# TAX CODE OF THE RUSSIAN FEDERATION PART ONE NO. 146-FZ OF JULY 31, 1998 AND PART TWO NO. 117-FZ OF AUGUST 5, 2000 (with the Amendments and Additions of March 30, July 9, 1999, January 2, December 29, 2000, May 30, August 6, 7, 8, November 27, 29, December 28, 29, 30, 31, 2001, May 29, July 24, 25, December 24, 27, 31, 2002, May 6, 22, 28, June 6, 23, 30, July 7, November 11, December 8, 23, 2003, April 5, June 29, 30, July 20, 28, August 18, 20, 22, October 4, November 2, 29, December 28, 29, 30, 2004, May 18, June 6, 18, 30, July 1, 18, 21, 22, October 20, November 4, December 5, 6, 20, 31, 2005, January 10, February 2, 28, June 3, 30, July 18, 26, 27, October 16, November 3, 11, December 4, 5, 29, 30, December 18, 2006, April 26, May 16, 17, July 19, 24, October 30, November 4, 8, 11, 29, December 1, 4, 2007)

## Part One (with the Amendments and Additions of March 30, July 9, 1999, January 2, August 5, 2000, March 24, December 28, 29, 30, 2001, May 28, June 6, 30, July 7, December 23, 2003, June 29, 2004, July 1, November 4, 2005, February 2, July 27, December 30, 2006, April 26, May 17, 2007)

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## Section 1. General Provisions

### Chapter 1. Legislation on Taxes and Fees and Other Regulatory Legal Acts on Taxes and Fees

**Article 1.** Legislation of the Russian Federation, Legislation of Russian Federation Member Territories, and Regulatory Legal Acts of Representative Bodies of Municipal Formations on Taxes and Fees

1. The legislation of the Russian Federation on taxes and fees shall consist of this Code and other federal laws on taxes and fees adopted in accordance therewith.

**2.** This Code shall establish a system of taxes and fees and general principles of taxation and fees in the Russian Federation, including:

1) types of taxes and fees collected in the Russian Federation;

2) the grounds for the arisal and the procedure for fulfillment of obligations to pay taxes and fees;

3) the principles of the introduction, enforcement and invalidation of earlier introduced taxes of the subjects of the Russian Federation and local taxes;

4) the rights and duties of taxpayers, the tax authorities and other parties to relations regulated by tax and fee legislation;

5) forms and methods of tax control;

6) liability for tax violations;

7) the procedure for appeals against reports of tax bodies and actions (inaction) of their officials.

**3.** This Code shall apply to establishment, introduction and collection of fees in cases where it is explicitly provided for in this Code.

**4.** The legislation of the subjects of the Russian Federation on taxes and fees consists of laws on taxes of the subjects of the Russian Federation adopted in accordance with the present Code.

**5.** Normative legal acts of municipal formations on local taxes and fees shall be adopted by the representative of municipal formations in accordance with the present Code.

**6.** Laws and other regulatory legal acts provided for by this Article shall be referred to in this Code as "legislation on taxes and fees."

**Article 2.** Relations Regulated by Tax and Fee Legislation

Tax and fee legislation shall regulate relations of authority involving imposition, enactment and collection of taxes and fees in the Russian Federation, and also relations arising during the exercise of tax control, appeal against the acts of tax bodies, the actions or inaction of their officials, and imposition of sanctions for tax violations.

Tax and fee legislation shall not apply to relations involving imposition, enactment and collection of customs payments or relations arising during the exercise of control over customs payments, appeal against the acts of customs bodies, the action or inaction of their officials and imposition of sanctions on guilty persons unless otherwise provided by this Code.

**Article 3.** Basic Principles of Tax and Fee Legislation

**1.** Each person shall pay taxes and fees imposed in a lawful way. Tax and fee legislation shall be based on recognition of universality and equality of taxation. Upon the introduction of taxes it is necessary to take into account the taxpayer's ability to pay the tax.

**2.** Taxes and fees may not be discriminatory or applied differently depending on social, racial, national, religious and other similar criteria.

It shall not be allowed to set differential tax or fee rates or grant tax benefits depending on the form of ownership, citizenship of individuals or origin of capital.

**3.** Taxes and fees shall have an economic basis and may not be arbitrary. It shall not be allowed to impose taxes preventing individuals from the exercise of their constitutional rights.

**4.** It shall not be allowed to impose taxes and fees which violate the single economic area of the Russian Federation and in particular restrict free movement, either directly or indirectly, of goods (works, services) or financial resources within the Russian Federation; nor shall it be allowed to restrict or hinder an economic activity of natural persons and organisations, which is not banned by law, in any other way.

5. No one may be charged with an obligation to pay taxes and fees or other contributions and payments having the characteristics of taxes as defined by this Code which are not provided for by this Code or are imposed in a way which is different from that provided by this Code.

**6.** Upon the introduction of taxes it is necessary to define all the elements of taxation. The legislative acts on taxes and fees shall be formulated in such a way as to enable each person to know exactly which taxes or fees he should pay, when and in which procedure.

7. All unremovable doubts, contradictions and ambiguities of legislative acts relevant to taxes and/or fees shall be interpreted in favour of taxpayers (payers of fees).

**Article 4.** The Normative Legal Acts of the Government of the Russian Federation, the Federal Executive Bodies, the Executive Bodies of the Subjects of the Russian Federation and the Executive Bodies of Local Self-Government on Taxes and Fees

**1.** In cases stipulated by the legislation on taxes and fees the Government of the Russian Federation, the federal bodies, authorised to discharge the functions of elaborating state policy and of regulating in normative legal acts on taxes and fees and in the sphere of customs business, the executive bodies of the subjects of the Russian Federation and the executive bodies of local self-government shall issue, within their jurisdiction, normative legal acts on the taxation questions which may not modify or supplement the legislation on taxes and fees.

**2.** The federal executive bodies, authorised to discharge the functions of control and supervision in the sphere of taxes and fees and in the sphere of customs business, and their territorial agencies shall have no right to publish normative legal acts on taxes and fees.

**Article 5.** Enactment and Validity of Legislative Acts on Taxes and Fees

1. Legislative acts on taxes shall take effect not earlier than upon expiry of one month after the date of their official publication and not earlier than the first day of the next tax period for the corresponding tax except for cases provided by this Article.

Legislative acts on fees shall take effect not earlier than upon expiry of one month after the date of their official publication except for cases provided by this Article.

Federal laws amending this Code with regard to imposition of new taxes and/or fees, and also legislative acts on taxes and/or fees of Russian Federation member territories and normative legal acts of representative bodies of municipal formations imposing taxes shall not take effect until 1 January of the year following the year of their adoption, but not earlier than one month from the day of their official publication.

**2.** Legislative acts on taxes and fees which impose new taxes and/or fees, raise tax rates, the amounts of fees, impose or increase sanctions for breaches of the legislation on taxes and fees, establish new obligations for, or worsen the situation in any other way of, taxpayers or payers of fees or other parties to relations regulated by legislation on taxes and/or fees shall not be retroactive.

3. Legislative acts on taxes and/or fees which lift or mitigate sanctions for breaches of the legislation on the taxes and fees or provide additional guarantees of protection of the rights of taxpayers and payers of fees or tax agents and their representatives, shall be retroactive.

**4.** Legislative acts on taxes and fees which revoke taxes and/or fees, reduce tax rates, eliminate obligations of taxpayers, payers of fees, tax agents and their representatives or improve their position in any other way, may be retroactive if the above acts explicitly provide for it.

**5.** The provisions provided for by this Article shall also extend to the normative legal acts on taxes and fees of the federal executive bodies, executive bodies of the constituent entities of the Russian Federation and local self-government bodies.

**Article 6.** Lack of Correspondence Between Regulatory Legal Acts on Taxes and Fees and This Code

**1.** A regulatory legal act on taxes and fees shall be considered to be at variance with this Code if such act:

1) is issued by a body which does not have the right under this Code to issue acts of this type or is issued in violation of the established procedure for issuance of such acts.

2) revokes or restricts the rights of taxpayers, payers of fees, tax agents or their representatives or powers of the tax authorities, customs agencies of governmental extra-budgetary funds established by this Code;

3) imposes duties which are not provided for by this Code or changes the content of obligations of parties to relations as regulated by the legislation on taxes and fees, or other persons whose duties are established by the present Code;

4) prohibits actions of taxpayers, payers of fees or tax agents and their representatives, allowed by this Code;

5) prohibits actions of the tax authorities, customs agencies, agencies of governmental extra-budgetary funds and their officials, allowed or prescribed by this Code;

6) allows or admits actions prohibited by this Code;

7) changes the grounds, conditions, sequence or procedure for actions of parties to relations as regulated by the legislation on taxes and fees, or of other persons whose duties are established by the present Code;

8) changes the scope and/or content of concepts and terms defined in this Code or uses these concepts and terms in a meaning other than that one used in this Code;

9) contradicts in any other way the general principles and/or the literal meaning of particular provisions of this Code.

**2.** Normative legal Acts referred to in Item 1 of this Article shall be considered to be at variance with this Code provided even one of the circumstances set forth in Item 1 of this Article exists.

**3.** The recognition of a normative legal act as inconsistent with the present Code shall be effected through legal proceedings, unless otherwise stipulated by this Code. The Government of the Russian Federation, or other executive body or the executive local self-government body, which adopted the said act or their higher bodies shall be entitled to repeal this act to introduce the necessary amendments to it prior to its juridical examination;

**4.** The regulatory legal acts governing the procedure for levying the taxes payable in connection with goods being moved across the customs border of the Russian Federation shall be subject to the provisions established by the Customs Code of the Russian Federation.

**Article 6.1.** Procedure for Calculation of Time-Limits Established by the Legislation on Taxes and Fees

**1.** The time-limit established by the legislation on taxes and fees shall be determined by a calendar date, by an indication to an inevitable event or to an action, which has to be made, or by a period of time that is calculated in terms of years, quarters, months, weeks or days.

**2.** The running of a time-limit shall start on the day following the calendar date or the occurrence of the event (making of the action) determining the start thereof.

**3.** The time-limit calculated in terms of years shall expire on the appropriate month and date of the last year of the time-limit.

With this, a year (except for a calendar year) shall be deemed any time period consisting of 12 months running.

**4.** The time-limit calculated in terms of quarters shall expire on the last day of the last month of the time-limit.

With this, a quarter shall be deemed equal to three calendar months and quarters shall be counted out from the start of a calendar year.

**5.** The time-limit calculated in terms of months shall expire in the appropriate month and on the appropriate date of the last month of the time-limit.

If the end of a time-limit falls at a month without the corresponding date, the time-limit shall expire on the last day of the month.

**6.** The time-limit determined in terms of days shall be calculated in terms of working days, if it is not fixed in terms of calendar days. In so doing, a working day shall be deemed the day which is not recognized under the legislation of the Russian Federation as a day-off and (or) a holiday.

**7.** Where the last day of a time-limit falls on the date recognised under the legislation of the Russian Federation as a day-off or a holiday, the following working day shall be deemed the finishing day of the time limit.

**8.** An action for which a certain time-limit is fixed may be made before 12 p.m. of the last day of the time-limit.

If documents or monetary funds are delivered to a communication office before 12 p. m. of the last day of a time limit, the time limit shall not be deemed missed.

**Article 7.** Effect of International Treaties on Taxation

If a tax treaty of the Russian Federation, which contains provisions concerning taxation and fees, establishes rules and standards other than those provided by this Code or laws and other regulatory legal acts on taxes and/or fees adopted in accordance with it, the rules and standards of tax treaties of the Russian Federation shall prevail.

**Article 8.** Concept of Tax and Fee

**1.** A tax shall be defined as an obligatory and individually non-refundable payment collected from organisations and individuals in the form of alienation of monetary resources owned by them by right of ownership, economic jurisdiction or operational management for the purposes of financing the activity of the state and/or municipalities.

**2.** A fee shall be defined as an obligatory contribution collected from organisations and individuals the payment of which is one of the conditions of legally significant actions to be taken in relation to payers of fees by government authorities, local self-government bodies or other bodies and officials authorized by them, including granting of particular rights or issuance of permits (licenses).

**Article 9.** Parties to Relations Regulated by Legislation on Taxes and Fees

Parties to relations regulated by tax and fee legislation shall be as follows:

1) organisations and individuals recognized as taxpayers and payers of fees under this Code;

2) organisations and individuals recognized as tax agents under this Code;

3) the tax bodies (the federal executive body, authorised for control and supervision in the sphere of taxes and fees, and its territorial agencies);

4) the customs agencies (the federal executive body, authorised for control and supervision in the sphere of customs business, customs agencies of the Russian Federation subordinate to it);

5) abrogated from January 1, 2007;

6) abolished;

7) abrogated from January 1, 2007;

**Article 10.** Proceedings in Connection with Violations of the Legislation on Taxes and Fees

**1.** A person shall be made liable for a tax violation and tax violation proceedings shall be conducted, in accordance with the procedure established in Chapters 14 and 15 of this Code.

**2.** Proceedings with respect to violations of tax and fee legislation containing elements of an administrative violation or crime shall be conducted in accordance with the procedure established by the legislation on administrative violations or the criminal procedural legislation of the Russian Federation, respectively.

**3.** Abolished

**Article 11.** Institutions, Concepts and Terms Used in This Code

1. Institutions, concepts and terms of civil law, family law and other branches of law used in this Code shall apply in the meaning in which they are used in these branches of law unless otherwise provided by this Code.

**2.** The following concepts shall be used for the purposes of this Code and other legislative acts on taxes and fees:

**organisations** are legal entities set up in accordance with the legislation of the Russian Federation (hereinafter referred to as Russian organisations), and also foreign legal entities, companies and other corporate associations with a civil legal capacity, set up in keeping with the legislation of foreign states, international organisations, branches and representative offices of the said foreign persons and international organisations set up on the territory of the Russian Federation (hereinafter referred to as foreign organisations);

**natural persons** are citizens of the Russian Federation, foreign nationals and stateless persons;

**individual entrepreneurs** are natural persons registered in the statutory manner and engaged in private business without the status of a legal entity and heads of peasant's farms. Natural persons engaged in private business with the status of a legal entity, but not registered as individual entrepreneurs in contravention of the requirements of the civil legislation of the Russian Federation, shall not be entitled to rely to the fact that they are not individual entrepreneurs when they discharge the duties vested in them by this Code;

**persons (a person)** mean organisations and(or) natural persons;

**banks (a bank)** mean commercial banks and other credit organisations having a licence of the Central Bank of the Russian Federation;

**accounts (an account)** mean settlement (current) and other accounts with banks, opened on the basis of a bank account contract, on which the pecuniary funds of organisations and individual entrepreneurs, private notaries, the solicitors/barristers who have founded solicitors/barristers' studies are placed and from which they may be spent;

**personal accounts** mean the accounts opened with the Federal Treasury agencies (with other agencies engaged in opening and keeping personal accounts) in compliance with the budget legislation of the Russian Federation;

the **Federal Treasury accounts** mean the accounts opened by a territorial agency of the Federal Treasury which are intended for accounting receipts and their distribution to the budgets of the budget system of the Russian Federation in compliance with the budget legislation of the Russian Federation;

**a source of payment of incomes to a taxpayer** means an organisation or a natural person from whom a taxpayer received income;

**arrears** mean the amount of a tax or the amount of fees not paid out in the period of time fixed by the legislation on taxes and fees;

**the certificate on registration with the tax body** being the document, issued by the tax body to an organisation or to a natural person upon the registration with the tax body accordingly at the location of the organisation or at the place of the natural person's residence;

**a notice on registration with the tax body** being the document, issued by the tax body to an organisation or a natural person, in particular, to individual businessman upon the registration with the tax body on other grounds, with exception for the grounds, where the present Code envisages issue of the certificate on registration with the tax body;

**seasonal production** means production directly associated with natural and climatic conditions and the season. This concept is used in relation to an organisation or an individual entrepreneur, if in definite tax periods (a quarter or a half-year) their production activity is prevented by natural and climatic conditions;

**the location of a separate subdivision of a Russian organisation** is a place of the activity of this organisation through its separate subdivision. If a natural person has no place of residence on the territory of the Russian Federation, by request of this person his place of stay may be defined for the purposes of this Code as the place of residence of this natural person. With this, as the place of stay of a natural person shall be deemed the place where the natural person temporarily resides which is determined by the address (denomination of a constituent entity of the Russian Federation, region, city or of other inhabited locality, street, numbers of house and flat) where the natural person is registered at the place of stay in the procedure established by the legislation of the Russian Federation

**the place of residence of a natural person** being the address (the name of a subject of the Russian Federation, the district, the town, another populated centre, the street, the number of the house, the apartment) where the natural person has been registered at the place of residence in order established by the legislation of the Russian Federation;

**a separate subdivision of an organisation** means any territorially separated subdivision, in whose location permanent places of employment are equipped. A separate subdivision of the organisation is recognized as such, regardless of the fact whether its creation is reflected or not reflected in the organisation's constituent instruments or their organisational and order documents and regardless of the powers vested in the said subdivision. In this case the place of employment shall be deemed to be permanent, if it is created for a term exceeding one month;

**accounting policy for taxation purposes** means the totality of ways (methods) of assessing receipts and (or) expenditures, their recognition and distribution, as well as of accounting other indices of a taxpayer's financial and economic activities, allowable under this Code, which are selected by the taxpayer.

**3.** The concepts of taxpayer, taxable item, tax base, tax period and other specific concepts and terms of legislation on taxes and fees shall be used in the meaning defined in the corresponding Articles of this Code.

**4.** In the relationships occurring in connection with the levy of tax when goods are moved across the customs border of the Russian Federation the terms defined by the Customs Code of the Russian Federation shall be used, and in as much as they are not defined by such the terms defined by the present Code shall be used.

**5.** The rules provided for by Part One of this Code in respect of banks shall extend to the Central Bank of the Russian Federation and the State Corporation "Bank of Development and of Foreign Economic Activities (Vneshekonombank)".

## Chapter 2. System of Taxes and Fees in the Russian Federation

**Article 12.** Types of Taxes and Fees in the Russian Federation. Authority of Legislative (Representative) State Power Bodies of the Subjects of the Russian Federation and Representative Bodies of Municipal Formations, as Regards the Imposition of Taxes and Fees

**1.** The following types of taxes and fees shall be imposed in the Russian Federation: federal, regional and local ones.

**2.** As federal taxes and fees shall be deemed the taxes and fees imposed by this Code and payable throughout the Russian Federation, if not otherwise provided for by Item 7 of this Article.

**3.** As regional taxes and fees shall be deemed the taxes and fees established by this Code and the laws of the subjects of the Russian Federation and payable in the territories of appropriate subjects of the Russian Federation, if not otherwise established by Item 7 of this Article.

Regional taxes shall be carried into effect and abolished in the territories of the subjects of the Russian Federation in accordance with this Code and the tax laws of the subjects of the Russian Federation.

With the introduction of regional taxes by the legislative (representative) bodies of the subjects of the Russian Federation the following elements of taxation shall be defined in the procedure and within the limits provided for by this Code: the tax rates, the procedure for, and the terms of, payment of taxes. Other elements of taxation with regard to local taxes and taxpayers shall be defined by this Code.

Legislative (representative) state power bodies of the subjects of the Russian Federation may establish by tax laws in the procedure and within the limits provided for by this Code tax concessions, grounds and procedure for application thereof.

**4.** Local taxes and fees shall be deemed those established by this Code and by the normative legal acts of the representative bodies of municipal formations on taxes payable in the territories of respective municipal formations, if not otherwise provided for by this Item and Item 7 of this Article.

Local taxes shall be carried out into effect and abolished in the territories of municipal formations in compliance with this Code and the normative legal acts of representative bodies of municipal formations on taxes.

Land tax and individual property tax shall be imposed by this Code and by normative legal acts of representative bodies of settlements (municipal districts) and city circuits on taxes and shall be payable in the territories of appropriate settlements (inter-settlement territories) and urban circuits, if not otherwise provided for by Item 7 of this Article. Land tax and individual property tax shall be carried into effect and shall be abolished in the territories of settlements (inter-settlement territories) and of urban circuits in compliance with this Code and the normative legal acts of representative bodies of settlements (municipal districts) and urban circuits on taxes.

Local taxes in the cities of federal importance - Moscow and St. Petersburg - shall be established by this Code and the laws of the said subjects of the Russian Federation on taxes, and shall be payable in the territories of these subjects of the Russian Federation, if not otherwise provided for by Item 7 of this Article. Local taxes shall be carried into effect and abolished in the territories of the cities of federal importance (Moscow and St. Petersburg) in compliance with this Code and the laws of the said subjects of the Russian Federation.

When introducing local taxes by representative bodies of municipal formations (by legislative (representative) state power bodies of the cities of federal importance Moscow and St.- Petersburg), the following taxation elements shall be defined in the procedure and within the limits provided for by this Code: the tax rates, the procedure for, and the terms of, paying the taxes. Other elements of taxation in respect of local taxes and taxpayers shall be established by this Code.

Representative bodies of municipal formations (legislative (representative) state power bodies of the cities of federal importance Moscow and St.-Petersburg) may establish by the laws on taxes and fees in the procedure and within the limits provided for by this Code tax concessions, grounds and procedure for application thereof.

**5.** Federal, regional and local taxes and fees shall be abolished by this Code.

**6.** No federal, regional or local taxes (fees) may be imposed which are not provided for by this Code.

**7.** This Code shall establish special tax treatments, which may be provided for by federal laws not indicated in Article 13 of this Code, shall determine the procedure for establishing such taxes, as well as the procedure for the putting into effect and application of the said special tax treatments.

Special tax treatments may provide for the exemption from the duty of paying individual federal, regional and local taxes and fees indicated in Articles from 13 to 15 of this Code.

**Article 13.** Federal Taxes and Fees

Federal taxes and fees shall include:

1) value-added tax;
2) excise taxes;
3) tax on incomes (profits) of natural persons;
4) uniform social tax;
5) tax on profits of organisations;
6) tax on extraction of minerals;
7) abolished from January 1, 2006;
8) water tax;
9) fee for the right to use fauna and aquatic biological resources;
10) state duty.

**Article 14.** Regional Taxes

Regional taxes shall include:

1) tax on property of organisations;
2) tax on gambling industry;
3) transport tax.

**Article 15.** Local Taxes

Local taxes shall include:

1) land tax;

2) individual property tax.

**Article 16.** Information About Taxes

Information and copies of laws, other normative legal acts on the establishment, modification and terminate the operation of regional and local taxes shall be sent by the organs of state power of the subjects of the Russian Federation and local self-government bodies to the Ministry of Finance of the Russian Federation and the federal executive body authorised to exercise control and supervision in the area of taxes and fees, and also to the financial bodies of the respective subjects of the Russian Federation and to the territorial tax bodies.

**Article 17.** General Conditions of Imposition of Taxes and Fees

**1.** A tax shall only be considered as imposed if the taxpayers and the elements of taxation are defined, namely,

taxable item;

tax base;

tax period;

tax rate;

procedure for calculation of tax;

procedure and dates of tax payment.

2. In tax imposition, a legislative act on taxes and fees may also if necessary provide tax benefits and grounds for their use by the taxpayer.

**3.** In imposing fees, their payers and elements of taxation shall be defined relative to particular fees.

**Article 18.** Special Types of Tax Treatment

**1.** Special types of tax treatment shall be established by this Code and shall apply in the instances and in the procedure that are provided for by this Code and other legislative acts on taxes and fees.

Special types of tax treatments may provide for a special procedure for defining taxation elements, as well as the exemption from the duty of paying individual taxes and fees stipulated by Articles from 13 to 15 of this Code.

**2.** Special types of tax treatments shall include:

1) taxation system for agricultural producers (uniform agricultural tax);

2) simplified taxation system;

3) taxation system in the form of uniform tax on imputed earnings for some types of activities;

4) taxation system, when implementing agreements on division of products.

## Section 2. Taxpayers and Payers of Fees. Tax Agents. Representation in Tax Legal Relations

### Chapter 3. Taxpayers and Payers of Fees. Tax Agents

**Article 19.** Taxpayers and Payers of Fees

Taxpayers and payers of fees shall be defined as organisations and individuals who are under an obligation, under this Code, to pay taxes and/or fees, respectively.

In the order prescribed by this Code the branches and other separate subdivisions of Russian organisations shall discharge the duties of these organisations in the payment of taxes and fees in the location of these branches and other separate subdivisions.

**Article 20.** Related Persons

**1.** For purposes of taxation, related persons shall be defined as individuals and/or organisations the relations between which may exert influence on the conditions or economic results of their activity or the activity of persons they represent, namely:

1) one organisation directly and/or indirectly participates in another organisation, and the summary share of such participation makes up over 20 per cent. The share of the indirect participation of one organisation in another one through a sequence of other organisations shall be determined in the shape of the product of the shares of direct participation of the organisation in this sequence of one in another;

2) one individual is subordinate to another individual as to his or her superior;

3) in accordance with the family law of the Russian Federation, the persons are spouses, relatives, are related to each other by marriage, are an adopter and an adoptee or a guardian and a ward.

**2.** The court may recognize persons as interdependent on other grounds, which are not provided for by Item 1 of this Article, if the relations between these persons may influence the results of transactions in the sale of goods (works, services).

**Article 21.** Rights of Taxpayers (Payers of Fees)

**1.** Taxpayers shall have the right to:

1) to receive in the place of their registration from tax bodies information (including information in written form) about current taxes and fees, the legislation on taxes and fees and the normative legal acts adopted in accordance with it, about the procedure for the calculation and payment of taxes and fees, the rights and duties of taxpayers, and about the powers of tax bodies and their officials, and also to receive the forms of tax declarations (calculations) and explanations about the order of their completion;

2) to receive from the Ministry of Finance of the Russian Federation written explanations of the application of the taxation legislation of the Russian Federation, from the financial bodies of the subjects of the Russian Federation and municipal formations - of the application of the legislation of the subjects of the Russian Federation on taxes and fees and of the normative legal acts of municipal formations on local taxes and fees;

3) use tax benefits provided there are grounds for such and in accordance with the procedure established by tax and fee legislation;

4) receive deferral, the right to pay in installments, or an investment tax credit in accordance with the procedure and on conditions set by this Code;

5) the timely credit or refund of tax, penalty interest, fines amounts paid or collected over and above the correct amount;

6) represent their interests in the relations regulated by the legislation on taxes and fees in person or via their representative;

7) provide explanations to the tax authorities and their officials on the calculation and payment of taxes and fees, and also on protocols of audits conducted;

8) be present at a field tax audit;

9) receive copies of a tax audit protocol and decisions of the tax authorities, and also of tax notices and requirements for tax payment;

10) require compliance with tax and other legislation from tax officials and other authorised bodies while the latter perform actions with respect to taxpayers;

11) not to comply with unlawful acts and demands of the tax authorities, other authorised agencies and their officials which are at variance with this Code or other federal laws;

12) appeal against acts of the tax authorities and other authorised agencies and actions (inaction) of their officials in accordance with the established procedure;

13) require a tax secret be respected and kept;

14) claim full compensation for losses caused by unlawful decisions of the tax authorities or unlawful actions (inaction) of their officials;

15) participate in consideration of the material of a tax inspection or other acts of the tax authorities in the cases provided for by this Code.

**2.** Taxpayers shall also have other rights under this Code and other acts of tax and fee legislation.

**3.** Payers of fees shall have the same rights as taxpayers.

**Article 22.** Guarantee and Protection of Rights of Taxpayers (Payers of Fees)

**1.** Taxpayers (payers of fees) shall be guaranteed administrative and judicial protection of their rights and legitimate interests.

The procedure for protection of taxpayers rights shall be established by this Code and other federal laws.

**2.** The rights of taxpayers (payers of fees) shall be secured by the relevant obligations of tax officials and other authorised bodies.

Failure to fulfill or improper fulfillment of obligations to secure the rights of taxpayers (payers of fees) shall involve liability under federal laws.

**Article 23.** Obligations of Taxpayers (Payers of Fees)

**1.** Taxpayers shall be obliged to:

1) pay taxes and fees imposed in a lawful way;

2) register with the tax authorities, if this Code provides for such an obligation;

3) keep records of their income (expenses) and taxable items in accordance with the established procedure, if the legislation on taxes and fees provides for such an obligation;

4) file tax returns (calculations) for taxes they are required to pay with the tax authority at the place of registration in accordance with the established procedure, if legislation on taxes and fees provides for such an obligation;

5) present at the place of residence of an individual businessman, private notary or solicitor/barrister who has founded solicitor's studies the registers of receipts, expenditures and economic transactions by request of the tax authorities; to present at the location of an organisation accounting report documents in compliance with the requirements established by the Federal Law on Accounting, except for the cases when organisations under the said Federal Law are not obliged to keep accounts or are relieved of keeping accounts;

6) submit to the tax authorities and to their officials in the cases and in the procedure, provided for by this Code, the documents required to calculate and pay taxes;

7) comply with lawful demands of a tax authority to eliminate revealed violations of tax and fee legislation, and also not to hinder the lawful activity of tax officials when they discharge their official duties;

8) ensure safekeeping, over the course of four years, of bookkeeping and tax records, as well as of other documents required for the calculation and payment of taxes and fees, including the documents confirming income earned and expenses incurred (for organisations and individual businessmen) and paid (withheld) taxes;

9) fulfill other obligations provided for by tax and fee legislation.

**2.** Taxpaying organisations and individual businessmen, apart from the obligations set forth in Item 1 of this Article, shall be obliged to inform the tax authority at the location of the organisation or at the place of residence of the individual businessman in writing of the following:

1) of opening or closing accounts (personal accounts) - within seven days as of the date of opening (closing) such accounts. Individual businessmen shall inform the tax authority of the accounts used by them in their business activities;

2) of all instances of holding an interest in Russian and foreign organisations - at the latest in one month as of the commencement of such interest;

3) of all separate subdivisions set up within the Russian Federation - within one month as of the date of establishment of a separate subdivision or termination of an organisation's activities exercised through a separate subdivision thereof (of closing a separate subdivision). The said report shall be submitted to the tax authority at the organisation's location;

4) of re-organisation or liquidation of an organisation - within three days as of the date of adoption of such decision.

**3.** The notaries, engaged in private practice, and the lawyers, who have instituted lawyer's offices, are obliged to inform in writing the tax body at the place of their residence about opening (closing) the accounts, intended for their performance of professional activity, within seven days as from the day of opening (closing) such accounts.

**4.** Payers of fees shall be obliged to pay the legally established fees, and also meet other obligations as established by the legislation relevant to taxes and fees.

**5.** For failure to fulfill, or improper fulfilment of, the obligations imposed on him, a taxpayer (payer of fees) shall be liable under the legislation of the Russian Federation.

**6.** Taxpayers who pay their taxes in connection with movement of goods across the customs border of the Russian Federation shall also discharge the duties provided for by the customs legislation of the Russian Federation.

**7.** Information, stipulated in Items 2 and 3 of the present Article, shall be supplied in accordance with the forms, approved by the federal executive power body authorized to exert control and supervision in the area of taxes and fees.

**Article 24.** Tax Agents

**1.** Tax agents shall be defined as persons who are required under this Code to calculate, withhold from the taxpayer and remit taxes to the budget system of the Russian Federation.

**2.** Tax agents shall have the same rights as taxpayers unless otherwise provided by this Code.

The rights of tax agents shall be ensured and protected in compliance with Article 22 of this Code.

**3.** Tax agents shall be required to:

1) calculate, withhold from monetary funds paid to taxpayers and remit taxes to the budget system of the Russian Federation onto corresponding accounts of the Federal Treasury;

2) notify in writing the tax authority at the place of their registration of the impossibility to withhold tax and on the amount of a taxpayer's arrears within one month as of the date when a tax agent learnt about such circumstances;

3) keep records of income calculated and paid to taxpayers and of taxes withheld and remitted to the budget system of the Russian Federation, including separate records for each taxpayer personally;

4) provide to the tax authority at the place of registration documents required to control the correctness of calculation, withholding and remittance of taxes;

5) ensure safekeeping within four years of the documents required for calculation, deduction and remittance of taxes.

**4.** The tax agents shall transfer the collected taxes in the order prescribed by this Code for the payment of the tax by a taxpayer;

**5.** For failure to fulfill or improper fulfillment of obligations imposed on him, the tax agent shall incur liability under the legislation of the Russian Federation.

**Article 25.** Abrogated from January 1, 2007.

### Chapter 4. Representation in Relations Regulated by Legislation On Taxes and Fees

**Article 26.** The Right to Representation in Relations Regulated by Legislation on Taxes and Fees

1. The taxpayer may participate in legal relations via his legal or authorized representative unless otherwise provided by this Code.

**2.** Personal participation of the taxpayer in tax legal relations shall not deprive him of the right to have a representative; likewise, participation of the representative shall not deprive the taxpayer of his right to personal participation in the above relations.

**3.** The powers of the representative shall be documented in accordance with this Code and other federal laws.

**4.** The rules provided by this Chapter shall apply to payers of fees and tax agents.

**Article 27.** Legal Representative of the Taxpayer

**1.** Legal representatives of a taxpayer organisation shall be defined as persons authorized to represent this organisation on the basis of law or its founding documents.

**2.** Legal representatives of an individual taxpayer shall be defined as persons acting as his representatives under the civil law of the Russian Federation.

**Article 28.** Actions (Inaction) of Legal Representatives of Organizations

Actions (inaction) of legal representatives of organisations performed in connection with the participation of this organisation in tax legal relations shall be recognized as actions (inaction) of this organisation itself.

**Article 29.** Authorized Representative of the Taxpayer

**1.** An authorized representative of the taxpayer shall be defined as an individual or a legal entity authorized by the taxpayer to represent his interests in his relations with the tax authorities (customs agencies and agencies of governmental extra-budgetary funds) or other parties to relations regulated by tax and fee legislation.

**2.** Officials of tax bodies, customs agencies and agencies of governmental extra-budgetary funds or internal affairs, judges, investigators or public prosecutors may not be authorized representatives of taxpayers.

3. An authorized representative of a taxpayer shall exercise his authority on the basis of a power of attorney issued as prescribed by the civil law of the Russian Federation.

An authorized representative of an individual taxpayer shall exercise his authority on the basis of a power of attorney notarially certified or a power of attorney equated with one notarially certified in accordance with civil law.

## Section III. Tax Bodies. Customs Agencies. Financial Bodies. Internal Affairs Bodies. The Responsibility of the Tax Bodies, the Customs Agencies, Funds, the Internal Affairs Bodies and Their Officials

### Chapter 5. Tax Bodies, Customs Agencies. Financial Bodies. The Responsibility of the Tax Bodies, the Customs Agencies and Their Officials

**Article 30.** Tax Authorities in the Russian Federation

**1.** The tax bodies shall constitute a single centralised system of control over the observance of the taxation legislation, over the calculation, fullness and timeliness of the entry of taxes and fees in the respective budget, and in cases, stipulated by the legislation of the Russian Federation, over the calculation, fullness and timeliness of payment (remittance) of taxes and fees to the budget system of the Russian Federation. The said system includes the federal executive body authorized to exercise control and supervision in the area of taxes and fees, and its territorial agencies.

**2.** Abolished

**3.** The tax authorities shall act within their competence and in accordance with the legislation of the Russian Federation.

**4.** The tax bodies shall perform their functions and cooperate with the federal executive bodies, the executive bodies of the subjects of the Russian Federation, the local self-government bodies and state extra-budgetary funds through the realisation of the powers provided for by the present Code and other normative legal acts of the Russian Federation.

**Article 31.** The Rights of the Tax Authorities

**1.** The tax authorities shall have the right:

1) to demand from a taxpayer, a payer of fee or a tax agent in compliance with the legislation on taxes and fees documents in the forms established by the state bodies and local self-government bodies to serve as grounds for calculation and payment (deductions and transfers) of taxes and fees, and also documents confirming the correctness of calculation and timeliness of payment (deduction and transfer) of taxes and fees;

2) to carry out tax inspections in the order established by this Code;

3) to seize documents, during tax inspections of a taxpayer, payer of a fee or a tax agent, in cases when there are sufficient grounds to believe that these documents will be destroyed, concealed, changed or replaced;

4) to summon to tax agencies taxpayers, payers of fees or tax agents to give pertinent explanations by means of written notices in connection with payment (deduction or transfer) of taxes by them or in connection with a tax inspection, and also in other cases associated with the execution by them of the legislation on taxes and fees;

5) to suspend transactions on the accounts of taxpayers, payers of fees and tax agents opened with banks and to sequester the property of taxpayers, payers of fees and tax agents in the order provided for by this Code;

6) to inspect in the procedure provided for by Article 92 of this Code workrooms, depots, trading and other premises and areas used by taxpayers to derive income or connected with the maintenance of the objects of taxation, regardless of their location, to draw up an inventory of the property belonging to taxpayers. A procedure for drawing up an inventory of the taxpayer's property during a tax inspection shall be endorsed by the Ministry of Finance of the Russian Federation;

7) to determine the sums of taxes to be paid by taxpayers to the budget system of the Russian Federation calculated on the basis of available information about a taxpayer, and also of the data on other similar taxpayers in case of the refusal of the taxpayer to admit tax officials to inspect workrooms, depots, trading and other premises and areas, used by the taxpayer to derive income or connected with the maintenance of objects of taxation, in case of the refusal to submit to a tax body documents necessary for the calculation of taxes within more than two months, in case of the absence of the record-keeping of incomes and expenses, of the objects of taxation or in case of keeping records in contravention of the established order that has led to the impossibility of calculating taxes;

8) to demand that taxpayers, tax agents and their representatives should remove the revealed breaches of the legislation on taxes and fees and to control the fulfilment of the said requirements;

9) to recover tax and fee arrears, and also penalties and fines in the order established by this Code;

10) to demand from banks the documents confirming the fact of writing off the amounts of taxes, fees, penalties and fines from the accounts of tax payers, payers of fees or tax agents and from correspondent accounts of banks and remittance thereof to the budget system of the Russian Federation;

11) to attract specialists, experts and interpreters for tax control;

12) to summon as witnesses persons who may know any circumstances of relevance to tax control;

13) to apply for the cancellation or suspension of licenses for the exercise of certain types of activities of legal entities and natural persons;

14) to make the following claims with courts of general jurisdiction or with courts of arbitration:

claims for recovery of arrears, penalties and fines for tax offences in the cases provided for by this Code;

claims for repair of damage caused to the State and (or) a municipal formation as a result of unlawful actions of a bank as to writing monetary funds off a taxpayer's account after receiving the decision of the tax authority on suspending operations on it, this making impossible the recovery by a tax authority of arrears in, and debts on, penalties and fines from the taxpayer in the procedure provided for by this Code;

claims for early dissolution of a contract of investment tax credit;

in other cases provided for by this Code.

**2.** The tax authorities shall also exercise other rights provided for by this Code.

**3.** The superior tax authorities shall have the right to revoke decisions rendered by lower-ranking tax bodies in case of inconsistency of the said decisions with the legislation on taxes and fees.

**4.** The forms for the documents stipulated in the present Code, which are used by the tax bodies when exercizing their powers in relations, regulated by the legislation on taxes and fees, as well as the procedure for filling them out shall be approved by the federal executive power body authorized to exert control and supervision in the area of taxes and fees, unless a different procedure for their approval is envisaged in the present Code.

**Article 32.** Duties of the Tax Authorities

**1.** Tax authorities shall be obliged to:

1) comply with the legislation on taxes and fees;

2) monitor observation of the legislation on taxes and fees, as well as of other normative legal acts in compliance therewith;

3) keep records of the organisations and natural persons in the established procedure;

4) inform free of charge (in written form as well) taxpayers, payers of fees and tax agents about current taxes and fees, the legislation on taxes and fees and normative legal acts adopted in conformity with it, the procedure for calculation and payment of taxes and fees, the rights and duties of taxpayers, payers of fees and tax agents, the powers of the tax authorities and their officials, and also to submit the forms of tax returns (calculations) and explain the procedure for their completion;

5) be guided by written explanations of the Ministry of Finance of the Russian Federation as regards the application of the legislation of the Russian Federation on taxes and fees;

6) inform taxpayers, payers of fees and tax agents, when they are registered with the tax authorities, of data on the requisite elements of the appropriate accounts of the Federal Treasury, as well as to bring to the knowledge of taxpayers, payers of fees and tax agents in the procedure defined by the federal executive body in charge of control and supervision in the field of taxes and fees, data on changes in the requisite elements of these accounts and other data required for completing orders to remit taxes, fees, penalties and fines to the budget system of the Russian Federation;

7) render decisions on repayment to taxpayers, payers of fees or tax agents the amounts of taxes, fees, penalties and fines paid or recovered in excess, send orders drawn up on the basis of these decisions to the appropriate territorial agencies of the Federal Treasury for execution and set off the amounts of taxes, fees, penalties and fines paid or recovered in excess in the procedure provided for by this Code;

8) observe tax secrets and ensure their keeping;

9) forward to the taxpayer, payer of fees or tax agent copies of tax audit acts and decisions of a tax authority, as well as in the cases provided for by this Code, the tax notice and (or) the demand to pay a tax or fee.

10) present to a taxpayer, payer of fees or tax agent by request thereof references in respect of the state of the said person's settlements, as regards taxes, fees, penalties and fines, on the basis of data available to a tax authority.

A requested reference shall be presented within five working days as of the date of receiving by a tax authority of the appropriate request in writing of a taxpayer, payer of fees or tax agent;

11) jointly collate the amounts of paid taxes, fees, penalties and fines on the application of a taxpayer, payer of fees or tax agent;

12) issue, on the application of a taxpayer, payer of fees or tax agent, copies of the decisions adopted by a tax authority in respect of this taxpayer, payer of fees or tax agent.

**2.** Tax bodies shall also perform other duties provided for by this Code and other federal laws.

**3.** If within two months as if the date of expiry of the time period fixed for following the demand for payment of tax (fee) a taxpayer (payer of fees) does not pay off the arrears specified by this demand whose extent makes it possible to suppose that there is a breach of the legislation on taxes and fees with the signs of crime, the tax authorities shall be obliged within 10 days as of the date of detecting the said circumstances to send the relevant documents to an internal affairs body for the purpose of deciding on the initiation of criminal proceedings.

**Article 33.** Duties of Officials of the Tax Bodies

Officials of the tax bodies shall:

1) act in strict compliance with this Code and other federal laws;

2) realize the rights and duties of the tax bodies within the scope of their competence;

3) treat duly and courteously taxpayers, their representatives and other participants of the relations regulated by the legislation on taxes and fees; respect their honour and dignity.

**Article 34.** The Authorities of Customs Bodies and Duties of Customs Officials with Respect to Taxes and Fees

**1.** The customs bodies of the Russian Federation shall use the rights and perform the duties of tax bodies to collect taxes in connection with the movement of goods across the customs territory of the Russian Federation as per the customs legislation of the Russian Federation, this Code and other federal laws on taxes, as well as other federal laws.

**2.** Customs officials shall perform the duties as established by item 1 of Article 33 of this Code as well as other duties as per the customs legislation of the Russian Federation.

**Article 34.1.** Abolished

**Article 34.2.** The Powers of the Financial agencies in the Sphere of Taxation

1. The Ministry of Finance of the Russian Federation shall give written explanations to taxpayers, payers of fees and tax agents on the matters of application of the legislation of the Russian Federation on taxes and fees and shall approve the forms of calculations of taxes and the forms of tax declarations, obligatory for taxpayers and tax agents, and also the procedure for their completion.

**2.** The financial bodies of the constituent entities of the Russian Federation and municipal formations shall give written explanations to taxpayers and tax agents on the questions of the application of the legislation of the subjects of the Russian Federation on taxes and fees and of the normative legal acts of municipal formations on local taxes and fees.

**3.** The Ministry of Finance of the Russian Federation, financial bodies of the constituent entities of the Russian Federation and of municipal formations shall give written explanations within the scope of authority thereof within two months as of the date of receiving the appropriate request. The said time period may be extended by decision of the head (deputy head) of the appropriate financial body but at the most by one month.

**Article 35.** Liability of Tax Bodies, Customs Bodies, and Also Their Officials

**1.** Tax bodies, customs bodies shall be liable for losses inflicted on taxpayers, payers of fees and tax agents as a result of unlawful actions (decisions), actions or inaction of the former as well as unlawful actions (decisions) or inaction of the officials and other employees of those bodies in performing their office duties.

The losses incurred by the taxpayers, payers of fees and tax agents shall be reimbursed at the expense of the federal budget in the procedure envisaged in this Code or other federal laws.

**2.** Abolished

**3.** The officials and other employees of the bodies specified in Item 1 of this Article guilty of unlawful actions or the absence of actions shall bear responsibility provided for in the legislation of the Russian Federation.

## Chapter 6. Internal Affairs Bodies

**Article 36**. Powers of Internal Affairs Bodies

**1.** Internal affairs bodies at the request of tax bodies shall participate, jointly with tax bodies, in visiting tax inspections held by tax bodies.

**2.** In the event of detecting the circumstances requiring the commitment of actions, attributed by this Code to the authority of tax bodies, internal affairs bodies shall be obliged within ten-day term, as of the date of detecting said circumstances, to direct materials to an appropriate tax body for deciding on them.

**Article 37.** Liabilities of the Internal Affairs Bodies and Their Officials

**1.** Internal affairs bodies shall be held liable for any losses inflicted on taxpayers, payers of fees and tax agents as a result of their (tax police bodies) unlawful actions (decisions) or absence thereof, likewise unlawful actions (decisions) or the absence of actions on part of the officials and other employees of those bodies in performance of their official duties.

The losses incurred by the taxpayers, payers of fees and tax agents when taking measures provided for by Item 1 of Article 36 of this Code, shall be reimbursed at the expense of the federal budget in the procedure envisaged by this Code and other applicable federal laws.

**2.** The internal affairs officials and other employees guilty of unlawful actions or the absence thereof shall bear responsibility as per the legislation of the Russian Federation.

