

# Russia Practice

July 2016

## Current amendments to labour law

Important changes were recently published in the field of labour relations and the resolution of labour disputes (Federal Law No. 272-FZ dated 3 July 2016). These amendments will enter into force on 3 October 2016.

### Payment of annual bonuses not later than 15 days after the end of the year

On the one hand, it is explicitly stipulated that the dates for the payment of wages may be established either in the internal employment regulations or in the employment agreement (not necessarily in both documents at the same time, as had previously been the case). On the other hand, an addendum to the Labour Code of the Russian Federation now strictly regulates these deadlines. The final date for wage payments must be not later than 15 calendar days from the end of the period for which they are accrued. Given that wages include not just monthly salary but all incentive and compensatory payments (for example, bonuses), implementation of this norm will be fraught with difficulties. For example, performance bonuses for the financial year must now be paid not later than the 15th of the month following the end of the corresponding financial year. This is problematic, since the performance criteria for bonuses are often analysed on the basis of financial statements that are reviewed by auditors and approved only much later.

### Increase in interest on late payments of wage and heightened liability for non-payment

In the event of late payment of wages, employers must accrue interest based on 1/150th of the key rate of the Russian Central Bank (rather than the refinancing rate) for each day of delay.

The minimum fine for officials (including general directors) for administrative offenses related to late payment/non-payment of wages has been increased – from RUB 1,000 to RUB 10,000. However, the maximum fine for companies (provided they have not previously been held liable for similar offenses) remains unchanged at RUB 50,000.

### Increased period for filing claims in court on the payment of wages

The reform introduces a longer special period for filing suit in court on disputes of the late payment/non-payment of wages/other payments. This is now one full year (compared to three months for the normal period). The one-year period is reckoned from the day of the established payment date (i.e. not later than 15 calendar days from the end of the period for which the payment was accrued). For example, taking into account the court practice in effect in Moscow and a number of other regions, the deadline for filing in court for compensation of unused vacation time expires based on the Holidays with Pay Convention of the International Labour Organization (ILO) 30 months after the end of the year in which the vacation time was not used. The one-year term will apply only to new disputes (i.e. those concerning payments payable starting from 3 October 2016).

## Jurisdiction for labour disputes

The Russian Civil Procedural Code (CPC) offers employees a wide choice of jurisdictions for disputes arising from labour relations. These may be considered by the court:

- where the employer is located (the previous rule was retained);
- where the employee is resident (including at their place of registration);
- where the employment agreement is implemented (the workplace) (codification of existing court practice).

Since Article 32 of the CPC does not prohibit contractual agreement on the jurisdiction of labour disputes, it is recommended that employers specify in their employment agreements (or additional agreements thereto) that the jurisdiction for disputes is the court at the employer's location, in order to reduce potential court costs and risks.



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