

Labor and migration law

Russia

BAKER & MCKENZIE

Legal alert

July 2016

www.bakermckenzie.com

Contact info:

Igor Makarov
+7 495 787 27 00
igor.makarov@bakermckenzie.com

Elena Kukushkina
+7 495 787 27 00
elena.kukushkina@bakermckenzie.com

Evgeny Reyzman
+7 495 787 27 00
evgeny.reyzman@bakermckenzie.com

Maxim Kalinin
+7 812 303 90 00
maxim.kalinin@bakermckenzie.com

**Baker & McKenzie
CIS, Limited**

White Gardens, 10th floor
9 Lesnaya Street
Moscow 125047 Russia
Tel: +7 495 787 27 00
Fax: +7 495 787 27 01

Bolloev Center, 2nd floor
4A Gritsova pereulok
Saint Petersburg 190000 Russia
Tel: +7 812 303 90 00
Fax: +7 812 325 60 13

Changes to Russian labor legislation: increase in employer liability for delays in salary payments, and changes to procedures for the protection of employees' rights

Latest changes

On July 3, 2016, Federal law 272-FZ "On changes to various legislative acts of the Russian Federation increasing employer liability for violations of laws on employee salaries" was passed (hereinafter, the "**Law**"). This law will enter into force on October 3, 2016.

Provisions of the Law

The Law introduces changes to the Labor Code of the Russian Federation (the "**Labor Code**") and other legislative acts concerning employers' obligations for the timely payment of salaries and other monetary amounts to employees. Previously, the Labor Code had already stipulated that salary payments must be made at least twice a month. This rule has now been supplemented with a provision that a salary payment date shall be established by internal labor regulations, a collective agreement, or an employment agreement no later than 15 calendar days after the final day of the period for which it is accrued.

The Law increases an employer's monetary liability for delays in paying a salary and other amounts to an employee. If the employer fails to pay a salary or other amounts to an employee (payment for vacation, severance pay, bonuses, etc.) in a timely manner, the employee is entitled to receive interest (monetary compensation) in the amount of at least 1/150th of the Russian Central Bank's key interest rate on the unpaid amount for each day of delay, starting from the day after the established payment date up to the date of actual settlement (inclusive). The previous provision of the Labor Code provided for monetary compensation for this violation in the amount of 1/300th of the Russian Central Bank's effective refinancing rate.

Changes were also introduced to the procedure for resolution of labor disputes with employees. To settle an individual labor dispute over the non-payment or incomplete payment of salaries or other amounts due, an employee may apply to a court within *one year* (previously - three months) of the established payment date for such amounts. This is also applicable for non-payment or incomplete payment of salaries and other amounts due to an employee upon termination of employment. That said, the general statute of limitation for other employment disputes remains the same - three months, and one month for termination-related disputes. Under the changes to the Russian Civil Procedure Code (the "**Civil Procedure Code**") introduced by the Law, lawsuits for the restoration of labor rights may also be filed in a court at the plaintiff's location.

Under the Law, Article 5.27 of the Russian Code of Administrative Violations (the "**Administrative Offenses Code**") was supplemented by Sections 6 and 7, which provide for employer liability for the non-payment or incomplete payment, within the established time period, of salaries or other amounts due to

employees. Under Section 6 of Article 5.27 of the Administrative Offenses Code, such violation entails a warning or an administrative fine for officials in an amount of between RUB 10,000 and RUB 20,000 (approx. USD 159-317), and an amount of between RUB 30,000 and RUB 50,000 (approx. USD 476 - 794) for legal entities. Section 7 of Article 5.27 of the Administrative Offenses Code establishes higher levels of punishment for repeated violations: an administrative fine for officials in an amount of between RUB 20,000 and RUB 30,000 (approx. USD 317 - 476) or disqualification for one to three years; and for legal entities, a fine of between RUB 50,000 and RUB 100,000 (approx. USD 794 - 1,587).

The Law also introduces several editorial changes to the Labor Code and the Civil Procedure Code.

Recommended actions

We recommend that our clients take note of the above legislative changes, and that they monitor the timely payment of all amounts due to their employees.

This LEGAL ALERT is provided to clients of Baker & McKenzie and other interested parties to inform them of changes to legislation which may influence their operations or otherwise be of particular interest. The opinions and comments in this LEGAL ALERT do not constitute legal advice, and cannot take the place of legal consultation or a legal opinion in individual cases.