# Section 4. General Rules for the Fulfillment of the Obligation to Pay Taxes and Fees

## Chapter 7. Objects of Taxation

**Article 38.** Object of Taxation

**1.** Operations in the sale of goods (works, services), property, profit, income, expense or other object having a cost, quantitative or physical characteristic whose existence is linked to the emergence of a tax liability of the taxpayer shall be deemed an object of taxation.

Each tax has an independent object of taxation defined in compliance with part II of this Code and taking account of the provisions of this Article.

**2.** Property in this Code shall be understood to mean types of objects of civil rights (except for property rights) referred to as property according to the Civil Code of the Russian Federation.

**3.** For the purpose of this Code goods shall be any property sold or to be sold. Any other property as defined by the Customs Code of the Russian Federation shall be also classed as goods in order to regulate the relations connected with collection of customs duties.

**4.** Works for taxation shall be any activity the results of which have tangible expression and may be realized to meet the needs of an organisation and/or natural persons.

**5.** Services for taxation shall be any activity the results of which do not have tangible expression, are realized and consumed in the process of performance of such activity.

**Article 39.** Realization [Sale] of Goods, Works (Services)

**1.** Realization (sale) of goods, works (services) by an organisation or an individual entrepreneur shall be respectively construed as the transfer of title to goods, transfer of results of completed works from one person to another, repayable provision of services by one person for another (including an exchange of goods, works, or services) for a compensation, or, in cases provided for in this Code, the transfer of the right of ownership of goods, of the results of performed works by one person for another person, the rendering of services by one person to another person free of charge.

**2.** The place and date of actual realization of goods (works, services) shall be determined as per the special parts of this Code.

**3.** The following shall be not deemed as realization of goods (works, services):

1) performance of transactions in connection with circulation of Russian or foreign currency (unless the purpose of such transactions is numismatics);

2) transfer of fixed assets, intangible assets and (or) other assets by an organisation to its successor (successors) when such organisation is reorganized;

3) transfer of fixed assets, intangible assets and/or other property to non-profit organisations for the performance of the main statutory activity unrelated to business activity;

4) the transfer of assets, if such transfer is of an investment character (in particular, contributions to the authorized (pooled) capital of economic companies and partnerships, contributions under a contract of simple partnership (a contract of joint work), shares in cooperatives' income funds);

5) transfer of assets within the limits of the original contribution to a participant of an economic entity or partnership (its successor or inheritor) when such participant leaves (withdraws) the company or the partnership as well as in distribution of assets of a liquidated economic entity or a partnership between its participants;

6) transfer of assets within the limits of the original contribution to a participant of a simple partnership agreement (joint activity agreement) or its successor when his share of assets is singled out from the assets in common ownership of the agreement participants or when such assets are divided;

7) transfer of residential premises in state or municipal houses when they are privatized;

8) withdrawal of property by way of its confiscation, inheritance of property as well as giving into other persons' ownership abandoned things and things or animals with no identified owner, findings and hidden treasures, as per the provisions of the Civil Code of the Russian Federation;

9) other transactions in cases provided for by this Code.

**Article 40.** Principles for Determining the Price of Goods (Works, Services)

**1.** Unless otherwise provided by the present Article, for the purposes of taxation the prices of goods, work services shall be those stated by parties to transactions. Until proven otherwise, it shall be assumed that these prices correspond to the level of market prices.

**2.** Tax authorities, during the exercise of control over the calculation of taxes, shall be entitled to verify the correctness of the prices used in transactions only in the following cases:

1) between related persons;

2) commodity swap (barter) transactions;

3) at the time of completing foreign trade transactions;

4) in the case of the movement of prices upwards or downwards by more than 20 per cent of the level of prices applicable by a taxpayer to identical (homogeneous) goods (works, services) within a short period of time.

**3.** In cases provided for by Item 2 of this Article, when the prices of goods, works or services applied by the parties to a transaction deviate upwards or downwards for more than 20 per cent from the

market price of identical (homogenous) goods (works or services), the tax body shall have the right to pass a justified decision on the additional charge of tax and a penalty, calculated as if the results of this transaction would have been assessed on the basis of the application of market prices for relevant goods, works or services.

The market price shall be determined with an eye to the provisions of Items 4-11 of this Article. Premium prices or concessions shall be taken into account, which are usual upon the conclusion of transactions between non-mutually dependent persons. In particular, it is necessary to take into account the discounts caused by:

seasonal or other swings of consumer demand for goods (works, services);

the loss of quality or other consumer properties of goods;

the expiry (or the approach of the date of expiry) of the serviceable life or sale of goods;

the marketing policy, especially at the time of the sales promotion to markets of new unique goods, and also at the time of the sales promotion to new markets of goods (works, services);

the sale of experimental models and samples of goods for the purpose of the familiarization of customers with them.

**4.** The market price of goods (works, services) shall be understood as the price resulting from the interaction between supply and demand on the market of identical (or, in the absence of such, similar) goods (works, services) in comparable economic (business) conditions.

**5.** The market of goods (works, service) shall be understood as the sphere of circulation of these goods (works, services) determined based on the ability of the buyer (seller) to realistically purchase (sell) the goods (work, services) in the territory which is the closest with respect to the buyer (to the seller) inside or outside the Russian Federation, without running any significant additional costs.

**6.** Identical goods shall be understood as goods whose characteristic basic features are the same.

Features to be taken in to account when determining whether goods are identical, shall include, without being limited to, their physical characteristics, quality, market reputation, the country of origin and the producer. Insignificant differences in the appearance of goods may not be taken into consideration for the purposes of determining whether goods are identical.

**7.** Similar goods shall be understood as goods that short of being identical have similar characteristics and consist of similar components, which allows them to perform the same functions and (or) be commercially interchangeable.

Features to be taken into account when determining whether goods are similar shall include, without being limited to, their quality, availability of a trademark, market reputation, country of origin.

**8.** When determining the market price of goods(works, services) transactions between unrelated persons shall be taken into account. Transactions between related persons can be taken into account in those cases when the relation that exists between these persons did not affect the outcome of such transactions.

**9.** While determining the market prices of goods, works or services, it is necessary to take into account information about deals made at the time of sale of these goods, works or services in identical (homogenous) goods, works or services in comparable conditions. It is necessary to take into account such terms of deals as the quantity (volume) of supplied goods (e.g. the size of a lot of goods), the time for the execution of obligations, the terms of payment, usually applicable in deals of this kind, and also other reasonable conditions, which may influence prices.

The terms of deals on the market of identical (and in their absence homogenous) goods, works, or services shall be recognized as comparable, if the difference between such terms either does not influence substantially the price of such goods, works or services or may be taken into account with the aid of adjustments.

**10.** In the absence of transactions in identical (homogenous) goods, works, services on the corresponding market of such goods, works or services or in the absence on this market of the supply of such goods, works or services, and also when it is impossible to determine appropriate prices because of the absence or the inaccessibility of information sources for the determination of a market price, use shall be made of the method of the price of subsequent sale, under which the market price of goods, works, services sold by the seller is assessed as the difference of the price for which such goods, works or services were sold by the buyer of these goods, works or services in the case of their subsequent sale (resale) and the expenses which are usual in similar cases borne by this buyer during the resale (with disregard for the price for which goods, works or services were acquired by the said buyer from the seller) and during the promotion in the market of the goods, works or services acquired from the buyer, and also during the receipt of the profit by the buyer that is usual in the given sphere of activity.

When it is impossible to use the method of the price of subsequent sale (in particular, in the absence of information about the price of goods, works or services later sold by the buyer) use shall be made of the cost method, under which the market price of the goods, works or services sold by the seller is determined as a sum of the effected costs and the profit which is usual for the given sphere of activity. In this case it is necessary to take into account the direct and indirect expenses on the production

(acquisition), which are usual in similar cases, and (or) the sale of goods, works or services, the usual expenses on transportation, storage, insurance and other such expenses;

**11.** The information used for determining and recognizing the market price of goods (works, services) shall include official sources of information on market prices of goods (works, services), exchange quotations.

**12.** When hearing a case, a court shall be entitled to take into account any circumstances that have a bearing upon the determination of results of a transaction, without being limited to those listed under Items 4-11 of this Article.

**13.** When goods (works or services) are sold at state-controlled prices (tariffs), fixed in accordance with the legislation of the Russian Federation, the said prices (tariffs) shall be accepted for taxation purposes.

**14.** In determining the market prices of securities and financial instruments of time deals, the provisions of Items 3 and 10 of this Article shall be applied in a manner which takes into account the special provisions of the Chapter "Tax on Profit (Income) of Organizations" of this Code.

**Article 41.** Principles of Determining Income

Pursuant to the present Code, income shall be understood as economic gain in the form of money or in kind, that shall be taken into account, if it can be estimated and to the extent that this gain can be estimated, and determined in accordance with Chapters "Personal Income Tax", "Enterprise (Organization) Income Tax" of the present Code.

**Article 42.** Income from Sources Inside and Outside the Russian Federation

**1.** The incomes of a taxpayer may be attributed to the incomes from the sources in the Russian Federation or to the incomes from the sources beyond the confines of the Russian Federation in accordance with the Chapters "The Tax on the Profit of Organisations" and "The Tax on the Incomes of Natural Persons" in the present Code.

**2.** If the provisions of the present Code do not allow one to unequivocally classify the income received by a taxpayer as either income from sources inside the Russian Federation, or income from sources outside the Russian Federation, this determination shall be made by the federal executive body authorized to exercise control and supervision in the area of taxes and fees. The share of income that can be attributed to sources inside the Russian Federation and shares that can be attributed to sources in other countries shall be determined in a similar way.

**Article 43.** Dividends and Interest

**1.** Any income received by a shareholder (participant) from an organisation through allocation of its after-tax profits (including income in the form of interest on preference shares) to shares (stakes), owned by such shareholder (participant) shall constitute a dividend in proportion to the shares of shareholders (participants) in the authorized (pooled) capital of the organisation.

Dividends also include any incomes received from the sources beyond the confines of the Russian Federation and classed as dividends in accordance with the legislation of foreign states.

**2.** The following shall not constitute a dividend:

1) payments received by a shareholder (participant) of an organisation in cash or in kind which do not exceed the contribution of this shareholder (participant) to the authorized (pooled) capital of the organisation in the event of a liquidation of said organisation;

2) payments to shareholders (participant) of an organisation in the form of transfer of shares of that organisation into their property;

3) payments to a non-profit organisation for the conduct of its main statutory activity (unrelated to business), made by economic companies whose authorized capital consists in full of the contributions of this non-profit organisation.

**3.** Interest shall be construed as any income announced (established) in advance, including income in the form of a discount, received on debt obligations of any kinds (irrespective of their form). Interest shall include, among other things, income on cash deposits and debt obligations.

## Chapter 8. Fulfillment of the Obligation to Pay Taxes and Fees

**Article 44.** Emergence, Alteration and Termination of Obligation for Payment of a Tax or Fee

**1.** The obligation to pay a tax or fee shall emerge, alter and terminate on the grounds established by the present Code or other acts of legislation on taxes and duties.

**2.** An obligation to pay a specific tax shall be imposed on a taxpayer/payer of duty with the emergence of grounds that require payment of this tax or duty, as established by the legislation on taxes and duties.

**3.** An obligation to pay a tax and/or duty shall terminate in the following cases:

1) once the taxpayer of payer of duty pays the tax and/or duty;

2) abrogated from January 1, 2007;

*See text of Subitem 2 of Item 3 of Article 44*

3) with the death of a taxpaying natural person or recognition of him as decedent in accordance with the procedure established by civil legislation. The liability of the decedent or one recognized as decedent with respect to property taxes shall be repayable by his heirs on the account of his estate in the procedure established by the civil legislation of the Russian Federation for paying off the testator's debts by heirs thereof;

4) liquidation of an institutional taxpayer after settling all claims of the budget system of the Russian Federation in accordance with Article 49 of the present Code;

5) appearance of other circumstances which are connected with termination of the obligation to pay the appropriate tax or fee by virtue of the legislation on taxes and fees.

**Article 45.** Fulfilment of an Obligation to Pay a Tax or a Fee

**1.** It shall be the duty of a taxpayer to fulfill the obligation to pay taxes on their own, unless otherwise provided for by the legislation on taxes and duties.

The obligation to pay a tax shall be fulfilled within the time limits established by the legislation on taxes and fees. A taxpayer shall have the right to fulfill his obligation to pay taxes ahead of time.

Default on the duty of tax payment or improper discharge of this duty shall serve as a ground for sending a claim for tax payment to the taxpayer by a tax body or customs agency.

**2.** In case of failure to pay, or failure to pay the full amount of, tax in due time, the tax debt shall be recovered in the procedure provided for by this Code.

A tax shall be recovered from an organisation and an individual businessman in the procedure provided for by Articles 46 and 47 of this Code. A tax shall be collected from a natural person who is not an individual businessman in the procedure provided for by Article 48 of this Code.

A tax shall be recovered in the judicial procedure:

1) from an organisation that has opened the personal account;

2) for the purpose of recovering arrears not paid off within over three months by organisations which under the civil legislation of the Russian Federation are dependent (branch) companies (enterprises), from the appropriate parent (dominating, participating) companies (enterprises) in the cases when the proceeds from selling commodities (carrying out works and rendering services) by dependent (branch) companies (enterprises) are entered to the formers' bank accounts, as well as by organisations which are under the civil legislation of the Russian Federation parent (dominating, participating) companies (enterprises), from dependent (branch) companies (enterprises) when proceeds from selling commodities (carrying out works or rendering services) by the parent (dominating, participating) companies (enterprises) are entered to the formers' bank accounts;

3) from an organisation or an individual businessman, if their obligation to pay tax is based upon changing by a tax authority of the legal qualification of a transaction made by such taxpayer or the status or nature of such taxpayer's activity.

**3.** A tax obligation shall be considered fulfilled by the taxpayer unless otherwise provided for by Item 4 of this Article:

1) from the time an order to remit the tax in question to the budget system of the Russian Federation onto the appropriate account of the Federal Treasury from a taxpayer's bank account is presented to the bank, provided that the monetary balance of the taxpayer's account as of the date of payment is sufficient to make the payment;

2) from the time of showing on the personal account of the organisation, that has opened the personal account, of the operation of remitting the appropriate monetary funds to the budget system of the Russian Federation;

3) from the date of entering by a natural person to a bank or cashier's office of the local government authority or to the federal postal communication office monetary funds in cash for remittance to the budget system of the Russian Federation onto the appropriate account of the Federal Treasury;

4) from the date of rendering by a tax authority in compliance with this Code of a decision to set off the amounts of taxes, penalties or fines, paid or recovered in excess, on account of discharging the duty of paying appropriate tax;

5) from the date of deducting the amount of tax by a tax agent, if the duty of calculation and deduction of tax from a taxpayer's monetary funds is imposed upon the tax agent;

6) from the day of making the declaration payment in accordance with the federal law on the simplified procedure for declaring incomes by natural persons.

**4.** The duty of paying tax shall not be deemed discharged in the following cases:

1) withdrawal by a taxpayer or return by a bank to a taxpayer of an unexecuted order to remit the appropriate monetary funds to the budget system of the Russian Federation;

2) withdrawal by a taxpaying organisation that has opened the personal account or return to a taxpayer by the Federal Treasury agency (by other authorised agency engaged in opening and keeping

personal accounts) of an unexecuted order to remit the appropriate monetary funds to the budget system of the Russian Federation;

3) return by a local government authority or by a federal postal communication agency to a taxpaying natural person of the monetary funds in cash accepted for their remittance to the budget system of the Russian Federation;

4) taxpayer's failure to show in the order to remit the amount of tax the correct number of the Federal Treasury account and correct denomination of the payee's bank, this entailing non-remittance of this amount to the budget system of the Russian Federation onto the appropriate Federal Treasury account;

5) if on the date of presenting by a taxpayer to the bank (to the Federal Treasury agency or other authorised agency engaged in opening and keeping personal accounts) an order to remit monetary funds on account of paying tax there are other claims not satisfied by this taxpayer with respect to his account (personal account) which has to be satisfied in top-priority order, or if the balance of this account (personal account) is not sufficient for satisfying all claims.

**5.** The duty of paying tax shall be discharged using the currency of the Russian Federation.

**6.** Failure to discharge the duty of paying tax shall serve as a ground for taking measures of compulsory discharge of the duty to pay tax provided for by this Code.

**7.** An order to remit tax to the budget system of the Russian Federation onto the appropriate Federal Treasury account shall be completed by a taxpayer in compliance with the rules for completing such order. The said rules shall be established by the Ministry of Finance of the Russian Federation by approbation of the Central Bank of the Russian Federation.

Should a taxpayer detect errors in drawing up an order to remit tax not entailing non-remittance of this tax to the budget system of the Russian Federation onto the appropriate Federal Treasury account, the taxpayer shall be entitled to file with the tax authority at the place of his registration an application in respect of the error made, attaching thereto the documents proving his payment of the said tax and its remittance to the budget system of the Russian Federation onto the appropriate Federal Treasury account, containing the request to specify the ground for making such payment, type and pertinence thereof, tax period and the taxpayer's status.

A joint revision of the taxes paid by a taxpayer may be effected on the proposal of a tax authority or a taxpayer. The results of the revision shall be legalised in the form of a certificate to be signed by the taxpayer and the authorised official of the tax authority.

A tax authority shall be entitled to demand of a bank a copy of a taxpayer' order to remit tax to the budget system of the Russian Federation onto the appropriate account of the Federal Treasury drawn up by the taxpayer on a paper medium. The bank shall be obliged to present to the tax authority a copy of the said order within five days as of the date of receiving the demand of the tax authority.

In the case provided for by this Item the tax authority on the basis of the taxpayer's application and the report on a joint revision of the tax payments made by the taxpayer where it has been effected shall render a decision on specifying the date of making by the tax payer the actual tax payment to the budget system of the Russian Federation onto the appropriate Federal Treasury account. In so doing, the tax authority shall re-calculate the penalties set with respect to the amount of tax for the period from the date of its actual payment to the budget system of the Russian Federation onto the appropriate Federal Treasury account up to the date of rendering by the tax authority of the decision to specify its payment.

**8.** The rules provided for by this Article shall likewise apply to fees, penalties or fines and shall extend to payers of fees and tax agents.

**Article 46.** Collection of Taxes, Fees, as Well as Penalties and Fines, from the Monetary Funds Kept on Bank Accounts of a Taxpayer (Payer of a Fee) Being an Organisation, an Individual Businessman or a Tax Agent Being an Organisation or an Individual Businessman

**1.** In case of failure to pay, or failure to pay the full amount of, tax within the established time period, the tax obligation shall be discharged in a compulsory order by levying execution against the monetary funds of the taxpayer (tax agent) being an organisation or an individual businessman kept on bank accounts.

**2.** A tax shall be collected on the strength of a decisionof the tax authority (hereinafter referred to in this Article as a decision on collection) by forwarding to the bank, where a taxpayer (tax agent) being an organisation or an individual businessman has opened accounts, an order of the tax authority to withdraw the required monetary funds from the accounts of the taxpayer (tax agent) being an organisation or an individual businessman and remit them to the budget system of the Russian Federation.

**3.** A decision on collection shall be taken after the expiry of the time period fixed by the claim for tax payment, but at the latest two months after the expiry of the said time period. A decision on collection made after the expiry of the said time limit shall be deemed ineffective and shall not be subject to fulfilment. Should this be the case, the tax authority can file a claim with a court for collection of the tax amount due to be paid from the taxpayer (tax agent) being an organisation or individual businessman. The statement of claim may be filed with a court within six months after the expiry of the time period for

satisfying the demand for tax payment. The time period for filing the claim missed for sound reasons may be restored by court.

Where it is impossible to hand in a decision on collection to a taxpayer (tax agent) against the receipt thereof or in any other way showing the date of its being received, the decision on collection shall be sent by registered mail and shall be deemed received upon the expiry of six days as of the date of sending the registered mail.

**4.** An order of a tax authority to remit tax amounts to the budget system of the Russian Federation shall be forwarded to the bank where the taxpayer (tax agent) being an organisation or an individual businessman has its accounts within one month as of the date of rendering a decision on collection and shall be subject to unconditional fulfillment by the bank in the order of priority established by the civil legislation of the Russian Federation.

**5.** An order of a tax authority to remit a tax shall indicate those accounts of the taxpayer (tax agent) being an organisation or an individual businessman from which the tax is to be remitted, and the amount to be remitted.

Taxes may be collected from rouble settlement (current) and (or) foreign currency accounts of a taxpayer (tax agent) being an organisation or an individual businessman or, if the funds kept on rouble (settlement) accounts are insufficient, from foreign currency accounts thereof.

Collection of taxes from foreign currency accounts of a taxpayer (tax agent) being an organisation or an individual businessman shall be effected in the amount equivalent to the amount payable in roubles at the exchange rate of the Central Bank of the Russian Federation on the date of sale of the foreign currency. When taxes are collected from foreign currency accounts, the head of the tax authority (or his deputy) shall forward to the bank, along with the order of the tax authority to remit the amount of tax, an order for the bank to sell the foreign currency of the taxpayer (tax agent) being an organisation or an individual businessman at latest on the following day. The outlays connected with the sale of foreign currency shall be made at the expense of the taxpayer (tax agent).

A tax shall not be collected from a taxpayer's or tax agent's deposit account unless the term of the deposit agreement has expired. Where there is such a deposit agreement, the tax authority shall have the right to issue an order for the bank to remit funds from the deposit account to the settlement (current) account of the taxpayer or the tax agent upon the expiry of the deposit agreement, if the order of the tax authority for this bank to remit the amount of tax has not been fulfilled by that time.

**6.** An order of the tax authority to remit the amount of tax shall be executed by the bank at the latest within one business day after the day when the said order was received by it, if the amount of tax is collected from rouble accounts, or at the latest within two business days, if the amount of tax is collected from foreign currency accounts, if this does not break the order of payments established by the civil legislation of the Russian Federation.

Should the balance of the accounts of a taxpayer (tax agent), as of the day when the bank received an order from the tax authority to remit a tax, be insufficient to pay off the tax debt or nil, the order shall be executed as money arrives on such accounts at the latest within one business day after each such arrival onto rouble accounts, and at the latest within two business days after each such arrival onto foreign currency accounts, if it does not break the order of payments established by the civil legislation of the Russian Federation.

**7.** Should the balance of the accounts of a taxpayer (tax agent) being an organisation or an individual businessman be insufficient or nil or in the absence of information about the accounts of a taxpayer (a tax agent) being an organisation or an individual businessman, the tax authority shall have the right to collect the tax liability at the expense of other property of the taxpayer (tax agent) being an organisation or an individual businessman in accordance with Article 47 of this Code.

**8.** In collecting tax, a tax authority can resort to suspending bank accounts of a taxpayer (tax agent) being an organisation or an individual businessman in accordance with the procedure and under the terms established by Article 76 of this Code.

**9.** The provisions contained in this Article shall also apply to the collection of penalty interest for untimely payment of taxes.

**10.** The rules of this Article shall be also applicable to collection of a fee or fines in the cases provided for by this Code.

**Article 47.** Collection of Taxes and Fees, as Well as of Penalties and Fines, at the Expense of Other Property of a Taxpayer (Tax Agent) Being an Organisation or an Individual Businessman

**1.** In the instance provided for by Item 7 of Article 46 of this Code, the tax authority shall be entitled to collect a tax at the expense of the property, including ready cash, of a taxpayer being an organization or an individual businessman within the limits of the amounts indicated in the collection letter for payment of the tax adjusted for the amounts already levied in accordance with Article 46 of the present Code.

A tax shall be collected at the expense of the property of a taxpayer (tax agent) being an organization or an individual businessman on the strength of a decision made by the head of the tax

authority (deputy head) by forwarding the appropriate resolution to the court bailiff within three days as of the time of rendering such decision, for execution in accordance with the procedure provided for by the Federal Law on Executive Procedure subject to the specifics stipulated by this Article.

A decision to recover tax at the expense of the property of a taxpayer (tax agent) being an organisation or an individual businessman shall be rendered within one year of the expiry of the time period for fulfilment of the demand for tax payment.

**2.** The ruling to collect taxes at the expense of property of a taxpayer (tax agent) being an organization or an individual businessman must contain the following:

1) the full name of the official and the name of the tax authority that issued said decision;

2) the date and reference number of the resolution of the head of the tax authority (deputy head) to collect the tax at the expense of taxpayer's or tax agent's property;

3) the name and address of the taxpayer or tax agent being an organization, or the full name, passport data, address of the permanent residence of the taxpayer being an individual businessman or the tax agent being an individual businessman against whose property execution is levied;

4) the operative part of the resolution of the head of the tax authority (deputy head) to collect taxes at the expense of the property of the taxpayer (tax agent) being an organization or an individual businessman;

5) the date of entry into force of the resolution of the head of the tax authority (deputy head) to collect taxes at the expense of the property of a taxpayer (tax agent) being an organization or an individual businessman;

6) the date of the ruling indicated above.

**3.** The resolution on collection of a tax shall be signed by the head of the tax authority (deputy head) and shall bear the stamp of the tax authority.

**4.** The collection actions shall be performed, and the orders contained in the resolution executed, by the court bailiff within two months after the receipt of said resolution.

5. Collection of taxes at the expense of property of a taxpayer (tax agent) being an organisation or an individual businessman shall be performed in series in respect of the following:

1) ready cash and monetary funds kept in banks against which execution has not been levied in compliance with Article 46 of this Code;

2) property which is not immediately used in manufacturing products (goods), particularly, securities, foreign currency valuables, non-production premises, automobiles, interior design items of offices;

3) finished products (goods), as well as other material valuables which are not used and (or) not intended for direct usage in production;

4) raw materials and materials intended for direct involvement in production, as well as machinery, equipment, buildings, structures and other fixed assets;

5) property transferred to other persons for possession, use or disposal on a contractual basis without transferring the ownership of this property, if such agreements have been terminated or recognized ineffective in accordance with the established procedure in order to secure the fulfillment of a tax obligation;

6) other property, except for that intended for everyday use by an individual businessman or his family members, determined in compliance with the laws of the Russian Federation.

**6.** If a tax is collected at the expense of property of a taxpayer (tax agent) being an organization or an individual businessman, the tax obligation shall be deemed fulfilled from the time the property of a taxpayer (tax agent) being an organization or an individual businessman is sold and the tax debt of the taxpayer (tax agent) being an organization or individual businessman is paid off from the sale proceeds.

**7.** Tax (customs) officials shall not have the right to purchase the property of a taxpayer (tax agent) being an organization or an individual businessman that is sold in execution of a decision to collect the tax debt at the expense of the property of the taxpayer (tax agent) being an organization or an individual businessman.

**8.** The provisions stipulated by this Article shall also apply in the case of exaction of a penalty for the untimely payment of a tax, as well as of fines in the instances provided for by this Code..

**9.** The provisions contained in this Article shall be also applicable for collecting a fee at the expense of property of a fee payer being an organization or an individual businessman.

**10.** The provisions provided for by this Article shall also apply in the case of collection of taxes by customs agencies with due regard to the provisions established by the Customs Code of the Russian Federation.

**Article 48.** Collection of Taxes, Fees, Penalties and Fines at the Expense of the Property of a Taxpayer (Fee Payer) Being a Natural Person Who Is Not an Individual Businessman

**1.** In the event of non-fulfillment when due of a tax liability by a taxpayer being a natural person who is not an individual businessman, the tax body (customs agency) shall be entitled to file a claim with a court for collection of the tax from the property, including funds on bank accounts and cash, of this

taxpayer being a natural person who is not an individual businessman within the limits of the amounts specified in the demand to pay the tax.

2. A statement of claim concerning collection of a tax from the property of a taxpayer being a natural person who is not an individual businessman shall be filed with a court of general jurisdiction by a tax authority (customs authority) within six months as of the expiry of the time period for satisfying the claim to pay the tax. The time period for filing the statement of claim missed for sound reasons may be restored by court.

**3.** A statement of claim concerning collection of a tax from the property of a taxpayer being a natural person who is not an individual businessman can be accompanied by a petition of the tax authority (customs authority) to arrest the property of the respondent as security for the statement of claim.

**4.** The proceedings in a case concerning collection of tax from the property of a taxpayer being a natural person who is not an individual businessman shall be performed in accordance with the civil procedural legislation of the Russian Federation.

**5.** Collection of a tax from the property of a taxpayer being a natural person who is not an individual businessman on the basis of an effective court decision shall be effected in accordance with the Federal Law on Executive Procedure with due account of the specifics envisaged by this Article.

**6.** Collection of a tax from the property of a taxpayer being a natural person who is not an individual businessman shall be made sequence in respect of the following:

1) monetary funds on bank accounts;

2) cash;

3) property transferred to other persons for possession, use or disposal on a contractual basis without transferring the ownership of this property, if such agreements have been terminated or recognized ineffective in accordance with the established procedure in order to secure the fulfillment of the tax obligation;

4) other property, except for that intended for everyday use by the natural person or his family members, determinable in compliance with the laws of the Russian Federation.

**7.** In the event of collecting a tax from the property, other than monetary funds, of a taxpayer being a natural person who is not an individual businessman, the obligation to pay the tax shall be deemed fulfilled from the time when such property is sold and the arrears of the taxpayer paid from the proceeds. Penalties for untimely remittance of taxes shall not accrue during the period between the time of the property arrest and remittance of the proceeds to the budget system of the Russian Federation.

**8.** The officials of tax bodies (customs agencies) shall not have the right to buy the property of a taxpayer being a natural person, who is not an individual businessman, sold while executing a court decision on collection of a tax from the property of the taxpayer being a natural person who is not an individual businessman.

**9.** The rules of this Article shall also apply in the case of collection of a fee from the property of a fee payer.

**10.** The rules of this Article shall also apply to collection of penalties for untimely payment of a tax, fee and fines.

**Article 49.** Fulfillment of Obligation to Pay Taxes and Fees in the Event of Liquidation

**1.** The obligation to pay taxes and fees (interest, fines) of an organisation undergoing liquidation shall be fulfilled by the liquidation commission of such an organisation from the funds of such an organisation, including proceeds from the sale of its assets.

**2.** Should the funds of an organisation in liquidation, including proceeds from the sale of its assets for the purpose of fulfilling an obligation to pay taxes and fees, due penalties and fines, be insufficient for full discharge of such obligation, the outstanding debt should be paid by the founders (participants) of this organisation in the procedure and to the extent established by the legislation of the Russian Federation.

**3.** The priority of fulfillment of the obligation to pay taxes and fees in case of liquidation of an organisation vis-a-vis settlements with other creditors of such organisation shall be specified by civil law of the Russian Federation.

**4.** If an organisation being liquidated has to its credit excessively paid or excessively collected taxes or fees (penalties and fines), the said sums of money shall be offset by a tax body on account of the repayment of arrears of the liquidated organisation in respect of taxes, fees and debts in the order established by this Code.

The amount of the excessively paid or excessively collected taxes and fees (penalties and fines) subject to offset shall be distributed in proportion to arrears of other taxes, fees and debts of the organisation to be liquidated in respect of penalties and fines payable (recoverable) to the budget system of the Russian Federation which are calculated and paid under the control of tax authorities.

If an organisation being liquidated has no indebtedness for the discharge of the duty of paying taxes and fees, and also of paying penalties and fines, the amount of the taxes and fees (penalties and

fines) excessively paid by this organisation or excessively recovered from it shall be repaid to this organisation in the procedure established by this Code at the latest in one month as of the day of filing the application by the taxpaying organisation.

**5.** The provisions envisaged by the present article shall also be applicable in the event of payment of taxes in connection with the movement of goods across the customs border.

**Article 50.** Fulfillment of Obligations to Pay Taxes and Fees (Penalties and Fines) in the Event of Re-Organization of a Legal Entity

**1.** Obligations to pay taxes and fees of a re-organized legal entity shall be fulfilled by its successor (successors) in accordance with the procedure set out in this Article.

**2.** Fulfillment of an obligation to pay taxes and fees of a reorganized legal entity shall be the responsibility of its successor (successors) irrespective of whether or not the successor (successors) were aware before the reorganisation was completed of facts and (or) circumstances of failure to fulfill or improper fulfillment of an obligation to pay taxes and fees by the re-organized legal entity. In this case the legal successor (legal successors) shall pay all the penalties due to the liabilities which have passed to him.

The successor(s) to a reorganized legal entity shall also be liable for all the fines owed by the latter for tax offenses committed prior to completion of the reorganisation process. The legal successor (legal successors) of a reorganized legal entity shall enjoy all rights and discharge all duties in the order prescribed for taxpayers by this Code, when he performs the duties of the payment of taxes and fees, vested in it by this Article.

**3.** Re-organisation of a legal entity shall not change the deadline for fulfillment of its obligation to pay taxes and fees by a successor (successors) to such legal entity.

**4.** In the case of merger of several legal entities, the legal entity resulting from such merger shall be recognized as a successor with respect to the obligation to pay taxes and fees of each of such legal entities.

**5.** In the case of accession of one legal entity to another legal entity, the accessing legal entity shall be recognized as a successor to the obligation to pay taxes and fees of the accessed legal entity.

**6.** In the case of division of a legal entity into several legal entities, the legal entities resulting from such division shall be recognized as successors with respect to the obligation to pay taxes of the divided organisation.

**7.** Should there be several successors, the share of each of them in the fulfillment of the obligation to pay taxes and fees of the re-organized legal entity shall be determined in accordance with the procedure envisaged by civil legislation.

If the division balance sheet does not make it possible to determine the share of a successor in the reorganized legal entity, or rule out the possibility of complete fulfillment of an obligation to pay taxes and fees by any one of the successors, or if such re-organisation was aimed at failure to fulfill the obligations to pay taxes then, pursuant to a court decision, the newly emerged legal entities may be liable jointly and severally for fulfillment of the obligation to pay taxes of the reorganized legal entity.

**8.** In the case of a separation from a legal entity, no succession to the re-organized legal entity with respect to its obligation to pay taxes (penalties and fines) shall arise. If as a result of separation from the legal entity of one or more legal entities the taxpayer or payer of fees cannot fulfill the obligation to pay taxes (penalties and fines) in full, then, pursuant to a court decision, the separated legal entities may jointly and severally fulfill the obligation to pay taxes (penalties and fines).

**9.** In the event of re-organisation of one legal entity into a new one, the legal entity resulting from such re-organisation shall be recognized as a successor to the obligation to pay taxes of the re-organized legal entity.

**10.** The amount of tax (penalties or fines) excessively paid by a legal entity or excessively recovered from it before its re-organisation shall be offset by a tax authority against the fulfilment by a successor (successors) to the re-organised legal entity of the obligation to pay off arrears of other taxes and fees or penalties and fines for a tax offence of the re-organised legal entity. Such offset shall be performed at the latest within 30 days of the day when such re-organisation was completed in the procedure established by this Code subject ot the specifics provided for by this Article.

The amount of tax or fee (penalty or fine) to be offset which had been excessively paid by a legal entity or excessively recovered from it before re-organisation shall be distributed in proportion to arrears of other taxes, fees and debts of the reorganised legal entity in respect of penalties and fines payable (recoverable) to the budget system of the Russian Federation whose calculation and payment is under control of the tax authorities.

If the reorganized legal entity has no debts for the duty of tax payment, and also of the payment of penalties and fines, the amount of excessively paid tax (penalty, fine) by this legal entity or excessively recovered from it shall be repaid to its legal successor (legal successors) within one month of the day the legal successor (legal successors) files an application in the order established by Chapter 12 of this Code. In this case the amount of the tax (penalty, fine) paid excessively by the legal entity or excessively

recovered from it before its reorganisation shall be repaid to the legal successor (legal successors) of the reorganized legal entity in accordance with the share of each legal successor, which is assessed on the basis of the dividing balance.

**11.** The rules provided for in this Article shall also be applicable to fulfillment of obligations with respect to the fee payable as a legal entity is reorganized.

**12.** The rules stipulated by this Article shall also apply when it is necessary to determine a legal successor or successors of a foreign organisation reorganized in keeping with the legislation of a foreign state.

**13.** The provisions envisaged by the present article shall also be applicable in the event of payment of taxes in connection with the movement of goods across the customs border.

**Article 51.** Fulfillment of Obligations to Pay Taxes and Fees of a Missing or Disabled Natural Person

**1.** The obligation to pay taxes and fees of a natural person recognized as missing by court shall be fulfilled by a person authorized by a body of trusteeship and guardianship.

The person authorized by a body of trusteeship and guardianship shall pay the entire amount of taxes and fees unpaid by the taxpayer recognized missing, as well as interest and penalties due from the taxpayer as of the date when he was recognized missing. Such amounts shall be paid from the funds of the natural person recognized missing.

**2.** The duty of payment of taxes and fees by a natural person who is recognized by a court of law as legally incompetent shall be discharged by his guardian at the expense of the monetary funds of this legally incompetent person. The guardian of the natural person recognized by a court of law as legally incompetent shall be obliged to pay all the amount of taxes and fees unpaid by the taxpayer or the payer of the duty, and also the due penalties and fines as on the day when the person was acknowledged as legally incompetent.

**3.** Fulfillment of the obligation to pay taxes and fees of natural persons recognized missing or incapable, as well as payment of interest and penalties due from them, shall be stopped by the appropriate tax body if such natural persons have insufficient funds (no funds) for fulfillment of these obligations.

In the case of the absence of a decision passed in the established procedure with regard to the revocation of the decision on recognizing the natural person missing or incapable, the previously stopped fulfillment of the obligation to pay taxes and fees shall be resumed.

**4.** Persons vested under this Article with the duty of the payment of taxes and fees by natural persons, recognized as missing or legally incompetent, shall enjoy all rights and perform all the duties in the order prescribed by this Code for the taxpayers and payers of fees with an eye to the special features stipulated by this Article. When the said persons discharge the duties vested by this Article and are brought to account for the commission of tax offences they shall not have the right to pay the fines stipulated by this Code at the expense of the person recognized as missing or legally incompetent.

**Article 52.** Tax Assessment Procedure

The taxpayer himself shall assess the amount of tax due for the tax period on the basis of the tax base, tax rate and tax benefits.

In certain cases envisaged by the legislation of the Russian Federation on taxes and fees, a tax body or a tax agent may be charged with the duty to assess the amount of tax. If the duty of calculating the amount of tax is imposed upon a tax authority, it at the latest 30 days before the maturity of payment shall send a tax notice to the tax payer. This notice shall indicate the amount of the tax subject to payment, the calculation of the tax base, and also the time of tax payment. The form of tax notice shall be established by the federal executive body authorized to exercise control and supervision in the area of taxes and fees. A tax notice may be handed over to the manager of an organisation (its lawful or authorized representative) or a natural person (his legal or authorized representative) against a receipt or in any other way that confirms the fact and date of its reception. If it is impossible to hand in a tax notice in the said ways, this notice shall be sent by registered mail. A tax notice shall be deemed to be received upon the expiry of 6 days from the date of sending a registered letter.

**Article 53.** Tax Base and Tax Rates, Amounts of Fees

**1.** A tax base represents a value, physical or other parameter of a taxable item. A tax rate represents the amount of tax levied on a unit of measurement of a tax base. A tax base and the procedure for determining it, as well as tax rates with respect to federal taxes and amounts of fees with respect to federal fees shall be established by this Code.

**2.** The tax base and the procedure for determining it with regard to regional and local taxes shall be established by this Code. Tax rates for regional and local taxes shall be established by laws of the member territories of the Russian Federation, regulations of municipal formations within the limits established by this Code.

**Article 54.** General Issues of Tax Base Assessment

**1.** Taxpayer organisations shall assess the tax base according to the results of each tax period on the basis of the data in the accounting books and (or) other documented data concerning the items subject to taxation or associated with taxation.

If mistakes (distortions) in the tax base assessment made in the previous tax (reporting) periods are revealed in the current tax (reporting) period, the tax base and amount of tax shall be reassessed for the period when such mistakes (distortions) were made.

Where it is impossible to identify the period when mistakes (distortions) were made, the tax base and the amount of tax shall be re-assessed for the tax (reporting) period when the mistakes (distortions) were detected.

**2.** Individual entrepreneurs, private notaries and solicitors/barristers who have founded solicitor's studies shall assess the tax base on the results of each tax period on the basis of profit and loss and business operations accounting in the procedure determined by the Ministry of Finance of the Russian Federation.

**3.** Other individual taxpayers shall assess the tax base on the basis of the data obtained from organisations and (or) natural persons as to the income amounts paid to them, on taxable objects, as well as data of their own records of received incomes and taxable objects kept in any form.

**4.** the rules provided for by Items 1 and 2 of this Article shall likewise extend to tax agents.

**5.** In the cases provided for by this Code the tax authorities shall calculate the tax base on the basis of the results of each tax period on the basis of the data available to them.

**Article 55.** Tax Period

**1.** A tax period shall be a year or any other period of time with regard to a taxpayer's liabilities for individual taxes after the end of which the tax base shall be determined and the due amount of tax assessed. The tax period may consist of one or several reporting periods.

**2.** If an organisation was established after the beginning of a calendar year, the first tax period for such organisation shall be the time period from the date of establishment to the end of that year. The date of establishment of the organisation shall be the date of state registration of such organisation.

If an organisation was established between December 1 and December 31, the first tax period for such organisation shall be the time period between the date of its establishment and the end of the year following the year of its establishment.

**3.** If an organisation was liquidated (reorganized) before the end of a calendar year, the last tax period for such organisation shall be the time period between the beginning of that year and the date when the liquidation (reorganisation) was completed.

If an organisation established after the beginning of a calendar year was liquidated (reorganized) before the end of this year, its tax period shall be the period of time between the date of its establishment and the date of liquidation (reorganisation).

If an organisation was established during the period of time between December 1 and December 31 and liquidated (reorganized) until the end of the calendar year following the year of its establishment, its tax period shall be the period of time from the date of establishment until the date of liquidation (reorganisation).

The rules set out in this part shall not apply to organisations from which one or several organisations are separated, or which access one or several organisations.

**4.** The rules set out in Parts 2 and 3 of this Article shall not apply to those taxes and fees for which the tax period is established for a calendar month or quarter. In such cases, when an organisations is established, liquidated, reorganized, individual tax periods shall be changed with approval of the tax body at the place of registration of the taxpayer.

**5.** Abrogated from January 1, 2007.

**Article 56.** Establishment and Use of Benefits Regarding Taxes and Fees

1. Benefits with regard to taxes and fees shall be construed as privileges granted to individual categories of taxpayers and payers of fees and envisaged by the tax and fee legislation as compared with other taxpayers and payers of fees; such privilege includes the possibility not to pay a tax or a fee or to pay a smaller amount thereof.

Norms of law on taxes and fees which define grounds, procedure for and terms of application of benefits with regard to taxes and fees shall not be of an individual nature.

**2.** A taxpayer may refuse to use a benefit, or stop using it for one or more tax periods, unless otherwise provided by this Code.

**3.** Benefits regarding federal taxes and fees shall granted and withdrawn by this Code.

Benefits regarding regional taxes shall be granted and withdrawn by this Code and (or) by the laws of the subjects of the Russian Federation on taxes.

Benefits regarding local taxes shall be granted and withdrawn by this Code and (or) by the normative legal acts of representative bodies of municipal formations on taxes (by the laws of the cities of federal importance Moscow and St.-Petersburg on taxes).

**Article 57.** Deadlines for Paying Taxes and Fees

**1.** Deadlines for paying taxes and fees shall be established for each tax and fee. Any change in the established deadline for paying a tax or a fee shall be allowed only as provided in this Code.

**2.** When a tax or fee is paid after the expiration of the established deadline, the taxpayer or the payer of a fee shall be subject to payment of interest in the manner and under the terms as provided in this Code.

**3.** Payment deadlines for taxes and fees shall be defined as a calendar date or a period of time in years, quarters, months and days, and also as a reference to an event which is to take place, or an action which is to be committed. The deadlines for performance of actions by participants of the relations regulated by the legislation on taxes and fees shall be established by this Code as applicable to each such action.

**4.** When the tax base is calculated by a tax body, the duty of tax payment shall arise after the reception of a tax notice".

**Article 58.** Procedure for Paying Taxes and Fees

**1.** Taxes shall be paid by making a lump sum payment of the entire amount of tax or in any other procedure provided for by this Code and other legislative acts applicable to taxes and fees.

**2.** The amount of tax subject to payment shall be paid (transferred) by a taxpayer or a tax agent within fixed periods of time.

**3.** Under this Code may be provided a preliminary tax payment within a tax period, that is, advance payment. The duty of making advance payments shall be deemed discharged in the procedure which is similar to the tax payment.

In the event of making advance payments at a later time than that, established by the legislation on taxes and fees, penalties shall be imposed in respect of the amount of untimely paid advance payments in the procedure provided for by Article 75 of this Code.

Breaches of the procedure for calculation and (or) making of advance payments may not be deemed a ground for calling a person to account under the legislation on taxes and fees.

**4.** Taxes shall be paid in cash or in non-cash form.

In the absence of a bank, taxpayers or tax agents being natural persons may pay taxes through the cashier's office of a local self-government body or through a federal postal communications office.

If this is the case, the local self-government body or the federal postal communication office shall be obliged:

to accept monetary funds on account of tax payment, to remit them correctly and in due time to the budget system of the Russian Federation onto the appropriate Federal Treasury account in respect of every taxpayer (tax agent). In so doing, monetary funds shall be accepted free-of-charge;

to keep records of the monetary funds accepted on account of tax payment and remitted to the budget system of the Russian Federation in respect of every taxpayer (tax agent);

to issue to taxpayers (tax agents), when accepting monetary funds, receipts proving the acceptance of these monetary funds. The form of the receipt issued by a local self-government body shall be endorsed by the federal executive body authorised to exercise control and supervision in the sphere of taxes and fees;

to present to the tax authorities (to officials of the tax authorities) by requests thereof the documents proving the acceptance from taxpayers (tax agents) monetary funds on account of tax payment and their remittance to the budget system of the Russian Federation.

