

M O S C O W L A W

The Potholes and Pitfalls Of Motoring in Moscow

By Daniel Rothstein

If this spring's craters haven't frightened you out of buying a car, the prospect of driving off into a legal abyss might. Take it from someone who has twice bought Russian cars and recently advised a friend on buying a used import.

Insurance by Ingosstrakh (the main insurer for foreigners) includes so-called "unlimited" third-party liability coverage, but excludes passengers. Ingosstrakh's explanation is that friends and relatives should not sue.

Ingosstrakh's advice on optional passenger coverage is that most clients take \$10,000 of insurance per passenger for death or permanent disability. But personal injury litigation could be one of Russia's next growth industries. A foreign company would want more coverage in case it finds itself before a judge who must decide the value of the life or limb of a Russian employee who rode in the company car when the driver was drunk.

For about \$3,000 a year, much more than in the West, Ingosstrakh provides the following coverage: \$100,000 for each of four passengers for death or dismemberment disability, \$10,000 in medical expenses, and \$100 daily for temporary disability.

If the cost of proper insurance is not a deterrent, the cancellation of a long-standing tax exemption might be. Under recent amendments, an imported car contributed by a foreign parent firm to the charter capital of a Russian company is no longer exempt from import customs duties or

value-added tax.

One way to save (not affected by the above amendments) is to buy a used car from a foreign company that imported the car duty-free for its accredited representative office. The import tax exemption is granted to the original owner against an undertaking to re-export the car. For the car to be sold, either it must be cleared through customs, or the buyer must assume the re-export undertaking.

Either procedure can drive you into the abyss, but help is available from Tekhavitotsentr UPDK, one of those charming "commercial" semi-official organizations that exist under the Customs Authority. In Russian, the setup is described as *pri*, meaning "around the back door."

The Tsentr can handle the transfer of the re-export undertaking. The disadvantage of this is that you will have to repeat the process when you sell the car.

Or, the Tsentr can buy the car and customs-clear it (at low duties that the Customs Authority sets specially for the Tsentr, on unclear legal grounds), and re-sell it to you.

If you make it to the foreigners' GAI to register your car, do not despair at the long line. There are two *devushki pri* GAI who sit at a table in the waiting room. As I found out too late, they will fill out your forms and get you expedited treatment.

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