping accounts on the financial results of the lessee and the meeting by the lessee of his responsibilities under the lease agreement.
- The aims of inspection and a system for this inspection are to be dealt with in the lease agreement.
- The lessor has the right to send the lessee a written request for the provision of information necessary for the exercise of financial control, and the lessee is obliged to provide this information.
- Section VI.
- FINAL PROVISIONS
- Article 39. Enactment of this Federal Law.
- The current Federal Law comes into force from the day of its official publication.
- To propose to the President of the Russian Federation to bring his legislative acts into line with this Federal Law.
- To the government of the Russian Federation to bring its legislative acts into line with this law within six months.