The cash accepted by a local self-government body from a taxpayer (tax agent) shall be subject to entering to a bank or a federal postal communications agency within five days as of the date of their acceptance for remittance to the budget system of the Russian Federation onto the appropriate Federal Treasury account.

If because of a natural calamity or other act of God the monetary funds accepted from a taxpayer (tax agent) cannot be entered in due time to a bank or a federal postal communications agency for their remittance to the budget system of the Russian Federation, the said time period shall be extended pending the removal of such circumstances.

A local self-government body or a federal postal communications agency shall be liable under the legislation of the Russian Federation for failure to discharge, or the improper discharge of, the duties provided for by this Item.

The imposition of punitive sanctions shall not relieve a local self-government body or a federal postal communication office of the duty of remitting to the budget system of the Russian Federation the monetary funds accepted from taxpayers (tax agents) on account of payment and remittance of tax amounts.

**5.** A specific procedure for paying a tax shall be established according to this Article as applied to each tax.

The procedure for paying federal taxes shall be established by this Code.

The procedure for paying regional and local taxes shall be established accordingly by the laws of the subjects of the Russian Federation and regulatory legal acts of the representative bodies of municipal formations in accordance with this Code.

**6.** A taxpayer shall be obliged to make tax payment within one month as of the date of receiving a tax notice, if a longer time period for the tax payment is not specified by this tax notice.

**7.** The rules provided for by this Article shall likewise apply to the procedure for paying fees (penalties and fines).

**8.** The rules provided for by Items from 2 to 6 of this Article shall likewise apply to the procedure for making advance payments.

**Article 59.** Writing off Bad Debts on Taxes and Fees

**1.** Arrears of taxpayers, payers of fees and tax agents, payment or collection of which has proved to be impossible due to economic, social or legal reasons, shall be recognised as bad debts and written off in the procedure established:

by the Government of the Russian Federation - for federal taxes and fees;

by the executive state power bodies of the constituent entities of the Russian Federation and by local government bodies - for regional and local taxes.

**2.** The rules provided for by Item 1 of this Article shall also apply when bad debts for penalties and fines are written off.

**Article 60.** Obligations of Banks on the Execution of Orders to Remit Taxes and Fees

**1.** Banks shall be obliged to execute a taxpayer's order to remit taxes to the budget system of the Russian Federation onto the appropriate Federal Treasury account (hereinafter referred to in this Article as taxpayer's order), as well as an order of the tax authorities to remit taxes to the budget system of the Russian Federation (hereinafter referred to in this Article as tax authority's order) at the expense of monetary funds of the taxpayer or tax agent in the order established by the civil legislation of the Russian Federation.

**2.** An order of a taxpayer or an order of a tax authority shall be executed by the bank within one trading day following the day when such order is received, unless otherwise provided for by this Code. No service fee shall be charged for such operations.

When a natural person files with a separate subdivision of a bank not having the correspondent account (control account) an order to remit tax, the time period established by Paragraph One of this Item for execution by the bank of the taxpayer's order shall be extended by the time of delivery in the established procedure of such order by the federal postal communication office to a separate subdivision of the bank with the correspondent account (control account) but by five trading days at most.

**3.** Provided there are monetary balances on the account of a taxpayer, banks shall not have the right to delay the execution of a taxpayer's order or a tax agent's order.

**3.1.** Where it is impossible to execute a taxpayer's order or a tax agent's order within the time period established by this Code because of the absence (insufficiency) of monetary funds on the correspondent account of a bank opened with an institution of the Central Bank of the Russian Federation, the bank shall be obliged within the day following the date of expiry of the time period for execution of the order established by this Code to report its failure to execute (its partial execution) of the taxpayer's order to the tax authority at the bank's location and to the tax payer, and its failure to execute (its partial execution) of the tax agent's order to the tax authority which has sent this order and to the tax authority at the location of the bank (of its separate subdivision).

**4.** Banks shall be held liable for a failure to perform or undue performance of the obligations stipulated in this Article as per this Code.

The application of measures of responsibility shall not release the bank of the duty of transferring the amount of the tax to the budget system of the Russian Federation. In the case of the bank's default on the said duty within the fixed time, this bank shall be liable to measures of recovery of the non-transferred sums of the tax or the due at the expense of pecuniary means in an order similar to that stipulated by Article 46 of this Code. Measures of recovery of such sums of tax or duty at the expense of other assets shall be applied in the procedure provided for by Article 47 of this Code.

**4.1.** Repeated failure to perform the said obligations during one calendar year shall provide grounds for a tax service body to file a request with the Central Bank of the Russian Federation that the banking license be invalidated.

**5.** The rules established by this Article shall also apply to banks' obligations to execute orders of tax agents or payers of fees, and shall extend to the remittance of fees, penalties and fines to the budget system of the Russian Federation.

**6.** The rules established by this Article shall likewise apply to execution by a bank of orders of local government bodies and of federal postal communication offices to remit to the budget system of the Russian Federation onto the appropriate Federal Treasury account the monetary funds accepted from taxpaying natural persons (tax agents and payers of fees).

**7.** When banks execute orders to pay back to taxpayers, tax agents and payers of fees the amounts of excessively paid (collected) taxes, penalties and fines, no service fee shall be charged for such operations.

## Chapter 9. Changes in Deadlines for Payment of Taxes and Dues, and Penalties

**Article 61.** General Terms for Changing the Deadline for Paying Taxes or Fees

**1.** A change in the deadline for paying a tax or a fee shall be construed as postponement of the established deadline for paying the tax or the fee or any part thereof until a later date.

**2.** A change in the deadline for paying taxes and fees shall be allowed in the procedure established by this Chapter.

The deadline for paying a tax may be changed with respect to the entire amount of tax payable or a part thereof with interest accruing on the outstanding liability (hereinafter referred to in this Chapter as the outstanding liability), unless otherwise provided for in this Chapter.

A change in the deadline for paying the state duty shall be made subject to the specifics provided for by Chapter 25.3 of this Code.

**3.** A change in the deadline for paying a tax or fee shall be made in the form of a deferral, an installment plan, or an investment tax credit.

**4.** A change in the deadline for fulfilling the obligation to pay taxes and fees shall not annul the existing tax or fee obligation, nor shall it give rise to a new one.

**5.** The change in the deadline for paying taxes and fees stated in Article 63 of this Code may be made against a pledge of assets in conformity with Article 73 of this Code or upon a given security in conformity with Article 74 of this Code, unless this Chapter provides otherwise.

**6.** The term of payment of the taxes provided for by special tax regimes shall be changed in the order prescribed by this Chapter.

**7.** Abrogated from January 1, 2007.

**8.** The term for the payment of a tax and a fee shall be changed by the tax bodies in accordance with the procedure, defined by the federal executive power body authorized to exert control and supervision in the area of taxes and fees.

**Article 62.** Circumstances Ruling out Changes in the Deadline for Tax Payment

**1.** The deadline for paying a tax shall not be changed if in respect of a person applying for such change (hereinafter referred to as the person concerned):

1) a criminal case has been initiated upon the signs of a crime in connection with abuse of the tax legislation;

2) proceedings in a tax or administrative offence concerning taxes and fees or customs business as regards the taxes payable in connection with movement of commodities across the customs border of the Russian Federation have been under way;

3) there are sufficient grounds to believe that the person would use such change to conceal his monetary assets or other property subject to taxation, or such person is going to leave the Russian Federation for good to find a permanent residence elsewhere.

**2.** In the presence of circumstances specified in Item 1 of this Article at the time of passing a decision on the change of the term of tax payment, no decision to change the deadline for fulfilling a tax obligation shall be made, and if passed, such decision shall be cancelled.

Within three business days after this decision has been ruled ineffective, the person concerned and the tax service body at the place of registration of that person shall be given a written notice thereof.

The person concerned shall have the right to appeal the decision in accordance with the procedure established by this Code.

**Article 63.** The Bodies Authorised to Take Decisions on the Change of the Terms of the Payment of Taxes and Fees

**1.** The bodies whose jurisdiction covers the decision-making on the change of the terms of the payment of taxes and fees (hereinafter referred to as the authorised bodies) include:

1) for federal taxes and fees - the federal executive body authorized to exercise control and supervision in the area of taxes and fees (except for the case stipulated by Subitems 3 - 5 of the present Item and Item 2 of the present Article);

2) for regional and local taxes - the tax bodies in the place of location (residence) of the interested person. Decisions on the change of the terms of tax payment shall be taken by agreement with

the respective financial bodies of the subjects of the Russian Federation and the municipal entities (except for the case stipulated by Item 3 of the present Article);

3) with respect to taxes payable in connection with the movement of commodities across the customs border of the Russian Federation - the federal executive body authorized to exercise control and supervision in the customs area or the customs bodies authorized by it;

4) for the state duty - the bodies (officials) authorised in accordance with Chapter 25.3 of this Code to make legally relevant actions payable by the state duty;

5) for the uniform social tax - the federal executive body authorized to exercise control and supervision in the area of taxes and fees. Decisions on the change of the terms of the payment of the uniform social tax shall be taken by agreement with the organs of respective state off-budget funds.

**2.** If in accordance with the legislation of the Russian Federation the federal taxes and fees are subject to the entry to the federal budget and/or the budgets of the subjects of the Russian Federation and the local budgets, the terms of the payment of such taxes and fees (except for the state duty) shall be changed on the basis of decisions taken by the federal executive body authorized to exercise control and supervision in the area of taxes and fees in respect to the sums subject to the entry to the budgets of the subjects of the Russian Federation and the local budgets by agreement with the financial bodies of the respective subjects of the Russian Federation and of municipal entities.

**3.** If in accordance with the legislation of the subjects of the Russian Federation regional taxes are liable to the entry to the budgets of these subjects and/or the local budgets, the terms of the payment of such taxes shall be changed on the basis of the tax bodies in the place of the location (residence) of the interested persons in respect to the sums subject to the entry to:

the budgets of the subjects of the Russian Federation - by agreement with the financial bodies of the respective subjects of the Russian Federation;

the local budgets - by agreement with the financial bodies of the respective municipal entities.

**4.** In the case provided for by Paragraph Two of Item 1 of Article 64 of this Code a decision to change the time of paying federal taxes and fees shall be adopted by the Government of the Russian Federation.

**Article 64.** Procedure and Conditions for Allowing Tax Deferment or Payment of Tax and Charge by Instalments

**1.** Tax deferment or payment of tax by instalments means changing the time of tax payment for the reasons stated in this Article, for a period of one year at most respectively, with the one-time or step-by-step payment of the arrears by the taxpayer.

Deferment in payment or payment by instalments of federal tax, as regards the part thereof to be remitted to the federal budget, for a time period over one year and three years at most may be granted by decision of the Government of the Russian Federation.

**2.** A concerned person may be allowed to defer tax or fee payment or pay a tax or fee by instalments for one of the following reasons:

1) if such person is caused damages by natural calamity, technological accident or another extraordinary and non-preventable circumstance;

2) if a public-budget payment due to such person is delayed or if payment for an executed government order due to this person is delayed;

3) if there is a threat of such person's bankruptcy provided that he makes a one-time payment of tax, an amicable agreement or a schedule of paying off debts is endorsed by an arbitration court in the course of financial rehabilitation;

4) if the property situation of such an individual rules out the possibility of a one-off payment of a tax or fee;

5) if the production and/or sale of goods (works, services) by a person is of a seasonal nature. The list of sectors and activities being of a seasonal nature is approved by the Government of the Russian Federation;

6) if there are grounds for granting a grace period or an instalment payment schedule for the payment of the taxes payable in connection with the movement of goods across the customs border of the Russian Federation established by the Customs Code of the Russian Federation.

**3.** Tax or fee deferment or payment of a tax or fee by instalments may be allowed with respect to one or several taxes and charges.

**4.** If a tax deferment or payment of tax by instalments is allowed for reasons stated in subitems (3), (4) and (5) of Item 2 of this Article, the amount of arrears accrues interest in accordance with a rate equal to 1/2 the refinancing rate of the Central Bank of the Russian Federation effective during the period when tax deferment or payment of tax by instalments is allowed, unless otherwise prescribed by the customs legislation of the Russian Federation with respect to the taxes/charges payable in connection with the movement of goods across the customs border of the Russian Federation.

If a deferment (payment by instalments) is allowed for reasons as per subitems 1) and 2) of Item 2 of this Article, the amount of the arrears does not accrue interest.

**5.** A petition for tax deferment or payment of tax by instalments is filed with an appropriate authority; the petition must state with reasons why the tax deferment or payment of tax by instalments is requested. The taxpayer concerned forwards a copy of the petition on to such taxpayer's local tax authority within five days. With this application shall be enclosed documents confirming the presence of the grounds indicated in Item 2 of this Article.

Upon the request of an authority a concerned person presents to such authorized body documents relating to property that can be used a pledge or a guarantee.

**6.** A decision to allow a tax deferment or payment by instalments or to withhold permission is taken by the authority by approbation of the financial bodies (bodies of the state off-budget funds) in compliance with Article 63 of this Code within one month of receipt of the petition.

Upon the request of a person concerned the authority may take a decision to suspend (for the period while the petition for a tax deferment or payment of tax by instalments is being considered) the payment of arrears by the person concerned. A copy of such decision is filed by the person concerned with the local tax authority within five days of the passage of such decision.

**7.** Provided there are none of the circumstances described in Article 62 (1) of this Code, an authority may not deny a concerned person a tax deferment or the right to pay tax or fee by instalments for reasons stated in subitems 1) or 2) of item 2 of this Article, not exceeding the damages having been caused to the concerned person or the amount of funding shortfall or the amount that has not been paid for a government order such person has fulfilled.

**8.** A decision to allow a tax deferment or payment of tax by instalments shall mention the amount of arrears, tax or charge that the petitioner seeks to defer or pay by instalments, the time and procedure of payment of the amount of arrears and accrued interest, and in appropriate cases documents concerning the property that is the subject of pledge or the guarantee.

A decision to allow a deferment or payment by instalments mentions the date when such decision takes effect. The penalty payable for the entire period from the date appointed for tax or fee payment to the effective date of such decision is included in the amount of arrears if such payment date precedes the effective date of such decision.

If a deferment or payment by instalments is allowed against a property pledge, the decision to allow such deferment (payment by instalments) takes effect only after an agreement is effected on a property pledge in the manner prescribed by Article 73 of this Code.

In the event of dissolving an amicable agreement and renewal of bankruptcy proceedings or in the event of termination of the financial rehabilitation procedure, a decision on granting a deferent in payment or payment by instalments rendered in compliance with this Article, in the presence of the appropriate ground stipulated by Subitem 3 of Item 2 of this Article shall lose its force as of the date of dissolving the amicable agreement or as of the date of terminating the financial rehabilitation procedure.

**9.** A permission to defer payment or pay by instalments may not be withheld unreasonably.

If the reasons stated in subitems 1) and 2) of Item 2 of this Article apply, a decision to deny a deferment or payment by instalments shall cite the circumstances preventing rescheduling of payment of a tax.

A decision to deny a deferment or payment by instalments may be appealed by a concerned person in the manner prescribed by the legislation of the Russian Federation.

**10.** A copy of a decision allowing or denying a deferment or payment by instalments is sent by the proper authority within three days of passage of such decision to the person concerned and to the local tax authority at the place of residence of such person.

**11.** Abolished from January 1, 2004.

**12.** Additional reasons and other conditions for allowing a deferment or payment by instalments of regional and local taxes and charges accordingly may be prescribed by the laws of the subjects of the Russian Federation and by normative legal acts of representative bodies of municipal formations.

**13.** The rules of this Article shall also apply to the procedure and conditions for granting deferment or instalment plans for the purposes of paying fees, unless otherwise stipulated by the legislation on taxes and fees.

**Article 65.** Abrogated from January 1, 2007.

**Article 66.** Investment Tax Credit

**1.** An investment tax credit constitutes a tax rescheduling arrangement under which an organisation is allowed, if there are the grounds referred to in Article 67 of this Code for the following, to reduce its tax payments during a certain period and to a certain extent, with a subsequent gradual payment of the amount of the credit and of the accrued interest.

An investment tax credit may be granted to an organisation with respect to tax on its profits, and also with respect to regional and local taxes.

An investment tax credit may be granted for a one to five year period.

**2.** An organisation that receives an investment tax credit may reduce its appropriate tax payments during the effective period of the investment tax credit agreement.

Each payment of the corresponding tax for which an investment tax credit has been extended is reduced during each reporting period until the amount that is retained by the organisation as a result of all such reductions (accumulated amount of credit) becomes equal to the credit amount prescribed by an appropriate agreement. The specific manner of reducing tax payments shall be determined in the concluded contract on the investment tax credit.

If an organisation effects more than one investment tax credit agreement effective at the time of the next tax payment, the accumulated credit amount is determined separately for each of these agreements. The accumulated amount of the credit is increased initially for the earliest agreement; when this accumulated amount of the credit becomes equal to the credit size stated in such agreement, the organisation may increase the accumulated amount of the credit in accordance with the next-in-line agreement.

**3.** In each reporting period (irrespective of the number of investment tax credit agreements) the amounts that reduce an organisation's tax payments may not exceed 50 per cent of amount of appropriate tax payments as calculated under general rules if there were no investment tax credits in existence. The amount of credit accumulated during a tax period may not exceed 50 per cent of the amount payable by the organisation as tax during this tax period. If the accumulated sum of credit exceeds the maximum amounts for which it is possible to reduce the tax and which are fixed by this item for such reporting period, the difference between this amount and the maximally admissible amount shall be shifted to the next reporting period.

If an organisation incurs losses in a reporting period that is part of a larger tax period or losses during an entire tax period, an excessive amount of credit accumulated in a tax period is carried forward to the next tax period and is recognized as an accumulated amount of credit during the first reporting period of the new tax period.

**Article 67.** Procedure and Conditions of Granting Investment Tax Credits

**1.** An investment tax credit may be granted to an organisation if it must pay the appropriate tax provided one of the following applies:

1) such organisation conducts research, development, testing and evaluation works or modernizes its production facilities, including a modernization effort aimed at creating jobs for disabled persons or protection of the environment from industrial pollution;

2) such organisation is engaged in introducing new equipment or innovations, including the creation of new or improvement of existing technologies and the creation of new kinds of raw and other materials;

3) such organisation is fulfilling a very important order relating to the socio-economic development of a region or is rendering very important services to the population.

**2.** An investment tax credit is granted:

1) for reasons specified in subitem 1) of Item 1 of this Article, for an amount of credit equal to 30 per cent of the value of the equipment acquired by the organisation concerned provided this equipment is used for the purposes specified in this subitem;

2) for reasons specified in subitems 2) and 3) of Item 1 of this Article, for amounts of credit that are determined by agreement between the proper authority and the concerned organisation.

**3.** Reasons entitling an organisation to an investment tax credit must be documented by such organisation.

**4.** An investment tax credit is granted to an organisation if such organisation files an appropriate petition; an agreement of due format is concluded to this effect between a respective authority and the organisation.

The format of an investment tax credit is prescribed by the authorized body that takes a decision to grant an investment tax credit.

**5.** A decision to grant or deny an organisation an investment tax credit is taken by a proper authority by approbation of the financial bodies (bodies of the state off-budget funds) in compliance with Article 63 of this Code within one month of the receipt of such organisation's petition. An organisation's having one or several investment tax credit agreements may not be an obstacle to effecting another such agreement with this organisation for other reasons.

**6.** An investment tax credit agreement shall mention the manner of reducing tax payments, the amount of the credit (and specify the tax covered by the granted investment tax credit), the duration of the agreement, the interest that accrues on the credit, the procedure for repayment of the principal amount and interest accrued, documents relating to the property that is used as pledge or security, responsibilities of the parties.

An investment tax credit agreement shall contain provisions against the sale or transfer for possession, use or disposal, throughout the duration of the agreement, of equipment or other property the

purchase of which was the reason for this organisation's effecting such agreement; otherwise, the conditions of such sale (transfer) are laid down.

Interest charged on the credit may not be lower than 1/2 and higher than 3/4 of the refinancing rate of the Central Bank of the Russian Federation.

A copy of the agreement is filed by the organisation at the local tax authority within five days of the conclusion of such agreement.

**7.** A constituent member of the Russian Federation shall have the power to pass a law, and a local government shall have the power to pass a normative act, relevant to regional and local taxes, respectively, and establish other reasons and conditions for granting an investment tax credit, including the maturity of an investment tax credit and the interest rate applicable to the principal amount of the credit.

**Article 68.** Termination of Operation of Deferment, Payment by Instalments or Investment Tax Credit

**1.** The operation of a tax deferment, payment-by-instalments arrangement or investment tax credit is terminated upon the expiration of the duration of appropriate decision or agreement or it may be terminated before the expiration of such period in cases prescribed by this Article.

**2.** The operation of a tax deferment, payment-by-instalments arrangement or investment tax credit terminates early if the taxpayer pays up the entire tax or fee amount due and appropriate interest before the expiration of the agreed-upon period.

**3.** The operation of a tax credit or investment tax credit may be terminated early by a court decision if the person concerned violates the conditions of a tax deferment or payment-by-instalments arrangement, the operation of the tax deferment or payment-by-instalments arrangement may be terminated prior to the maturity date by decision of the authority that took the original decision to reschedule the period of repayment of a tax and fee.

**4.** If the operation of a tax deferment or payment-by-instalments arrangement is terminated prior to the maturity date, the taxpayer shall, within one month of receipt of the appropriate decision, pay up the entire amount of arrears plus the penalty for each calendar day beginning on the day following the date of receipt of such decision through the date of full payment of such amount.

An outstanding amount of arrears is defined as the difference between the amount of arrears named in the decision to grant a deferment (payment-by-instalments arrangement) plus the interest calculated in accordance with the decision to grant a deferment (payment-by-instalments arrangement) for the period of operation of the deferment (payment-by-instalments arrangement) and the actually paid amounts and interest.

**5.** Notice that it has been decided to terminate a deferment or payment-by-instalments arrangement or to terminate a tax credit agreement or investment tax credit agreement is given by the appropriate authority to the taxpayer or to the payer of the fee by registered mail within five days of the adoption of such decision. A notice of the repeal of the decision on the delay or instalment plan shall be deemed to be received upon the expiry of six days after the date of sending a registered letter.

A copy of such decision is sent within the same deadlines to the local tax authority at the place where the taxpayer or obligated person is registered.

**6.** An authority's decision to terminate early a deferment or payment-by-instalments arrangement may be appealed by the taxpayer or the payer of the fee at a court of law in a manner prescribed by the legislation of the Russian Federation.

**7.** The operation of an investment tax credit agreement may be terminated prior to the maturity date as agreed upon by the parties or by a court decision.

**8.** If throughout the duration of a tax credit agreement or an investment tax credit agreement the organisation that enters into such agreement fails to comply with the contractual conditions of sale or transfer for possession, use or disposal of equipment or other property the purchase of which caused the conclusion of such agreement, such agreement shall be terminated by court decision. If so, the organisation shall, within one month of the receipt of such decision, pay all outstanding tax amounts that have not yet been paid under the agreement, plus appropriate penalties and interest on outstanding tax amounts accruing every calendar day while the investment tax credit agreement is in operation based on the refinancing rate of the Central Bank of the Russian Federation in effect during the period from the conclusion to the termination of such agreement.

**9.** If an organisation that is granted an investment tax credit for reasons stated in Subitem 3 of Item 1 of Article 67 of this Code, is in breach of obligations the investment tax credit is contingent upon, such agreement shall be terminated early by a decision of an arbitration court. If so, during an agreed-upon period but in any case within three months of the date of termination of the agreement, the organisation shall pay up the entire amount of outstanding tax and interest on this amount that accrues each calendar day while the agreement is effective based on a rate equal to the refinancing rate of the Central Bank of the Russian Federation.

## Chapter 10. Demand to Pay Taxes and Fees

**Article 69.** Demand to Pay a Tax or Fee

**1.** As a demand to pay a tax shall be deemed a notice in writing sent to a taxpayer concerning an outstanding amount of tax, as well as such taxpayer's obligation to pay an outstanding amount of tax within an established period of time.

**2.** A demand to pay a tax or fee is presented to a payer of tax or fee if such payer has not fully discharged his/her arrears.

**3.** A demand to pay a tax or fee is presented to a payer of tax or fee introspectively of whether such payer is brought to account on charges of violation of tax or fee legislation.

**4.** A demand to pay a tax or fee shall contain information concerning the amount of arrears relating to the tax or fee, the penalty having accrued by the time the demand is presented, the statutory deadline for the discharge of the obligation to pay the tax or fee, the deadline for the fulfilment of the demand, and the measures for the recovery of the tax and the security of the discharge of the duty of tax payment that are applicable if a taxpayer fails to comply with such demand.

In all cases such demand shall contain detailed data explaining why the tax or fee is collected and a reference to the provisions of the legislation on taxes and fees that establishes the duty of the payer of tax or fee to pay the tax.

A demand to pay tax has to be fulfilled within 10 calendar days as of the date of receiving the said demand, unless a longer time period for the tax payment is specified in this demand.

**5.** A demand to pay a tax is presented to a payer of tax or fee by the tax authority with which the taxpayer is registered. The form of a demand is established by the federal executive body authorized to exercise control and supervision in the area of taxes and fees.

6. A demand to pay a tax may be delivered to the chief executive officer (or such officer's statutory or authorized deputy) of a legal entity or to an individual (or such individual's statutory or authorized representative) against acknowledgement or in another manner on condition that the fact and date of receipt of such demand is duly acknowledged.

Where it is impossible to deliver a demand to pay tax in the said ways, it shall be sent by registered mail and shall be deemed received upon the expiry of six days as of the date of sending the registered mail.

**7.** Abrogated from January 1, 2004.

**8.** The rules provided for by this Article shall likewise apply to demands to pay fees, penalties or fines and shall extend to the demands to be sent to payers of fees and to tax agents.

**9.** Abrogated from January 1, 2007.

**Article 70.** Deadlines for Presenting a Demand to Pay a Tax or Fee

**1.** A demand to pay a tax must be presented to a taxpayer at the latest in three months as of the date of detecting arrears in payment thereof, unless otherwise prescribed by Item 2 of this Article.

When detecting arrears in tax payment, the tax authority shall draw up the document according to the form endorsed by the federal executive body authorised to exercise control and supervision in the sphere of taxes and fees.

**2.** A demand to pay tax that is presented to a taxpayer on the basis of the results of a tax check shall be sent to him within ten days as of the date of such decision's entry into force.

**3.** The rules provided for by this Article shall also apply to the terms of forwarding a demand to pay a fee, as well as penalties and fines.

**4.** The rules established by this Article shall also apply to deadlines for sending to a tax agent a demand to remit tax.

**Article 71.** Effects of Changing an Obligation to Pay a Tax or Fee

If the obligation of a taxpayer, tax agent or payer of fee relating to payment of this tax or fee changes following presentation of a demand to pay tax, fee, penalties or fines, the tax authority shall forward to the said persons a revised demand.

## Chapter 11. Methods of Enforcement of Obligations Relating to Payment of Taxes and Fees

**Article 72.** Methods of Enforcement of Obligations Relating to Payment of Taxes/Charges

**1.** Obligations to pay taxes or charges may be enforced by the following methods: property pledge, guarantee, penalty, suspension of operations in bank accounts and attachment of a taxpayer's property.

**2.** The current chapter prescribes methods for the enforcement of obligations relating to the payment of taxes or charges, and the procedure and conditions of the application of such methods.

**3.** Abrogated from January 1, 2007.

**Article 73.** Property Pledge

**1.** If time frames are changed for the fulfilment of obligations to pay taxes and charges, the obligation to pay taxes and charges may be secured by a pledge.

**2.** A property pledge is formalized in an agreement effected between the tax authority and the pledger. The latter may be the taxpayer or payer of fees him/her/itself or a third person.

**3.** If a taxpayer or payer of fees fails to fulfil an obligation relating to the payment of a tax or fee due and penalty, the pledgee tax authority enforces this obligation from the value of the pledged property in the manner prescribed by the civil law of the Russian Federation.

**4.** The subject of pledge may be property that is pledgeable under civil law unless this article prescribes otherwise.

Property pledged under an agreement between the tax authority and pledger may not be the subject of pledge under another agreement.

**5.** The pledger may continue to have possession of the pledged property or transfer it at the pledger's expense to the tax authority (pledgee), and the latter is responsible for preservation of the pledged property.

**6.** Any transactions with pledged property, including transactions undertaken for the repayment of arrears, may only be undertaken by agreement with the pledgee.

**7.** Legal relationships arising out of a pledge as a method of enforcement of a tax obligation are subject to civil law rules unless otherwise prescribed by the legislation on taxes and fees.

**Article 74.** Guarantee

**1.** If times are changed for the fulfilment of obligations to pay taxes and charges and in other cases provided for by this Code, the obligation to pay taxes and charges may be secured by a guarantee.

**2.** If a taxpayer fails to pay when due the amount of tax or fee due and penalty, the guarantor is obligated before the tax authority to fully fulfil the taxpayer's tax obligation.

An agreement is effected in accordance with civil law between the tax authority and the guarantor to formalize the guarantee.

**3.** If the taxpayer fails to meet his/her guaranteed tax obligations, the guarantor and the taxpayer bear joint and several liability. The forced exaction of the tax and due penalties from the warrantor shall be effected by a tax body through legal proceedings.

**4.** Having fulfilled the obligations under the agreement, the guarantor is entitled to recover from the taxpayer the paid amounts, interest on these amounts and the losses incurred because of the guarantor's having fulfilled the assumed obligations.

**5.** A legal entity or individual may act as a guarantor. One tax obligation may be guaranteed by several guarantors.

**6.** Legal relationships arising out of a guarantee as a method of enforcement of a tax obligation are subject to the provisions of civil law of the Russian Federation unless otherwise prescribed by the legislation on taxes and fees.

**7.** The rules of this Article shall also apply to guarantees/security with regard to payment of fees.

**Article 75.** Penalty Interest

1. A penalty as established by this Article is an amount of money which a payer of tax shall pay in the case of an overdue payment of the amounts of taxes or fees, including taxes to be paid in connection with the transfer of goods across the customs border of the Russian Federation in later period of payments in compared with that established by legislation on taxes and fee.

**2.** The amount of penalty interest is paid over and above the amounts of tax or charge due and irrespectively of the application of other methods to enforce the obligation to pay a tax or charge and liability for the violation of tax or fee legislation.

3. Penalty interest is calculated for each calendar day of delay in fulfillment of obligation to pay a tax or a fee, beginning on the day following the statutory deadline for the payment of a tax or charge.

No penalties shall be charged on the amount of arrears which the taxpayer could not repay because by decision of a tax body or a court of law the taxpayer's bank transactions had been suspended and his property arrested. In this case, penalties shall not be charged for the whole period of the said circumstances' operation. The filing of an application for granting a delay or an instalment plan, an investment tax credit shall not stay the addition of penalties to the amount of the tax subject to payment.

**4.** The penalty interest for each day of delay is calculated in percentage points of the outstanding amount of tax or charge due.

The penalty interest rate is equal to 1/300 of the effective refinancing rate of the Central Bank of the Russian Federation.

**5.** Penalty interest may be paid simultaneously with the payment of a tax or charge or following full payment of such tax or charge.

**6.** Collection of penalty interest may be enforced from the taxpayer's bank account or from the taxpayer's other property in the manner prescribed by Articles 46 - 48 of this Code.

Enforced collection of penalties from organizations and individual businessmen shall be effected in the procedure provided for by Articles 46 and 47 of this Code, while from natural persons who are not individual businessmen it shall be done in the procedure provided for by Article 48 of this Code.

Compulsory collection of penalties from organisations and individual businessmen in the instances provided for by Subitems from 1 to 3 of Item 2 of Article 45 of this Code shall be effected in the judicial procedure.

**7.** The rules provided for by this Article shall likewise extend to payers of fees and tax agents.

**8.** Penalties shall not be charged for arrears which a taxpayer (payer of fee or tax agent) has as a result of his following the written explanations as to the procedure for calculation and payment of tax (fee) and as to other issues of application of the legislation on taxes and fees which are given to him or to an indefinite group of persons by a financial, tax or other authorised state power body (by an authorised official of this body) within the scope of their authority (the said circumstances shall be established, if there is the appropriate document of such body which by its meaning and contents pertains to the tax (reporting) periods when the arrears emerged, regardless of the date of issuing such document).

The provision contained in this Item shall not apply if the said written explanations are based upon incomplete or unreliable information.

**Article 76**. Suspension of Transactions on the Bank Accounts of Organisations and Individual Businessmen

**1.** Suspension of operations through bank accounts shall be used for the purpose of ensuring the execution of a decision to recover a tax or fee, unless otherwise stipulated by Item 3 of this Article.

Suspension of operations through bank accounts means that the bank suspends all debit operations on an account, unless otherwise prescribed by Item 2 of this Article.

Suspension of transactions on an account shall not extend to payments which under the civil legislation of the Russian Federation are to be made prior to discharging the duty of paying taxes and fees, as well as to transactions of writing off monetary funds on account of paying taxes (making advance payments), fees, relevant penalties and fines, and of their remittance to the budget system of the Russian Federation.

**2.** A decision on the suspension of transactions of a taxpaying organisation on its bank accounts shall be taken by the chief (deputy chief) of the tax body who has sent the demand for paying tax, penalty or fine in case of the taxpaying organisation's default on execution of this demand.

With this, a decision to suspend transactions of a taxpaying organisation on its bank accounts may not be taken before rendering a decision on tax collection.

Suspension of operations on bank accounts of a taxpaying organisation in the case provided for by this Item shall mean termination by a bank of debit transactions on this account within the limits of the amount specified in the decision on suspending transactions of the taxpaying organisation on the bank accounts, unless otherwise provided for by Paragraph Three of Item 1 of this Article.

**3.** A decision on the suspension of transactions of a taxpaying organisation on its bank accounts may be also taken by the chief (or deputy chief) of a tax authority, if this taxpaying organisation failed to submit a tax declaration to the tax authority within ten days upon the expiry of the fixed term of filing such declarations.

In this case, the suspension of transactions on accounts may be repealed by decision of a tax authority at the latest within one trading day following the date of submission of a tax declaration by this taxpayer.

**4.** A decision to suspend transactions of a taxpaying organisation on its bank accounts shall be delivered by a tax authority to a bank on a paper medium or in electronic form.

A decision to repeal the suspension of transactions on bank accounts of a taxpaying organisation shall be delivered to the bank's representative by an official of the tax authority against his receipt or shall be sent to the bank in an electronic form.

A procedure for sending to the bank a tax authority's decision to suspend transactions on bank accounts of a taxpaying organisation or a decision to repeal suspension of transactions on bank accounts of a taxpaying organisation in an electronic form shall be established by the Central Bank of the Russian Federation by approbation of the federal executive body authorised to exercise control and supervision in the sphere of taxes and fees.

A form of and procedure for sending to the bank a decision of a tax authority on suspending transactions on bank accounts of a taxpaying organisation and a decision on repealing the suspension of transactions on bank accounts of a taxpaying organisation on a paper medium shall be established by the federal executive body authorised to exercise control and supervision in the sphere of taxes and fees.

A copy of a decision of a tax authority on suspending transactions on the bank accounts of a taxpaying organisation and a decision on repealing the suspension of transactions on bank accounts of a taxpaying organisation shall be delivered to the taxpaying organisation against the receipt thereof or in other way showing the date of receiving by the taxpaying organisation a copy of the appropriate decision.

**5.** A bank shall be obliged to notify the tax authority of the balance of the taxpaying organisation's monetary funds on the bank accounts, where transactions are suspended, at the latest on the following day after the date of receiving the decision of this tax authority to suspend transactions on the bank accounts of the taxpaying organisation.

**6.** A decision of a tax authority on suspending transactions on the bank accounts of a taxpaying organisation shall be subject to unconditional execution by the bank.

**7.** Suspension of a taxpaying organisation's transactions on its bank accounts shall be in effect as of the time of receiving by the bank a decision of a tax authority to suspend such transactions and up to the reversal of this decision.

The date and time of receiving by a bank of a tax authority's decision to suspend transactions on bank accounts of a taxpaying organisation shall be stated in the notice of delivery or in the receipt proving the achieving such decision. When sending to a bank a decision to suspend transactions of a taxpaying organisation on bank accounts thereof in an electronic form, the date and time of its receiving by the bank shall be determined in the procedure established by the Central Bank of the Russian Federation by approbation of the federal executive body authorised to exercise control and supervision in the sphere of taxes and fees.

**8.** Suspension of transactions on bank accounts of a taxpaying organisation shall be reversed by decision of a tax authority at the latest within one trading day following the date of receiving by the tax authority of the documents (copies thereof) proving the fact of collecting tax.

**9.** Where the total amount of a taxpaying organisation's monetary funds on the accounts, where transactions are suspended on the basis of a tax authority's decision, exceeds the amount specified in this decision, this taxpayer shall be entitled to file an application with the tax authority for reversal of the suspension of transactions on its bank accounts, specifying the accounts where there are enough monetary funds for executing the decision on the tax collection.

A tax authority shall be obliged within a two-day term as of the date of receiving the taxpayer's application specified in Paragraph One of this Item to decide on reversing the suspension of transactions on accounts of the taxpaying organisation, as regards the excess of the amount of monetary funds specified by the decision of the tax authority on suspending transactions on bank accounts of the taxpaying organisation.

If the documents proving the availability of monetary funds on the accounts specified in this application, are not attached to the said application, the tax authority shall be entitled, prior to deciding on the reversal of suspension of transactions on accounts within the day following the day of receiving such taxpayer's application, to send to the bank where the said accounts are opened by the taxpayer an enquiry for the balance of monetary funds on these accounts.

After receiving from the bank information about the availability of monetary funds on a taxpayer's bank accounts in the amount sufficient for execution of the decision on collection, the tax authority shall be obliged within two days to decide on the reversal of suspension of transactions on accounts of a taxpaying organisation, as regards the excess of the amount of monetary funds specified in the tax authority's decision to suspend transactions on the taxpaying organisation's bank accounts.

**10.** A bank shall not be held liable for the losses borne by a taxpaying organisation as a result of suspending its bank transactions by decision of a tax authority.

**11.** The rules established by this Article shall likewise apply to suspension of transactions on bank accounts of a tax agent being an organisation and a payer of a fee being an organisation, on the bank accounts of taxpaying individual businessmen, tax agents and payers of fees, as well as on bank accounts of private notaries (solicitors/barristers who have founded solicitor's studies) being taxpayers and tax agents.

**12.** Where there is a decision to suspend transactions on accounts of an organisation, the bank shall not be entitled to open new accounts for this organisation.

**Article 77.** Attachment of Property

**1.** Attachment of property as a method of enforcement of a decision to collect a tax, penalties and fines is an action by a tax or customs authority to restrict the taxpaying organisation's or another obligated person's ownership rights relating to his property; such action requires the consent of a prosecutor.

Property is attached if a taxpaying organisation fails to fulfil in due time a demand to pay a tax, penalties and fines or if the tax or customs authorities have sufficient reason to believe that the indicated person is likely to take measures aimed at hiding him/herself or concealing his/her property.

**2.** Attachment of property may be full or partial.

A full attachment of property is a restriction of rights of a taxpaying organisation with respect to its attached property, and the possession and use of such property is performed only under the supervision or with permission of the tax or customs authority that executes the attachment.

A partial attachment is a restriction of rights of a taxpaying organisation with respect to its attached property, and the possession, use and disposal of such property is performed only under the supervision or with permission of the tax or customs authority that executes the attachment.

**3.** An attachment may be used only to ensure the collection of a tax, penalties and fines at the expense of a taxpaying organisation in accordance with Article 47 of this Code.

**4.** A taxpaying organisation may have all its property attached.

**5.** Only that property may be attached that is necessary and sufficient for the fulfilment of the demand to pay tax, penalties and fines.

**6.** A decision to attach a taxpaying organisation's property shall be made by the chief officer (deputy chief officer) of the tax or customs authority. Such decision takes the form of a resolution.

**7.** Attachment of a taxpaying organisation's property requires the presence of witnesses. The authority that conducts the seizure shall not be able to deny the right to the taxpaying organisation to attend the attachment procedure.

Their rights and obligations shall be explained to the persons who participate in the attachment procedure as witnesses,experts, and also to the taxpaying organisation (its representative).

**8.** An attachment may not be made at night-time except for cases that brook no delay.

**9.** Prior to an attachment the officers to make the attachment shall show the taxpaying organisation (its representative) the decision to make the attachment, a document stating the prosecutor's approval and documents confirming their authority.

**10.** An attachment is put on record. The attachment record or a list attached to the record shall contain a list and description of the property to be attached; the record shall have an accurate description of the attached assets, their quantity and individual characteristics, and if feasible, their value.

All assets to be attached shall be demonstrated to the witnesses and to the taxpaying organisation (its representative).

**11.** The chief officer (deputy chief officer) of the tax or customs authority that orders the attachment of property determines where the attached assets shall be kept.

**12.** Attached property may not be alienated (with the exception of alienation supervised or permitted by the customs or tax authority that makes the attachment), embezzled or concealed. Failure to observe the established procedures for possession, use and disposal of the attached property may result in liability of guilty persons in accordance with Article 125 of this Code and/or other federal laws.

**13.** A decision to attach property shall be repealed by a duly authorized officer of the tax or customs authority as the obligation to pay tax, penalties and fines terminates.

A decision to attach property shall be effective from the time when the attachment is made until the repeal of the attachment decision by a duly authorized officer of the tax or customs authority that takes the decision to make the attachment or until a higher-level tax or customs authority or a court of law overrules such decision.

**14.** The rules of this Article shall also apply to attachment procedures in relation to organisations acting as a tax agent and organisation paying fees.

## Chapter 12. Offset and Refund of Overpaid or Over Collected Amounts

**Article 78.** Offset or Refund of Overpaid Amount of Tax, Fee, Penalty and Fine

**1.** The amount of overpaid tax shall be set off against the taxpayer's future liabilities for the same tax or other taxes, the repayment of arrears of other taxes, debts on penalties and fines for tax offences or shall be refunded to the taxpayer according to the procedure established in this Article.

The set-off of overpaid federal taxes and fees, as well as of regional and local taxes, shall be effected in respect of the appropriate types of taxes and fees, as well as in respect of penalties charged with regard to the appropriate taxes and fees.

**2.** The set off or refund of overpaid tax shall be made by the tax authority at the place of registration of the taxpayer without interest accruing on this amount, unless otherwise established by this Article.

**3.** The tax authority shall notify the taxpayer of each case of overpaid tax that becomes known to the tax authority and specify the overpaid amount at the latest 10 days after the date when such overpayment was identified.

In case of disclosing the facts testifying to possible excessive payment of tax, the tax authority or taxpayer may propose to conduct joint checking of calculations concerning taxes, fees, penalties and fines. The check results shall be legalised in the form of a report to be signed by the tax authority and the taxpayer.

The form of a report in respect of a joint-check up of calculations concerning taxes, penalties and fines shall be endorsed by the federal executive body authorised to exercise control and supervision in the sphere of taxes and fees.

**4.** The setoff of overpaid tax against the forthcoming taxpayers' liabilities in respect of this or other taxes shall be made on the strength of a written petition of the taxpayer by decision of a tax authority.

A decision to set off the amount of excessively paid tax against the forthcoming taxpayers' liabilities shall be passed by a tax authority within ten days of the receipt of the taxpayer's application or

after the date of signing by the tax authority and this taxpayer the report of a joint check-up of the taxes paid by him, if such joint check-up has been conducted.

**5.** Amounts of excessively paid tax against the repayment of arrears of other taxes and debts on penalties and (or) fines to be paid or recovered in the cases provided for by this Code shall be independently set off by the tax authorities.

In the case provided for by this Item a decision to set off the amount of excessively paid tax shall be rendered by a tax authority within 10 days as of the date of detecting the fact of excessive tax payment, or as of the date of signing by the tax authority and a taxpayer the report of a joint check-up of taxes paid by him, if such joint check-up has been conducted, or as of the date of entry into force of a court decision.

The provision contained in this Item shall not prevent a taxpayer from submitting to a tax authority an application in writing for setting off the amount of excessively paid tax against the repayment of arrears (debts in respect of penalties and fines). In this case, a decision of a tax authority to set off the amount of excessively paid tax against the repayment of arrears and debts in respect of penalties and fines shall be taken within 10 days as of the date of receiving the said application by the taxpayer, or as of the date of signing by the tax authority and this taxpayer the report of the joint check-up of taxes paid by him, if such joint check-up has been conducted.

**6.** The amount of excessively paid tax shall be subject to repayment on the basis of a taxpayer's application in writing within one month as of the date of receiving such application by a tax authority.

The amount of excessively paid tax shall only be repaid to a taxpayer if he has arrears of other taxes of the appropriate type or debts in respect of the appropriate penalties, as well as fines, to be recovered in the instances provided for by this Code, after setting off the amount of excessively paid tax against the repayment of the arrears (the debts).

**7.** An application for setting off or repaying the amount of excessively paid tax may be filed within three years as of the date of paying the said amount.

**8.** A decision to repay the amount of excessively paid tax shall be rendered by a tax authority within 10 days as of the date of receiving a tax payer's application for repayment of the excessively paid tax or as of the date of signing by the tax authority and this taxpayer the report of a joint check-up of taxes paid by him, if such check-up has been conducted.

Prior to the expiry of the time period established by Paragraph One of this Item, an order to repay the amount of the excessively paid tax drawn up on the basis of a tax authority's decision to repay this amount of tax shall be subject to sending by the tax authority to a territorial agency of the Federal Treasury for making the repayment to the taxpayer in compliance with the budget legislation of the Russian Federation.

**9.** A tax authority shall be obliged to notify a taxpayer in writing of a rendered decision to set off (repay) the amounts of excessively paid tax or a decision to deny the set-off (the repayment) thereof within five days as of the date of rendering the appropriate decision.

