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Deputies May Liberalize Law On Illegal Entrepreneurship

By Lilia Biryukova

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Entrepreneurs would no longer face prison sentences for incorrect paperwork if a bill proposed on Saturday by top United Russia lawmakers is approved.

Three State Duma deputies sent the bill to the government and the Supreme Court for their positions on the changes in Article 171 of the Criminal Code, which deals with illegal entrepreneurship.

The bill's authors — Legislation Committee Chairman Pavel Krasheninnikov and his two deputies, Vladimir Gruzdev and Andrei Nazarov — want to liberalize how violations of the article are punished.

Gruzdev said the bill could be submitted to the Duma within a month.

Doing business without registration or license that damages the public or the state can be

punished by a fine of up to 300,000 rubles ($9,700) or administrative arrest for up to half a year. Under the article's second part, covering illegal entrepreneurship as part of a group, business people face as much as five years in prison.

The lawmakers proposed leaving just the fine in the first part of the article and making administrative arrest for up to half a year the top punishment in the second part.

People shouldn't be sent to prison just because of paperwork problems, Nazarov said.

About 1,000 businessmen are jailed annually for illegal entrepreneurship, according to statistics from Krasheninnikov's committee.

Deputies first said the law needed to be changed in 2009, and initially they planned to move the article from the Criminal Code to the Administrative Code while increasing the possible fine, Nazarov said.

But the deputies eventually decided to leave the article in the Criminal Code and raise the fine — which does not always make sense given the size of the crime. Entrepreneurship without state registration will draw fines of 1,000 to 3,000 rubles, up from 500 to 2,000 now. Operating without a license will be raised to 3,000 rubles to 4,000 rubles, from 2,000 to 3,000 rubles now.

Legal entities will also face higher fines of up to 70,000 rubles, from 40,000 rubles previously. In severe cases, the fine can be up to 100,000 rubles.

President Dmitry Medvedev introduced changes to Article 171 of the Criminal Code with a number of amendments in April, including the elimination of punishment for "violating licensing requirements and conditions," said Yana Yakovleva, head of Business Solidarity.

As the law stands now, it is still possible to extort bribes from small businesses under the threat of prison, so the changes should be beneficial she said. After Medvedev's amendments, the number of arrests and cases opened under the article declined, Yakovleva said.

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