The said decision shall be personally delivered to the head of an organisation, a natural person or a representative thereof against their receipt or in other way proving the fact and date of receiving it.

**10.** If there is a default on repayment of the amount of excessively paid tax with the time period established by Item 6 of this Article, the tax authority shall charge interest on the amount of excessively paid tax which is not repaid at the established time, to be paid to the taxpayer for each calendar day of such default.

The interest rate shall be taken as equal to the refinancing rate of the Central Bank of the Russian Federation effective on the days, when there is a default on such repayment in due time.

**11.** The territorial agency of the Federal Treasury which has repaid the amount of excessively paid tax shall notify the tax authority of the date of such repayment and of the amount of monetary funds repaid to the taxpayer.

**12.** If the interest provided for by Item 10 of this Article is not paid to a taxpayer in full, the tax authority shall render a decision on repayment of the remaining amount of interest estimated on the basis of the date of actual repayment to the taxpayer of the amounts of excessively paid tax within three days as of the date of receiving a notice of a territorial agency of the Federal Treasury of the date of such repayment and of the amount of monetary funds repaid to the taxpayer.

Upon the expiry of the time period established by Paragraph One of this Item, an order to repay the remaining amount of interest drawn up on the basis of a tax authority's decision to repay this amount shall be subject to sending by the tax authority to a territorial agency of the Federal Treasury for making the repayment.

**13.** The amount of excessively paid tax and charged interest shall be set off or repaid using the currency of the Russian Federation.

**14.** The rules established by this Article shall likewise apply to setting off or repaying the amounts of excessive advance payments, excessively paid fees, penalties and fines and shall extend to tax agents and payers of fees.

The provisions of this Article in respect of repayment or set-off of excessively paid amounts of the state duty shall apply subject to the specifics established by Chapter 25.3 of this Code.

**Article 79.** Refund of Overpaid Tax, Fee, Penalty and Fine

**1.** An overpaid amount of tax shall be refundable to the taxpayer in the procedure provided for by this Article.

The amount of excessively paid tax shall be only refunded to a taxpayer if he has arrears of other taxes of the appropriate type or debts in respect of the appropriate penalties, as well as in respect of fines to be recovered in the instances provided for by this Code, after setting off this amount against the repayment of the said arrears (debts) in compliance with Article 78 of this Code.

**2.** A decision to refund the amount of excessively paid tax shall be rendered by a tax authority within 10 days as of the date of receiving a taxpayer's application in writing for refunding the amount of excessively paid tax.

Prior to the expiry of the time period established by Paragraph One of this Item, an order to refund the amount of excessively paid tax drawn up on the basis of a tax authority's decision to refund this tax amount shall be subject to sending by the tax authority to a territorial agency of the Federal Treasury for making the repayment to the taxpayer in compliance with the budget legislation of the Russian Federation.

**3.** An application for refunding the amount of excessively paid tax may be filed by a taxpayer with a tax authority within one month as of the date when the taxpayer learned about the fact of excessive collection of tax from him or as of the date of entry into force of a court decision.

The statement of claim may be filed with a court within three years counting from the day when a person learnt or should have learnt about the fact of excessive tax collection.

If the fact of excessive tax collection is established, a tax authority shall render a decision on refunding the amount of excessively paid tax, as well as the interest charged on this amount in the procedure provided for by Item 5 of this Article.

**4.** A tax authority, upon establishing the fact of excessive tax collection, shall be obliged to notify the taxpayer thereof within 10 days as of the date of establishing this fact.

The said report shall be personally delivered to the head of an organisation, natural person or representative thereof against the receipt or in other way proving the fact of receiving it.

**5.** The amount of excessively paid tax, together with the interest charged on it, shall be refundable within one month as of the date of receiving a taxpayer's application in writing for refunding the amount of excessively paid tax.

Interest on the amount of excessively collected tax shall be charged as of the date following the date of collection thereof up to the date of its actual repayment.

The interest rate shall be taken as equal to the refinancing rate of the Central Bank of the Russian Federation effective on these days.

**6.** The territorial agency of the Federal Treasury which has refunded the amount of excessively paid tax and the interest charged on this amount shall notify the tax authority of the date of such refunding and the amount of monetary funds refunded to the taxpayer.

**7.** If the interest provided for by Item 5 of this Article is not paid to a taxpayer in full, the tax authority shall render a decision on repayment of the remaining amount of interest estimated on the basis of the date of actual repayment to the taxpayer of the amounts of excessively paid tax within three days as of the date of receiving a notice of a territorial agency of the Federal Treasury of the date of such repayment and the amount of monetary funds repaid to the taxpayer.

Prior to the expiry of the time period established by Paragraph One of this Item, an order to refund the remaining amount of interest drawn up on the basis of a tax authority's decision to repay this amount shall be subject to sending by the tax authority to a territorial agency of the Federal Treasury for making the repayment.

**8.** The amount of excessively paid tax and charged interest shall be refunded using the currency of the Russian Federation.

**9.** The rules established by this Article shall likewise apply to setting off or repaying the amounts of excessive advance payments, excessively paid fees, penalties and fines and shall extend to tax agents and payers of fees.

The provisions of this Article in respect of repayment or set-off of excessively paid amounts of the state duty shall apply subject to the specifics established by Chapter 25.3 of this Code.

## Section 5. Tax Declaration and Tax Control

### Chapter 13. Tax Declaration

**Article 80.** Tax Return

**1.** A tax return means a taxpayer's written statement concerning taxable objects, incomes generated and expenditures incurred, sources of income, tax base, tax benefits and calculated amount of tax and (or) other data serving a basis for calculation and payment of tax.

A tax return shall be filed by every taxpayer for each tax due from such taxpayer, unless otherwise provided for by the tax legislation.

An advance payment calculation means a taxpayer's written statement concerning the calculation base, privileges used, calculated amount of the advance payment and (or) other data serving as a basis for calculation and making of the advance payment. An advance payment calculation shall be submitted in the cases provided for by this Code as applied to every specific tax.

A fee calculation means a written statement of a fee payer concerning taxable objects, tax base, privileges used, calculated fee amount and (or) other data serving as a basis for calculation and payment of the fee, if not otherwise provided for by this Code. A fee estimation shall be submitted in the cases provided for by Part Two of this Code as applied to every fee.

A tax agent shall submit to the tax authorities the calculations provided for by Part Two of this Code. The said calculations shall be submitted in the procedure established by Part Two of this Code as applied to a specific tax.

**2.** The tax declarations (computations) on those taxes, on which the tax payers are relieved of the duty to pay them in connection with the application of special tax regimes, shall not be submitted to the tax bodies.

The person, recognized by the tax payer on one or several taxes, who does not perform any operations as a result of which no movement of monetary funds takes place on his accounts in the banks (in the organization's cashier's office) and who has no taxation objects for these taxes, shall submit on the given taxes a uniform (simplified) tax declaration.

The form for a uniform (simplified) tax declaration and the procedure for filling it out shall be approved by the Ministry of Finance of the Russian Federation.

The uniform (simplified) tax declaration shall be submitted to the tax body at the place of the organization's location, or at the place of the natural person's residence not later than on the 20th day of the month, following the expired quarter, six months, nine months or calendar year.

3. The tax declaration (the computation) shall be submitted to the tax body at the place of the tax payer's (the fee payer's or the tax agent's) recording in accordance with the established form on a paper medium, or in accordance with the established formats in electronic form, together with the documents that shall be enclosed to the tax declaration (to the computation) in conformity with the present Code. The tax payers have the right to submit the documents which, in conformity with the present Code, shall be enclosed to the tax declaration (to the computation) in electronic form.

The tax payers, an average listed number of whose workers for the preceding calendar year has exceeded one hundred men, as well as the newly created organizations (including at the reorganization), the number of whose workers exceeds the above-said limit, shall submit tax declarations (computations) to the tax body in accordance with the established formats in electronic form, unless a different procedure for submitting information, referred to the state secret, is envisaged in the legislation of the Russian Federation.

Information on an average-listed number of workers for the preceding calendar year shall be presented by the tax payer to the tax body not later than on January 20 of the current year, and if the organization is created (reorgnized) anew - not later than on the 20th day of the month following that month, in which the organization was created (reorganized). This information shall be submitted in the form, approved by the federal executive power body authorized to exert control and supervision in the area of taxes and fees, to the tax body at the place of location of the organization (at the place of residence of the individual businessman).

The tax payers, referred in conformity with Article 83 of the present Code to the category of major tax payers, shall submit all tax declarations (computations), which they are obliged to submit in conformity with the present Code, to the tax body at the place of their recording as major tax payers in accordance with the established formats in electronic form, unless a different order for submitting information, referred to the state secret, is stipulated in the Legislation of the Russian Federation.

Blanks for the tax declarations (computations) shall be supplied to the tax bodies free of charge.

**4.** The tax return (calculation) may be submitted by a taxpayer (payer of fee or tax agent) to the tax authority personally or through a representative thereof, sent by mail with an inventory of enclosure attached thereto or transmitted over telecommunication lines.

The tax body has no right to refuse to accept the tax declaration (the computation), submitted by the tax payer (by the payer of fees or by the tax agent) in accordance with the established form (the established format), and is obliged to make at the tax payer's request (at the request of the payer of fees or of the tax agent) on the copy of the declaration (of the computation) a mark on its acceptance and the date of its receipt if the tax declaration (the computation) is received on a paper medium, or to hand over to the tax payer (to the payer of the fee or to the tax agent) the receipt slip on its acceptance in electronic form - if the tax declaration (the computation) is received along the telecommunication channels.

When sending a tax return (calculation) by mail, the date of its submission shall be deemed the date of sending such mail with an inventory of enclosure attached thereto. When sending a tax return (calculation) over telecommunication lines, the date of its sending shall be deemed the date of submission thereof.

The procedure for submitting the tax declaration (the computation) and the documents in electronic form shall be defined by the Ministry of Finance of the Russian Federation.

**5.** A tax return (calculation) shall be submitted indicating the taxpayer's identification number, unless otherwise provided for by this Code.

A taxpayer (payer of fee or tax agent) or a representative thereof shall sign the tax return (calculation), thus proving the reliability and completeness of the data shown in the tax return (calculation).

If the reliability and completeness of the data contained in a tax return (calculation) is confirmed by an authorised representative of a taxpayer (payer of fee or tax agent), the ground for such representation (denomination of the document proving the authority to sign the tax return (calculation)) shall be specified in the tax return (calculation). With this, a copy of the document proving the representative's authority to sign the tax declaration (calculation) shall be attached to the tax declaration.

**6.** A return (calculation) shall be submitted at the time established by the legislation on taxes and fees.

**7.** Forms of tax returns (calculations) and a procedure for completing them shall be endorsed by the Ministry of Finance of the Russian Federation, unless otherwise provided for by this Code.

Formats for submitting tax declarations (computations) in electronic form shall be approved by the federal executive power body, authorized to exert control and supervision in the area of taxes and fees, on the ground of forms for tax declarations (computations) and of the procedure for filling them out, approved by the Ministry of Finance of the Russian Federation.

The Ministry of Finance of the Russian Federation shall not be entitled to include into a form of the tax return (calculation), and tax authorities shall not be entitled to demand of a taxpayer (payer of fee or tax agent) to include into a tax return (calculation), data which are not connected with calculation and (or) payment of taxes and fees, except for the following:

1) document type: primary (correcting) one;

2) denomination of tax authority;

3) location of organisation (of its separate subdivision) or place of residence of natural person;

4) full name of natural person or full denomination of organisation (of its separate subdivision);

5) taxpayer's contact telephone number.

**8.** The rules provided for by this Article shall not extend to declaring commodities being moved across the customs border of the Russian Federation.

**9.** The specifics of submitting tax returns while executing products' division agreements shall be defined by Chapter 26.4 of this Code.

**10.** The features of the performance of the duty to submit tax declarations by way of making a declaration payment shall be determined by the federal law on the simplified procedure for declaring incomes by natural persons.

**Article 81.** Amending Tax Return

**1.** If a taxpayer detects in the tax return filed by him with a tax authority a failure to show, or incomplete showing of, data, as well as errors causing an understatement of the tax amount to be paid, such taxpayer shall be obliged to make the necessary amendments to the tax return and to submit to the tax authority a more precise tax return in the procedure established by this Article.

Should a taxpayer detect in the tax return filed by him with a tax authority unreliable data, as well as errors not causing the understatement of the tax amount to be paid, the taxpayer shall be entitled to make the necessary amendments to the tax return and to submit to the tax authority a revised tax return in the procedure established by this Article. With this, a revised tax declaration submitted upon the expiry of the established time period for filing the return shall not be deemed submitted in defiance of this time period.

**2.** If the revised tax return is filed with a tax authority prior to the expiry of the time period for filing a tax return, it shall be deemed submitted on the date of filing the revised tax return.

**3.** If the revised tax return is filed with a tax authority after the expiry of the time period for filing a tax return but before the expiry of the time period for tax payment, the taxpayer shall be exempted from responsibility, if the revised tax declaration had been submitted prior to the time when the taxpayer learned about detecting by a tax authority the fact of failure to show, or of incomplete showing of, data in the tax return, as well as errors causing an understatement of the payable tax amount or about ordering to conduct a on-site tax check.

**4.** If the revised tax declaration is filed with a tax authority after the expiry of the time period for filing a tax return and of the time period for paying tax, the taxpayer shall be exempted from liability in the event of the following:

1) submitting a revised tax declaration prior to the time when a taxpayer learned about the detecting by a tax authority a failure to show, or incomplete showing of, data in the tax return, as well as errors causing the understatement of the payable tax amount or about ordering a visiting tax inspection in respect of this tax for this period on condition that prior to submitting the revised tax declaration he had paid the deficient tax amount and penalties corresponding to it;

2) submitting the revised tax return after conducting an on-site tax check for the appropriate tax period which has not resulted in detecting a failure to show, or incomplete showing of, data in the tax return, as well as errors causing an understatement of the payable amount of tax.

**5.** The revised tax declaration shall be filed by a taxpayer with the tax authority at the place of his registration.

A revised tax declaration (calculation) shall be filed with a tax authority according to the form effective during the time period in respect of which the appropriate amendments are made.

**6.** In the event of detecting by a tax agent in the calculation filed by him with a tax authority the fact of failure to show, or incomplete showing of, data, as well errors causing understatement or overstatement of the amount of tax to be remitted, the tax agent shall be obliged to make the necessary amendments and to file with the tax authority a revised calculation in the procedure established by this Article.

A revised calculation to be submitted by a tax agent to a tax authority only has to contain data on those taxpayers in respect of which facts of failure to show, or of incomplete showing of, data, as well as errors causing understatement of tax amount, are detected.

The provisions provided for by Items 3 and 4 of this Article, which concern exemption from liability, shall likewise apply in respect of tax agents when they submit revised estimations.

**7.** The rules provided for by this Article shall likewise apply in respect revised calculations of fees and shall extend to payers of fees.

## Chapter 14. Tax Control

**Article 82.** General Provisions on Tax Control

**1.** As tax control shall be deemed the activities of the authorised bodies involving the exercise of control over observance by taxpayers, tax agents and payers of fees of the legislation on taxes and fees in the procedure established by this Code.

Tax control shall be exercised by tax officials within their scope of competence by conducting tax audits, obtaining explanations from taxpayers, tax agents and payers of fees, verifying accounting and reporting data, examining premises and territories used for generating income (profit), as well as in other forms provided for in this Code.

Specifics of exercising tax control, when implementing agreements on production sharing, shall be determined by Chapter 26.4 of this Code.

**2.** Abolished

**3.** The tax bodies, the customs agencies, the agencies of the governmental extra-budgetary funds and the internal affairs bodies shall inform one another in the order, defined by the agreements between them, about the available materials on breaches of the legislation on taxes and fees and tax offences, about measures taken to thwart them, about the tax checks carried out by them, and also exchange with each other necessary information with the aim of fulfilling their tasks.

**4.** In the exercise of tax control no allowance shall be made for the collection, storage, use and spread of information about a taxpayer (payer of fees or tax agent), received in violation of the provisions of the Constitution of the Russian Federation, the present Code, the federal laws, and also in contravention of the principle of preserving information that constitutes a professional secret of other persons, in particular a legal secret or an audit secret.

**Article 83.** Registration of organisations and natural persons

**1.** For purposes of tax control, organisations and natural persons shall be subject to registration with the tax authorities in accordance with the location of the organisation, location of its separate units, place of residence, if the taxpayer is a natural person, or at the location of immovable and movable property thereof and for other reasons envisaged by the present Code.

The organisation consisting of the set-apart subdivisions located on the territory of the Russian Federation, shall be obliged to be registered with the tax body at the location of each own set-apart subdivision, if this organisation is not registered with the tax authority at the location of this set-apart subdivision for the reasons provided for by this Code.

The Ministry of Finance of the Russian Federation shall have the right to determine the specific features of the registration of major taxpayers.

The specific features of the record-keeping of foreign organisations and foreign citizens shall be fixed by the Ministry of Finance of the Russian Federation.

Specifics of taxpayers' registration, when implementing agreements on production sharing, shall be determined by Chapter 26.4 of this Code.

**2.** Registration of taxpayers shall be performed regardless of the availability of circumstances, with which the present Code associates the emergence of an obligation to pay a tax or fee.

**3.** The registration of an organisation or an individual businessman with the tax body at the location or at the place of residence shall be carried out on the basis of information contained respectively in the Single State Register of Legal Entities, the Single State Register of Individual Businessmen in accordance with the procedure, established by the Government of the Russian Federation.

**4.** When the activity is carried by an organisation in the Russian Federation through a separate unit, an application for registration of the organisation at the location of the separate unit thereof shall be filed within one month as of the date of establishing the separate unit, with the tax authority at the location of this separate unit, if the said organisation is not registered for the reasons provided for this Code with the tax authorities on the territory of the municipal formation where this separate unit is established.

In other cases, an organisation's registration with the tax authorities at the location of its separate units shall be effected by the tax authorities on the basis of reports in writing submitted by this organisation in compliance with Item 2 of Article 23 of this Code.

If several separate units of an organisation are located in one and the same municipal formation on the territories subordinate to different tax bodies, the organisation's registration may be effected by the tax agency at the location of one of its separate subdivisions to be independently determined by the organisation.

5. The organisation or natural person's registration and de-registration with the tax body at the location of immovable property and/or transport means owned by them, shall be carried out on the basis of information conveyed by the bodies specified in Article of 85 of the present Code. The organisation is subject to the registration with the tax bodies at the location of immovable property, belonging to it by right of property, right of economic management or of operative management.

In the purposes of this Article the location of immovable property recognises:

1) for sea, river and air transport vehicles - the place (port) of registry or the place of state registration, and in the absence of such - the place of location (residence) of the owner of property;

2) for transport vehicles, which are not mentioned in Subitem 1 of the present item - the place of state registration and in the absence of such the place of location (residence) of the owner of property;

3) for other real estate - the actual location of this estate.

**6.** The registration of a notary engaged in private practice shall be carried out by the tax body at the place of his residence on the basis of information conveyed by the bodies specified in Article 85 of the present Code.

The registration of a solicitor/barrister shall be carried out by the tax body at the place of his residence on the basis of the information conveyed by the solicitor's/barrister's chamber of the Russian Federation subject in accordance with Article 85 of the present Code.

**7.** Registration with tax authorities of natural persons other than private entrepreneurs shall be performed by the tax office at the place of residence of the natural person on the basis of information provided by bodies listed in Article 85 of this Code, or on the basis of a natural person's application.

**7.1.** Natural persons whose place of residence is determined for the purposes of taxation at the place of a natural person's stay shall be entitled to file an application with the tax authority at the place of their stay for their tax registration.

**8.** In the cases stated in paragraph 2 of Item 5, Items 7 and 7.1 of the present Article, the tax authority shall immediately notify the natural person in question of the registration of the said person.

**9.** Should a taxpayer experience any difficulties with determining the place of registration, the decision shall be made by the tax authority.

**10.** The tax bodies on the basis of available data and information on taxpayers shall be obliged to ensure their registration.

**Article 84.** The procedure for registration and deregistration of organisations and natural persons. Identification number of the tax payer

**1.** The registration of an organisation at the location of its set-apart subdivision shall be carried out on the basis of application. Upon submission of the application on registration of an organisation at the location of the set-apart subdivision thereof the organisation simultaneously with the application for registration shall also submit duly certified copies of the certificate of registration with the tax body of the organisation at the location thereof, the documents confirming foundation of the set-apart subdivision.

The registration and striking off the records of organisations and natural persons on the grounds, which are not envisaged by Item 3 of Article 83 of the present Code, shall be carried out in accordance with the procedure, established by the Ministry of Finance of the Russian Federation.

Upon registration of natural persons the composition of information on said persons shall also include their personal data:

the surname, name and patronymic;

the date and place of birth;

the place of residence;

the details of passport or other document certifying the person of a taxpayer;

the data on citizenship.

Specific aspects of the registration and striking off the records of foreign organisations and foreign citizens shall be prescribed by the Ministry of Finance of the Russian Federation.

The form of the application for registration with a tax authority (for striking off the records of a tax authority) shall be established by the federal executive body authorised to exercise control and supervision in the field of taxes and fees.

**2.** A tax authority shall be obliged to register a natural person on the basis of an application of this natural person within five days as of the date of receiving the said application by the tax authority and within the same time period to issue thereto the certificate of registration with the tax authority.

It shall be the duty of the tax body to register the organisation at the location of the set-apart subdivision, and also to register and to strike off the records organisations and natural persons on the grounds which are not envisaged by Item 3 of Article 83 of the present Code within five days from the date that all the required documents have been filed and to issue them, within the same time limit, the notifications on registration (the notifications of striking off the records of the tax body) with the tax body. The forms of such notifications shall be established by the federal executive body authorized to exercise control and supervision in the area of taxes and fees.

It is the duty of the tax body, which has carried out the registration of the newly founded organisation or the individual entrepreneur, to issue them the certificate on registration with the tax body. The form of such certificate shall be established by the federal executive body authorized to exercise control and supervision in the area of taxes and fees.

It is the duty of the tax body to carry out the registration of the organisation or the natural person at the location of immovable property belonging to them and/or transportation facilities, and also of the private notaries and lawyers at the place of their residence within five days from the date of receipt of the information from the bodies, indicated in Article 85 of the present Code. The tax body shall, within the same time limit, be obliged to issue or send over by mail the certificate on registration with the tax body and/or the notification on the registration with the tax body according to the terms established by the federal executive body authorized to exercise control and supervision in the area of taxes and fees and in the order approved by the Ministry of Finance of the Russian Federation.

**3.** Amendments in the information on organisations or individual businessmen shall be recorded by the tax body at the location of the organisation or at the place of residence of the individual entrepreneur on the grounds of the information contained respectively in the Single State Register of legal entities and the Single State Register of individual businessmen, according to the procedure, established by the Government of the Russian Federation.

Amendments in the information on natural persons who do not belong to individual businessmen, and also on notaries engaged in private practice and lawyers shall be recorded by the tax body at the place of their residence on the grounds of the information to be informed by the bodies indicated in Article 85 of the present Code in accordance with the procedure approved by the Ministry of Finance of the Russian Federation.

**4.** If a taxpayer has changed his location or place of residence, he shall be struck off the register by the tax body, in which he was registered:

an organisation or an individual entrepreneur on the grounds of information, contained in the Single State Register of Legal Persons and the Single State Register of Individual Businessmen, respectively, in accordance with the procedure, established by the Government of the Russian Federation;

a notary engaged in private practiceand a lawyer within five days from the date of receipt of information on the fact of registration from the bodies, which carry out registration of natural persons at the place of residence in accordance with the procedure approved by the Ministry of Finance of the Russian Federation;

a natural person who does not belong to individual businessmen, within five days from the date of receipt of information on the fact of registration from the bodies, which carry out registration of natural persons at the place of residence in accordance with the procedure approved by the Ministry of Finance of the Russian Federation.

Registration of a taxpayer with the tax body at the new place of location or at the new place of residence shall be performed on the grounds of the documents, received from tax body at the former place of location or former place of residence of the taxpayer.

A natural person may be likewise struck off the records by a tax authority upon receiving by it the appropriate data on registration of such natural person with another tax authority at the place of his residence.

5. In the event when an organisation is liquidated or reorganized, terminates its operations as a private entrepreneur the termination of their registration shall be performed on the grounds of information

which is contained respectively in the Single State Register of Legal Entities, the Single State Register of Private Businessmen in accordance with the procedure established by the Government of the Russian Federation.

In the event when an organisation decides to terminate its operations through (to close) its set-apart subdivision, the termination of the organisation's registration at the location of this set-apart subdivision shall be performed by the tax authority on the basis of the taxpayer's application within ten days from the date of filing such application, but at earliest upon the end of an on-site tax check, should it be conducted.

In the event when the powers of a notary engaged in private practice or the status of a lawyer are terminated the termination of registration shall be performed on the basis of information supplied by the bodies, listed in Article 85 of the present Code in accordance with the procedure approved by the Ministry of Finance of the Russian Federation.

**6.** Registration and termination of registration with tax service bodies shall be free of charge.

**7.** Each taxpayer shall be assigned an taxpayer identification number which will be applicable throughout the entire territory of the Russian Federation and with respect to all taxes and fees, including those payable in connection with the movement of goods across the customs border of the Russian Federation.

The tax authority shall indicate the TIN in all notifications forwarded to such taxpayer.

Taxpayers shall indicate their TIN on documents submitted to tax authorities, such as tax returns, reports, applications or other documents, as well as in other cases stipulated by law, if not otherwise provided for by this Article.

The procedures and conditions for assigning, using and changing the TIN shall be determined by the Ministry of Finance of the Russian Federation.

Natural persons who are not individual businessmen shall be entitled not to show taxpayer's identification numbers in the tax returns, applications and other documents to be submitted to the tax authorities but to indicate their personal data provided for by Item 1 of Article 84 of this Code.

**8.** Based on registration data, the federal executive body authorized to exercise control and supervision in the area of taxes and fees shall maintain a State Register of Taxpayers in accordance with the procedures established by the Government of the Russian Federation.

**9.** From the moment of a taxpayer's registration with a tax authority information about the taxpayer becomes confidential unless otherwise provided for by Article 102 of this Code.

**10.** Organizations that are tax agents and have not been registered as taxpayers shall register with the tax authorities at the address of their location using the procedure for organisations-taxpayers set forth in this Chapter.

**Article 85.** Authorities, institutions, organisations and officials are obliged to provide the tax bodies with the information relating to the registration of taxpayers

1. The bodies of justice, which issue the licenses on the right of notarial activity and empower the notaries, shall be obliged to notify the tax authority at the place of presence of natural persons who have received the licenses for the right of notarial activity and/or was appointed as a notary engaged in private practice or relieved from it within five days from the date of publication of corresponding order.

**2.** The chambers of solicitors/barristers/barristers of the subjects of the Russian Federation shall be obliged before the 10th day of each month to provide the tax authority at the place of location of the chamber of solicitors/barristers of the subject of the Russian Federation with information about the solicitors/barristers entered to the register of solicitors/barristers of the subject of the Russian Federation in the previous month (including data about their chosen form of advocatory formation) or excluded from the said register , and also about adopted decisions on suspending (renewing) the status of solicitor/barrister.

3. Bodies in charge of registration of natural persons at the place of residence, or registration of certificates of the civil status of natural persons shall notify the tax authority of their jurisdiction of the registration of the natural person at the place of residence, birth or death of natural persons within 10 days after the registration of such persons or events.

4. The bodies which carry out state registration of the rights to immovable property and deals in it, the bodies which carry out the registration of transport vehicles, shall be obliged to supply information about immovable property situated on the territory under jurisdiction thereof about the transport vehicles registered by these bodies (rights and deals registered by these bodies), and about their owners to the tax bodies at their location within 10 days from the day of corresponding registration.

5. Bodies of trusteeship and wardship, educational institutions and institutions of medical treatment, institutions of social security and other similar institutions which, in accordance with the federal legislation, exercise trusteeship, wardship or management of the property of a ward shall notify the tax authorities of their jurisdiction of any wardship, trusteeship, of property management responsibilities assumed by them with respect to infants, other minors, persons recognized as incapable by court, capable persons under wardship in the form of patronage, natural persons recognized missing by court,

as well as of any subsequent changes in connection with the said trusteeship, wardship or property management arrangements within 5 days from the date of the respective decision.

**6.** Bodies (institutions) authorised to perform notary actions and notaries engaged in private practice shall be obliged to report instances of notarisation of an inheritance right and deeds of gift to tax authorities accordingly at the place of their location and place of residence at the latest in five days as of the date of appropriate notarisation, unless otherwise provided for in this Code. With this, information about notarisation of deeds of gift has to contain data on the degree of kinship of the donor and the gifted person.

7. The bodies engaged in the accounting and/or registration of users of natural resources, and also in the licensing the activity for the use of these resources, shall be obliged to provide information about granting rights to such use, which are objects of taxation, to the tax bodies in their location within 10 days after the registration (issue to a relevant licence or permit) of the user of natural resources.

**8.** The bodies which issue and replace documents, certifying the person of a citizen of the Russian Federation on the territory of the Russian Federation, shall be obliged to supply the tax authority at the place of residence of the citizen information:

about the facts of primary issuance or of the replacement of the document certifying the identity of a citizen of the Russian Federation on the territory of the Russian Federation and about amendments in personal data contained in newly issued document within five days as from the day of issuance of a new document;

about the facts of submission by a citizen to these bodies of the application on the loss of the document, certifying the identity of a citizen of the Russian Federation on the territory Russian Federation within three days as from the date of its submission.

**9.** The agencies and organisations engaged in accreditation of branches and representative offices of foreign legal entities shall be obliged to transfer to the tax authorities at the place of their location information about accreditation (cancellation of accreditation) of branches and representative offices of foreign legal entities within 10 days as of the date of such accreditation (cancellation of accreditation).

**10.** Information, stipulated in the present Article, shall be submitted to the tax bodies in accordance with the forms, approved by the federal executive power body authorized to exert control and supervision in the area of taxes and fees.

**Article 86.** Duties of Banks with Regard to Taxpayer Registration

**1.** Banks shall open accounts for organisations, private entrepreneurs, only upon presentation of a certificate of registration with a tax authority.

The bank shall be obliged to notify of opening or closing an account, of changing the requisite elements of an account of an organisation (individual businessman) using a paper medium or in the electronic form the tax authorities at the place of its location within 5 days as of the date of the appropriate opening or closing of the account or of changes in the requisite elements thereof.

A procedure for notification by a bank of opening or closing an account, of changing the requisite elements of an account in an electronic form shall be established by the Central bank of the Russian Federation by approbation of the federal executive body authorised to exercise control and supervision in the field of taxes and fees.

The form of a bank's report to a tax authority in respect of opening or closing an account, of changing the requisite elements of an account shall be established by the federal executive body in charge of control and supervision in the field taxes and fees.

**2.** Banks shall be obliged to issue to the tax authorities reports on the presence of bank accounts and (or) on the balance of monetary funds on accounts, abstracts in respect of the transactions made on accounts of organisations (individual businessmen) in compliance with the legislation of the Russian Federation within five days as of the date of receiving a reasoned request of a tax authority.

Reports on the presence of accounts and (or) on the balances of monetary funds kept on accounts, as well as abstracts in respect of operations made on accounts of organisations (individual businessmen) opened with banks may be requested by the tax authorities in the event of taking tax control measures in respect of these organisations (individual businessmen).

The information specified in this Item may be requested by the tax authorities after rendering a decision on tax collection, as well as in the event of rendering a decision on suspending operations or on the reversal of operations' suspension on accounts of an organisation (individual businessman).

**3.** A form of, and procedure for, sending by a tax authority a request to a bank shall be established by the federal executive body authorised to exercise control and supervision in the field of taxes and fees.

A form of, and procedure for, providing information by banks by request of the tax authorities shall be established by the federal executive body authorised to exercise control and supervision in the field of taxes and fees by approbation of the Central Bank of the Russian Federation.

**4.** The rules provided for by this Article shall likewise apply with respect to accounts opened by notaries engaged in private practice and by solicitors/barristers who have founded solicitor's/barrister's studies for the exercise of their professional activities.

**Article 86.1.** Abrogated.

**Article 86.2.** Abrogated.

**Article 86.3.** Abrogated.

**Article 87.** Tax Checks

**1.** The tax authorities shall carry out the following types of tax checks of taxpayers, payers of fees and tax agents:

1) documentary tax checks;

2) on-site tax checks;

**2.** As the purpose of a documentary and on-site tax checks shall be deemed control over observance by a taxpayer, payer of fee or tax agent of the legislation on taxes and fees.

**Article 87.1.** Abrogated from January 1, 2004.

**Article 88.** Cameral Tax Check

**1.** A cameral tax check shall be conducted at the location of a tax authority on the basis of the tax returns (calculations) and documents presented by a taxpayer, as well as of other documents concerning a taxpayer's activities which are available to a tax authority.

2. A cameral tax inspection shall be conducted by authorised officials of a tax authority in compliance with their official duties without any special decision of the head of the tax authority within three months as of the date of submission by a taxpayer of the tax return (calculation) and of the documents which under this Code has to be attached to the tax return (calculation), if another term is not provided for by the legislation on taxes and fees.

**3.** If in the course of a cameral tax check errors in the tax return (calculation) and (or) contradictions in the data contained in the submitted documents were detected, or non-compliance of the data submitted by a taxpayer with the data contained in the documents available to a tax authority and obtained in the course of the exercise of tax control, the taxpayer shall be notified thereof and he will be demanded to present within five days the relevant explanations or to make the appropriate amendments within the established time period.

**4.** The taxpayer which has presented to the tax authority explanations as to detected errors in the tax return (calculation) and (or) contradictions in the data contained in submitted documents, shall be also entitled to present to the tax authority extracts from tax and (or) accounting registers and (or) other documents proving the reliability of the data in the tax return (calculation).

**5.** The person conducting a cameral tax check shall be obliged to consider the explanations and documents presented by a taxpayer. If after consideration of presented explanations and documents or in the absence of explanations of a taxpayer the tax authority establishes the fact of committing a tax offence or of other violation of the legislation on taxes and fees, officials of the tax authority shall be obliged to draw up the report of the check in the procedure provided for by Article 100 of this Code.

**6.** While holding a cameral tax check, the tax authorities shall be likewise entitled to obtain on demand in the established procedure from taxpayers who enjoy tax privileges the documents proving the right of these taxpayers to these tax privileges.

**7.** While holding a cameral tax check, the tax authority shall not be entitled to obtain on demand from the taxpayer additional data and information, if not otherwise provided for by this Article or if the submission of such documents together with the tax return (calculation) is not provided for by this Code.

**8.** In the event of filing the tax return in respect of value-added tax claiming a tax refund, a cameral tax check shall be conducted subject to the specifics provided for by this Article on the basis of the tax returns and documents submitted by a taxpayer in compliance with this Code.

A tax authority shall be entitled to obtain on demand from a taxpayer the documents proving in compliance with Article 172 of this Code the rightfulness of applying tax deductions.

**9.** When conducting a cameral tax check concerning the taxes connected with the use of natural resources, the tax authorities shall entitled, in addition to the documents specified in Item 1 of this Article, to obtain on demand from a taxpayer other documents serving as a basis for calculation and payment of such taxes.

**10.** The rules provided for by this Article shall likewise extend to payers of fees and tax agents, if not otherwise provided for by this Code.

**Article 89.** On-Site Tax Check

**1.** An on-site tax check shall be conducted on the territory (at the premises) of a taxpayer on the basis of a decision of the head (deputy head) of a tax authority.

If a taxpayer has no available premises for conducting an on-site tax check, the on-site tax inspection may be conducted at the location of the tax authority.

**2.** A decision to conduct an on-site tax inspection shall be rendered by the tax authority at the location of an organisation or at the place of residence of a natural person, if not otherwise provided for by this Item.

A decision on conducting an on-site tax check of an organisation, which is referred in the procedure provided for by Article 83 of this Code to the category of major taxpayers, shall be rendered by the tax authority which has registered this organisation as a major taxpayer.

An independent on-site tax check of a branch or representative office shall be conducted on the basis of a decision on the tax authority at the location of the separate subdivision.

A decision to conduct an on-site tax check has to contain the following data:

full and shortened denomination or family name, first name and patronymic of the taxpayer;

object of the check, that is, the taxes whose payment and correctness of calculation are to be checked;

periods to be checked;

positions, family names and initials of the tax authority officials who are entrusted with conducting the check.

The form of a decision of the head (deputy head) of a tax authority to conduct an on-site tax check shall be endorsed by the federal executive body authorised to exercise control and supervision in the field of taxes and fees.

**3.** An on-site tax check of a taxpayer may be conducted in respect of one or several taxes.

**4.** As the object of an on-site tax check shall be deemed the correctness of calculating and timeliness of paying taxes.

Within the framework of an on-site tax check may be checked the period not exceeding three calendar years preceding the year when a decision was rendered to conduct the on-site tax check.

**5.** The tax authorities shall not be entitled to conduct two and more on-site tax checks in respect of the same taxes for the same period.

The tax authorities shall not be entitled to conduct in respect of one taxpayer more than two on-site tax checks within a calendar year, except for the instances of rendering a decision by the head of the federal executive body authorised to exercise control and supervision in the field of taxes and fees, as to the necessity of conducting an on-site tax check of a taxpayer in excess of the said restriction.

When establishing the number of on-site tax checks of a taxpayer, the number of independent on-site tax checks of its branches and representative offices shall not be taken into account.

**6.** An on-site tax check may last at most two months. The said time period may be prolonged up to four months or, in exceptional cases, up to six months.

The grounds and procedure for extending the time period for conducting an on-site tax inspection shall be established by the federal executive body authorised to exercise control and supervision in the field of taxes and fees.

**7.** Within the framework of an on-site tax check a tax authority shall be entitled to inspect the activities of a taxpayer's branches and representative offices.

A tax authority shall be entitled to conduct an independent on-site tax check of branches and representative offices as to the correctness of calculation and timeliness of paying regional and (or) local taxes.

A tax authority, while conducting an independent on-site tax check of branches and representative offices, shall not be entitled to conduct in respect of a branch or a representative office two or more on-site tax checks in respect of the same taxes for the same tax period.

A tax authority shall not be entitled to conduct in respect of one branch or representative office more than two on-site tax checks within one calendar year.

When conducting an independent on-site tax inspection of branches and representative offices of a taxpayer, the time period of such check may not exceed one month.

**8.** The time period of conducting an on-site tax check shall be calculated as of the date of rendering a decision on ordering such check up to the date of drawing up the report in respect of its conducting.

**9.** The head (deputy head) of a tax authority shall be entitled to suspend the conduct of an on-site tax check for the following:

1) for obtaining on demand the documents (information) in compliance with Item 1 of Article 93.1 of the Code;

2) for receiving information from foreign governmental bodies within the framework of international treaties made by the Russian Federation;

3) for holding expert examinations;

4) for translation into Russian of the documents submitted by a taxpayer in a foreign language.

It shall be allowed to suspend an on-site tax check for the reason specified in Subitem 1 of this Item at most once with respect to every person from which documents are obtained on demand.

The suspension and renewal of an on-site tax check shall be legalized by the appropriate decision of the head (deputy head) of the tax authority engaged in the said check.

The total time period for suspension of an on-site tax check may not exceed six months. If a tax check has been suspended for the reason specified in Subitem 2 of this Item and the tax authority could not receive the requested information within six months from foreign state bodies within the framework of international treaties made by the Russian Federation, the time period for suspending the said check may be prolonged by three months.

For the period of suspension of an on-site tax check shall be suspended the operations of the tax authority aimed at obtaining on demand documents from the taxpayer whereto in this case shall be returned all the originals obtained on demand during the tax check, except for the documents obtained in the course of seizure thereof, and the operations of the tax authority on the territory (at the premises) of the taxpayer connected with the said check shall be suspended.

**10.** As a repeated on-site tax check of a taxpayer shall be deemed an on-site tax check conducted regardless of the time of conducting the previous tax check in respect of the same taxes and for the same period.

In the event of ordering a repeated tax check, the restrictions specified in Item 5 of this Article shall not be effective.

When conducting a repeated on-site tax check, the period of at most three calendar years preceding the year when a decision to conduct the repeated tax check was rendered, may be checked.

A repeated on-site tax check may be conducted:

1) by a superior tax authority - by way of exercising control over the activities of the tax authority conducting the tax check;

2) by the tax authority, which has previously conducted a tax check, on the bass of a decision of the head (deputy head) thereof - in the event of submitting by a taxpayer a specified tax return where a lower tax amount is shown, as compared to the one previously declared. Within the framework of this repeated on-site tax check shall be checked the period in respect of which the specified tax return is submitted.

If in the course of conducting a repeated tax check was detected the fact of committing by a taxpayer of a tax offence which had not been detected in the course of conducting the initial on-site tax check, tax punitive sanctions shall not be applied with respect to the tax payer, except for cases when non-detection of a tax offence in the course of conducting the initial tax check results from a collusion between a taxpayer and an official of the tax authority engaged in the check.

**11.** An on-site tax check conducted in connection with the re-organisation or liquidation of a taxpaying organisation may be conducted, regardless of the time of conducting, and the object of, the previous check. With this, a period of at most three calendar years preceding the year when a decision on conducting the tax check was rendered, shall be checked.

**12.** A taxpayer shall be obliged to make it possible for the officials of the tax agencies engaged in an on-site tax check to familiarise themselves with the documents connected with calculation and payment of taxes.

When conducting an on-site tax check, the documents which are necessary for the check may be obtained on demand from a taxpayer in the procedure established by Article 93 of this Code.

Officials of tax agencies may only familiarise themselves with the originals of documents on a taxpayer's territory, except for cases of conducting an on-site tax check at the location of a tax agency, as well as the cases provided for by Article 94 of this Code.

**13.** Where necessary, the authorised officials of tax agencies engaged in an on-site tax check may hold an inventory of the taxpayer's property, as well as inspect production, storage, trade and other premises and territories thereof used by the taxpayer for deriving income or connected with the maintenance of taxation objects in the procedure established by Article 92 of this Code.

**14.** Where there are sound reasons for officials engaged in an on-site tax check to believe that the documents showing the committing of offences can be eliminated, hidden, changed or replaced, these documents shall be seized in the procedure provided for by Article 94 of this Code.

**15.** On the last day of an on-site tax check, the official conducting it shall be obliged to draw up a report in respect the conducted tax check, wherein shall be stated the object of the on-site tax check and time period of conducting it, and to deliver it to the taxpayer or to a representative thereof.

If a taxpayer (or a representative thereof) evades receiving the report about a conducted check, the said report shall be sent to the taxpayer by registered mail.

**16.** The specifics of conducting an on-site tax check, when implementing products' division agreements, shall be determined by Chapter 26.4 of this Code.

**16.1** The future of the conduct of visiting tax checks of residents removed from the Unified Register of Residents of the Special Economic Zone in the Kaliningrad Region, shall be determined by Articles 288.1 and 385.1 of this Code.

**17.** The rules provided for by this Article shall likewise apply when conducting on-site tax checks of payers of fees and tax agents.

**Article 90.** Participation of a Witness

**1.** Any natural person who may have knowledge of any facts that have significance for exercising tax control can be summoned to testify as a witness. Witness testimony shall be entered into a protocol.

**2.** The following persons may not be interrogated as witnesses:

1) persons who by reason of their young age, physical and psychological drawbacks are unable to correctly perceive circumstances of relevance to tax control;

2) persons who have received information needed to exercise tax control in connection with the discharge by them of their professional duties, and similar information shall refer to the professional secret of these persons, in particular a lawyer and an auditor.

**3.** A natural person can refuse to testify only on the grounds provided for by the legislation of the Russian Federation.

**4.** A witness can testify at the place where he is situated, if due to illness, old age or disability he cannot come to the tax office, and in other cases as decided by the tax official.

**5.** Before hearing the witness testimony, the tax official shall warn the witness of the liability for refusal or avoidance to testify or perjury. This shall be entered into the protocol and certified with the signature of the witness.

**Article 91.** Access to Grounds or Premises by Tax Officials for the Purposes of Exercising Tax Control

**1.** Access to the grounds or premises of a taxpayer, a duty payer and a tax agent shall be granted to officials of the tax authority directly involved in conducting a tax audit upon presentation of their official identification and a resolution of the head of the tax authority (or his deputy) on conducting an on-site audit of the taxpayer.

**2.** Officials of the tax authority directly involved in the tax audit shall have the right to examine the grounds or premises of the person being checked used for business operations, or examine objects of taxation to establish whether the actual parameters of these objects match the parameters reported by the person being checked.

**3.** Should access to the said grounds or premises (except for living quarters) be impeded for tax officials conducting a tax check, the head of the check team (unit) shall draw up a report to be signed by him and the person being checked.

On the basis of such report the tax authority shall be entitled to assess independently the tax liability from the data on the person being checked that the tax authority has, or by analogy.

Should the person being checked refuse to sign the said report, the appropriate note of this shall be made in the report.

**4.** Abrogated from July 1, 2002.

**5.** Access of tax officials conducting the tax audit to living quarters against the will or without the consent of the natural persons who live there other than in cases established by the federal law or on the basis of a court decision shall not be permitted.

**Article 92.** Examination

**1.** In order to clarify circumstances that are of relevance for the comprehensiveness of the audit, officials of the tax authority conducting an on-site audit shall have the right to examine grounds or premises of the taxpayer being audited, as well as documents and objects.

**2.** Examination of documents or objects outside the framework of an on-site tax audit shall be allowed, if the documents or object have been received by tax officials as a result of earlier actions performed in exercise of tax control, or if the owner of these objects gives his consent to their examination.

**3.** Examination shall be conducted in the presence of attesting witnesses.

The person being audited or a representative thereof, as well as experts shall have the right to assist in conducting the examination.

**4.** If necessary, photograph-taking, filming, video recording, making copies of documents and other actions can be undertaken at the time of the examination.

**5.** A protocol of examination shall be drawn up.

**Article 93.** Obtaining of Documents on Demand When Conducting a Tax Check

**1.** An official of the tax authority conducting a tax check shall have the right to obtain on demand from the person being checked the documents needed for the check by way of delivering to this person (to a representative thereof) a demand for submitting the documents.

**2.** The demanded documents shall be submitted in the form of copies attested by the person being checked. Copies of an organisation's documents shall be attested by the signature of the head

(deputy head) thereof and (or) other authorised persons and by the stamp of this organisation, if not otherwise provided for by the legislation of the Russian Federation.

It shall not be allowable to demand notarisation of the copies of documents to be submitted to a tax authority (an official), unless otherwise provided for by the legislation of the Russian Federation.

Where necessary, a tax authority shall be entitled to familiarise itself with the original documents.

**3.** Documents to be obtained on demand in the course of a tax check shall be submitted within 10 days as of the date of delivering the appropriate demand.

Where it is impossible for the person being checked to submit the requested documents within 10 days, such person within the day following day of receiving a demand for submission of documents shall notify in writing officials of the tax authority that it is impossible for him to submit the documents at the said time, specifying the reasons for his failure to submit the demanded documents at the fixed time and the time period when the person being checked can provide the demanded documents.

Within two days as of the date of receiving such notice the head (deputy head) of the tax agency shall be entitled on the basis of such notice to extend the time period for submission of the documents or to deny the extension of the time period, this being legalised by a separate decision.

**4.** The refusal of the person being checked to present the documents demanded in the course of a tax check or failure to submit them at the established time shall be deemed to be a tax offence and shall entail the liability provided for by Article 126 of this Code.

In the event of such refusal or failure to submit the said documents at the established time, the official of a tax authority engaged in the tax check shall seize the required documents in the procedure provided for by Article 94 of this Code.

*Item 5 of Article 93 of this Code shall enter into force as of January 1, 2010 and shall apply to the documents submitted to the tax authorities after January 1, 2010*

5. In the course of conducting a tax check the tax authorities shall not be entitled to demand and obtain from the person being checked the documents which have been previously submitted to the tax authorities while conducting documentary or on-site tax checks of the person being checked. The said restriction shall not extend to the instances when documents have been previously submitted to a tax agency in the original and have been afterwards returned to the person being checked, as well as to the instances when the documents submitted to a tax agency have been lost as a result of an act of God.

**Article 93.1.** Demanding and Obtaining Documents (Information) about a Taxpayer, Payer of Fees and Tax Agent or Information on Specific Transactions

**1.** The official of a tax agency engaged in a tax check shall be entitled to demand and obtain from a taxpayer or from other persons that have documents (information) concerning the activities of the taxpayer (payer of fees or tax agent) being checked, these documents (information).

The documents (information) concerning the activities of a taxpayer (payer of fees or tax agent) being checked may be likewise obtained on demand, while considering materials of a tax check, on the basis of a decision of the head (deputy head) of the tax agency when ordering to take additional tax control measures.

**2.** If the tax authorities have a reasoned need, irrelevant to tax checks, for obtaining information about a specific transaction, an official of a tax authority shall be entitled to demand and obtain this information from the participants in this transaction or from other persons that have information about this transaction.

3. The tax authority engaged in tax checks or in taking other tax control measures shall send a written order to demand and obtain the documents (information) concerning the activities of the taxpayer (payer of fees or tax agent) being checked to the tax authority at the place of registration of the person from which the documents (information) are to be obtained on demand.

With this, the order shall specify what tax control measure has caused the need for submitting the documents (information), and, when obtaining on demand information about a specific transaction, shall likewise state the data enabling the identification of this transaction.

**4.** Within five days as of the date of receiving the order, the tax authority at the place of registration of the person from which documents (information) are to be obtained on demand, shall send to this person a demand for presenting the documents (information). A copy of the order to obtain on demand the documents (information) shall be attached to this order.

**5.** The person that has received a demand for presenting documents (information) shall satisfy it within five days as of the date of its receipt or shall notify within the same time period that the demanded documents (information) are not available.

If the demanded documents (information) cannot be presented at the established time, the tax authority on the application of the person from which the documents are demanded shall be entitled to extend the time period for submission of these documents (information).

The demanded documents shall be submitted subject to the provisions provided for by Item 2 of Article 93 of this Code.

**6.** The refusal of a person to submit the documents demanded in the course of a tax check or failure to submit them at the established time shall be deemed a tax offence and shall entail the liability provided for by Article 129.1 of this Code.

**7.** A procedure for interaction of tax agencies aimed at executing orders to obtain documents on demand shall be established by the federal executive body authorised to exercise control and supervision in the field of taxes and fees.

**Article 94.** Seizing Documents and Other Objects

**1.** Seizure of documents and objects shall be performed on the strength of a justified seizure ruling made by an official of the tax authority conducting the on-site audit.

The said ruling shall be subject to approval by the head or deputy head of the tax authority in question.

**2.** Seizure of documents or other objects cannot not be carried out at night time.

**3.** Seizure of documents or other objects shall be done in the presence of attesting witnesses and of the person who has the documents and other objects to be seized in his possession.

Before starting the seizure, the tax official shall present the seizure ruling and brief those present at the seizure on their rights and duties.

**4.** The tax officer shall than suggest that the person in possession of documents and other objects to be seized surrender them voluntarily. Meeting with a refusal to voluntarily surrender the documents or objects, the officer shall carry out an enforced seizure.

Meeting with refusal, on the part of the person from whom documents and other objects are to be seized, to provide access to the premises or other possible locations of documents or objects to be seized, tax officers shall be entitled to obtain access on their own trying to avoid causing unnecessary damage to locks, doors and other objects.

**5.** Documents and objects that are not related to the object of the tax audit shall not be subject to seizure.

**6.** Seizure of documents and other objects is recorded in a protocol as prescribed by Article 99 of this Code and the present Article.

**7.** Seized documents and other objects shall be listed and described in the seizure protocol or in an attachment thereto, indicating the exact name of every item, its quantity, measures, weight and individual characteristics, and if possible, its value.

**8.** Where copies of documents of the person being checked are insufficient for taking tax control measures and the tax authorities have sufficient grounds to believe that the originals of the documents can be eliminated, hidden, corrected or replaced, the official of the tax authority shall be entitled to seize the originals of the documents in the procedure provided for by this Article.

When such documents are seized, copies thereof shall be made and certified by a tax officer. Such copies shall be handed over to the person whose documents were seized. If copies cannot be produced or delivered at the time of the seizure, they shall be handed over by the tax authority to the person whose documents were seized within five days of the date of the seizure.

**9.** All seized documents and objects shall be demonstrated to the attesting witnesses and other persons participating in, or attending, the seizure, and, if necessary, packed at the site of the seizure.

Seized documents have to be numbered, stitched and bear the stamp or signature of the taxpayer (tax agent or payer of fees). In the event the refusal of the taxpayer (tax agent or payer of fees) to affix its seal or put its signature to the documents to be seized, a special note in respect thereon shall be made in the record of seizure.

**10.** A copy of the protocol of seizure of documents/objects shall be served against subscription or mailed to the person from whose possession these documents or other objects were seized.

**Article 95.** Expert Examination

**1.** In cases of necessity in concrete actions of tax control and in on-site tax checks an expert may be attracted on a contractual basis.

Expert examination shall be conducted in cases when clarification of questions at hand requires specialized knowledge in science, arts, technology or craft.

**2.** The questions put before an expert and the assessment that the expert delivers cannot go beyond the scope of his/her expertise. Experts shall be recruited on a contractual basis.

**3.** An expert examination shall be ordered by a ruling of an officer of the tax authority conducting the on-site audit.

The ruling shall specify the reasons for requesting an expert examination; the name of the expert or the name of the organisation where expert examination is to be conducted, questions put to the expert, and materials made available to the expert.

**4.** The expert has the right to examine the materials of the audit that relate to the subject of the expert examination and submit requests for additional materials.

**5.** The expert has the right to refuse to deliver an expert opinion if the materials made available to him/her are insufficient , or if he/she does not possess the knowledge required to carry out the expert examination.

**6.** An officer of the tax authority that has issued the ruling on conducting the expert examination shall present the ruling to the person being audited and brief that person on his rights under Item 7 of this Article.

**7.** When an expert examination is ordered and during its conduct, the taxpayer being audited has the right to do the following:

1) to challenge the expert;

2) to request that the expert be appointed from among the persons that he himself suggests;

3) to put additional questions to the expert to provide his/her opinion on them;

4) to be present, subject to permission of the tax officer, at the expert examination and offer his/her explanations to the expert;

5) to familiarize himself/herself with the expert's opinion.

**8.** An expert shall deliver his/her opinion in writing in his/her own name. This opinion shall include the description of the research conducted, the findings and responses to the questions that were asked. Should the expert establish any material facts that lie outside the scope of the original inquiry, the expert has the right to include such findings into his/her opinion.

**9.** An expert's opinion or his statement of the impossibility to deliver one shall be presented to the audited taxpayer who shall have the right to present his own explanations or counter-arguments, request that additional questions be put or request an additional or repeated expert examination.

**10.** An additional expert examination shall be ordered if the outcome of the first one lacks clarity or is incomplete; the assignment to conduct it can be given to the same or a different expert.

A repeated expert examination shall be ordered if the first one is invalid or inconclusive and the assignment to conduct it shall be given to a different expert.

An additional and new expert examination shall be ordered in compliance with the provisions of the present Article.

**Article 96.** Recruiting a Specialist for Assisting in Exercising Tax Control

**1.** If needed, specialists that posses special knowledge and skills and have no interest in the outcome of the case can be recruited on a contractual basis to assist in conducting specific tax control actions including during the conduct of on-site tax checks.

**2.** Specialists shall be recruited on a contractual basis.

**3.** Participation in the case of a person in the capacity of a specialist shall not preclude the possibility of interrogation of this person, concerning the same case, as a witness.

**Article 97**. Participation of an Interpreter

**1.** Where necessary, an interpreter can be recruited on a contractual basis to assist in exercising tax control.

**2.** An interpreter shall be a person who has no stake in the outcome and has a command of the language required for interpretation.

This provision shall also apply to a person who understands the signs of the mute or the deaf.

**3.** The interpreter shall arrive as summoned by the tax official who appointed him/her and adequately perform the interpretation.

**4.** The interpreter shall be briefed on the liability for refusal to fulfill or avoidance of fulfilling his duties or for providing a fraudulent interpretation, which shall be recorded in a protocol signed by the interpreter.

**Article 98.** Attesting Witnesses

**1.** When conducting tax control actions, in cases provided for in the present Code, attesting witnesses shall be summoned.

**2.** At least two attesting witnesses shall be summoned.

**3.** Any natural persons having no stake in the outcome of the case may be summoned as attesting witnesses.

**4.** Tax officials shall not be allowed to act as attesting witnesses.

**5.** Attesting witnesses shall attest to the fact, content and results of actions performed in their presence, in a protocol. They shall have the right to comment on the actions performed, and such comments shall be entered into the protocol.

If needed, the attesting witnesses may be interrogated on the above circumstances.

**Article 99.** General Requirements for Protocols of Tax Control Proceedings

**1.** In the cases stated in the present Code, tax control proceedings shall be recorded at the time of the proceedings in protocols. The protocols shall be drawn up in Russian.

**2.** The protocol shall state the following:

1) the title thereof;

2) date and place of proceedings;

3) time of beginning and end of proceedings;

4) position and name of the person who drew up the protocol;

5) full name of every person who assisted in or was present at the proceedings; and, if necessary, their address and citizenship, and their command of the Russian language;

6) content and sequence of proceedings;

7) material facts and circumstances that were identified in the course of the proceedings.

**3.** The protocol shall be read by all those who assisted in, or were present at the proceedings. The said persons shall have the right to make comments which shall be entered into the protocol or attached to the file.

**4.** The protocol shall be signed by the tax officer who drew it up, as well as by all those who were either present at, or assisted in, the proceedings.

**5.** Attached to the protocol shall be photographs and negatives, films, videotapes and other materials that were produced during the proceedings.

**Article 100.** Legalisation of a Tax Check's Results

**1.** Authorised officials of the tax authorities shall draw up an on-site tax check report of the established form on the basis of the results thereof within two months as of the date of compiling a reference note in respect of the on-site tax check.

Where there are violations of the legislation on taxes and fees detected in the course of conducting a documentary tax check, the officials of the tax agency engaged in the said tax check shall draw up the tax check report of the established form within 10 days after the termination of the documentary tax check.

**2.** A tax check report shall be signed by the persons engaged in the appropriate check and by the person (by a representative thereof) in respect of which this tax check has been conducted.

If the person in respect of which a tax check has been conducted or a representative thereof refuses to sign the report, the appropriate note shall be made in the tax check report.

**3.** The following shall be shown in a tax check report:

1) date of the tax check report. The said date shall mean the date of signing the report by the persons which are engaged in it;

2) full and shortened denomination or family name, first name and patronymic of the person being checked. In the event of checking an organisation at the location of a separate subdivision thereof, the full and shortened denomination of the separate subdivision being checked and its location shall be stated in addition to the denomination thereof;

3) family names, first names and patronymics of the persons engaged in the tax check, their positions, indicating the denomination of the tax agency which they represent;

4) date and number of the decision of the head (deputy head) of the tax agency on conducting the on-site tax check (in respect of an on-site tax check);

5) date of filing with the tax agency the tax return and other documents (in respect of a documentary tax check);

6) list of the documents submitted by the person being checked in the course of the tax check;

7) checked time period;

8) denomination of the tax in respect of which the tax check was conducted;

9) starting and finishing dates of the tax check;

10) address of the place of location of an organisation or of the place of residence of a natural person;

11) data on tax control measures taken in the course of the tax check;

12) facts of violations of the legislation on taxes and fees detected in the course the tax check which are proved by documents or a note on the absence of such;

13) conclusions and proposals of the persons engaged in the tax check and references to articles of this Code, if this Code stipulates responsibility for these violations of the legislation on taxes and fees.

**4.** The form of, and requirements for, drawing up a tax check report shall be established by the federal executive body authorised to exercise control and supervision in respect of taxes and fees.

**5.** A tax check report has to be delivered to the person in respect of which the tax check has been conducted or to the representative thereof against their receipt or in some other way showing the date of its receiving by the said person (a representative thereof).

If the person in respect of which a tax check has been conducted or the representative thereof evades receiving a tax check report, this shall be shown in the tax check report and the tax check report shall be sent by mail to the location of the organisation (a separate subdivision thereof) or to the place of residence of the natural person. In the event of sending a tax check report by registered mail, as the date of delivery of this report shall be deemed the sixth day as of the date of sending the registered mail.

**6.** The person in respect of which a tax check has been conducted (or a representative thereof), in the event of disagreement with the facts stated in the tax check report, as well as with conclusions and proposals of the persons engaged in the tax check, shall be entitled within 15 days as of the date of receiving the tax check report to submit to the appropriate tax body its objections in writing in respect of the said report on the whole or in respect of certain provisions thereof. With this, the tax payer shall be entitled to attach to the objections in writing or to deliver to the tax authority at the agreed time the documents (or attested copies thereof) proving the reasonableness of such objections.

**Article 100.1.** Procedure for Trying Cases on Tax Offences

**1.** Cases on the tax offences detected in the course of a documentary or on-site tax check shall be tried in the procedure provided for by Article 101 of this Code.

**2.** Cases on the tax offences detected in the course of taking other tax control measures (except for the offences provided for by Articles 120, 122 and 123 of this Code) shall be tried in the procedure provided for by Article 101.4 of this Code.

**Article 101.** Rendering a Decision on the Basis of the Results of Considering Tax Check Materials

**1.** The tax check report and other materials of the tax check in the course of which violations of the legislation on taxes and fees were detected, as well as the objections in writing in respect of the said report presented by the person being checked (by a representative thereof) shall be considered by the head (deputy head) of the tax agency conducting the tax check and a decision on them shall be rendered within 10 days as of the date of expiry of the time period specified by Item 6 of Article 100 of this Code. The said time period may be extended, but at most by one month.

**2.** The head (deputy head) of the tax body shall notify of the time and place of considering the materials of a tax check the person in respect of which this tax check has been conducted,

The person in respect of which a tax check has been conducted shall be entitled to participate personally and (or) through a representative thereof in the consideration of the said tax check's materials.

The non-appearance of the person in respect of which a tax check has been conducted (or of a representative thereof) properly notified of the time and place of considering the tax check materials shall not impede the consideration of the tax check materials, except for cases when this person's participation is declared obligatory by the head (deputy) head of the tax agency for consideration of these materials.

**3.** Prior to considering tax check materials on their merits, the head (deputy head) of a tax agency shall be obliged to do the following:

1) to declare who is trying the case and what tax check materials are subject to consideration;

2) to establish the fact of the appearance of the persons invited for participation in such consideration. In the event of the non-appearance of these persons, the head (deputy head) of the tax agency shall find out whether the participants in the proceedings in respect of the case have been properly notified of it and shall render a decision on consideration of the tax check materials in the absence of the said persons or on postponing the said consideration;

3) in the event of participation of a representative of the person in respect which the tax check has been conducted, to verify the authority of this representative;

4) to explain to the persons participating in the consideration procedure their rights and duties;

5) to render a decision to postpone the consideration of the tax check materials in the event of non-appearance of the person whose participation is necessary for consideration thereof.

**4.** When considering tax check materials, the report of the tax check may be pronounced, as well as, if necessary, other materials relating to tax control measures, as well as written objections of the person in respect of which the tax check has been conducted. The absence of written objections shall not deprive this person (a representative thereof) of the right to give their explanations at the stage of considering the tax check materials.

While considering tax check materials, the presented evidence shall be examined. In the course of such consideration a decision may be rendered to attract to participation in this consideration, if necessary, a witness, expert or specialist.

**5.** In the course of considering tax check materials, the head (deputy head) of a tax agency:

1) shall establish, if the person in respect of which the tax check report has been drawn up, is guilty of breaching the legislation on taxes and fees;

2) shall establish whether the detected violations constitute formal elements of a tax offence;

3) shall establish whether there are grounds for calling the person to account for committing a tax offence;

4) shall establish the circumstances excluding the person's being guilty of committing a tax offence or the circumstances mitigating or aggravating liability for committing a tax offence.

**6.** Where it is necessary to obtain additional evidence to prove the fact of breaching the legislation on taxes and fees or in the absence of such, the head (deputy head) of the tax agency shall be entitled to render a decision on taking additional tax control measures within a time period of one month at most.

In the decision on ordering to take additional tax control measures shall be described the circumstances which have made such measures necessary and shall be indicated the time and specific form of taking them.

As additional tax control measures may be used the obtaining on demand of the documents in compliance with Articles 93 and 93.1 of this Code, interrogation of a witness and expert examination.

**7.** On the basis of the results of considering tax check materials, the head (deputy head) of a tax agency shall render a decision:

1) on calling to account for committing a tax offence;

2) on the refusal to call to account for committing a tax offence.

**8.** In a decision on calling to account for committing a tax offence shall be stated the circumstances of the tax offence committed by the person called to account in the way they are established in the course of the conducted tax check, making reference to the documents and other data proving the said circumstances, the arguments of the person in respect of which the tax check has been conducted in his defence and the results of verifying these arguments, a decision on calling the taxpayer to account for specific tax offences indicating the articles of this Code providing for these offences and punitive sanctions applied. In a decision on calling to account for committing a tax offence shall be specified the amount of detected arrears and appropriate penalties, as well as the fine to be paid.

In a decision on the refusal to call to account for committing a tax offence shall be stated the circumstances serving as a ground for such refusal. In a decision on the refusal to call to account for tax offences may be specified the amount of detected arrears, if these arrears have been detected in the course of the tax check and the amount of the appropriate penalties.

In a decision on calling to account for committing a tax offence or in a decision on the refusal to call to account for committing a tax offence shall be specified the time period when the person in respect of which the decision has been rendered, shall be entitled to appeal against the said decision, procedure for appealing against the decision with a superior tax authority (a superior official), as well as the denomination of the authority, its location and other necessary information.

**9.** A decision to call to account for committing a tax offence and a decision on the refusal to call to account for committing a tax offence shall enter into force upon the expiry of 10 days as of the date of its delivery to the person in respect of which the appropriate decision has been rendered (to a representative thereof).

In the event of filing an appeal against a decision of a tax authority in the procedure provided for by Article 101.2 of this Code, the said decision shall enter into force as of the date of its endorsement by a superior tax authority in full or in part.

The person in respect of whom the appropriate decision has been rendered shall be entitled to execute the decision in full or in part before its entry into force. With this, filing an appeal shall not deprive this person of the right to execute in full or in part a decision that has not yet entered into force.

**10.** After rendering a decision on calling to account for committing a tax offence or a decision on the refusal to call to account for committing a tax offence the head (deputy head) of a tax authority shall be entitled to take the protective measures aimed at making possible the execution of the said decision, if there are sufficient grounds to believe that failure to take these measures can impede or make impossible the subsequent execution of such decision and (or) recovery of the arrears, penalties and fines mentioned in this decision. In order to take protective measures the head (deputy) of a tax agency shall render a decision coming into force as of the date of its making and effective up to the date of executing a decision on calling to account for committing a tax offence or a decision on the refusal to call to account for committing a tax offence, or to the date of reversal of the rendered decision by a superior tax authority or court.

The head (deputy head) of a tax authority shall be likewise entitled to cancel protective measures before the above mentioned deadline.

As protective measures may be deemed the following:

1) prohibition to alienate (to put in pledge) a taxpayer's property without the consent of a tax authority. The prohibition to effect such alienation (putting in pledge) provided for by this Subitem shall be implemented stage-by-stage in respect of the following:

immovable property, including that which is not used in making products (carrying out works and rendering services);

transportation vehicles, securities, design articles of official premises;

other property, except for finished products, raw stuff and materials;

finished products, raw stuff and materials.

With this, the prohibition to alienate (to put in pledge) the property pertaining to each of the following groups shall apply, if the aggregate value of property from the preceding groups assessed on the basis of the accounting data is less than the total amount of arrears, penalties and fines to be paid on the basis of a decision on calling to account for committing a tax offence or a decision of the refusal to call to account for committing a tax offence.

2) suspension of operations on bank accounts in the procedure established by Article 76 of this Code.

Suspension of operations on a bank account by way of taking protective measures may only be applied after prohibiting alienation (putting in pledge) of property and if the aggregate value of such property on the basis of accounting data is less that the total amount of arrears, penalties and fines to be paid on the basis of a decision on calling to account for committing a tax offence or a decision on the refusal to call to account for committing a tax offence.

Suspension of operations on a bank account shall be allowed in respect of the difference between the total amount of arrears, penalties and fines stated in a decision on calling to account for committing a tax offence and the value of the property which is not subject to alienation (putting in pledge) in compliance with Subitem 1 of this Item.

**11.** A tax agency shall be entitled by request of the person in respect of which a decision has been rendered to replace the protective measures provided for by Item 10 of this Article by the following:

1) the bank guarantee proving that the bank undertakes to pay the amount of arrears specified by a decision on calling to account for committing a tax offence or a decision on the refusal to call to account for committing a tax offence, as well as the amount of the appropriate penalties and fines in the event of the principal's failure to pay these amounts at the time established by a tax authority;

2) pledge of securities circulating in the organised securities market or pledge of other property legalised in the procedure provided for by Article 73 of this Code;

3) surety of a third person legalised in the procedure provided by Article 74 of this Code.

**12.** If a taxpayer provides the guarantee of a bank having the investment rating of an investment agency included in the list endorsed by the Ministry of Finance of the Russian Federation, in the amount payable to the budget system of the Russian Federation on the basis of a decision to call to account for committing a tax offence or a decision on the refusal to call to account for committing a tax offence, the tax authority shall not be entitled to deny the taxpayer the replacement of the protective measures provided for by this Item.

**13.** A copy of a decision on calling to account for committing a tax offence or a decision on the refusal to call to account for committing a tax offence, as well as a copy of a decision on taking protective measures and a copy of a decision on the reversal of protective measures, shall be delivered to the person in respect of whom the said decision has been rendered or to a representative thereof against their receipt or shall be sent in another way showing the date of receiving the appropriate decision by the taxpayer.

**14.** Failure of tax officials to comply with the requirements established by this Code may serve as a ground for reversal of a decision of a tax authority by a superior tax authority or by court.

Failure to observe the rules of procedure for considering the materials of a tax check shall serve as a ground for reversal by a superior tax authority or by court of a decision of a tax authority on calling to account for committing a tax offence or a decision on the refusal to call to account for committing a tax offence. To such essential conditions shall pertain providing an opportunity for the person in respect of which a tax check has been conducted to participate in considering the materials of the tax check in person and (or) through a representative thereof and providing an opportunity for a taxpayer to give his explanations.

As grounds for reversal of the said decision of a tax authority by a superior tax agency or by court may be deemed other failures to follow the procedure for considering the materials of a tax check, if only such failures have caused or can cause the adoption by the head (deputy head) of the tax authority of a wrongful decision.

**15.** In respect of the violations detected by a tax authority, for which natural persons or officials of an organisation are administratively liable, the authorised official of the tax authority who has conducted the tax check shall draw up a record of the administrative offence within the scope of authority thereof. Cases on these offences shall be tried and administrative penalties shall be imposed upon the natural persons and officials of organisations who are guilty of them, in compliance with the legislation on administrative offences.

**16.** The provisions established by this Article shall likewise extend to payers of fees and tax agents.

**Article 101.1.** Abrogated from January 1, 2007.

**Article 101.2.** Procedure for Appealing against a Decision of a Tax Authority on Calling to Account for Committing a Tax Offence or a Decision on the Refusal to Call to Account for Committing a Tax Offence

**1.** A decision on calling to account for committing a tax offence or a decision on the refusal to call to account for committing a tax offence may be appealed against with a superior tax authority in the procedure determined by this Article.

A procedure for, and term of, considering an appeal by a superior tax authority and rendering a decision on it shall be determined in the procedure provided for by Article 139 - 141 of this Code subject to the provisions established by this Article.

**2.** A decision on calling to account for committing a tax offence or a decision on the refusal to call to account for committing a tax offence which has not entered into force may be appealed against in the appellate procedure by way of filing an appeal.

If the superior tax authority engaged in consideration of an appeal does not reverse a decision of a inferior tax authority, the decision of the inferior tax authority shall enter into force as of the date of endorsing it by the superior tax authority.

If the superior tax authority engaged in consideration of an appeal changes the decision of a inferior tax authority, the decision of the inferior tax authority subject to the changes made in it shall enter into force as of the date of rendering the appropriate decision by the superior tax authority.

**3.** An effective decision on calling to account for committing a tax offence or a decision on the refusal to call to account for committing a tax offence, which may not be appealed against in the appellate procedure, may be appealed against with a superior tax authority.

**4.** A superior tax authority shall be empowered to suspend execution of a decision of a tax authority being appealed on the application of the person appealing against the decision of the tax authority.

**5.** A decision on calling to account for committing a tax offence or a decision on the refusal to call to account for committing a tax offence may only be appealed against judicially after appealing against this decision with a superior tax authority. In the event of appealing against such decision in the judicial procedure, the time period for taking a legal action shall be calculated starting from the date when the person in respect of which this decision has been rendered learned about its entry into force.

**Article 101.3.** Execution of a Tax Authority's Decision on Calling to Account for Committing a Tax Offence or a Decision on the Refusal to Call to Account for Committing a Tax Offence

**1.** A decision on calling to account for committing a tax offence or a decision on the refusal to call to account for committing a tax offence shall be subject to execution as of the date of its entry into force.

**2.** Execution of the appropriate decision shall be placed upon the tax authority which has made this decision. In the event of considering an appeal by a superior tax authority in the appellate procedure, the appropriate decision which has entered into force shall be sent to the tax authority that has made the initial decision, within three days as of the date of the appropriate decision's entry into force.

**3.** On the basis of an effective decision a demand to pay the tax (fee), the appropriate penalties, as well as a fine, in the event of calling a person to account for committing a tax offence, shall be sent to the person in respect of which a decision on calling to account for committing a tax offence or a decision on the refusal to call to account for committing a tax offence has been rendered in the procedure established by Article 69 of this Code.

**Article 101.4.** Proceedings in Respect of the Tax Offences Provided for by this Code

**1.** In the event of detecting facts testifying to the tax offences provided for by this Code (except for the tax offences provided for by Articles 120, 122 and 123 of this Code), the tax authority official shall draw up a report of the established form to be signed by this official and the person that has committed such tax offence. Should the person that has committed a tax offence refuse to sign the report, the appropriate note shall be made in this report.

**2.** The report has to show the facts of breaching the legislation on taxes and fees proved by documents, as well as contain conclusions and proposals of the official who has detected the facts of breaching the legislation on taxes and fees, as to the elimination of detected violations and imposition of punitive sanctions for the tax offence.

**3.** A form of the report and requirements for drawing it up shall be established by the federal executive body authorised to exercise control and supervision in the field of taxes and fees.

**4.** The report shall be handed in to the person that has committed a tax offence against the receipt thereof or shall be delivered in some other way showing the date of receiving it. If the said person evades receiving the said report, a tax authority official shall make an appropriate note about it in the report and send it to the said person by registered mail. In the event of sending the said act by registered mail, as the date of handing in the said report shall be deemed the sixth day as of the date of its sending.

**5.** The person that has committed a tax offence shall be entitled, in the event of disagreement with the facts stated in the report, as well as with the conclusions and proposals of the official who has detected the tax offence, to submit to the appropriate tax authority within 10 days as of the date of receiving the report objections in writing in respect of the report on the whole or in respect of certain provisions thereof. With this, the said person shall be entitled to attach to the objections in writing or to deliver to the tax authority at the agreed time the documents (attested copies thereof) proving the reasonableness of the objections.

**6.** Upon the expiry of the time period specified in Item 5 of this Article the head (deputy head) of the tax authority within 10 days shall consider the report stating the facts of breaching the legislation on taxes and fees, as well as the documents and materials presented by the person that has committed the tax offence.

**7.** The report shall be considered in the presence of the person to be called to account or a representative thereof. The tax authority shall notify in advance the person that has breached the legislation on taxes and fees, of the time and place of considering the report. The non-appearance of the properly notified person to be called to account for committing a tax offence or a representative thereof shall not make it impossible for the head (deputy head) of the tax authority to consider the report in the absence of this person.

In the course of considering the report may be read out the drawn up report and other materials resulting from taking tax control measures, as well as objections in writing of the person to be called to account for committing a tax offence.

The absence of written objections shall not deprive this person of the right to give explanations at the stage of considering the report.

While considering the report, explanations of the person to be called to account shall be head and other evidence shall be examined.

In the course of considering the report and other materials resulting from taking tax control measures a decision may be rendered to attract, where necessary, to participation in this consideration a witness, expert or specialist.

In the course of considering the report and other materials the head (deputy head) of a tax authority shall do the following:

1) shall establish if the person in respect of which the report has been drawn up is guilty of breaching the legislation on taxes and fees;

2) shall establish whether the detected violations constitute formal elements of the tax offences contained in this Code;

3) shall establish whether there are grounds for calling the person in respect of which the report has been drawn up to account for committing a tax offence;

4) shall establish the circumstances excluding the person's being guilty of committing a tax offence or the circumstances mitigating or aggravating liability for committing a tax offence.

**8.** On the basis of the results of considering the report and the documents and materials attached thereto, the head (deputy head) of a tax authority shall render a decision:

1) on calling a person to account for committing a tax offence;

2) on the refusal to call the person to account for committing a tax offence.

**9.** In a decision on calling a person to account for breaching the legislation on taxes and fees shall be described the circumstances of the committed offence, shall be specified the documents and other data proving the said circumstances, the arguments of the person to be called to account in defence thereof and the results of these arguments' verification, as well as the decision on calling the person to account for specific tax offences indicating the articles of this Code stipulating the liability for these offences and punitive sanctions to be imposed.

In a decision on calling to account for committing a tax offence shall be indicated the time when the person in respect of which the said decision has been rendered shall be entitled to appeal against this decision, a procedure for appealing against the decision with a superior tax authority (a superior official), as well as shall be indicated the denomination of this authority, its location and other necessary data.

**10.** On the basis of the rendered decision on calling a person to account for breaching the legislation on taxes and fees a demand to pay penalties and fines shall be sent to this person.

**11.** A copy of the decision of the head of the tax authority and the demand to pay penalties and a fine shall be handed in to the person that has committed a tax offence against the receipt thereof or shall be delivered in some other way showing the date of their receiving by this person (a representative thereof). If the person called to account or representatives thereof evade receiving copies of the said decision and demand, these documents shall be sent by registered mail and shall be deemed received upon the expiry of six days as of the date of their sending by registered mail.

**12.** The failure of tax officials to comply with the requirements established by this Code may serve as a ground for reversal of the tax authority's decision by a superior tax authority or court.

Failure to observe the rules of procedure for considering the report and other materials resulting from taking tax control measures shall serve as a ground for reversal by a superior tax authority or by court of a decision of a tax authority. To such essential conditions shall pertain providing an opportunity for the person in respect of which the report has been drawn up to participate in considering the materials of a tax check in person and (or) through a representative thereof and providing an opportunity for a taxpayer to give his explanations.

As grounds for reversal of the said decision of a tax authority by a superior tax agency or by court may be deemed other failures to follow the procedure for considering the materials, if only such failures have caused or can cause the adoption of a wrongful decision.

**13.** In respect of the violations of the legislation on taxes and fees detected by a tax authority for which persons are administratively liable, the authorised official of the tax authority shall draw up a record of the administrative offence. Cases on these offences shall be tried and administrative penalties in respect of the persons guilty of committing them shall be imposed by tax authorities in compliance with the legislation on administrative offences.

**Article 102.** Taxpayer Confidentiality

**1.** Any information regarding a taxpayer received [information] by a tax authority, the bodies of internal affairs, the agency of a governmental extra-budgetary fund or a customs agency shall be considered confidential, with the exception of the following:

1) information disclosed by the taxpayer at his own discretion or with his consent;

2) information on the TIN;

3) on violations of tax and fee legislation and sanctions for these violations;

4) information provided to tax (customs) or law-enforcement agencies of other nations in accordance with international treaties (agreements) on mutual cooperation between tax (customs) or law enforcement authorities of respective countries (in the part that concerns information submitted to these agencies), to which the Russian Federation is a party.

5) granted to election commissions in accordance with the legislation on elections by the results of the checks by the tax body of the information about the size and sources of the income of a candidate and his or her spouse and also about the property belonging to the candidate on the right of ownership.

**2.** Confidential taxpayer information shall not be subject to disclosure by tax authorities, the bodies of internal affairs, the agencies of the governmental extra-budgetary funds and customs agencies, their officials, recruited specialists, or experts, with the exception of the cases stipulated in federal law.

Disclosure of confidential tax information shall include, without being limited to, the use of information, which constitutes a technological or commercial secret of the taxpayer, that came into possession of a tax official, the bodies of internal affairs, an agency of an governmental extra-budgetary fund or a customs agency, a participating specialist or expert while performing their duties.

**3.** Confidential taxpayer information that came into possession of the tax authority, the internal affairs bodies, the agencies of the governmental extra-budgetary funds or the customs agencies shall be subject to special storage and access arrangements.

Officials defined by the federal executive body authorised accordingly for control and supervision over taxes and fees, by the federal executive body authorised in the sphere of internal affairs and by the federal executive body authorised for control and supervision over customs shall have access to information that makes up a tax secret.

**4.** Loss of documents containing confidential tax information, or disclosure of such information shall entail liability under federal laws.

**Article 103.** Inadmissibility of Causing Unlawful Damage While Exercising Tax Control

**1.** In exercising tax control, causing unlawful damage to the persons being checked, to their representatives or property held in their possession, use, or disposal shall be inadmissible.

**2.** Damage done by unlawful actions of tax authorities or their officials in exercising tax control shall be subject to full compensation, including the compensation for loss of expected gains (missing/unearned profit).

**3.** For causing damages to the persons being checked, their representatives by their unlawful actions, tax authorities and their officials shall be held liable under federal laws.

**4.** Damage done to the persons being checked, their representatives by lawful actions of tax officials shall not be subject to compensation, except in the cases set forth in federal laws.

**Article 103.1.** Abrogated from January 1, 2007.

**Article 104.** Statement of Claim for Collecting a Tax Sanction

1. After rendering a decision on calling a natural person not being an individual businessman to account for committing a tax offence or in other cases when an extrajudicial procedure for collecting tax sanctions is not allowed, the appropriate tax authority shall file the statement of claim with court for collecting from the person to be called to account for committing the tax offence the tax sanction provided for by this Code.

Prior to filing a lawsuit with a court, the tax authority shall advise the person to be called to account for committing a tax offence to pay the amount of the tax sanction voluntarily.

If the person to be called to account for committing a tax offence refuses to pay the amount of the tax sanction voluntarily or does not make the payment within the time limit stated in the demand for payment, the tax authority shall file a statement of claim in at court for the collection of the tax sanction established under the present Code for committing the tax offence.

**2.** Lawsuits/petitions for collecting tax sanctions from organisations or individual entrepreneurs are filed with an arbitration court, and lawsuits/petitions for collecting tax sanctions from individuals other than individual entrepreneurs - with a court of general jurisdiction.

Attached to the statement of claim shall be the protocol of the tax offence and other materials of the case produced in the course of the tax audit.

**3.** If necessary, along with filing a statement of claim for collecting the tax sanction from the person being held responsible for committing the tax offence, the tax authority can file a motion in court to secure the claim in the order envisaged by the civil procedural legislation of the Russian Federation and by the arbitration procedure legislation of the Russian Federation.

**4.** The rules of this Article shall also apply in case of calling to account for breaking the legislation on taxes and fees in connection with the shifting of goods across the customs border of the Russian Federation.

**Article 105.** Hearing of Cases and Execution of Rulings to Collect Tax Sanctions

1. Cases for collection of tax sanctions instituted by tax authorities against organisations or individual entrepreneurs shall be tried by courts of arbitrage pursuant to the law of arbitral procedure of the Russian Federation.

**2.** Cases for collection of tax sanctions instituted by tax authorities against natural persons other than individual entrepreneurs shall be tried by courts of general jurisdiction pursuant to the law of civil procedure of the Russian Federation.

**3.** Execution of effective court rulings on collecting tax sanctions shall be performed pursuant to the Russian Federation law of executive process.

Effective decisions of courts on collecting tax sanctions from the organisations for which personal accounts are opened shall be executed in the procedure established by the budget legislation of the Russian Federation.

## Section 6. Tax Offenses and Liability for Committing Them

### Chapter 15. General Provisions on Liability for Committing Tax Offenses

**Article 106.** Concept of a Tax Offense

A tax offense is an unlawful (in violation of tax legislation) act (action or inaction) of a taxpayer, tax agent or other persons entailing liability under the present Code.

**Article 107.** Persons Liable for Committing Tax Offenses

**1.** Liability for committing tax offenses shall be borne by organisations and natural persons in the cases provided for in Chapters 16 and 18 of this Code.

**2.** Natural persons can be held liable for committing a tax offence from the age of sixteen.

**Article 108.** General Conditions of Holding [Taxpayers] Liable for Committing Tax Offenses

**1.** No one can be held liable for committing a tax offense other that on the grounds and in the manner stipulated in the present Code.

**2.** No one can be held liable for the same tax offense twice.

3. Liability provided for under this Code for an act committed by a natural person shall arise if the said act does not contain elements of crime provided for by the criminal legislation of the Russian Federation.

4. Holding an organisation liable for a tax offense shall not release its officials from administrative, criminal or other liability under federal laws, provided that the appropriate grounds for that exist.

**5.** Holding a person liable for a tax offense shall not release him from the obligation to pay (to remit) the tax (fee) and penalty liability.

**6.** A person shall be presumed innocent of committing a tax offense until his guilt is proven in accordance with the procedure provided for by federal law. The person called to account shall not be required to prove his innocence of committing a tax offense. The burden of presenting evidence of the tax offence and proving a person's guilt in committing it shall be carried by the tax authorities. Ineradicable doubts as to the guilt of the person called to account shall be interpreted in favour of the person.

**Article 109.** Circumstances Which Rule out the Possibility of Holding a Person Liable for Committing a Tax Offense

A person cannot be held liable for committing a tax offence if at least on of the following circumstances is present:

1) absence of the event of a tax offence;

2) absence of guilt of the person in question in committing a tax offense;

3) action containing elements of a tax offense committed by a natural person who had not reached sixteen years of age at the time of the action was committed;

4) expiry of the statute of limitations for the tax offence committed.

**Article 110.** Forms of Guilt of Committing a Tax Offense

**1.** A person who has committed an unlawful action intentionally or by negligence shall be recognized as a defaulter (a person at guilt).

**2.** A tax offense shall be recognized as committed intentionally, if the person who committed it was aware of the unlawful nature of his action (inaction), was desiring, or conscientiously admitting the possibility of occurrence of, harmful consequences of such actions (inaction).

**3.** A tax offence shall be considered committed through negligence, if the person who committed it was not aware of the unlawful nature of his actions (inaction) or of the harmful nature of consequences of such action (inaction), even thought he should have and could have been aware of it.

**4.** The guilt of an organisation in committing a tax offence shall be established depending on the guilt of it officials or its representatives whose actions (or inaction) provided the conditions for the tax offence.

**Article 111.** Circumstances Ruling Out the Guilt of a Person in Committing a Tax Offense

**1.** The following circumstances shall rule out the guilt of a person in committing a tax offense:

1) committing an act that contains elements of a tax offence in consequence of a natural calamity or other extraordinary or insurmountable circumstances (said circumstances shall be established by the presence of generally known facts, by mass media publications and by any methods that are not in need of special means of proof);

2) committing an act that contains elements of a tax offence by an natural person whose condition at the time of committing that act was such that he could not understand or control his actions as a result of his sick state (said circumstances shall be proved by submitting to a tax body documents, which by their meaning, content and date relate to that tax period in which a tax offence was committed);

3) following by a taxpayer (fee payer or tax agent) of explanations in writing in respect of a procedure for calculation and payment of a tax (fee) or in respect of other matters concerning application of the legislation on taxes and fees given to him or to an indefinite group of persons by a financial, tax or other authorised state power body within the scope of authority thereof (the said circumstances shall be established if there is the appropriate document of this body whose meaning and contents make it pertinent to the tax periods when a tax offence was committed, regardless of the date of issuing such document).

The provisions of this Subitem shall not apply if the said written explanations are based upon incomplete or unreliable information presented by a taxpayer (fee payer or tax agent);

4) other circumstances which can be recognised by the court or the tax authority engaged in consideration of a case as excluding the person's being guilty of committing a tax offence.

**2.** In the presence of circumstances listed under Item 1 of this Article, the person shall not be held liable for committing a tax offence

**Article 112.** Attenuating and Aggravating Circumstances for Committing a Tax Offense

**1.** Circumstances attenuating the liability for committing a tax offense shall be the following:

1) committing an offense on account of simultaneous difficult personal or family circumstances;

2) committing an offence under threat for force, or due to pecuniary, administrative or other dependence;

2.1) hard financial position of the natural person to be called to account for committing a tax offence;

3) other circumstances recognized by the court or the tax authority considering the case as attenuating the liability for a tax offense.

**2.** Aggravating circumstances shall be that when a tax offence is committed by a person who had already been held liable for committing a similar offence in the past.

**3.** The person from whom a tax sanction has been collected shall be deemed to have been subject to this sanction in the course of 12 months from the date of entry into legal force of the decision made by court or tax body.

**4.** Circumstances mitigating or aggravating the responsibility for the commission of a tax offence shall be established by a court of law or the tax authority considering the case and taken into its consideration when imposing tax sanctions.

**Article 113.** Statute of Limitation for Tax Offenses

**1.** A person cannot be held liable for a tax offense if three years (the statute of limitations) have expired since the day when the offense was committed or since the first day after the end of the tax

period during which the offense committed and up to the time of rendering a decision on calling to account.

Computation of the statute of limitations from the day when the tax offense was committed shall be applicable to all tax offenses, except for those provided for under Articles 120 and 122 of this Code.

Computation of the statute of limitation from the first day after the end of the respective tax period shall be applicable to tax offenses provided for under Articles 120 and 122 of this Code.

**1.1.** Running of the limitation period for calling to account shall be suspended if the person to be called to account for committing a tax offence took an active part in opposing an on-site tax check, this posing an insurmountable obstacle for conducting it and determining by the tax authorities of the tax amounts payable to the budget system of the Russian Federation.

Running of the limitation period for calling to account shall be deemed suspended as of the date of drawing up the deed provided for by Item 3 of Article 91 of this Code. In this case, running of the time period for calling to account shall be resumed as of the day when the circumstances impeding an on-site tax check ceased and a decision on resuming the on-site tax check was rendered.

**2.** Removed.

**Article 114.** Tax Sanctions

**1.** A tax sanction is a measure of liability for tax offenses.

**2.** Tax sanctions shall be established and imposed in the form of monetary charges (fines) in the amounts provided for in in Chapters 16 and 18 of this Code.

3. Provided there is at least one attenuating circumstance, the amount of fine shall be reduced, but not more than by half of the amount of fine established under the appropriate Article of this Code.

**4.** In the presence of the aggravating circumstance stated in Item 2 of Article 112, the amount of fine shall be increased by 100%.

**5.** Should one person commit two or more tax offenses, tax sanctions shall be imposed for each offense separately, without a heavier sanction absorbing a lesser one.

**6.** The amount of the fine to be recovered from a taxpayer, fee payer or tax agent for a tax offence entailing tax (or fee) arrears shall only subject be to remittance from accounts accordingly of the taxpayer, fee payer or tax agent after remittance in full of this amount of arrears and appropriate penalties in the order established by the civil legislation of the Russian Federation.

**7.** Abrogated from January 1, 2007.

**Article 115.** Statute of Limitation for Recovering Fines

1. Tax authorities may make a claim with court for recovering fines from an organisation and individual businessman in the procedure and within the time period which are provided for by Articles 46 and 47 of this Code from a natural person not being an individual businessman in the procedure and within the time period which are provided for by Article 48 of this Code.

The statement of claim for recovering a fine from an organisation or an individual businessman in the cases provided for by Subitems 1-3 of Item 2 of Article 45 of this Code may be filed by a tax authority within six months after the expiry of the time period for satisfying the demand for paying the fine. The time period for filing the said statement of claim missed for sound reasons may be restored by court.

**2.** In the case of a non-suit or dismissal of a criminal case, but in the presence of a tax offense, the statute of limitations for filing a statement of claim shall be computed from the day the tax authority receives a ruling of non-suit or dismissal of the criminal case.

## Chapter 16. Types of Tax Offenses and Liability for Committing Them

**Article 116.** Failure to Meet the Deadline for Registering with a Tax Authority

**1.** Failure by a taxpayer to meet the deadline for filing an application for registration with a tax authority, established by this Code, in the absence of elements of a tax offense provided for under Item 2 of this Article,

shall entail a fine in the amount of five thousand roubles.

**2.** A breach by the taxpayer of the time-limit for filing an application for registration with a tax body for a period of over 90 calendar days according to this Code,

shall entail a fine in the amount of 10,000 roubles.

**Article 117.** Avoidance of Registration with a Tax Authority

**1.** Activity by an organisation or an individual entrepreneur without registration with a tax body

shall entail a fine in the amount of 10% of the income received during this period from conducting the business in question or twenty thousand roubles, whichever is greater.

**2.** Activity by an organisation or an individual entrepreneur without registration with a tax body for more than 90 calendar days

shall entail a fine in the amount of 20 per cent of the incomes received conducting the period of activity without registration for more than 90 calendar days but at least 40 000 roubles.

**Article 118.** Failure to Meet the Deadline for Reporting the Opening of a Bank Account

**1.** Failure by a taxpayer to meet the deadline established by this Code for submitting information of his opening or closing an account with any bank to the tax authorities.

shall entail a fine in the amount of five thousand roubles.

**2.** Removed.

**Article 119**. Non-submission of a Tax Declaration

**1.** Failure by a taxpayer to meet the deadline provided for by the tax legislation for filing a tax return with the tax office where the taxpayer is registered, provided that no elements of a tax offence under Item 2 of this Article are present,

shall entail a fine in the amount of 5 per cent of the amount of the tax subject to payment (additional payment) on the basis of this declaration for each full or partial month since the day fixed for its submission, but not more than 30 per cent of the said sum and not less than 100 roubles.

2. Failure by a taxpayer to file a tax return for more than 180 days after the legislatively established deadline for filing such tax returns

shall entail the imposition of a fine in the amount of 30 per cent of the sum of the tax subject to payment on the basis of this declaration and 10 per cent of the sum of the tax subject to payment on the basis of this declaration for each complete or incomplete month beginning with the 181st day.

**Article 120.** Failure to Comply with the Rules for Accounting for Income, Expenditure and Objects of Taxation

**1.** A gross violation of rules of accounting for income and (or) expenditure and (or) objects of taxation, if these actions were committed within one tax period, in the absence of signs of a tax offence provided for by Item 2 of this Article,

shall entail imposition of a fine in the amount of five thousand roubles.

**2.** The same deeds if they were being committed during a period of time that exceeds one tax period,

shall entail a fine in the amount of fifteen thousand roubles.

3. The same deeds if they resulted in under reporting of the tax base,

shall entail a fine in the amount of 10 percent of the amount of unpaid tax, or 15 thousand roubles, whichever is less.

A gross violation of the rules for accounting for income, expenditure and objects of taxation for the purposes of the present Article shall mean absence of primary [detailed] documents, or absence of invoices, or absence of book-keeping registers, repeated (twice and more times during a calendar year) untimely or incorrect coverage of business transactions, monetary funds, tangible assets, intangible assets and financial investments of the taxpayer in the balance sheet accounts and in reporting.

**Article 121.** Removed.

**Article 122.** Failure to Pay the Full Amounts of Tax (Fee)

**1.** Non-payment or incomplete payment of the sums of the tax (fee) as a result of understating the tax base, of another wrong calculation of the tax or of any other unlawful actions or inaction.

shall entail a fine in the amount of 20 per cent of the unpaid amount of tax (fee).

**2.** Abrogated from January 1, 2004.

**3.** Deeds provided for by Item 1 of this Article, when committed intentionally,

shall entail a fine in the amount of 40 per cent of the unpaid amount of tax (fee).

**Article 123.** Failure of a Tax Agent to Fulfill the Duty of Withholding and Remitting Taxes

The unlawful non-transfer or the incomplete transfer of the sums of the tax subject to deduction and transfer by a tax agent,

shall entail a fine in the amount of 20% of the amount that had to be remitted.

**Article 124.** Abrogated from July 1, 2002.

**Article 125**. Failure to Comply with the Regulations of Tenancy, Use and Disposal of Attached Property

Failure to comply with the procedures established by this Code for tenancy, use and/or disposal of property under lien

shall entail the imposition of a fine in the amount of ten thousand roubles.

**Article 126.** Non-Provision to a Tax Authority of Information Necessary for the Exercise of Tax Control

**1.** Non-submission by a taxpayer (fee payer or tax agent) to tax bodies within the fixed period of time of documents and/or other information, provided for by this Code and other legislative acts on taxes and fees,

shall entail the exaction of a fine in the amount of 50 roubles for each document not presented.

**2.** Non-provision of information about a taxpayer to a tax authority in the form of refusal of an organisation to turn over the documents, stipulated by the present Code, containing information on the taxpayer at the request of a tax authority, as well as avoidance of providing such documents, or provision of documents containing false information unless such deed contains the signs of a breach of the legislation on taxes and fees which is stipulated by Article 135.1 of this Code.

shall entail a fine in the amount of five thousand roubles.

**3.** Abrogated from July 1, 2002.

**Article 127.** Removed.

**Article 128.** Liability of a Witness

Failure to appear or avoidance of appearing without good reason by a person summoned in connection with a tax case as a witness

shall entail a fine in the amount of one thousand roubles.

Unlawful Refusal of a witness to give testimony, or perjury on the part thereof

shall entail a fine in the amount of three thousand roubles.

**Article 129.** Refusal of an Expert, Interpreter or Specialist to Assist in a Tax Audit, Presentation of a Fraudulent Opinion by an Expert or Fraudulent Interpretation by an Interpreter

**1.** Refusal of an expert, interpreter or specialist to assist in a tax audit

shall entail a fine in the amount of five hundred roubles.

**2.** Presentation of a fraudulent opinion by an expert or fraudulent interpretation by an interpreter

shall entail a fine in the amount of one thousand roubles.

**Article 129.1.** Unlawful Non-dispatch of Information to a Tax Body

**1.** Unlawful non-dispatch or untimely dispatch by a person of information, which under this Code this person should provide the respective tax body, in the absence of signs of a tax offence stipulated by Article 126 of this Code, shall involve the exaction of a fine in the amount of 1,000 roubles.

**2.** The same deeds committed for a second time during a calendar year shall involve the exaction of a five in the amount of 5,000 roubles.

**Article 129.2.** Violating the Procedure for Registration of Gambling Industry Units

**1.** Violating the procedure established by this Code for registration with the tax authorities of gambling tables, slot-machines, cashier's offices of totalisers, cashier's offices of bookmaker's houses or the procedure for registration of changes in the quantity of the said units -

**2.** shall entail the imposition of the fine which is three times as much as the rate of tax on gambling industry established for the appropriate taxation object.

## Chapter 17. Costs Connected with Exercising Tax Control

**Article 130.** Abrogated from January 1, 2007.

**Article 131.** Payment of Amounts Due to Witnesses, Interpreters, Specialists, Experts, and Attesting Witnesses

**1.** Travel and lodging expenses of witnesses, interpreters, specialist, experts, and attesting witnesses incurred by the latter in connection with their appearance at the office of the tax authority shall be reimbursed and per diems shall be paid.

**2.** Interpreters, specialist, and experts shall be remunerated for the work they did on the commission of a tax authority, if this work is not part of their normal job functions.

**3.** A person summoned to a tax agency as a witness continues to draw his/her wage at the principal job while such witness is absent from the job.

**4.** Amount due to witnesses, interpreters, specialists, experts, and attesting witnesses shall be paid by the tax authority upon fulfillment of their duties.

The payment procedure and amounts payable shall be determined by the Government of the Russian Federation and shall be financed from the federal budget.

## Chapter 18. Types of Tax Offenses Committed by Banks Stipulated by the Legislation on Taxes and Fees and Liability for Committing them

**Article 132.** Failure of a Bank to Comply with the Procedure for Opening an Account for a Taxpayer

**1.** The opening by a bank of an account for an organisation or individual businessman, a notary engaged in private practice or a solicitor who has founded a solicitor's study, without producing by such person a certificate (notification) of registration with a tax body, and also the opening of an account in the presence in the bank of a decision of the tax body on the suspension of transactions on the accounts of this person,

shall involve the exaction of a fine in the amount of 10,000 roubles.

**2.** Non-supply by a bank to a tax body of information about the opening or the closing of an account by an organisation or individual businessman, a notary engaged in private practice or a solicitor who has founded a solicitor's study,

shall involve the exaction of a fine in the amount of 20,000 roubles.

**Article 133.** Failure to Meet the Deadline for Executing an Order to Remit a Tax (Fee)

**1.** Failure of a bank to meet the deadline established by the present Code for executing the order of a taxpayer (fee payer) or a tax agent to remit a tax (fee)

shall entail a fine interest in the amount of 1/150 of the CBR refinancing rate, or 0.2 % for every calendar day of delay, whichever is higher.

**2.** Removed.

**Article 134.** Failure of a Bank to Comply with a Decision of a Tax Authority to Suspend the Accounts of a Taxpayer, Fee-payer or Tax Agent

Execution by a bank, which has a decision by a tax authority to suspend accounts of a taxpayer, fee-payer or tax agent, of an order of the latter to remit funds to a third party unconnected to the execution of the duties of paying the tax or fee, or any other payment order, which, in accordance with the Russian Federation legislation, has higher priority than payments to the budget system of the Russian Federation.

shall entail a fine in the amount of twenty percent of the amount remitted in accordance with the order of taxpayer, fee-payer or tax agent, or the amount of liability, whichever is higher.

**Article 135.** Non-fulfilment by a Bank of an Instruction of a Tax Authority on the Remittance of a Tax, Fee, or Penalty

**1.** The unlawful non-fulfilment by a bank of an instruction of a tax body on the remittance of a tax, fee or penalty and a fine within the period of time fixed by this Code,

shall involve the exaction of a fine at the rate of one hundred and fiftieth the refinancing rate of the Central Bank of the Russian Federation, but not more than 0.2 per cent for each calendar day of delay.

**2.** The commission by a bank of actions aimed at creating a situation of the absence of monetary funds on the account of a taxpayer, fee payer or tax agent, with regard to which the tax body has at the bank its letter under Article 46 of this Code,

shall involve the exaction of a fine in the amount of 30 per cent of the sum of money that was received as a result of such actions.

**Article 135.1.** Non-Submission by a Bank to Tax Authorities of Statements (Abstracts) about Transactions and Accounts

Non-submission by a bank to a tax authority of statements (abstracts) on transactions and accounts in compliance with Item 2 of Article 86 of this Code -

shall entail the exaction of a fine in the amount of 10 000 roubles.

**Article 136.** Procedure for Collecting Fines and Penalty Interest from Banks

The fines stated in in Articles 132 - 135.1, shall be collected in accordance with a procedure similar to the one provided for by the present Code for collection of tax sanctions.

## Section 7. Appealing Acts of Tax Authorities and Actions or Inaction on the Part of Tax Officers

## Chapter 19. Procedure for Appealing Acts of Tax Authorities and Actions or Inaction on the Part of Tax Officers

**Article 137.** Right to Appeal

Every person shall be entitled to appeal acts of tax authorities of a non-normative nature, as well as actions or inaction of tax officials, if this person believes that such acts, actions of inaction infringe upon his rights.

Normative legal acts [regulations] of tax authorities can be appealed in accordance with the procedure provided for by the federal legislation.

**Article 138.** Procedure for Appeals

**1.** Acts of tax authorities, actions or inaction of tax officials can be appealed against to a higher tax authority (higher tax official) or court.

Filing a complaint to a higher tax authority (higher tax official) shall not rule out the right to a simultaneous or subsequent filing of a similar complaint with a court, if not otherwise provided for by Article 101.2 of this Code.

**2.** Judicial appeals against acts (including normative acts) of tax authorities, actions or inaction of tax officials by organisations and individual entrepreneurs shall be performed by means of filing a statement of claim with a court of arbitrage in accordance with federal laws on arbitral procedure.

Judicial appeals against acts (including normative acts) of tax authorities, actions or inaction of tax officials made by individuals other than individual entrepreneurs shall be performed by means of filing a statement of claim with a court of general jurisdiction in accordance with the legislation on appealing against unlawful actions of government authorities and officials in court.

**3.** In the event of appealing acts of tax authorities, actions of their officials with court on the application of a taxpayer (fee payer or tax agent), execution of appealed acts and making appealed actions may be suspended by court in the procedure established by the appropriate procedural legislation of the Russian Federation.

In the event of appealing acts of tax authorities or actions of their officials with a superior tax authority on the application of a taxpayer (fee payer or tax agent), the execution of appealed acts and making of appealed actions may be suspended by decision of a superior tax authority.

**Article 139.** Procedure and Deadline for Filing Appeals with Higher Tax Authorities or Higher Officials

**1.** An appeal against an act of a tax authority, actions or inaction of a tax officer shall be filed with the higher tax authority or a higher official of the same tax authority, respectively.

**2.** Unless otherwise provided for by this Code, an appeal to a higher tax authority (higher official) shall be filed within three months from the day when the person learned or ought to have learned of the violation of their interests. Documents supporting the complaint may be appended to this complaint.

In the case of failure to meet the deadline for appeal filing due to good reasons, the period allowed for appeal filing may be renewed at the request of the appellant by the head (deputy head) of the tax authority or by a superior tax authority.

An appeal against a decision of a tax authority on calling to account for committing a tax offence or a decision on the refusal to call to account for committing a tax offence shall be filed prior to the entry into force of the appealed decision.

An appeal against an effective decision of a tax authority on calling to account for committing a tax offence or a decision on the refusal to call to account for committing a tax offence which has not been appealed in the appellate procedure shall be filed within one year as of the time of rendering the appealed decision.

**3.** An appeal shall be submitted in written form to the relevant tax authority or official, if not otherwise provided for by this Item.

An appeal against the appropriate decision of a tax authority shall be filed with the tax authority that has issued this decision which shall be obliged within three days as of the date of receiving the said appeal to send it together with all materials to a superior tax authority.

**4.** The person who has filed an appeal to the superior authority or the superior official can withdraw it by written request, unless a ruling concerning that appeal has already been rendered.

Withdrawal of an appeal shall deprive the appellant of the right to file a new appeal based on the same reasons with the same tax authority or the same superior official.

A new appeal can be filed with a higher tax authority or higher official within the time limits provided for by Item 2 of this Article.

## Chapter 20. Consideration of Appeals and Rendering Decisions

**Article 140.** Consideration of Appeals by Superior Tax Authorities or Superior Officials

**1.** An appeal shall be considered by the higher tax authority (higher official).

**2.** Based on the results of consideration of an appeal against an act of a tax authority, the higher tax authority shall be entitled to:

1) dismiss the appeal;

2) cancel the act of the tax authority;

3) cancel the ruling and dismiss the tax case;

4) alter the decision or render a new decision.

Based on the results of consideration of an appeal against actions or inaction of tax officials, the higher tax authority or official shall be entitled to render a decision on the substance of the case.

On the basis of the results of considering an appeal against a decision a superior tax authority shall be entitled to do the following:

1) to leave the decision of a tax authority unchanged and to reject the appeal;

2) to reverse or change the decision of tax authority in full or in part and to render a new decision on the case;

3) to reverse the decision of a tax authority and to terminate proceedings on the case.

**3.** A decision in respect of an appeal shall be rendered by a tax authority (official) within one month as of the date of receiving it. The said time period may be extended by the head (deputy head) of a tax authority for the purpose of obtaining the documents (information) required for consideration of the appeal from lower tax authorities but by 15 days at most. The person that has filed an appeal shall be informed in writing about the rendered decision within three days as of the date of adopting it.

**Article 141.** Consequences of Appeal Filing

**1.** Filing an appeal with a superior tax authority or a superior official shall not suspend the execution of the act or the action appealed against, except in cases set forth in this Code.

**2.** If the tax authority or tax official considering an appeal have ample grounds to believe that the act or action appealed against are not consistent with the legislation of the Russian Federation, the said tax authority shall be entitled to suspend the act or action appealed against in full or in part. The decision to suspend execution of the act (action) shall be taken by the head of the tax authority that passed the actor by a higher tax authority.

**Article 142.** Consideration of Appeals in Court

Appeals (statements of claim) against acts of tax control bodies, actions (inaction) of tax officials filed with a court shall be considered and resolved in accordance with the federal law of civil procedure, arbitral procedure and other federal laws.

President of the Russian Federation

B. Yeltsin

Moscow, the Kremlin

**Part 2 (with the Amendments and Additions of December 29, 2000, May 30, August 6, 7, 8, November 27, 29, December 28, 29, 31, 2001, May 29, July 24, 25, December 24, 27, 31, 2002, May 6, 22, 28, June 6, 23, 30, July 7, November 11, December 8, 23, 2003, April 5, June 29, 30, July 20, 28, 29, August 18, 20, 22, October 4, November 2, 29, December 28, 29, 30, 2004, May 18, June 3, 6, 18, 29, 30, July 1, 18, 21, 22, October 20, December 5, 6, 20, 31, 2005, January 10, February 28, June 3, 30, July 18, 26, 27, October 16, November 3, December 4, 5, 29, 30, 2006, May 16, 17, July 19, 24, October 30, November 4, 8, 29, December 1, 4, 2007)**

**Adopted by the State Duma on July 19, 2000**
**Approved by the Federation Council on July 26, 2000**

## Section VIII. Federal Taxes

## Chapter 21. Value-Added Tax

**Article 143.** Taxpayers

**1.** The following shall be recognised as taxpayers for the purposes of value added tax (hereinafter referred to as "taxpayers"):

organizations;

individual entrepreneurs;

persons recognized as taxpayers of the value added tax (further in the present Chapter - tax) in connection with the movement of goods across the customs border of the Russian Federation defined according to the Customs Code of the Russian Federation.

**2.** As taxpayers shall not be deemed the organisations which are foreign organizers of the Olympic Games and Paralympic Games in compliance with Article 3 of the Federal Law on the Organisation and Holding of the XXII Winter Olympic Games and XI Winter Paralympic Games of 2014 in the Town of Sochi, on the Development of the Town of Sochi as a Mountain Climatic Health Resort and on Amending Some Legislative Acts of the Russian Federation in respect of operations made within the

framework of the organisation and holding of the XXII Winter Olympic Games and XI Winter Paralympic Games of 2014 in the town of Sochi.

**Article 144.** Registration as a Taxpayer

**1.** Taxpayers are subject to a compulsory registration with the tax body in compliance with Articles 83, 84 of the present Code and with due regard to the peculiarities stipulated by the present chapter.

**2.** Foreign organisations are entitled to be registered with the tax bodies as taxpayers at the location of their permanent establishments in the Russian Federation. Registration as a taxpayer shall be effected by a tax body on a written application of a foreign organisation.

**3.** Foreign organisations with several subdivisions (representative offices and branches) on the territory of the Russian Federation shall independently choose the subdivision in the place of whose tax registration they will present tax declarations and pay the tax as a whole for the operations of all subdivisions of foreign organisations located on the territory of the Russian Federation. Foreign organisations shall be obliged to notify about their choice the tax bodies in the place of location of their subdivisions registered on the territory of the Russian Federation.

**Article 145.** Release from the Taxpayer Obligations

**1.** Organizations and individual businessmen have the right to relief from performing a taxpayer's duties relating to tax accrual and payment thereof (hereinafter referred to as relief), if the sum of proceeds from the sale of goods (works, services) of such organizations or individual businessmen less the tax has not exceeded as aggregate 2,000,000 roubles for the three preceding calendar months in a row.

**2.** The provision of this article shall not extend to the organizations and individual businessmen selling excisable goods within three preceding calendar months.

**3.** The relief in compliance with Item 1 of this Article shall not apply insomuch as it concerns the duties arising in connection with the importation to the customs territory of the Russian Federation of goods taxable under Subitem 4 of Item 1 of Article 146 of this Code.

Persons contending for being relieved from a taxpayer's duties shall file a relevant application in writing and the documents, indicated in Item 6 of this Article, which support their right to such a relief, with the tax body at the place where they are registered.

Said application and documents shall be filed on the 20th day of the month at latest beginning from which these persons contend for being relieved from a taxpayer's duties.

The form of an application for relief from a taxpayer's duties shall be subject to endorsement by the Ministry of Finance of the Russian Federation.

**4.** The organizations and individual businessmen which have filed with the tax body an application for relief from a taxpayer's duties (or for extending the term of relief) may not reject this relief prior to the expiry of 12 calendar months in a row, safe for the cases when they forfeit the right to relief under Item 5 of this Article.

Upon the expiration of 12 calendar months and on the 20th day of the next following month at latest the organizations and individual businessmen, which have been relieved from a taxpayer's duties, shall file with the tax bodies the following:

the documents confirming that within said term of relief the sum of proceeds from the sale of goods (works, services), calculated in compliance with Item 1 of this Article, less the tax, did not exceed 2,000,000 roubles as an aggregate for each three calendar months in a row;

an application for enjoying the right to extend the term of relief to the next 12 calendar months or for the refusal to enjoy such right.

**5.** If within the period, in which organizations and individual businessmen were relieved from a taxpayer's duties, proceeds from the sale of goods (works, services) less the tax for each three calendar month in a row exceeds 2,000,000 roubles or if a taxpayer have sold excisable goods, the taxpayers, as of the first day of the month when such excess took place or the excisable goods and (or) excisable raw materials were sold, and to the end of the relief term, shall cease to enjoy the right to the relief.

The sum of the tax for the month in which said limit was exceeded or excisable goods and (or) excisable raw materials were sold shall be recovered and paid to the budget in the established manner.

Should a taxpayer fail to submit the documents specified in Item 4 of this Article (or should the taxpayer submit documents containing unreliable information), as well as should the tax bodies find that the taxpayer has not observed the limitations established by this Item and Items 1 and 4 of this Article, the sum of tax shall be recovered and paid to the budget in the established manner, with a relevant tax sanction and penalty being collected from the taxpayer.

**6.** The documents confirming in compliance with Items 3 and 4 of this Article the right to relief (to extension of the relief term) shall be as follows:

an extract from the balance sheet (to be submitted by organizations);

an extract from the sales book;

an extract from the book of receipts and expenditures and of economic operations (to be submitted by individual businessmen);

a copy of the register of received and issued invoices.

As regards organisations and individual businessmen that have switched from the simplified taxation system to the general tax regime, an extract from the book of receipts and expenditures of organsations and individual businessmen applying the simplified taxation system shall be deemed the document proving their right to relief.

As regards individual businessmen who have switched to the general taxation system from the taxation system for agricultural commodity producers (uniform agricultural tax), an extract from the book of receipts and expenditures of individual businessmen applying the taxation system for agricultural commodity producers (uniform agricultural tax) shall be deemed the document proving their right to relief.

**7.** In the cases provided for by Items 3 and 4 of this Article a taxpayer shall be entitled to send to the tax body the application and the documents by registered mail. In such case the six day, as of the date of sending the registered letter, shall be regarded as the date of their submission.

**8.** The amounts of the tax to be deducted by taxpayers in compliance with Articles 171 and 172 of this Code prior to their enjoying the right to relief under this Article with regard to goods (works, services), including fixed assets and intangible assets acquired for the purpose of making operations which are regarded as units of taxation in compliance with this Article but have not been used for said operations, after sending by the taxpayers an application for enjoying the right of relief shall be recovered in the last tax period prior to sending an application for enjoying the right to relief by way of reducing tax deductions.

The amounts of the tax paid in respect of the goods (works, services) acquired by taxpayers, who have lost the right to relief in compliance with this Article, prior to the loss of said right and used by the taxpayers after their loss of this right in operations regarded as units of taxation in compliance with this Article, shall be deducted in the procedure established by Articles 171 and 172 of this Code.".

**Article 146.** The Item of Taxation

1. The following operations shall be defined as items of taxation:

1) sale of goods (works, services) on the territory of the Russian Federation, including the sale of subjects of a pledge and transfer of goods (results of performed works, rendered services) under a compensation agreement or a novation, as well as the transfer of property rights.

For the purposes of the present Chapter, the transfer of title to goods, results of performed works, rendered services on gratuitous basis shall be redefined as sale of goods (works, services);

2) the transfer of goods (performance of works, provision of services) on the territory of the Russian Federation for own purposes in respect of which expenses are not accepted for offset (in particular, as depreciation deductions) when the tax on the profit of organisations is being calculated;

3) performance of construction and erection works for own consumption;

4) importation of goods to the customs territory of the Russian Federation.

**2.** For the purposes of the present Chapter, the following shall not be recognized as a unit of taxation:

1) operations listed in Item 3 of Article 39 of the present Code;

2) transfer on a gratuitous basis of apartment houses, nursery schools, clubs, sanatoriums and other facilities of social and cultural housing purposes and also roads, electrical grids, substations, gas networks, water intake facilities and other similar objects to public authorities and bodies of local self-government (or by decision of said bodies to specialized organizations operating the aforesaid facilities as per their purpose);

3) transfer of property of the state and municipal enterprises redeemed by way of privatization;

4) performance of works (rendering of services) to bodies which are included in the system of public authorities and bodies of local self-government within the framework of execution of exceptional authority in a specific area of activities assigned to them, if the mandatory nature of executing said works (rendering of services) is stipulated by legislation of the Russian Federation, legislation of subjects of the Russian Federation, or laws of bodies of local self-government;

5) transfer on a gratuitous basis of fixed assets to public authorities and government agencies and bodies of local self-government, and also to the state and municipal establishments, state and municipal unitary enterprises.

6) transactions in the sale of land plots or shares thereof.

7) the transfer of the property rights of the organisation to its successor or successors;

8) transfer of monetary funds to non-profit organisations for the formation of a special-purpose capital which shall be carried out in the procedure established by the Federal Law on the Procedure for the Formation and Use of Special-Purpose Capital of Non-profit Organisations;

9) operations of selling by taxpayers, which are Russian organizers of the Olympic Games and Paralympic Games in compliance with Article 3 of the Federal Law on the Organisation and Holding of the XXII Winter Olympic Games and XI Winter Paralympic Games of 2014 in the Town of Sochi, on the Development of the Town of Sochi as a Mountain Climatic Health Resort and on Amending Some

Legislative Acts of the Russian Federation, goods (works, services) and property rights which are made by approbation of the persons which are foreign organizers of the Olympic Games and Paralympic Games in compliance with Article 3 of the Federal Law on the Organisation and Holding of the XXII Winter Olympic Games and XI Winter Paralympic Games of 2014 in the Town of Sochi, on the Development of the Town of Sochi as a Mountain Climatic Health Resort and on Amending Some Legislative Acts of the Russian Federation within the framework of discharging obligations under the agreement made by the International Olympic Committee with the Olympic Committee of Russia and the town of Sochi in respect of holding the XXII Winter Olympic Games and XI Winter Paralympic Games of 2014 in the town of Sochi.

**Article 147.** The Place of Sale of Goods

For the purposes of the present Chapter, the territory of the Russian Federation shall be recognized as the place of sale of goods if one or several of the below circumstances exist:

the goods are located on the territory of the Russian Federation and are not shipped, and are not transported;

the goods at the time of beginning of the shipment or transportation are located on the territory of the Russian Federation;

**Article 148.** The Place of Execution of Works (Rendering Services)

**1.** For the purposes of the present Chapter the territory of the Russian Federation shall be recognized as the place of sale of works (services) performed if:

1) works (services) are connected directly to real estate (except for aircraft, sea ships and internal navigation ships and also spacecraft) located on the territory of the Russian Federation. Such works (services), in particular, shall include civil engineering, assembly, construction and erection, repair, restoration works, the planting of trees and shrubs, lease services;

2) the works (services) are associated with movable property, with aircraft, sea-going and inland ships on the territory of the Russian Federation. Such works (services) include, in particular, assembly, erection, processing, thorough revision, repair and technical maintenance;

3) services actually performed on the territory of the Russian Federation in the area of culture, arts, education (instruction), physical culture, tourism, recreation and sports;

4) a buyer of works (services) operates on the territory of the Russian Federation.

The place of activity of the buyer shall be considered the territory of the Russian Federation if the buyer of works (services) specified in the present Subitems is actually located on the territory of the Russian Federation on the basis of state registration of an organization or individual entrepreneur, and if such is not available - on the basis of the place indicated in constituent instruments of the organization, the place of management of the organization, seat of its permanent executive board, location of its permanent representation (if the services are rendered through this permanent representation), place of residence of the natural person. The provision of the present Subitem shall apply to:

the transfer, granting of patents, licenses, trademarks, copyrights or other similar rights;

the rendering of services (the performance of works) for working out programmes for personal computers and databases (softwares and information products of computer technology), their adaptation and modification;

rendering consulting, legal, accounting, engineering, advertising, marketing, education services, services in the processing of information, and also in the performance of research and development works. Engineering services shall include engineering and consulting services in the development of a production process and sale of products (works, services), preparation of civil engineering and operation of facilities in industry, infrastructure, agricultural and other objects, predesign and design services (drafting of feasibility studies, the design engineering and other similar services). Services in the processing of information shall include services in the collection, generalization and systematization of information files and furnishing the user with results of this information processing;

leasing of personnel if the personnel works at the place of business activity of the buyer;

letting out movable property, except for ground motor vehicles;

rendering services of an agent who on behalf of the principal participant of the contract would hire a person (organization or natural person) to render services stipulated by the present Subitem;

4.1) the carriage and/or transportation services, and also the services (works) directly associated with carriage and/or transportation (with the exception of services or works directly connected with the carriage and/or transportation of goods placed under the customs regime of international customs transit), are provided or performed by Russian organisations or individual businessmen, if the point of departure and/or the point of destination are to be formed on the territory of the Russian Federation.

The territory of the Russian Federation shall be also recognised as a place of the realisation of services, if transport vehicles are provided under freight contract that presupposes the carriage (transportation) on these transport vehicles by Russian organisations and individual businessmen and the point of departure and/or the point of destination are to be found on the territory of the Russian

Federation. In this case aircraft, sea-going and inland ships used for the carriage of goods and/or passengers by the water (sea and river) and the air transport shall be recognised as transport vehicles;

4.2) the services (works) directly associated with the carriage and the transportation of the goods placed under the customs regime of international customs transit shall be performed by the organisations or by the individual businessmen, the place of whose activity is the territory of the Russian Federation;

5) activity of organizations or individual entrepreneurs that perform works (render services) shall be performed on the territory of the Russian Federation (as regards the performance of types of works (rendering of types of services) not stipulated by Subitems 1 - 4.1 of this Item.

**1.1.** For the purpose of the present chapter the territory of the Russian Federation shall not be recognised as a place for the realisation of works (services), if:

1) the works (services) are associated directly with real estate (except for aircraft, sea-going and inland ships, and also space vehicles) located outside the Russian Federation. Such works (services) include, in particular, building, assembly, erection and assembly, repair, restoration, landscape and shade gardening works, and lease services;

2) works (services) are connected directly with movable property located outside the Russian Federation, and also with aircraft, sea-going and inland water ships located outside the Russian Federation. Such works (services) include, in particular, assembly, erection, processing, through revision, repair and technical maintenance;

3) services are rendered in fact outside the Russian Federation in the sphere of culture, act, education (instruction), physical culture, tourism, rest and sport;

4) the buyer of works (services) does not carry on the activity on the territory of the 'Russian Federation. The provision of the present subitems shall apply during the performance of those works and services which are listed in Subitem 4 in Item 1 of the present Article:

5) The services of carriage (transportation) and the services (works) directly connected with carriage, transportation, freightage are not listed in Subitems 4.1 ad 4.2.of Item 1 of the present Article.

**2.** The territory of the Russian Federation shall be considered the place of activity of an organization or individual entrepreneur performing various types of work or rendering various types of service not stipulated by Subitems 1 - 4.1 of Item 1 of the present Article if this organization or individual entrepreneur is actually present on the territory of the Russian Federation on the basis of state registration, and if such is not available - on the basis of the place stated in constituent documents of the organization, place of management of the organization, seat of the organization's permanent executive board, location of its permanent representation in the Russian Federation (if the works were performed (the services were rendered) through this permanent representation) or place of residence of the natural person.

For the purposes of the present Chapter, as the place of activity performed by the organization or individual entrepreneur who renders services in letting out aircraft, sea ships or internal navigation vessels" shall be replaced by the words "let use aircraft, sea ships or internal navigation vessels under lease contracts (time chartering) with a crew, and also services in carriage, shall not be recognized the territory of the Russian Federation where the carriage is effected between ports situated outside the territory of the Russian Federation.

**3.** If the sale of works (services) is of an auxiliary nature as regards the sale of principal works (services), the place of sale of the principal works (services) shall be recognized as the place of such an auxiliary sale.

**4.** Documents confirming the place of performance of works (of rendering of services) are:

1) a contract with foreign or Russian persons;

2) documents confirming the fact of performance of works (of rendering of services).

**Article 149.** Operations Which Are Not Taxable (Exempted from Taxation)

**1.** Not subject to taxation (exempt from taxation) letting out premises by a lessor on the territory of the Russian Federation to foreign subjects or to organizations accredited in the Russian Federation.

The provisions of Paragraph One of this Item shall apply when by law of a corresponding foreign state a similar procedure is established concerning citizens of the Russian Federation and Russian organizations accredited in this foreign state, or if such a standard is stipulated by an international treaty (agreement) of the Russian Federation. The list of foreign states in relation to whose citizens and (or) whose organizations are applied the norms of the present Item shall be defined by the federal body of executive authorities in the area of international relations jointly with the Ministry of Finance of the Russian Federation.

**2.** Not subject to taxation (tax exempt) shall be the sale (and also transfer, performance, rendering for own needs) on the territory of the Russian Federation of:

1) the following domestic and foreign-made medical goods as per under the list approved by the Government of the Russian Federation:

major and vitally essential medical equipment;

artificial limbs and orthopedic articles, raw materials for their manufacture and semi-finished articles for the above;

technical facilities, including motor vehicles, materials which can be used only for disability prevention or rehabilitation of invalids;

glasses (except for sun glasses), lenses and rims for glasses (except sunglasses);

2) medical services rendered by medical organizations and/or institutions, physicians engaged in private medical practice except for beauty treatment, veterinary and sanitary-and-epidemiological services. Limitations established by the present Subitem shall not apply to veterinary and sanitary-and-epidemiological services funded from the budget. For the purposes of the present Chapter, the following shall be referred to as medical services:

services defined by the list of services granted under obligatory medical insurance;

services rendered to the population in diagnostics, prevention and treatment irrespective of forms and sources of payment for such under the list approved by the Government of the Russian Federation;

services in the collection of blood from the population which are rendered under agreements with stationary medical establishments and by out-patient departments;

first aid services rendered to the population;

services in the duty of medical staff at a patient's bed;

pathology-anatomic services;

services rendered to pregnant women, infants, disabled persons and drug addicts under treatment;

3) services in the care for the ill, disabled and senior citizens granted by the state and municipal authorities of social protection to the persons, the necessity of care for whom is confirmed by appropriate conclusions of bodies of public health services and bodies of social protection of the population;

4) services in the care for children at pre-school establishments, holding of classes with minor children in hobby groups, circles (including sports ones) and studios;

5) food products produced directly by canteens of universities and schools, canteens of other educational institutions, canteens of medical organizations, children's pre-school establishments and sold by them to aforesaid establishments, and also food products manufactured directly by organizations of public catering and sold by such to aforesaid canteens or to said institutions.

The provisions of the present Subitem shall be applied to canteens of universities and schools, canteens of other educational institutions, messes of medical organizations only if these establishments are entirely or partially financed from the budget or from resources of obligatory medical insurance funds;

6) services in conservation, acquisition and use of archives rendered by archive establishments and organizations;

7) services in the carriage of passengers:

by urban public passenger transport (except for taxis, as well as mini-buses). For the purposes of the present Article, services in the carriage of passengers by urban public passenger transport shall include services in the carriage of passengers under uniform conditions of carriage of passengers, including at single travel tariffs established by bodies of local self-government which grant all privileges for travel approved in due order;

seagoing, river, railway or motor transport (except for taxis, as well as mini-buses) in suburban transport, provided passengers are carried at single tariffs and all travel privileges are granted as approved in due order;

8) undertaker's services, works (services) in the manufacture of gravestone monuments and registration of graves, and also sale of funeral accessories (according to a list endorsed by the government of the Russian Federation);

9) postage stamps (except for collectable stamps), marked cards and marked envelopes, lottery tickets of lotteries conducted by decisions of the authorized body;

10) services in the provision of living quarters in the housing stock of all forms of ownership;

11) coins made of precious metals (except for collectable coins) which are the currency of the Russian Federation, or currency of foreign states.

Collector's precious metal coins shall include the following:

precious metal coins being the currency of the Russian Federation or the currency of a foreign state (a group of states) coined according to the mirror surface technology;

precious metal coins not being the currency of the Russian Federation or the currency of a foreign state (group of states);

12) shares in the authorized (pooled) capital of organizations, shares in unit funds of co-operatives and unit investment funds, securities and instruments of time transactions (including forward and future contracts and options);

13) services rendered without collection of an extra charge to repair and maintain goods and household devices, including medical goods during their warranty period, including the cost of spare parts and details for such;

14) services in the field of education involving industrial practice (according to the areas of basic and further education as stated in the license) or educational process, except for consulting services, and also services in letting out premises performed by non-commercial educational organizations.

Sale by non-commercial education organizations of goods (works, services) as their own products (produced by educational institutions, including industrial practice workshops within the framework of basic and further education), and also those bought from outside sources shall be subject to taxation irrespective whether the income from this sale is directed to the educational institution in question or to immediate needs of the development, improvement of the educational process;

15) repair and restoration, mothballing and rehabilitation works performed in the restoration of historical and cultural monuments protected by the state, religious buildings and structures used by religious organizations (except for archaeological and earth works in zones adjacent to historical and cultural monuments or cult buildings and structures; civil engineering works in the reconstruction of monuments completely lost to history and culture or of cult buildings and structures; works in the manufacture of restoration, mothballing of structures and materials; activities to control quality of performed works);

16) works performed during the sale of target-oriented socio-economic programs (projects) of housing construction for servicemen within the framework of implementation of aforesaid programs, including:

works in the construction of social, cultural purpose or amenities and the associated infrastructure;

works in the creation, construction and maintenance of centers for professional retraining of servicemen, persons discharged from military service and members of their families.

Operations listed in the present Subitem are not subject to taxation (are exempted from taxation), provided these works are financed solely and directly to the charge of loans or credits granted by international organizations and/or governments of foreign states, foreign organizations or natural persons pursuant to inter-governmental or interstate agreements, a party to which is the Russian Federation, and also agreements signed by authorized bodies of state administration on instruction of the Government of the Russian Federation;

17) services rendered by bodies authorized thereto, for which a state duty is collected, all kinds of license, registration and patent fees and charges, customs fees for storage and also tolls and duties collected by state bodies, bodies of local self-government, by other authorized bodies and officials when granting certain rights to organizations and natural persons (including payments to the budgets for the right to use natural resources);

18) goods placed under the customs treatment of duty free shop;

19) goods (works, services) except for excisable goods sold (performed, rendered) within the framework of rendering gratuitous help (assistance) to the Russian Federation according to the Federal Law on Gratuitous Help (Assistance) to the Russian Federation and Addenda and Amendments to Certain Laws of the Russian Federation on Taxes and on the Establishment of Privileges under the Payments to State Extra-Budgetary Funds in Connection with the Granting of Gratuitous Help (Assistance) to the Russian Federation.

Sale of goods (works, services) listed in the present Subitem shall not be taxable (exempted from taxation) upon submission to the tax authorities of the following documents:

the contract (a copy of the contract) of the taxpayer with the donor (the organisation authorised by the donor) on gratuitous aid (assistance) or with the recipient of gratuitous aid (assistance) in the supply of goods (the performance of works or the rendering of services) within the framework of rendering gratuitous aid (assistance) to the Russian Federation. If a federal executive body of the Russian Federation is a recipient of gratuitous aid (assistance), the contract (a copy of the contract) with the organisation authorised by this federal executive body shall be submitted to the respective tax body;

certificate (notarized copies of the certificate) issued in due order and confirming that the delivered goods (performed works, rendered services) are classed as humanitarian or technical help (assistance);

the record of the bank which confirms the actual receipt of proceeds by the taxpayer's account with a Russian bank for the realised goods (works, services) in gratuitous aid (assistance) to the donor (the organisation authorised by the donor) or to the recipient of gratuitous aid (assistance), or to the organisation authorised by the federal executive body;

If a contract has a clause calling for settlements in cash a bank statement shall be submitted to a tax body to acknowledge the payment of the amounts of money received by the taxpayer into the taxpayer's account in a Russian bank and also copies of cash receipt slips confirming the actual receipt of proceeds from the buyer of the said goods (works, services);

20) services rendered by establishments of culture and arts in the area of culture and arts, which include:

services in letting out audio and video media on hire from the stock of said establishments, of sound and technical equipment, musical instruments, stage facilities, costumes, footwear, theatrical

props, properties, wigmaker's accessories, articles for cultural needs, animals, exhibits and books; services in the making of copies for educational purposes and teaching aids, services in photocopying, reproduction, photo-copying, making of microcopies of printed matter, museum exhibits and documents from stocks of aforesaid establishments; services in making sound recordings of theatre shows, cultural-and-educational and entertainment shows, in the production of copies of sound recordings from sound records of aforesaid establishments; services in the delivery of printed matter from stocks of libraries to readers and receipt thereof from the readers; services in drafting lists, reports and catalogues of exhibits, materials and other articles and collections making up stocks of aforesaid establishments; services in hiring out scenic and concert areas to other budget funded institutions of culture and arts, and also services in the distribution of tickets specified in paragraph three of the present Subitem;

sale of admission tickets and seasonal tickets to theatre-and-entertainment, cultural-and-educational activities and entertainment shows, side-shows in zoological gardens and parks of culture and rest, excursion tickets and places in tourist groups on a form duly authorized as a strict accountability form;

sale of programs at performances and concerts, catalogues and booklets.

To establishments of culture and arts for the purposes of the present Chapter, theaters, cinemas, concert organizations and collectives shall be referred theatrical and concert box offices, circuses, libraries, museums, exhibitions, houses and palaces of culture, clubs, houses (in particular of cinema, writers', composers' houses), planetaria, parks of culture and recreation, lecture halls and popular universities, excursion bureaus (safe for tourist excursion bureaus), reserves, botanical gardens and zoos, national parks, natural parks and landscape parks;

21) works (services) in the production of cine-products performed (rendered) by organizations of cinematography, of rights to use (including hire and show) cine-products which have received the national film certificate;

22) services rendered directly at airports of the Russian Federation and in the air space of the Russian Federation in the service of aircraft, including aero-navigation services;

23) works (services including repair ones) in the service of seagoing and inland watercraft within mooring periods (all kinds of harbour fees, services of port craft), as well as pilotage;

24) services of pharmaceutical institutions with regard to production of medicines, as well as to manufacture and repair of spectacle lenses (safe for sunglasses), to repair of hearing aids and the prosthetic-and-orthopedic articles enumerated in Subitem 1 of Item 2 of this Article, services related to prosthetic-and-orthopedic assistance;

25) non-ferrous metal scrap;

26) exclusive rights to inventions, utility models, industrial designs, computer programs, data bases, topologies of integrated microcircuits, know-how, and also rights to the use of the indicated results of intellectual activity under a licence agreement.

**3.** The following operations shall not be subject to taxation (tax exempt) on the territory of the Russian Federation:

1) sale (transfer for own needs) of religious use objects and religious literature (according to the list approved by the Government of the Russian Federation upon submission by religious organizations (associations),manufactured by religious organisations (associations) and organisations whose only founders (participants) are religious organisations (associations) and realised by the given or other religious organisations (associations) and by organisations whose only founders (participants) are religious organisations (associations), within the framework of religious activities, apart from excisable goods and mineral raw materials ones and also the organization and holding by aforesaid organizations of religious rites, ceremonies, prayer assemblies or other cult activities;

2) sale (in particular, transfer, performance, provision for own needs) of goods (except for excisable, mineral raw materials and mineral resources, and also other goods according to the list approved by the Government of the Russian Federation upon submission by All-Russian public organizations of disabled persons, works, services (except for broker and other intermediary services), effected and sold by:

public organizations of invalids (including those created as unions of public organizations of invalids) at least 80 per cent of whose membership are invalids and their legal representatives;

organizations whose entire authorized capital consists of contributions of public organizations of invalids specified in paragraph two of the present Subitem if the average active number of invalids among their workers constitutes no less than 50 per cent, and their share in the fund of wages - no less than 25 per cent;

establishments, whose asset's are owned solely by public organizations of invalids specified in paragraph two of the present Subitem and created to achieve educational, cultural, treatment-and-health improvement, physical culture and sports, scientific, information related and other social purposes, and also to render legal and other help to disabled, disabled children and their parents;

state unitary enterprises attached to anti-tuberculousis, psychiatric and psycho-neurological establishments, establishments for social protection or social rehabilitation of the population, as well as medicalindustrial (labour) workshops attached to these establishments;

3) the accomplishment of banking transactions by banks (save cash collection), in particular:

raising organisations' and individuals' funds as deposits;

placing borrowed funds of organisations and individuals in the name of banks and on the account of the banks;

the opening and keeping bank accounts of organisations and natural persons, including bank accounts, used to make settlements with bank cards, and also operations connected with the service of bank cards;

effecting settlements on the instructions of organisations and individuals, in particular, correspondent banks, on their bank accounts;

providing cash services to organisations and individuals;

purchasing/selling foreign currency in cash and in cashless form (in particular, providing mediation services relating to transactions of the purchase/sale of foreign currency);

accomplishing transactions in precious metals and precious stones under the legislation of the Russian Federation;

in the fulfilment of bank guarantees (the issue and cancellation of a bank guarantee, the confirmation and change of the conditions of the said guarantee, the payment under such guarantee, the execution of documents under this guarantee), and also the completion by banks of the following operations:

issuing a surety for a third person as providing for performance of obligations in pecuniary form;

providing services relating to the installation and operation of a "client-bank" system, in particular, providing software and personnel training for the said system;

receipt from borrowers of amounts on account of a compensation of insurance premiums (insurance contributions) paid by a bank under agreements of insurance in case of death or onset of disability of said borrowers, in which the bank is the insurant or beneficiary;

3.1) services connected with the service of bank cards;

4) operations performed by organizations that provide information and technological interaction between participants in settlements, including rendering of services in the collection, processing and sending to participants in the settlements of information on bank card operations;

5) performance of certain banking operations by organizations which, according to the legislation of the Russian Federation have the right to perform such without a license of the Central Bank of the Russian Federation;

6) sale of articles of folk art crafts of recognized artistic value (except for excisable goods) whose samples have been registered in the order established by the Government of the Russian Federation;

7) rendering of services in insurance, co-insurance and re-insurance by insurance organizations, and also rendering of services on non-state pension insurance by non-state pension funds.

For the purposes of the present Article, those operations shall be recognized as operations in insurance, co-insurance and reinsurance as a result of which the insurance organization receives:

insurance (remuneration) payments under insurance, co-insurance and reinsurance contracts, including insurance premium payments, and paid reinsurance commission (including a bonus);

interest charged on deposit of the premium under reinsurance contracts and transferred by the reinsured to the reinsurer;

insurance premiums received by the authorized insurance organization which has duly concluded a coinsurance contract for and on behalf of the insurers;

the funds received by the insurer under as subrogation from a person responsible for damage caused to the insurant at the rate of insurance indemnity paid to the insurant;

8) the organisation of totalisators and other games based on risk (including those with the use of slot-machines) by organisations or individual businessmen of gaming business;

8.1) the holding of lotteries by decision of the authorised body of the executive power, including the rendering of the services of selling lottery tickets;

9) the realization of ore, ore concentrates and other industrial products containing noble metals, of the scrap and wastes of noble metals for the production of noble metals and for refining; the realization of noble metals and precious stones by tax payers (with the exception of those indicated in Subitem 6 of Item 1 of Article 164 of the present Code) to the State Fund of Noble Metals and Precious Stones of the Russian Federation, to the funds of noble metals and precious stones of the subjects of the Russian Federation, to the Central Bank of the Russian Federation and to banks; the realization of precious stones as raw materials (with the exception of uncut diamonds) for processing to enterprises, regardless of the forms of ownership, for subsequent sale for export; the realization of precious stones as raw materials and as cut to specialized foreign economic organisations, to the State Fund of Noble Metals and Precious Stones of the Russian Federation, to the funds of noble metals and precious stones of the subjects of the Russian Federation, to the Central Bank of the Russian Federation and to banks; the

realization of noble metals from the State Fund of Noble Metals and Precious Stones of the Russian Federation and from the funds of noble metals and precious stones of the subjects of the Russian Federation to specialized foreign economic organisations, to the Central Bank of the Russian Federation and to banks, as well as the sale of precious metals in bars by the Central Bank of the Russian Federation and by banks to the Central Bank of the Russian Federation and to banks, including under agency contracts, contracts of commission or brokerage contracts made with the Central Bank of the Russian Federation or banks, regardless of whether these bars are placed in the vault of the Central Bank of the Russian Federation or banks' vaults, as well as to other persons on condition that these bars are kept in one of the vaults (the State Vault of Valuables, the vault of the Central Bank of the Russian Federation or banks' vaults);

10) sale of raw diamonds to processing enterprises of all forms of ownership;

11) intrasystem sale (transfers, performance, rendering for own needs) of goods produced (performed works, rendered services) by organizations and establishments of the penitentiary system;

12) transfer of goods (execution of works, rendering of services) free of charge within the framework of charities according to the Federal Law on Charities and Charitable Organizations, except for excisable goods;

13) sale of entrance tickets whose form is approved in the established manner as a strict accountability form, by organizations of physical culture and sports for entrance to sports and entertainment activities they conduct; rendering of services in leasing out sports facilities to conduct aforesaid activities;

14) the provision of services by the colleges of solicitors/barristers, solicitor/barrister bureaux, chambers of solicitors/barristers of Russian regions or the Federal Chamber of Solicitors/Barristers in connection with their pursuing professional activity;

15) operations in granting monetary loans, and also the rendering of financial services to grant monetary loans;

15.1) abrogated from January 1, 2007;

16) performance of research and development works at the expense of funds of budgets, and also funds of the Russian Fund for Fundamental Research, the Russian Fund for Technological Development and extra-budgetary funds of ministries, departments and associations formed for these purposes according to the legislation of the Russian Federation; performance of research and development works by educational and scientific organisations under economic contracts;

16.1) performance by organisations of scientific-research, developmental and technological works relating to the creation of new products and technologies or to the perfection of the manufactured products and technologies if the following types of activity are included in the composition of the scientific-research, developmental and technological works:

elaboration of the design of an engineering facility or a technical system;

elaboration of new technologies, that is methods of uniting physical, chemical, technological and other processes with labour processes into an integral system manufacturing new products (goods, works, services);

creation of pilot, that is not having a conformity certificate, samples of machines, equipment or materials having fundamental features characteristic of innovations and not intended for realisation to third persons, their testing during the time necessary for the obtaining of data, accumulation of experience and their inclusion in the technical documentation;

17) Abolished

18) services of sanatoriums, resorts, health improvement and recreational establishments, organisations of recreation and rehabilitation of children, including children's health camps located on the territory of the Russian Federation which are formalized by authorizations to a course of treatment with board or without it, being strict accountability forms;

19) performance of works (rendering of services) in the fighting of wood fires;

20) sale of products of own manufacture of organizations engaged in the production of agricultural products which generate at least 70 per cent of the overall share of incomes from the sale in the total sum of their incomes, the former made with wages in kind for labour, issues in kind for labor, and also for the public catering of workers involved in agricultural works;

21) Abolished

22) the sale of dwelling houses and living accommodation, and also the shares thereof;

23) the transfer of a share in the right to the common property in a multi-flat house in case of the sale of apartments;

24) abrogated from January 1, 2008;

25) the transfer of goods (works, services) for advertising purposes, the expenses for the acquisition of units of which do not exceed 100 roubles.

26) operations on the cession (acquisition) of rights (demands) of a creditor under obligations ensuing from agreements on the granting of loans in monetary form and/or credit agreements, and also

on the fulfilment by the borrower of obligations to a new creditor on the initial agreement underlying the cession agreement;

27) execution of work (provision of services) by residents of the by-port special economic zone within the by-port special economic zone.

**4.** If the taxpayer performs taxable operations and operations which are not taxable (being released) according to provisions of the present Article, the taxpayer is obliged to keep separate accounting of such operations.

**5.** A taxpayer performing operations in the sale of goods (of works, services) stipulated by Item 3 of the present Article shall have the right to refuse the release of such operations from taxation having presented an appropriate application to the tax authorities at the place of their registration as a taxpayer no later than by the 1st tax period starting from which the taxpayer is going to refrain from the release or to suspend the latter.

Such refusal or suspension is possible only concerning all operations performed by the taxpayer stipulated by one or several Subitems of Item 3 of the present Article. A similar operation may not be released or not tax exempt depending on who the buyer (purchaser) of the corresponding goods (works, services) is.

It is not permitted to refuse or suspension release from tax obligation operations for a period of less than one year.

**6.** Operations listed in the present Article shall not be subject to taxation (tax exempt), provided the taxpayers performing these operations hold the appropriate licenses to carry out the licensed activity according to the legislation of the Russian Federation.

**7.** Release from tax obligation according to provisions of the present Article shall not apply when business activities are performed in the interests of other persons on the basis of contracts of delegation, contracts of commission agency or agency contracts, except as otherwise provided in the present Code.

**8.** In the event of amending the wording of Items from 1 to 3 of this Article (cancellation of a relief from taxation or referring taxable operations to the operations which are exempt from taxation) taxpayers shall apply the procedure for determining the tax base (or for relief from taxation) which was effective on the date of shipping goods (carrying out works and rendering services), regardless of the date of paying them.

**Article 150.** Importation of Goods to the Territory of the Russian Federation Not Taxable (Tax Exempt)

Not taxable (tax exempt) shall be the importation to the customs territory of the Russian Federation of:

1) goods (except excisable goods) imported as gratuitous aid (assistance) to the Russian Federation, in accordance with the manner established by the Government of the Russian Federation pursuant to the Federal Law on Gratuitous Aid (Assistance) to the Russian Federation and the Introduction of Amendments and Addenda to Certain Legislative Acts of the Russian Federation on Taxes and on the Establishment of Privileges on Payments to the State Extra-Budgetary Funds in Connection with the Granting of Gratuitous Aid (Assistance) to the Russian Federation;

2) goods listed in Subitem 1 of Item 2 of Article 149 of the present Code and also the raw material and component parts for their production;

3) materials for production of medical immunobiological drugs for diagnostics, prevention and/or treatment of infectious diseases (under the list approved by the Government of the Russian Federation);

4) valuable articles of art handed over as gifts to establishments and referred by law of the Russian Federation to highly valuable articles of cultural and national heritage of the peoples of the Russian Federation;

5) all types of printed publications received by state and municipal libraries and museums under international exchanges of books and also of products of cinematography imported by specialized state organizations for the purposes of international non-commercial exchanges;

6) goods produced as a result of economic activity of Russian organizations on land lots being the territory of a foreign state covered by the Russian Federation's right of land use on the basis of an international treaty;

7) process equipment, components and spare parts thereto imported as a contribution to authorized (pooled) capitals of organizations;

8) raw natural diamonds;

9) goods intended for official use by foreign diplomatic representations and agencies equated thereto, and also for personal use by diplomatic and administrative-clerical personnel of these agencies, including members of their families living with them;

10) currency of the Russian Federation and foreign currency, notes being legal tender (except for those intended for collecting), and also financial credit instruments - shares, bonds, certificates, bills of exchange;

11) sea products caught and/or processed by the fishing-production enterprises (organisations) of the Russian Federation.

**12)** ships subject to registration in the Russian International Register of Ships.

13) goods, except for excisable goods, by the list approved by the Government of the Russian Federation transferred across the customs border of the Russian Federation within the framework of international cooperation of the Russian Federation in the field of investigation and use of outer space and also of agreements on services in the launching of spacecraft;

14) goods, except for excisable ones, according to the list endorsed by the Government of the Russian Federation, which are moved across the customs border of the Russian Federation for using for the purposes of holding the XXII Winter Olympic Games and XI Winter Paralympic Games of 2014 in the town of Sochi on condition of filing with the customs authorities the confirmation document issued by the Steering Committee of the XXII Olympic Winter Games and the XI Paralympic Winter Games of 2014 in the town of Sochi, coordinated with the International Olympic Committee and containing data on the nomenclature, quantity and cost of goods, as well as on the organisations importing such goods.

**Article 151.** Peculiarities of Taxation When Goods are Moved Across the Customs Border of the Russian Federation

**1.** When goods are imported to the customs territory of the Russian Federation depending on the selected customs treatment the tax shall be levied in the following manner:

1) in the event of clearance for free circulation the tax shall be paid in full;

2) when goods are placed under the customs treatment of reimport, the taxpayer shall pay the amounts of tax from which he had been released or the amounts which were repaid to him due to the export of goods according to the present Code in the order stipulated by the customs legislation of the Russian Federation;

3) when goods are placed under the customs treatment of transit, customs warehouse, re-export, duty free, free custom zone, free warehouse, destruction or refusal in favour of the state, movement of supplies no tax shall be paid;

4) when goods are placed under the customs regime of processing in the customs territory the tax shall not be paid on the condition that the processed products are exported out of the customs territory of the Russian Federation within a certain term;

5) when goods are placed under the customs treatment of temporary importation, the complete or partial release from payment of tax in the order stipulated by the customs legislation of the Russian Federation shall be applied;

6) in case of the import of products of processing of goods placed under the customs treatment of processing outside of the customs territory the full or partial exemption of payment of tax in the order stipulated by the customs legislation of the Russian Federation shall be applied;

7) when goods are placed under the customs regime of processing for internal consumption the tax shall be paid in full.

**2.** When goods are exported from the customs territory of the Russian Federation, the tax shall be levied in the following order:

1) in case of export of goods from the customs territory of the Russian Federation under the customs treatment of export, no tax shall be paid.

The taxation procedure indicated in the present Subitem shall also be applied when goods are placed under the customs regime of a bonded warehouse for the purpose of the subsequent exportation of these goods in keeping with the customs regime of export, and also when goods are placed under the customs regime of a free customs zone;

2) in case of export of goods from the customs territory of the Russian Federation under the customs treatment of reexport the amount of tax paid upon importation to the customs territory of the Russian Federation shall be repaid to the taxpayer in the order stipulated by the customs legislation of the Russian Federation;

3) when exported goods are moved across the customs border of the Russian Federation under the customs treatment of moving supplies the tax shall not be levied;

4) in case of export of goods from the customs territory of the Russian Federation in accordance with customs treatments different from those specified in Subitems 1 to 3 of the present Item, neither exemption from taxation shall be granted nor shall paid amounts of tax be reimbursed, unless otherwise stipulated by the customs legislation of the Russian Federation.

**3.** When natural persons move goods intended for personal, family, household and other needs not relating to the pursuance of entrepreneurial activity the procedure for payment of the tax payable in connection with the movement of the goods across the customs border of the Russian Federation shall be determined by the Tax Code of the Russian Federation.

**Article 152.** Peculiarities of Taxation When Goods Are Moved Across the Customs Border of the Russian Federation in the Absence of Customs Control and Customs Clearance

**1.** If under an international treaty of the Russian Federation both the customs control and customs clearance of goods moved across the customs border the Russian Federation are cancelled, the

tax authorities of the Russian Federation shall collect the tax levied on goods originating in such a state and imported to the territory of the Russian Federation.

**2.** In such cases, the cost of purchased goods imported into the territory of the Russian Federation, including the cost of their delivery up to the border of the Russian Federation shall be defined as the item of taxation.

**3.** The tax paid to the budget simultaneously with the payment of the cost of goods, but no later than 15 calendar days after recording imported goods on the books, to the customs territory of the Russian Federation.

The order of payment of the commodity tax levied on goods moved across the customs border of the Russian Federation without customs control or customs clearance shall be defined by the Government of the Russian Federation.

**Article 153.** The Tax Base

**1.** The tax base in case of sale of goods (works, services) is defined by the taxpayer according to the present Chapter depending on the peculiarities of the sale of goods (works, services) produced by him or purchased by him.

In case of transfer of goods (performance of works, rendering of services) for one's own needs and recognized as an item of taxation in conformity with Article 146 of the present Code, the tax base shall be defined by the taxpayer according to the present Chapter.

In case of import of goods to the customs territory of the Russian Federation, the tax base shall be defined by the taxpayer according to the present Chapter and the customs legislation of the Russian Federation.

When the taxpayers apply various tax rates during sale (transfer, performance, provision for own needs) of goods (works, services) the tax base shall be defined separately for each type of good (works, services) taxed at different rates. When identical tax rates are used, the tax base shall be defined summarily for all types of operations taxed at this rate.

During the transfer of property rights the tax base shall be determined subject to the peculiarities stipulated by the present chapter.

2. When determining the tax base, the proceeds from the sale of goods (works, services), the transfer of property rights shall be defined on the basis of all incomes of the taxpayer associated with settlements under the payment for aforesaid goods (works, services), property rights received by him in cash and/or in kind, including the payment by means of securities.

Incomes specified in the present Item shall be taken into account if the former can be evaluated, and to the degree to which they can be evaluated.

3. When determining the tax base, the proceeds (expenses) of the taxpayer in foreign currency shall be converted into roubles at the exchange rate of the Central Bank of the Russian Federation according to the date that corresponds to the time of determining the tax base during the sale (transfer) of goods (works, services), property rights established by Article 167 of the present Code or on the date when the expenses were actually borne. The proceeds from the sale of goods (works, services), provided for by Subitems 1 - 3, 8 and 9 of Item 1 in Article 164 of the present Code, which are received in foreign currency, shall be converted into roubles at the exchange rate of the Central Bank of the Russian Federation on the date of the payment for shipped goods (performed works and rendered services).

**Article 154.** The Procedure for the of Determination of the Tax Base When Selling Goods (Works, Services)

**1.** Except as otherwise envisaged by the present article, tax base for the purposes of taxpayer's selling goods (works, services) shall be assessed as the value of these goods (works, services) calculated on the basis of the prices defined according to Article 40 of the present Code, with account being taken of excise taxes (for excisable goods) and without the tax being included in the prices.

When the taxpayer receives a payment or partial payment setting off a forthcoming delivery of goods (performance of works, provision of services) tax base shall be assessed on the basis of the sum of the payment received, with account being taken of the tax. The following shall not be included in the tax base: a payment or partial payment received by the taxpayer as setting off a forthcoming delivery of goods (performance of works, provision of services):

whose production cycle duration exceeds six months, if the taxpayer does his tax base assessment as such goods are shipped (transferred) (works performed, services provided) in compliance with the provisions of Item 13 of Article 167 of the present Code;

which are taxable at zero per cent tax rate in compliance with Item 1 of Article 164 of the present Code;

which are not subject to taxation (are exempt from taxation).

When goods (works, services) are shipped setting off a payment or partial payment received earlier and included in tax base earlier the tax payer shall do his tax base assessment in the procedure established by Paragraph 1 of the present Item.

2. When goods (works, services) are sold under commodity swap (barter) transactions and sale of goods (works, services) on a gratuitous basis, transfer of title to the subject of pledge to the pledgee in case of default on an obligation secured by the pledge for the transfer of goods (results of performed works, rendering of services) when paying wages in kind, the tax base shall be defined as the cost of aforesaid goods (works, services) estimated on the basis of prices defined in compliance with the procedure similar to that of Article 40 of the present Code, with allowance for excise taxes (for excisable goods) and without inclusion into such of the tax.

In the case of the sale of goods (works, services) involving subsidies granted by the budgets of the budget system of the Russian Federation in connection with a taxpayer's application of state regulated prices or involving the privileges granted to specific consumers under the federal legislation tax base shall be assessed as the value of the goods (works, services) sold calculated proceeding from their actual selling prices.

The sums of subsidies granted by the budgets of the budget system of the Russian Federation in connection with the use by the taxpayer of state-controlled prices or benefits granted to particular consumers in keeping with legislation, shall not be reckoned during the estimation of the tax base.

3. In case of sale of assets subject to record-keeping at cost with account taken of the paid tax, the tax base shall be defined as the difference between the price of sold property defined with due regard to the provision of Article 40 of the present Code, with allowance for the tax, excise taxes (levied on excisable goods), and cost of sold assets (residual cost with account for reassessments).

4. In the case of the sale of agricultural products and products resulting from processing thereof purchased from natural persons (not being taxpayers) according to the list endorsed by the Government of the Russian Federation (save excisable goods) tax base shall be assessed as a difference between the price determined in compliance with Article 40 of the present Code with the account taken of the tax and the purchasing price of the said products.

**5.** The tax base in case of services in the manufacture of goods from raw material made on commission (materials) shall be defined as the cost of their treatment, processing or another transformation with account for excise taxes (for excisable goods) and without including in it the tax.

**6.** In case of sale of goods (works, services) under time deals (deals providing for the delivery of goods (performance of works, rendering of services), upon expiration of a term established by the agreement (contract) at a price fixed directly in this agreement or contract) the tax base shall be defined as the cost of these goods (works, services) stated directly in the agreement (contract), but shall not be below their cost estimated on the basis of prices defined in accordance with the procedure similar to that of Article 40 of the present Code and effective on the date that corresponds to the time of the estimation of the tax base fixed by Article 167 of the present Code with account for excise taxes (for excisable goods) and without inclusion into such of the tax.

**7.** In the case of the sale of goods in returnable tare having pledge prices the pledge prices of the tare shall not be included in tax base if the said tare is subject to return to the seller.

**8.** Depending on peculiarities of the sale of goods (works, services), the tax base shall be defined according to Articles 155 - 162 of the present Chapter.

**9.** Abrogated from January 1, 2008.

**Article 155.** The Special Aspects of the Estimation of the Tax Base During the Transfer of Property Rights

**1.** Upon the assignment of the monetary claim that follows from the contract for the sale of goods (works, services), the operations in the sale of which are subject to taxation (are not released from taxation in keeping with Article 149 of the present Code) or upon the transfer of the said claim to another person on the basis of law the tax base for the operations in the sale of said goods (works, services) shall be determined in the procedure stipulated by Article 154 of the present Code.

**2.** Upon the assignment by a new creditor of the monetary claim that follows from the contract for the sale of goods (works, services), the operations in the sale of which are liable to taxation, the tax base shall be determined as a sum of the excess of the sum of the income received by the new creditor upon the subsequent assignment of the claim or upon the cessation of the corresponding obligation over and above the sum of expenses on the acquisition of the said claim.

**3.** With the transfer of property rights by taxpayers, including the participants in share construction, to residential houses or living quarters, the shares in residential houses or living quarters, garages or machine-places the tax base shall be determined as the difference between the cost at which property rights are transferred with due account of the tax and the expenses on the acquisition of said rights.

**4.** Upon the acquisition of a monetary claim from third persons the tax base shall be determined as a sum of the excess of the sum of incomes received from a debtor and/or with the subsequent assignment over and above the sum of expenses on the acquisition of the said claim."

**5.** Upon the transfer of the rights associated with the right of concluding a contract and of lease rights the tax base shall be estimated in the order provided for by Article 154 of the present Code.

**Article 156.** Peculiarities of Determination of Tax Base by Taxpayers Receiving an Income on the Basis of Contracts of Delegation, Contracts of Commission Agency or Agency Contracts

1. When accomplishing a business activity in the interests of another person on the basis of contracts of delegation, contracts of commission agency or agency contracts, the taxpayers shall determine the tax base as an amount of income received by them in the form of compensations (any other incomes) upon the performance of any of the aforesaid contracts.

The tax base in case of the sale of an object of the uncalled pledge belonging to the pledger shall be determined in a similar way in the order prescribed by the legislation of the Russian Federation.

**2.** Operations in the sale of services rendered on the basis of contracts of delegation, contracts of commission agency or agency contracts, and associated with the sale of goods (works, services) not subject to taxation (exempted from taxation) according to Article 149 of the present Code, shall not be covered by exemption from taxation, except for intermediary services in the sale of goods (works, services) specified in Item 1 and Subitems 1 and 8 of Item 2 and Subitem 6 of Item 3 of Article 149 of the present Code.

**Article 157.** Peculiarities of Determination of Tax Base and Peculiarities of Payment of Tax upon the Accomplishment of Carriage and Sale of International Communications Services

**1.** In case of performance of carriage (except for suburban carriage according to paragraph three of Subitem 7 of Item 2 of Article 149 of the present Code) of passengers, luggage, cargo, luggage-freight or mail by railway, motor vehicle, air, sea or river transport, the tax base shall be defined as the cost of carriage (without inclusion of the tax). Upon the accomplishment of air carriage, the boundaries of the territory of the Russian Federation shall be defined at the starting and destination points of the air trip.

**2.** In case of the sale of travel documents at reduced rates, the tax base is calculated on the basis of such reduced rates.

**3.** The provisions of the present Article shall be applied taking into account the provisions of Item 1 of Article 164 of the present Code and shall not apply to the carriage specified in Subitem 7 of Item 2 of Article 149 of the present Code, nor to the carriage stipulated by international treaties (agreements).

**4.** When prior to the beginning of a trip, cash is returned to customers for unused travel documents, the returnable amount shall include the entire amount of the tax. If the passengers turn in the travel documents in transit due to termination of the trip, the returnable amount shall include the amount of the tax at the rate corresponding to the distance not yet covered by the passengers. In such a case when tax base is being assessed no account shall be taken of the amounts actually refunded to the passengers.

5. In case of a sale of international communication services the amounts received by telecommunication agencies as a result of selling said services to foreign purchasers shall not be accounted, when determining their tax base.

**Article 158.** Peculiarities of Determination of Tax Base in Case of Sale of an Enterprise as a Whole Property Complex

**1.** The tax base in case of sale of an enterprise as a whole property complex shall be defined separately on each type of asset of the enterprise.

**2.** If the price at which the enterprise is sold turned out to be below the book value of sold assets, a correction factor shall be applied for the purposes of taxation which is computed as the relation of the selling price of the enterprise to the book value of said assets.

If the price at which the enterprise is sold turned out to be above the book value of sold assets, a correction factor shall be applied for the purposes of taxation computed as the relation of the selling price of the enterprise marked down by the book value of debt receivable, (and by the cost of securities if no decision was made to revalue such) to the book value of sold assets and marked down by the book value of debt receivable (and for the cost of securities if no decision was made to revalue such) is accepted. In this case the correction factor shall not be applied to the amount of debt receivable (and the cost of securities).

**3.** For the purposes of taxation, the price of each type of assets shall be accepted as the product of its book value and the correction factor.

**4.** The vendor of the enterprise shall draw up a summary invoice which is to state in the column "Total, including VAT" the price at which the enterprise was sold. In so doing, it is necessary to make separate entries in the summary invoice for fixed assets, intangible assets, other types of assets of

industrial and non-productive purpose, the amount of debt receivable, and the value of securities and other items of assets of the balance sheet. The summary invoice shall enclose the statement of inventory taking.

In the summary invoice, the price of each type of asset shall be accepted as the product of its book value into a correction factor.

For each type of asset whose sale is taxed, it is necessary to state in the columns "Rate of VAT" and "Amount of VAT" the corresponding settlement tax rate of 15.25 per cent and the amount of the tax defined as the percentage share of the tax base corresponding to the settlement tax rate of 15.25 per cent.

**Article 159.** The Procedure for the Determination of Tax Base When Performing Operations on the Transfer of Goods (Performance of Works, Rendering of Services) for Own Needs and the Execution of Civil and Erection Works for One's Own Consumption

**1.** When a taxpayer transfers goods (performs works, renders services) for their own needs, expenses under which are not accepted for deduction (in particular, through depreciation deductions) in the calculation of tax levied on profit of organizations, the tax base shall be defined as the cost of these goods (works, services) estimated on the basis of sale prices of identical (and in their absence, homogeneous) goods (similar works, services) effective in the previous tax period, and in their absence - on the basis of market prices, taking into account excise taxes (for excisable goods) and without inclusion into such tax.

**2.** In case of performance of civil and erection works for one's own consumption, the tax base shall be defined as the cost of performed works calculated on the basis of all actual expenses borne by the taxpayer in their performance including the expenses of the reorganised (or being reorganised) organisation.

**Article 160.** The Procedure for Determination of Tax Base When Importing Goods to the Customs Territory of the Russian Federation

**1.** In case of import of goods (except for goods specified in Items 2 and 4 of the present Article and with allowance for Articles 150 - 152 of the present Code) into the customs territory of the Russian Federation, the tax base shall be defined as the amount of:

1) the customs value of these goods;

2) payable customs duty;

3) payable excises (on excisable goods).

**2.** In case of import to the customs territory of the Russian Federation of goods which had been previously exported from it to be processed outside the customs territory of the Russian Federation according to the customs treatment of outward processing, the tax base shall be defined as the cost of such processing.

**3.** The tax base shall be defined separately for each group of goods of the same name, type and brand imported to the customs territory of the Russian Federation.

If a consignment of goods imported into the customs territory of the Russian Federation contains both excisable goods and non-excisable goods, the tax base shall be defined separately for each group of aforesaid goods. The tax base shall be defined in a similar order if a consignment of goods imported to the customs territory of the Russian Federation contains products of processing of goods exported earlier from the customs territory of the Russian Federation for processing outside the customs territory of the Russian Federation.

**4.** If according to an international treaty the Russian Federation has cancelled the customs control and customs clearance for goods imported to the territory of the Russian Federation, the tax base shall be defined as the amount of:

the cost of purchased goods, including the cost of delivery of aforesaid goods up to the border of the Russian Federation;

payable excise taxes (for excisable goods).

**5.** The tax base, when Russian goods are brought in and placed under the customs regime of a free customs zone to the remaining part of the customs territory of the Russian Federation or when they are transferred on the territory of a special economic zone to the persons who are not residents of such a zone, shall be defined in accordance with Item 1 in the present Article subject to the peculiarities stipulated by the customs legislation of the Russian Federation.

**Article 161.** Peculiarities of Determination of Tax Base by Tax Agents

1. In case of sale of goods (works, services) whose place of sale is the territory of the Russian Federation, for foreign persons being taxpayers who have not registered with the tax authorities as the taxpayers, the tax base shall be defined as the sum of income from sale of these goods (works, services) taking into account the tax.

The tax base shall be defined separately in case of performance of each operation of sale of goods (works, services) on the territory of the Russian Federation taking into account the present Chapter.

**2.** The tax base specified in Item 1 of the present Article shall be defined by tax agents. In so doing, the tax agents shall be recognized as organisations and individual entrepreneurs registered with the tax authorities, who purchase on the territory of the Russian Federation of goods (works, services) from the foreign persons indicated in Item 1 of this Article. The tax agents are to compute, withhold from the taxpayer, and pay to the budget the relevant amount of tax regardless of whether they execute obligations of the taxpayer associated with the calculation and payment of tax and also other obligations established by the present Chapter.

**3.** When rendering on the territory of the Russian Federation services by bodies of public authority and government and bodies of local self-government relating to the hiring out of federal property, property, of constituent entities of the Russian Federation and municipal property the tax base shall be defined as the amount of rental taking into account the tax. In so doing, the tax base shall be defined by the tax agent separately for each leased item of property. In this case, leasers of the aforesaid property shall be recognized as tax agents. Said persons are to calculate and withhold from the incomes paid to the lessor and to pay to the budget the appropriate amount of the tax.

**4.** When selling on the territory of the Russian Federation confiscated property, ownerless valuables, treasures and bought valuables, as well as the valuables transferred to the State by heirship, the tax base shall be determined reasoning from the cost of sold property (valuables) involving the provisions of Article 40 of this Code, involing excise duties (as regards excisable goods). In this case, the bodies, organizations or individual businessmen authorized to sell said property shall be recognized as tax agents.

**5.** In case of the sale on the territory of the Russian Federation of goods of foreigners who are not placed on the records with tax bodies as taxpayers, the organisations and individual businessmen engaged in business with the participation in settlements on the basis of contracts of agency, contracts of commission or agency agreements with the said foreigners shall be recognised as tax agents. In this case the tax base shall be determined by a tax agent as the value of such goods with account of excises (for excisable goods) and without the inclusion of the tax amount in them.

**6.** If within ten years as of the time of a ship's registration in the Russian International Register of Ships it is excluded from the said register, except for the exclusion thereof as a result of declaring a ship perished, missing, constructively perished, lacking the properties of a ship as a result of reconstruction or any other changes, or if within 45 calendar days as of the time of transfer of a ship's ownership from the taxpayer to the customer the ship was not registered in the Russian International Register of Ships, the tax base shall be determined by a tax agent as the cost at which this ship was sold to the customer subject to tax.

With this, as a tax agent shall be deemed the person having the ship in his ownership at the time of its exclusion from the Russian International Register of Ships, if the ship is excluded from the said register, or, if within 45 days as of the time of transfer of a ship's ownership from a taxpayer to the customer the ship was not registered in the Russian International Register of Ships, the person that has the ship in his ownership upon an expiry of 45 days as of time of such ownership's transfer.

A tax agent shall be obliged to estimate at the tax rate provided for by Item 3 of Article 164 of this Code, the appropriate amount of tax, to deduct it from a taxpayer and remit it to the budget.

**Article 162.** Peculiarities of Determination of Tax Base Taking into Account Amounts Associated with Settlements for the Payment for Goods (Works, Services)

**1.** The tax base determined according to Articles 153 - 158 of the present Code shall be increased by the following amounts:

1) abolished from January 1, 2006;

2) received amounts for sold goods (works, services) in the form of financial assistance and designed to replenish special purpose funds, towards the increase of incomes, or otherwise associated with payment for sold goods (works, services);

3) amounts received in the form of interest (discount) on the bonds received as offsetting payment for sold goods (works, services) and bills of exchange, interest under credits against goods in the part exceeding the interest rate computed on the basis of the refinancing rates of the Central Bank of the Russian Federation, effective in the periods for which interest is being calculated;

4) indemnities received under contracts of insurance of risk of default on contractual obligations by a contractor of the insurant creditor if under the insured contractual obligations the insurant is to deliver goods (works, services) whose sale is recognized as an item of taxation according to Article 146 of the present Code;

**2.** Provisions of Item 1 of the present Article shall not cover operations of the sale of goods (works, services) which are not subject to taxation (are released from taxation), as well as in respect of

goods (works and services) which are not sold in compliance with Articles 147 and 148 of this Code on the territory of the Russian Federation.

**Article 162.1.** The Special Aspects of Taxation in Case of the Reorganisation of Organisations

**1.** During the reorganisation of a body in the form of separation, the sums of the tax shall be subjected to deductions from the reorganised (being reorganised) organisation being calculated and paid by it from the amounts of advance or other payments against the forthcoming deliveries of goods (the performance of works or the rendering of services), sold on the territory of the Russian Federation in case of the transfer of the debt upon the reorganisation to the successor or successors under the obligations associated with the sale of goods (works, services) or with the transfer of property rights.

Deductions of the tax amounts indicated in the present item shall be made in full scope after the transfer of the debt to the successor or successors under the obligations associated with the sale of goods (works, services) or with the transfer of property rights.

**2.** In case of the reorganisation of a body in the form of separation the tax base of the successor or successors shall be increased by the amounts of advance and other payments against the forthcoming deliveries of goods (the performance of works or the rendering of services) received by way of succession from the reorganised (being reorganised) organisation and subjected to accounting by the successor or successors.

**3.** In the event of reorganisation in the form of a merger, incorporation, division or transformation, the tax amounts shall be deducted from the successor or successors being calculated and paid by the reorganised organisation from the sums of advance or other payments received against the forthcoming deliveries of goods (the performance of works or the rendering of services).

**4.** Deductions of the tax amount calculated and paid from the sums of advance and other payments provided for by Item 2 of the present Article, and also the tax amounts indicated in Item 3 of the present Article shall be made by the successor or successors after the date of the sale of corresponding goods (works, services) or after the reflection of operations in the accounting of the successor or successors in cases of the dissolution of a relevant contract or of the change of its terms and of the repayment of the corresponding advance payments before the end of one year since the time of such repayment.

**5.** In the event of the reorganisation of a body, regardless of the form of the reorganisation the tax amounts subject to accounting by the successor or successors being presented by the reorganised (being reorganised) organisation and/or paid by this organisation during the acquisition (importation) of goods (works, services) but not presented by it for a deduction shall be subjected to a deduction by the successor or successors of this organisation in the order stipulated by the present chapter.

Deductions of the tax amounts indicated in the first paragraph in the present item shall be made by the successor or successors of the reorganised (being reorganised) organisation on the basis of the invoices (copies of invoices) put up by the reorganised (being reorganised) organisation or of the invoices put up to the successor or successors by sellers when they acquired goods (works, services), and also on the basis of the copies of the documents confirming the actual payment by the reorganised (being reorganised) organisation of the tax amounts to sellers during the acquisition of goods (works, services) and/or of the documents confirming the actual payment of the tax amounts to sellers during the acquisition of goods (works, services) by the successor or successors of this organisation.

**6.** The transfer by the taxpayer of the claim to the successor or successors in case of reorganisation of the organisation shall not be recognised as payment for goods (works, services) for the purposes of the present Chapter. With the transfer of the right of claim from the reorganised (being reorganised) organisation to the successor or successors the tax base shall be determined by the successor or successors receiving the right of claim at the time of defining the tax base in accordance with the order established by Article 167 of the present Code with account of the clauses provided for by Subitems 2-4 of Item 1 and by Item 2 in Article 162 of the present Code.

**7.** In the event of the reorganisation of a body the provisions stipulated by Subitems 2 and 3 of Item 5 in Article 169 of the present Code for the acceptance of the tax amounts for a deduction or compensation by the successor or successors of the reorganised (being reorganised) organisation shall be regarded as fulfilled in the presence of an invoice of the requisites of the reorganised (being reorganised) organisation.

**8.** With the transfer to the successor or successors of goods (works, services, property rights), including fixed assets and intangible assets, with the acquisition (importation) of which the tax amounts were accepted by the reorganised (being reorganised) organisation for deduction in the order stipulated by the present chapter, the corresponding tax amounts shall not be restored and paid to the budget of the reorganised (being reorganised) organisation.

**9.** In the event of the reorganisation of a body, regardless of the form of reorganisation, the tax amounts which are subject to accounting by the successor or successors and which in keeping with Article 176 of the present Code are subject to compensation, but which were not compensated by the

reorganised (being reorganised organisation before the completion of the reorganisation, shall be reimbursed to the successor or successors in the order established by the present Chapter.

**10.** With the presence of several successors the share of each of them during the completion of operation in conformity with the present Article shall be determined on the basis of the act of conveyance or the dividing balance.

**11.** For the purpose of the present chapter the organisation being reorganised shall be understood to mean the organisation, the reorganisation of which is carried out in the form of separation until the time of the completion of its reorganisation or until the date of the state registration of the latter from among the newly-emerged organisations.

**Article 163.** Tax Period

A quarter shall be established as a tax period (in particular for taxpayers discharging the duties of tax agents, hereinafter referred to as tax agents).

**Article 164.** Tax Rates

**1.** Taxation shall be imposed at 0 per cent tax rate on the sale of:

1) goods that have been exported under the custom treatment of export and also goods placed under the customs regime of a free customs zone provided that documents required under Article 165 of the present Code are submitted to the tax authorities;

2) works (services) directly involved in the manufacture and sale of goods specified in Subitem 1 of the present Item.

The present Subitem shall extend to the works or services for the organisation and accompaniment of carriage or transportation, the organisation, accompaniment, shipment and trans-shipment of goods brought out of the territory of the Russian Federation or brought into the territory of the Russian Federation, the works or services performed or rendered by Russian organisations or individual businessmen (with the exception of Russian railway transport carriers) and to other similar works or services, and also to the works or services for the processing of goods placed under the customs regime of processing on the customs territory;

3) the works or services directly connected with the carriage or transportation of goods placed under the customs regime of international customs transit;

4) services in the carriage of passengers and luggage on condition that the departure point or destination point of passengers and luggage is located outside of the territory of the Russian Federation, provided the carriage is registered on the basis of uniform international documents of carriage;

5) goods (works, services) in the area of space activity.

The provision of the present subject extend to the space equipment, space objects, space infrastructure facilities which are subject to compulsory certification according to the legislation of the Russian Federation in the area of space activity including the works (services) performed (provided) through the use of equipment located in the outer space proper, including pieces of equipment controlled from the surface and/or from the atmosphere of the Earth; the works (services) of exploring the outer space, of observing objects and phenomena in the outer space, for instance, from the surface and/or from the atmosphere of the Earth; the preparatory and/or auxiliary (associated) ground works (services) that are due to technology (are required) and are inseparably linked to the performance of the works of (provision of the services of) exploring the outer space and/or to the performance of works (provision of services) through the use of equipment located in the outer space proper;

6) of noble metals by tax payers, engaged in their extraction or production out of scrap and wastes, containing noble metals, to the State Fund of Noble Metals and Precious Stones of the Russian Federation, to the funds of noble metals and precious stones of the subjects of the Russian Federation, to the Central Bank of the Russian Federation and to banks;

7) goods (works, services) for official use by foreign diplomatic representations and agencies equated to such or for personal use by diplomatic or administrative-clerical personnel of such agencies, including members of their families staying with them.

The sale of goods (performance of works, rendering of services) specified in the present Subitem shall be subject to taxation at 0 per cent when the legislation of the corresponding foreign state establishes a similar order concerning diplomatic agencies and those equated to such, of the Russian Federation, diplomatic and administrative-clerical personnel of such agencies (including members of their families staying with them), or if such standard is stipulated in an international treaty of the Russian Federation. The list of foreign states concerning whose agencies the standards of the present Subitem are applied shall be defined by a federal body of executive power in the area of international relations jointly with the Ministry of Finance of the Russian Federation.

The order of application of the present Subitem shall be established by the Government of the Russian Federation.

8) supplies exported from the territory of the Russian Federation under the customs treatment of movement of supplies. For the purposes of this Article supplies shall mean fuel and combustive-

lubricating materials which are necessary for ensuring the normal operation of aircraft and sea ships, as well as mixed navigation vessels (for rivers and sea).

9) the works or services performed or rendered by Russian carriers in the railway transport to carry or transport goods exported beyond the territory of the Russian Federation and exportation from the customs territory of the Russian Federation of products of processing on the customs territory of the Russian Federation, and also the works or services connected with such carriage or transportation, including the works or services for the organisation of carriage, accompaniment, shipment or transshipment;

10) built-up ships subject to registration in the Russian International Register of Ships, provided that the documents stipulated by Article 165 of this Code are submitted to the tax authorities.

2. Taxation shall be imposed at 10 per cent in case of sale of:

1) the following food articles:

cattle and poultry in live weight;

meat and meat products (except for gourmet articles: tenderloin, veal, tongue, sausage articles - fresh smoked of best quality, fresh smoked semi-dry, of best quality, fresh seasoned, stuffed of best quality; smoked articles made of pork, mutton, beef, veal, poultry - balyk, karbonade, neck, ham, pastorma, loin; baked pork and beef; canned ham, bacon, karbonade and tongue in marinade);

milk and diary products (including ice-cream produced on their basis, except for ice-cream produced on a fruits-and-berry basis, fruit and food ice);

eggs and egg based products;

vegetable oil;

margarine;

sugar, including raw sugar;

salt;

grain, compound food, fodder mixes, grain waste;

oilseeds and products of their processing (coarsely cut, oilcakes);

bread and baked food articles (including fancy bread, rusk and roll articles);

groats;

flour;

pasta;

live fish (except for valuable species: white salmon, Baltic and Far Eastern salmon, sturgeon (beluga, bester, sturgeon, sevryuga, sterlet), salmon, trout (except for sea trout), nelma, keta, chavycha, kizhuch, muksun, omul, Siberian and Amur sig, chir);

seafood and fish products, including cooled, frozen or of another kind of processing, herring, canned food and pickled canned food (except for gourmet articles: caviar of sturgeon and salmon species; of white salmon, Baltic salmon, of sturgeon fish - beluga, bester, sturgeon, sevryuga, sterlet; salmon; backs and flanks of nelma, cold smoked; light-, medium- and semuzh- pickled keta and chavycha; backs of keta, chavycha and cold smoked kizhuch, flanks of keta and sides of cold smoked chavycha; backs of muksun, omul, Siberian and Amur sig, cold smoked chir; pickled canned fillet slices of Baltic salmon and Far Eastern salmon; crab meat and sets of cooked-and-frozen separate limbs of crabs; of spiny lobsters);

children's and diabetic foods;

vegetables (including potatoes);

2) the following goods for children:

knitted articles for the newborn and children of day care, pre-school, junior and senior school age groups: outdoor knitted articles, knitted underwear articles, socks and stockings, other knitted articles: gloves, mittens, headgear;

ready-made garments, including garments made of natural sheepskin and rabbit (and likewise ready-made garments from natural sheepskin and rabbit with leather insets) for new born children and for children of nursery age, pre-school, junior and senior school age, outer clothing (including dresses and suits), underwear articles, headgear, clothes and articles for new-born children and children of nursery age. The provisions of this Paragraph shall not extend to ready-made garments made of natural leather and natural fur, safe for natural sheepskin and rabbit;

footwear (except for sports): footwear for the newborn and children of day care groups, of pre-school, and school; made of felt or rubber: small children's sizes, childrens, pupils';

children's beds;

children's mattresses;

perambulators;

school exercise-books;

toys;

plasticine;

pencil cases;

counting sticks;

school abacuses;
school diaries;
drawing-books;
albums for drawing;
albums for plotting;
folders for exercise-books;
covers for textbooks, diaries, exercise-books;
holders of cards with figures and letters;
diapers.

3) periodical printed publications, except for periodical printed publications of advertising or erotic nature;

education, science and culture books, safe for promotional and erotic books;

the services of forwarding and delivery of the periodical printed publications and books specified in Paragraphs 1 and 2 of the present subitem;

the editorial and publishing works (services) related to the production of periodical printed publications and books indicated in Paragraphs One and Two of this Subitem;

the services of placing advertisements and information announcements in the periodical printed publications specified in Paragraph 1 of the present subitem;

the services of drawing up and accomplishment of a subscription contract relating to the periodical publications specified in Paragraph 1 of the present subitem, in particular, the services of delivery of a periodical printed publication to the subscriber if there is a provision for the delivery in the subscription contract.

For the purposes of the present subitem the "periodical printed publication" is a newspaper, magazine, almanac, bulletin, another publication with a permanent title, current number and issued at least once a year.

For the purposes of the present subitem the "periodical printed publications of advertising nature" are periodical printed publications in which advertisement occupies over 40 per cent of the volume of one issue of the periodical publication;

4) the following medical goods, Russian and foreign-made:

medicinal preparations, in particular medicinal preparations intended for clinical testing, medicinal substances including in particular those made by a chemist's shop;

medical-purpose articles.

**3.** Taxation shall be at the 18 per cent tax rate in the cases not specified in Items 1, 2 and 4 of the present Article.

4. When receiving monetary assets connected with payments for the goods (works and services) provided for by Article 162 of the this Code and also upon the receipt of payment or partial payment against the forthcoming deliveries of goods (the performance of works and the rendering of services), the transfer of property rights provided for by Items 2 - 4 in Article 155 of the present Code, when deducting the tax by tax agents in compliance with Items 1 - 3 of Article 161 of this Code, when selling property purchased elsewhere and taxable under Item 3 of Article 154 of this Code, when selling agricultural products and products of processing thereof in compliance with Item 4 of Article 154 of this Code, during the transfer of property rights in conformity with Items 2 - 4 of Article 155 of the present Code, as well as in other cases where in compliance with this Code the amount of the tax should be determined by way of calculations, the tax rate shall be determined as percentage of the tax rate provided for by Item 2 or Item 3 of this Article, to the tax base taken as 100 and increased by the appropriate amount of the tax rate.

**5.** In case of the import of goods to the customs territory of the Russian Federation, the tax rates specified in Items 2 and 3 of the present Article shall be applied.

**6.** Abolished from January 1, 2007.

**Article 165.** The Order of Confirmation of the Right to Receive Reimbursements in Case of Taxation at the 0 per cent tax rate

**1.** In case of sale of goods specified by Subitem 1 of Item 1 and (or) Subitem 8 of Item 1 of Article 164 of the present Code for confirmation of justification of application of the 0 per cent tax rate (or peculiarities of taxation) and tax deductions, the following documents shall be submitted to the tax authorities unless otherwise is stipulated by Items 2 and 3 of the present article;

1) the contract (copy of the contract) of the taxpayer with the foreign person to deliver goods (supplies) beyond the borders of the customs territory of the Russian Federation. If the contracts contain information constituting a state secret, instead of copies of the complete text of the contract an abstract thereof shall be submitted containing the information required to effect the tax control (in particular, information on the terms of delivery, on times, price, type of products);

2) a bank abstract (a copy of a bank abstract) confirming the actual receipt of proceeds from the sale of said goods (provisions) to the foreign person - to an account of the taxpayer held with a Russian bank.

If the contract provides for settlement in cash, the taxpayer shall submit to the tax authorities a bank abstract (a copy of a bank abstract) confirming that the taxpayer had entered the received amounts to his account held with a Russian bank, and also copies of cash collection slips confirming the actual receipt of proceeds from the foreign person - the buyer of aforesaid goods (supplies).

If foreign currency earnings from the sale of goods (works, services) on the territory of the Russian Federation are not entered into accounts, effected in compliance with the procedure provided by the currency legislation of the Russian Federation, the taxpayer shall submit to the tax authorities documents (copies thereof) confirming the right not to enter into accounts foreign currency earnings in the territory of the Russian Federation.

If under foreign trade transactions of commodity swaps (barter), the taxpayer submits to tax authorities documents confirming the fact of importation of the goods (performance of works, rendering of services) received under aforesaid operations in the territory of the Russian Federation and of their entering into accounts;

If the proceeds from the sale of goods (provisions) to the foreigner were received on the account of a taxpayer from a third person, the contract of agency for the payment for the said goods (provisions) concluded between the foreigner and the organisation (person) which make the payment, shall be presented to the tax body concerned together with a bank statement (or its copy);

3) a customs declaration (its copy) with marks of the Russian customs authority which has released goods in the regime of export, and of the Russian customs authority in whose region of activity is situated the crossing point through which the goods were exported from the customs territory of the Russian Federation (hereinafter referred as the "border customs authority").

When goods are brought out in the customs regime of export by the pipeline transport or by electric power transmission lines, a full customs declaration or its copy shall be presented with the notes by the Russian Customs agency, which confirm the placement of goods under the customs regime of export.

In case of export of goods under the customs treatment of export across the border of the Russian Federation with a member state of customs Union on which the customs control was cancelled, the customs declaration (its copy) shall be submitted with notes of the customs authority of the Russian Federation effecting the customs clearance of said exportation of goods.

In cases and in the manner defined by the Ministry of Finance of the Russian Federation under agreement with the federal executive body authorised in the sphere of economic development and trade, upon the export of certain types of goods, exporters are permitted to submit the customs declaration (its copy) with marks of the customs authority which effected the customs clearance of the exported goods, and the special register of the actually exported goods with marks of the border customs authority of the Russian Federation;

When exporting supplies from the territory of the Russian Federation under the customs treatment of movement of supplies, the customs declaration (its copy) with regard to the supplies shall be submitted with the marks of the customs agency, in whose scope of operation the port (airport) open for international carriage is situated, concerning exportation of supplies from the customs territory of the Russian Federation;

When goods are brought out from a foreign territory in the customs regime of export to the territory of the state, a participant in the Customs Union, on the border with which customs control is cancelled, the following documents shall be presented to tax bodies:

the customs declaration or its copy with a note by a Russian customs agency, which acknowledges the placement of goods under the customs regime of export;

a copy of the statement on the payment of the tax upon the importation of goods to the territory of the state, a participant in the Customs Union, on the border with which customs control is abrogated, with the note of the tax body of this State that confirms the actual payment of the tax;

4) copy of the transport, shipping and/or of other documents with marks of border customs authorities confirming the export of goods from the territory of the Russian Federation. The taxpayer can submit any of the listed documents taking into account the following.

In case of export of goods under the customs treatment of export on ships through seaports, the taxpayer shall submit to the tax authorities the following documents to confirm that the goods have been exported from the customs territory of the Russian Federation:

a copy of an order to ship the exported goods, including the name of the port of discharge with a mark "Loading permitted" of a border custom-house of the Russian Federation;

a copy of a bill of lading, a sea waybill or any other document that confirms the acceptance of export goods for carriage and indicates in the column "Port of unloading" the place located outside the customs territory of the Russian Federation;

In the case of the export of goods under the customs regime of export across the border of the Russian Federation with a member state of the Customs Union where customs control has been abolished copies of carriage and forwarding documents shall be presented as bearing annotations of the customs body of the Russian Federation which has completed customs formalities in respect of the said export of the goods.

In case of export of goods under the regime of export by air transport the taxpayer shall submit to the tax authorities a copy of the international air cargo waybill which is to name an airport of discharge located outside the customs territory of the Russian Federation in order to confirm the export of goods from the customs territory of the Russian Federation.

Copies of transport, shipping and/or other documents confirming the export of goods from the customs territory of the Russian Federation can not be submitted in case of export of goods under the customs regime of export by pipeline transport or via transmission lines.

When exporting supplies from the territory of the Russian Federation under the customs treatment of movement of supplies, there shall be submitted copies of transportation, shipping and other documents confirming the exportation of the supplies from the customs territory of the Russian Federation by aircraft and sea ships, as well as by mixed navigation vessels (for inland and sea navigation).

In case if the loading of goods and the customs clearance of them, when goods are brought in in the customs regime of export by ships are carried out outside the region of the activity of a border customs agency, the following documents shall be presented to tax bodies for the confirmation of the export of goods from the customs territory of the Russian Federation:

a copy of the order on the unloading of export cargoes with the note "Loading is permitted" of the Russian customs agency which carried out the customs clearance of the said export of goods, and also with the note of the border customs body that confirms the export of goods from the territory of the Russian Federation;

a copy of a bill of lading, a sea waybill or any other document which confirms the acceptance of export goods for carriage and which indicates in the column "Port of unloading" the place located outside the customs territory of the Russian Federation.

Upon the export of goods which do not originate from the territory of the Russian Federation in the customs regime of export to the territory of the State, a participant in the Customs Union, on the border with which customs control is revoked it is necessary to present copies of transportation and commodity accompanying documents with the notes of a customs agency of the Russian Federation which confirm the placement of goods under the customs regime of export.

5) when the goods are placed under the customs regime of free customs zone, it is required to present:

contract (copy of contract) made with the resident of special economic zone;

copy of certificate of registration of person as the resident of special economic zone issued by the federal executive body authorised to perform the functions of managing special economic zones or by its territorial body;

extract of the bank (copy of extract) to confirm actual receipt of earnings from the realisation of goods from the resident of special economic zone into taxpayer's account with the Russian bank or extract of the bank (copy of extract) to confirm depositing by the taxpayer the amounts into its account with the Russian bank and copies of incoming cash orders to confirm actual receipt from the resident of special economic zone of earnings (in case of settlement by money in cash) or in case of importation of goods into the by-port special economic zone, other documents to confirm transfer of goods to the resident of the by-port special economic zone;

customs declaration (or its copy) bearing the notes of the customs body on the release of goods in line with the customs regime of free customs zone or in case of importation into the by-port special economic zone of Russian goods placed outside the by-port special economic zone under the customs regime of export or shifting of supplies, customs declaration (its copy) bearing the notes of the customs body that released the goods in line with the applied-for customs regime and of the customs body authorised to carry out customs procedures and customs operations upon customs clearance of goods in accordance with the customs regime of free customs zone and within whose area of activity the by-port special economic zone is situated;

documents specified under Subitem 1 of this Item, in case of importation into the by-port special economic zone of goods placed outside the by-port special economic zone under the customs regime of export or shifting of supplies.

**2.** In case of sale of goods stipulated by Subitem 1 or 8 of Item 1 of Item 1 of Article 164 of the present Code, through a commission agent, an attorney or an agent under a contract, of commission agency, contract of delegation or agency contract, the following documents shall be submitted to the tax authorities in order to prove the propriety of the application of the 0 per cent tax rate (or peculiarities of taxation) and tax deductions:

1) the contract of commission agency, contract of delegation or agency contract (or copies) of the taxpayer with a commission agent, attorney or agent;

2) the contract (or copy) of the person effecting the delivery of goods for export or delivery of supplies on the instruction of the taxpayer (according to the contract of commission agency, contract of delegation or agency contract) with a foreign person to deliver goods (supplies) from the customs territory of the Russian Federation;

3) a bank abstract (its copy) confirming the actual receipt of proceeds from the sale of goods (provisions) to the foreigner in an account of taxpayer or the commission agent (of the attorney, agent) in a Russian bank.

If the contract provides for settlement in cash, it is necessary to submit to the tax authorities a bank abstract (its copy) confirming the entering of amounts received by taxpayer or the commission agent (by the attorney, the commission agent) into his account held with a Russian bank, and also copies of cash collection slips which confirm the actual receipt of the proceeds from the foreign person acting as the buyer of the goods (supplies).

If foreign currency earnings from the sale of goods (works, services) on the territory of the Russian Federation are not entered into accounts in compliance with the procedure provided by currency legislation of the Russian Federation, the taxpayer shall submit to the tax authorities documents (copies) proving his right not to enter into the account foreign exchange earnings in the territory of the Russian Federation.

Under foreign trade transactions of commodity swap (barter), the taxpayer shall submit to the tax authorities documents (their copy) proving the import of goods (performance of works, rendering of services) received under the aforesaid operations, in the territory of the Russian Federation and their entering into accounts;

If proceeds from the sale of goods (provisions) to a foreigner were received on the account of a taxpayer from a third person, the contract of agency for the payment of said goods (provisions) concluded between the foreigner and the organisation (person) that made the payment shall be presented to tax bodies in addition to the bank statement or its copy;

4) documents stipulated by Subitems 3 - 5 of Item 1 of the present Article.

**3.** In case of sale of goods stipulated by Subitem 1 of Item 1 of Article 164 of the present Code, towards the servicing of the debt of the Russian Federation and of the former USSR or to offset the extension of state credits to foreign states, the following documents shall be submitted to the tax authorities in order to prove the propriety of the application of the 0 per cent tax rate (or peculiarities of taxation) and tax deductions:

1) a copy of an agreement between the Government of the Russian Federation and the government of a corresponding foreign state on the settlement of indebtedness of the former USSR (the Russian Federation) or to offset the extension of state credits to foreign states;

2) a copy of an agreement between the Treasury of the Russian Federation and the taxpayer about the funding of deliveries of goods towards the repayment of state debt or to offset the extension of state credits to foreign states;

3) a bank abstract confirming actual receipt of proceeds from the sale of goods on export from the budget in the currency of the Russian Federation to an account of the taxpayer held with a Russian bank;

4) documents stipulated by Subitems 3 and 4 of Item 1 of the present Article or when the goods are placed under the customs regime of free customs zone, documents specified under Subitem 5 of Item 1 of this Article.

4. In case of the sale of works (services) stipulated by Subitems 2 and 3 of Item 1 of Article 164 of the present Code, the following documents shall be submitted to the tax authorities in order to prove the propriety of application of the 0 per cent tax rate (or peculiarities of taxation) and tax deductions, unless otherwise is stipulated by Item 5 of the present Article:

1) a contract (copy of the contract) of the taxpayer with a foreign or Russian person to perform aforesaid works (to render aforesaid services);

2) a bank abstract confirming the actual receipt of proceeds from foreign or Russian person acting as the buyer of said works (services) to an account of the taxpayer held with a Russian bank.

If the contract provides for settlement in ready cash, it is necessary to submit to the tax authorities a bank abstract proving the entering of the amounts received by the taxpayer into his account held with a Russian bank, and also copies of cash collection slips, confirming the actual receipt of proceeds from the foreign or Russian person, acting as the buyer of the aforesaid works (services).

If foreign currency earnings from the sale of goods (works, services) on the territory of the Russian Federation are not entered into accounts in compliance with the procedure provided by the currency legislation of the Russian Federation, the taxpayer shall submit to the tax authorities documents (their copies) proving his right not to enter into account the foreign exchange earnings in the territory of the Russian Federation;

3) the customs declaration (its copy) with the notes of the Russian customs agency that carried out the customs clearance of export and/or imported goods and of the border customs agency, through which goods were brought out of the territory of the Russian Federation and/or brought onto the territory

of the Russian Federation. The said declaration (its copy) shall be presented in the event of the movement of goods by pipe-line transport or by electric power transmission lines and of the rendering of services directly associated with the carriage (transportation) of goods placed under the customs regime of international customs transit with due account of the peculiarities provided for by Subitem 3 of Item 1 of the present Article;

4) copy of transport, shipping and/or other documents proving the exportation of goods from the customs territory of the Russian Federation (the import of goods into the customs territory of the Russian Federation in compliance with Subitems 2 and 3 of Item 1 of Article 164 of the present Code). The provisions of the present Subitem shall be applied taking into account features stipulated by Subitem 4 of Item 1 of the present Article.

**5.** During the realisation by Russian carriers on the railway transport of the works (services) stipulated by Subitems 3 and 9 of Item 1 in Article 164 of the present Code, it is necessary to submit the following documents to tax bodies in order to confirm the soundness of the application of the zero per cent tax rate (or the peculiarities of taxation) and of tax deductions:

the register of bank statements confirming the actual receipt of proceeds from a Russian or a foreign person for the performed works or rendered services on the account of the Russian taxpayer in a Russian bank. If payments for the works (services) indicated in the present item are made in accordance with the contracts concluded by the carriers indicated in the first paragraph of the present Item with the railways of foreign States under international agreements of the Russian Federation, the documents provided for by the said agreements shall be presented to tax bodies;

the register of the carriage documents executed in case of the carriage of goods in the international communication, with an indication in it of the names or codes of incoming and leaving border and/or port railway stations, of the cost of works (services), the dates of notes by customs agencies on carriage documents testifying to the placement of goods under the customs regime of export or the customs regime of international customs transit or indicative of the placement of processing products exported from the customs territory of the Russian Federation under the procedure of internal customs transit.

In the event of a selective reclaiming by a tax body of the carriage documents included in registers, copies of the said documents shall be presented by the carriers indicated in the first paragraph of the present Item within 30 calendar days of the date of the receipt of the relevant claim of the tax body. The carriage documents included in the register shall bear the note of customs which testifies to the carriage of goods placed under the customs regime of export or the customs regime of international customs transit, or indicative of the placement of processing products exported from the customs territory of the Russian Federation under the procedure of internal customs transit.

During the realisation of the services provided for by Subitem 4 of Item 1 in Article 164 of the present Code by the carrier indicated in the first paragraph of the present Item, it is necessary to submit to tax bodies for the confirmation of the soundness of the application of the zero per cent tax rate (or of the peculiarities of taxation) and of tax deductions the registers of uniform carriage documents which are executed for the carriage of passengers and luggage in direct international communication and which determine the route of following, with an indication of the points of departure and destination, or other documents stipulated by the agreements concluded by the carriers indicated in the first paragraph of the present item with the railways of foreign States or by the international agreements of the Russian Federation.

**6.** In case of rendering services stipulated by Subitem 4 of Item 1 of Article 164 of the present Code, the following documents shall be submitted to the tax authorities, if not otherwise provided for by Item 5 of this Article, in order to prove the propriety of application of the 0 per cent tax rate (or peculiarities of taxation) and tax deductions:

1) a bank abstract (its copy) confirming the actual receipt of proceeds from a Russian or foreign person for rendered services in an account of the Russian taxpayer held with a Russian bank with due regard to the peculiarities specified in Subitem 2 Item 1 and Subitem 3 Item 2 of the present article;

2) a register of the uniform international documents of carriage on the carriage of passengers and luggage which are to give details on the route and specify the departure and destination points.

**7.** When the goods (works, services) envisaged by Subitem 5 of Item 1 of Article 164 of the present Code are sold the following documents shall be filed with tax bodies to confirm the existence of good reason for the application of zero tax rate and tax deduction:

1) the taxpayer's agreement or contract (a copy of the agreement or contract) with foreign or Russian persons for the sale (delivery) of the goods, performance of the works, provision of the services;

2) a bank statement (a copy thereof) confirming the actual receipt of proceeds from a foreign or Russian person for the goods sold, works completed, services provided into the taxpayer's account in a Russian bank, with account being taken of the details envisaged by Subitem 2 of Item 1 and Subitem 3 of Item 2 of the present Article;

3) a certificate of acceptance or other documents (copies thereof) confirming that the goods have been sold (delivered), the works have been completed, the services have been provided;

4) a certificate (a copy thereof) issued in compliance with the legislation of the Russian Federation for the space equipment sold, including space objects, space infrastructure facilities (goods).";

**8.** In case of sale of goods stipulated by Subitem 6 of Item 1 of Article 164 of the present Code, the following documents shall be submitted to the tax authorities in order to prove the propriety of application of the 0 per cent tax rate (or peculiarities of taxation) and tax deductions:

1) the contract (copy of the contract) on the sale of precious metals or precious stones;

2) documents (their copies) confirming that precious metals or precious stones have been transferred to the State Fund of Precious Metals and Precious Stones of the Russian Federation, the Central Bank of he Russian Federation, banks.

9. The documents (their copies) specified in Items 1 - 4 of the present Article shall be submitted by the taxpayers to prove the propriety of application of the 0 per cent tax rate upon the sale of goods (works, services) specified in Subitems 1 - 3 and 8 of Item 1 of Article 164 of the present Code, no later than within 180 calendar days beginning from the date of the placement of goods under the customs regimes of export, international customs transit, a free customs zone, the movement of provisions. The said procedure shall not extend to the taxpayers who in keeping with Item 4 of the present Article do not present customs declarations to customs bodies.

If upon expiration of 180 calendar days beginning from the date the goods were released by the customs agencies in the customs regimes of export, a free customs zone, international customs transit and the movement of provisions the taxpayer failed to submit said documents (their copies), the aforesaid operation on the sale of goods (performance of works, rendering of services) shall be taxable under the rates stipulated by Items 2 and 3 in Article 164 of the present Code. If subsequently the taxpayer submits to the tax authorities documents (their copies) justifying the application of the 0 per cent tax rate, then the paid amounts of the tax shall be returnable to the taxpayer in the manner and on conditions which are stipulated by Article 176 of the present Code.

The documents indicated in Item 5 of the present Article shall be presented by taxpayers for the confirmation of the soundness of the application of the zero per cent tax rate during the performance of works or the rendering of services provided for by Subitems 3 and 9 of Item 1 in Article 164 of the present Code, within 180 calendar days of the day of putting down on carriage documents a customs note that testifies to the placement of goods under the customs regime of export or the customs regime of international customs transit or indicative of the placement of processing products exported from the customs territory of the Russian Federation under the procedure of internal customs transit. If upon the expiry of 180 calendar days the taxpayer failed to submit the documents indicated in Item 5 of the present Article, the operations in the sale of works (services) shall be liable to taxation at the tax rate of 18 per cent. If subsequently the taxpayer submits to tax bodies the documents warranting the application of the zero per cent tax rate, the paid sums of the tax shall be liable to the return to the taxpayer in the order and on the terms stipulated by Article 176 of the present Code.

Provisions of the present Item shall not apply to taxpayers released from performance of the taxpayer obligation according to Article 145 of the present Code.

Taxpayers that under Item 4 of this article do not file customs declarations (copies thereof) with tax authorities shall submit, to prove the reasonableness of applying the 0 per cent tax rate when carrying out the works (rendering the services) provided for by Subitem 2 of Item 1 of Article 164 of this Code, the documents cited in Subitems 1, 2 and 4 of Item 4 of this article at the latest within 180 calendar days as of the date of making the note proving exportation of commodities from the territory of the Russian Federation (importation of commodities to the territory of the Russian Federation) by border customs authorities on carriage documents. If upon the expiry of 180 calendar days a taxpayer has not submitted the documents cited in Subitems 1, 2 and 4 of Item 4 of this article, operations related to implementation of works (rendering of services) shall be taxed at the rate provided for by Item 3 of Article 164 of this Code. If afterwards a taxpayer files with the tax authorities the documents substantiating the application of the 0 per cent tax rate, the paid amounts of tax are to be paid to the taxpayer in the procedure and under the terms which are provided for by Article 176 of this Code.

**9.1.** In the event of the reorganisation of a body its successor or successors shall submit to the tax body in the place of tax registration the documents, including their with the requisites of the reorganised (being reorganised) organisation which are provided for by the present Article in respect of the operations in selling goods (works, services) which are indicated in Item 1 of Article 164 of the present Code and which were carried out by the reorganised (being reorganised) organisation, if at the time of the completion of the reorganisation the right to apply the zero per cent tax rate for such operations is not confirmed;

**10.** The documents indicated in the present Article shall be submitted by taxpayers to justify the application of the 0 per cent tax rate simultaneously with the submission of the tax declaration. The procedure for determining the tax amount relating to goods (works, services), property rights acquired for production purposes and/or the sale of goods (works, services), the operations for the sale of which are assessed with the zero per cent tax rate, shall be established by the accounting policy adopted by the taxpayer for taxation purposes.

**11.** The order of confirmation of the right to receive reimbursement of the amount of tax with application of the 0 per cent tax rate concerning the goods moved across the border of the Russian Federation without customs control and customs clearance shall be defined by the Government of the Russian Federation.

**12.** The procedure for the application of the zero per cent tax rate established by the international agreements of the Russian Federation, during the sale of goods (works, services) for official use by international organisations and their representative offices carrying on their activity on the territory of the Russian Federation, shall be determined by the Government of the Russian Federation.

**13.** When selling the commodities provided for by Subitem 10 of Item 1 of Article 164 of this Code, the following documents shall be submitted to the tax authorities for proving the validity of applying 0 per cent tax rate and tax deductions:

1) the contract (a copy of the contract) of a ship's sale made by the taxpayer with the customer and containing a provision on obligatory registration of a built-up ship at the Russian International Register of Ships within 45 calendar days as of the time of the ship's ownership transfer from the taxpayer to the customer;

2) an extract from a register of ships under construction indicating that upon finishing a ship's construction it shall be subject to registration in the Russian International Register of Ships;

3) the documents proving the fact of a ship's ownership transfer from the taxpayer to the customer;

4) the documents proving the power of the main engines and the ship's tonnage.

**Article 166.** The Order of Calculation of the Tax

**1.** The amount of tax when determining the tax base according to Articles 154 - 159 and 162 of the present Code shall be calculated as the percentage share corresponding to the tax rate of the tax base, and in case of separate record-keeping - as the amount of tax received as a result of additional amounts of taxes calculated separately as percentage shares of appropriate tax bases corresponding to tax rates.

**2.** The total amount of tax in case of sale of goods (works, services) shall be defined as an amount resulting from additional amounts of tax calculated according to the order laid down by Item 1 of the present Article.

**3.** The total amount of tax shall not be calculated by taxpayers being foreign organisations who are not registered with tax authorities as taxpayers. In such a case amount of tax shall be calculated by tax agents separately on each operation in the sale of goods (works, services) on the territory of the Russian Federation according to the order established by Item 1 of the present Article.

**4.** The total amount of tax in case of sale of goods (works, services) shall be calculated by the results of each tax period as applied to all operations recognised as a tax basis under Subitems 1 - 3 Item 1 Article 146 of the present Code, the time for the determination of the tax base of which is established by Article 167 of the present Code, refers to the corresponding tax period taking into account all changes that increase or reduce the tax base over the appropriate tax period.

**5.** The total amount of tax in case of import of goods to the customs territory of the Russian Federation shall be calculated as the percentage share of the tax base estimated according to Article 160 of the present Code and corresponding to the tax rate.

If according to the requirements established by Item 3 of Article 160 of the present Code, the tax base shall be defined separately for each group of imported goods, then for each of the aforesaid tax bases the amount of tax shall be calculated separately according to the order established by paragraph one of the present Item. In doing so, the total amount of tax shall be calculated as the amount received as a result of addition of amounts of taxes estimated separately for each of such tax bases.

**6.** The amount of tax on operations of sale of goods (works, services) taxed according to Item 1, Article 164 of the present Code under the 0 per cent tax rate shall be calculated separately on each such operation according to the order established by Item 1 of the present Article.

**7.** If the taxpayer maintains no book-keeping or record-keeping of items of taxation, tax authorities shall have the right to calculate tax amounts payable on the basis of data available on other similar taxpayers.

**Article 167.** The Time for the Determination of the Tax Base

1. For the purpose of the present chapter the earliest date from among the following dates is the time for the determination of the tax base, unless otherwise is provided for by Items 3, 7 - 11, 13 - 15 in the present Article:

1) the day of shipment (transfer) of goods (works, services), the day of property rights;

2) the day of payment or partial payment against the forthcoming deliveries of goods (the performance of works or the rendering of services), of the transfer of property rights.

**2.** Abolished from January 1, 2006.

**3.** In cases when goods are not shipped or transported, but there is conveyance of property to these goods, such conveyance of property for the purposes of the present Chapter shall be equated to its shipment.

**4.** Abolished from January 1, 2006.

**5.** Abolished from January 1, 2006.

**6.** Abolished from January 1, 2006.

**7.** In case of sale by the taxpayer of goods transferred to him for storage as per a contract of warehouse storage involving the issue of the warehouse certificate, the time for the estimation of the tax base for the said goods shall be defined as the day of sale of the warehouse certificate.

**8.** During the transfer of property rights in the case provided for by Item 2 in Article 155 of the present Code, the time for the estimation of the tax base shall be determined as a day of the assignment of a monetary claim or a day of the cessation of the corresponding obligation; in the cases stipulated by Items 3 and 4 in Article 155 of the present Code the time for the estimation of the tax base shall be determined as a day of assignment (subsequent assignment) of a claim or as a day of the execution of the obligation by a debtor, and in the case stipulated by Item 5 in Article 155 of the present Code - as a day of the transfer of property rights.

9. When selling goods (works, services) stipulated by Subitems 1 - 3, 8 and 9 of Item 1 of Article 164 of this Code, the moment of determining the tax base with regard to said goods (works, services) shall be the last date of the quarter in which a complete set of the documents provided for by Article 165 of this Code is prepared.

Where a complete set of the documents provided for by Article 165 of this Code is not ready on the 181th calendar day, as of the date of placing goods under the customs treatment of export, international customs transit, a free customs zone and movement of supplies (for taxpayers which under Item 4 of Article 165 of this Code do not file customs declarations with the tax authorities - from the date of the note proving exportation of commodities from the territory of the Russian Federation (importation of commodities to the territory of the Russian Federation) to be made by border customs authorities on carriage documents), the moment of determining the tax base with regard to said goods (works, services) shall be determined in compliance with Subitem 1 of Item 1 of this Article, if not otherwise provided for by this Item. If the complete set of the documents provided for by Item 5 of Article 165 of this Code is not compiled on the 181st calendar day from the day of the putting down on the documents of carriage of the note of the customs bodies indicative of the placement of goods under the customs regime of export or the customs regime of international customs transit or indicative of the placement of processing products exported from the customs territory of the Russian Federation under the procedure of internal customs transit, the time for determining the tax base in respect of the said works and services shall be fixed in compliance with Subitem 1 of Item 1 of this Article. In the event of the reorganisation of a body, if the 181st calendar day coincides with the date of the completion of the reorganisation or commences after the said date, the time for defining the tax base shall be determined by the successor or successors as the date of the completion of the reorganisation (as the date of the state registration of each newly-emerged organisation and in the event of reorganisation in the form of incorporation as the date of the entry of a record of the cessation of the activity of each incorporated organisation in the single state register of juridical persons).

In case of importation into the by-port special economic zone of Russian goods placed outside the by-port special economic zone under the customs regime of export or shifting of supplies, the time limits for submission of documents fixed under Item 9 of Article 165 of this Code shall be determined from the date of placement of said goods under the customs regime of export or shifting of supplies.

**9.1.** When excluding a ship from the Russian International Register of Ships, as the time of defining the tax base by a tax agent shall be deemed the date of making the appropriate entry to the said register.

If within 45 calendar days as of the time of transfer of a ship's ownership from the taxpayer to the customer the ship was not registered in the Russian International Register of Ships, the time of defining the tax base by a tax agent shall be determined in compliance with Subitem 1 of Item 1 of this Article.

10. For the purpose of the present Chapter the last date of each calendar period shall be the time for the estimation of the tax base during building and assembly works for internal consumption.

**11.** For the purposes of the present Chapter, the time for the estimation of the tax base during the transfer of goods (the performance of works or the rendering of services) for one's own needs recognized as an item of taxation according to the present Chapter shall be defined as the day of performance of aforesaid transfer of goods (performance of works, rendering of services).

**12.** The accounting policy adopted by the organization for the purposes of taxation shall be approved by appropriate orders and orders of the head of the organization.

The accounting policy shall be applied for the purposes of taxation as of January 1 of the year following the year of the its approval by an appropriate order, order of the chief of the organization.

The accounting policy for the purposes of taxation adopted by organization shall be obligatory for all separate units of the organization.

The accounting policy for the purposes of taxation adopted by the newly founded organization shall be approved no later than the end of the first tax period. The accounting policy for the purposes of taxation accepted by the newly founded organization shall be considered as being applied from the date of creation of the organization.

**13.** In the event of the receipt by the taxpayer who manufactured goods (works, services) of payment or partial payment against the forthcoming deliveries of goods (the performance of works or the rendering of services) the activity of the production cycle of the manufacture of which exceeds six months (according to the list defined by the Government of the Russian Federation), the taxpayer who manufactured the said goods (works, services) shall have the right to define the time of the estimation of the tax base as a day of shipment (transfer) of the said goods (the performance of works or the rendering of services) in the presence of a separate accounting of operations and of the tax amounts on the acquired goods (works, services), including fixed assets and intangible assets, property rights used for the realisation of operations in the production of goods (works, services) of a long production cycle and other operations.

Upon the receipt of payment or partial payment by the taxpayer who manufactured goods (works, services) it is necessary to submit to tax bodies together with a tax declaration a contract with the buyer (a copy of such a contract certified with the signature of the manager and the chief accountant), and also the document which confirms the duration of the production cycle of goods (works, services), with an indication of their names, the period of manufacture, the name of the manufacturing taxpayer by the federal executive body that exercises the functions of mapping out a state policy and carrying out the normative legal regulation in the sphere of industrial, defence-industrial, and fuel and power complexes, and also which is signed by the authorised person and attached with the seal of this body.

**14.** If the day of payment or partial payment for forthcoming deliveries of goods (the performance of works or the rendering of services) or the day of the transfer of property rights is the time for the estimation of the tax base, then on the day of the shipment of goods (the performance of works or the rendering of services), or on the day of the transfer of property rights against the earlier received payment or partial payment there also emerges the time for determining the tax base.

**15.** For the tax agents indicated in Items 4 and 5 in Article 161 of the present Code the time for estimating the tax base shall be determined in the order established by Item 1 of the present Article.

**Article 168.** The Amount of Tax Presented by the Vendor to the Buyer

**1.** In case of sale of goods (works, services), transfer of property rights the taxpayer (the tax agent indicated in Items 4 and 5 of Article 161 of the present Code) in addition to the price (tariff) of sold goods (works, services), transferred property rights is obliged to present an appropriate amount of tax for payment to the buyer of property rights).

**2.** The amount of tax presented by the taxpayer to the buyer of goods (works, services), property rights shall be calculated on each kind of these goods (works, services), property rights the percentage share corresponding to the tax rate specified in Item 1 of the present Article of the prices (tariffs).

**3.** In case of sale of goods (works, services), transfer of property rights the relevant invoices shall be presented to the buyer not later than five calendar days from the day of shipment of goods (performance of works, rendering of services) or since the day of the transfer of property rights.

**4.** The appropriate amount of tax shall be stated in a separate line in settlement documents, including in the registers of cheques and registers to receive funds from the letter of credit, primary registration documents and in invoices.

The tax amount presented by the taxpayer to the buyer of goods (works, services) and property rights shall be paid to the taxpayer on the basis of a payment order for the transmission of monetary funds during commodity exchange operations, the clearing of mutual claims and during the use in payments for securities.

**5.** In case of sale of goods (works, services), the operations on which sale are not subject to taxation (are exempt from taxation), and also when according to Article 145 of the present Code a taxpayer is released from performance of the taxpayer obligation, the settlement documents and the primary registration documents shall be made out and invoices shall be submitted without pointing out the corresponding amount of tax. In so doing, the appropriate inscription shall be made or the stamp " Without the tax (VAT)" shall be affixed to said documents.

**6.** In case of sale of goods (works, services) to the population at wholesale prices (tariffs) the appropriate amount of tax shall be included in said prices (tariffs). In so doing, the amount of tax shall not be stated on labels of goods and price tags which are handed out by vendors nor on receipts and other documents issued to buyers.

**7.** In case of the sale of goods in cash by retail and public catering organisations (enterprises) and individual businessmen and also other organisations, individual businessmen performing works and providing services for a pay immediately to the general public, the requirement laid down by Items 3 and 4 of the present Article concerning registration of settlement documents and making out invoices shall be

considered fulfilled if the vendor has issued to the buyer a cash voucher or another document of an established form.

**Article 169.** The Invoice

**1.** An invoice is the document used as the basis to accept by the buyer the presented by the seller of goods (works, services) and property rights (including (the commission agent and agent who sell goods (works, services) and property rights on their behalf) amounts of tax for deduction in the order stipulated by the present Chapter.

**2.** Invoices made out and issued in violation of the order established by Items 5 and 6 of the present Article can not constitute a ground to accept for deduction or reimbursement the tax amounts presented to the buyer by the vendor. Failure to meet the requirements to the invoice which are not stipulated by Items 5 and 6 of the present Article can not be the basis for the refusal to accept for deduction an amount of tax presented by the vendor.

**3.** The taxpayer is obliged to make out the invoice, to keep log-books of received and issued invoices, books of purchases and books of sales, unless otherwise stipulated by Item 4 of the present Article:

1) in case of performance of operations defined as items of taxation according to the present Chapter including those not taxable (exempt from taxation) according to Article 149 of the present Code;

2) in other duly defined cases.

**4.** Invoices shall not be made out by taxpayers on operations of sale of securities (except for broker and intermediary services), and also banks, insurance organizations and non-state pension funds on operations which are not taxable (exempt from taxation) according to Article 149).

5. An invoice shall state:

1) the serial number and date of the invoice;

2) the name, address and identification numbers of the taxpayer and buyer;

3) the name and address of the consignor and consignee;

4) the number of the settlement document when an advance or other payments are received against future deliveries of goods (performance of works, rendering of services);

5) the name of the delivered (shipped) goods (description of the executed works, rendered services) and unit of measurements (where it is possible to indicate);

6) the quantity (volume) of goods (works, services) delivered (shipped) under the invoice on the basis of units of measurement accepted for it (where it is possible to indicate);

7) the price (tariff) per unit of measurement (where it is possible to indicate) under an agreement (contract) less the tax, and if state controlled prices (tariffs) are used, including the tax, with allowance for amounts of the tax;

8) the cost of goods (works, services), property rights for the entire quantity of delivered goods (shipped) on the invoice (executed works, rendered services), transferred property rights less the tax;

9) the sum of excise duty levied on excisable goods;

10) the tax rate;

11) the amount of tax the buyer of goods (works, services), property rights is charged which is defined on the basis of effective tax rates;

12) the cost of the entire quantity of delivered (shipped) goods (executed works, rendered services), transferred property rights under the invoice with allowance for the amount of tax;

13) the country of origin of goods;

14) the number of the customs declaration.

Information stipulated by Subitems 13 and 14 of the present Items shall be submitted concerning goods whose country of origin is not the Russian Federation. The taxpayer selling aforesaid goods shall be responsible only for the conformity of aforesaid information in the invoices presented by him to the information contained in the invoices received by him and in the shipping documents.

**6.** The invoice shall be signed by the head and chief accountant of the organization or other officials authorized thereto by an order (by other administrative document) of the organization or by a letter of authority on behalf of the organization. When an invoice is drawn up by an individual businessman the invoice shall be signed by the individual businessman, and state the requisites of the state registration certificate of such individual businessman.

**7.** In case when an obligation is denominated in a foreign currency under the terms of a deal, the amounts of money specified in an invoice, can be stated in foreign currency.

**8.** The order of keeping a log-book of received and drawn up invoices, books of purchases and books of sales shall be established by the Government of the Russian Federation.

**Article 170.** The Order of Referring Tax Amounts to the Costs of Production and Sale of Goods (Works, Services)

**1.** Amounts of tax a taxpayer is charged when buying goods (works, services), property rights or actually paid by him when importing goods to the customs territory of the Russian Federation, unless otherwise established by provisions of the present Chapter, shall not be included in the expenses accepted for deduction when calculating the tax levied on profit of organizations (income tax of natural persons), except for cases stipulated by Item 2 of the present Article.

2. Amounts of tax a taxpayer is charged, when buying goods (works, services), including fixed assets and intangible assets, or actually paid by him when importing goods, including fixed assets and intangible assets, to the territory of the Russian Federation, shall be included into the cost of such goods (works, services), and likewise of fixed assets and intangible assets, in the event of:

1) acquiring (importing) goods (works, services), including fixed assets and intangible assets, used for operations related to production and (or) sale (as well as to transfer of goods, carrying out works and rendering services for own needs) of goods (works, services) which are not taxable (exempt from taxation);

2) acquiring (importing) goods (works, services), including fixed assets and intangible assets, used for operations related to production and (or) sale of goods (works, services) whose place of sale is not recognized as the territory of the Russian Federation;

3) the acquisition (importation) of goods (works, services), in particular, fixed assets and intangible assets by persons not being by the taxpayers of the value-added tax or relieved from the duty to act as a taxpayer in terms of tax calculation and payment;

4) the acquisition (importation) of goods (works, services), including fixed and intangible assets and property rights, for the production and/or the sale (transfer) of goods (works, services), the operations in the sale (transfer) of which are not recognised as the sale of goods (works, services) in accordance with Item 2 in Article 146 of the present Code, unless the contrary is established by the present Chapter.

**3.** The tax amounts accepted for deduction by the taxpayer on goods (works, services), including fixed and intangible assets, and property rights in the order stipulated by the present Chapter shall be liable to the restoration by the taxpayer in the following cases:

1) the transfer of property, intangible assets and property rights as a contribution to the authorised (contributory) capital of economic societies and partnerships or shall contribute to the unit share funds of cooperatives.

It is necessary to restore the sums of the tax in the amount earlier accepted for deduction and in respect to fixed and intangible assets - in the amount of the sum of money proportional to residual (balance-sheet) value disregarding revaluation.

Tax amounts subject to restoration in keeping with the present subitem shall not be included in the value of property, intangible assets and property rights and shall be liable to a tax deduction from the accepting organisation in the order established by the present chapter. The sum of the restored tax shall be indicated in the documents which execute the transfer of the said property, intangible assets and property rights;

2) the subsequent use of such goods (works, services), including fixed and intangible assets, and property rights for the realisation of the operations indicated in Item 2 of the present Article, with the exception of the operation provided for by Subitem 1 of the present Item, and transfer of fixed and intangible assets and/or other property, property rights to the successor or successors in case of the reorganisation of juridical persons and transferring property to a party to a contract of ordinary partnership (a contract of joint activities) or to the legal successor thereof, if his share of common property is apportioned to him or such property is divided.

Tax rates in the amount earlier accepted for a deduction shall be subject to restoration; as for fixed and intangible assets, they are restored in the amount of the sum proportional to residual (balance sheet) value disregarding revaluation.

Tax rates subject to restoration in accordance with the present subitem shall not be included in the value of the said goods (works, services), fixed and intangible assets and property rights, but shall be reckoned within other expenses in keeping with Article 264 of the present Code.

Tax amounts shall be restored in that tax period in which goods (works, services), including fixed and intangible assets and property rights were transferred or are used by the taxpayer for the realisation of operations indicated in Item 2 of the present Article.

When the taxpayer goes over to special tax regimes in keeping with Chapters 26.2 and 26.3 of the present Code, the tax amounts accepted for deduction by the taxpayer for goods (works, services), including fixed and intangible assets and property rights in the order provided for by the present chapter shall be restored in the tax period that precedes the transition to said tax regimes.

The provisions of the present item shall not apply to the taxpayers who go over to the special tax regime in accordance with Chapter 26.1 of the present Code.

4. The amounts of tax, taxpayers making both taxable operations and those exempted from taxation are charged with by sellers of goods (works, services), property rights:

shall be included into the cost of such goods (works, services), property rights under Item 2 of this Article - with regard to goods (works, services), including fixed assets and intangible assets, property rights, used in operations on which the value-added tax is not levied;

shall be deducted under Article 172 of this Code - with regard to goods (works, services), including fixed assets and intangible assets, property rights, used in operations on which the value-added tax is levied;

shall be deducted or included into the cost thereof proportionally to their use for production and (or) sale of goods (works, services), property rights, operations in sale of which are taxable (exempt from taxation) - with regard to goods (works, services) including fixed assets and intangible assets, property rights, used in both taxable operations and in those exempted from taxation, in the order established by the accounting policy adopted by the taxpayer for taxation purposes.

Said proportion shall be determined reasoning from the cost of shipped goods (works, services), property rights, operations in sale of which are taxable (exempted from taxation), as compared to the total cost of goods (works, services) shipped within a tax period.

Separate accounting of amounts of the tax by the taxpayers who have transferred to payment of the uniform tax on imputed earnings for certain types of activity shall be carried out in a similar procedure.

With this, a taxpayer shall be obliged to keep separate records of the amounts of tax with regard to acquired goods (works, services), including fixed assets and intangible assets, property rights, used in both taxable operations and those not subject to taxation (exempted from taxation).

Where there are no separate records kept, the amounts of tax with regard acquired goods (works, services), including fixed assets and intangible assets, property rights, shall not be deducted and shall not be included into the expenses deducted in the course of calculating the profit tax on organizations (the income tax on natural persons).

A taxpayer shall be entitled not to apply the provisions of this Item in respect of the tax periods where the share of aggregate expenditures with regard to production of goods (works, services), operations in sale of which are not taxable, does not exceed 5 per cent of the total amount of aggregate expenditure with regard to production. With this, the total amounts of the tax, such taxpayers are charged with by sellers of goods (works, services), property rights used in production within said tax period, shall be subject to deduction in compliance with the procedure provided for by Article 172 of this Code.

**5.** Banks, insurance institutions, and non-state pension funds shall have the right to include in the costs accepted for deduction when calculating tax levied on profit of organizations the amounts of tax paid to suppliers for the purchased goods (works, services). Here, the entire amount of tax received by them under taxable operations shall be payable to the budget.

**6.** Removed.

**7.** Organisations that are not taxpayers or that are relieved of taxpayer's duties and individual businessmen are entitled to include into the expenditures deductible in compliance with Chapters 25, 26.1 and 26.2 of this Code the amounts of tax which were estimated and paid to the budget by them when discharging the duties of a tax agent in compliance with Item 2 of Article 161 of this Code in the event of returning commodities to the seller (in particular during the warranty period), their rejection, modification of the terms, or dissolution, of appropriate contracts and return of advance payments.

**Article 171.** Tax Deductions

**1.** The taxpayer shall have the right to reduce the total amount of tax computed according to Article 166 of the present Code by tax deductions established by the present Article.

2. Subject to deductions shall be amounts of tax presented to the taxpayer when purchasing goods (works, services) and also property rights on the territory of the Russian Federation or paid by the taxpayer when importing goods to the customs territory of the Russian Federation under the customs treatment of release for internal consumption, temporary import and processing outside of the customs territory or in case of the import of goods moved across the customs border of the Russian Federation without customs control and customs clearance, in relation to:

1) goods (works, services) and also property rights purchased to carry out operations recognized as items of taxation according to the present Chapter, except for the goods specified by Item 2 of Article 170 of the present Code;

2) goods (works, services) purchased for resale.

**3.** Subject to deductions shall be amounts of tax paid according to Article 173 of the present Code by buyers and the tax agents.

Buyers and tax agents registered with the tax authorities and acting as taxpayers according to the present Chapter shall have the right to the aforesaid tax deductions. Tax agents making the operations indicated in Items 4 and 5 of Article 161 of this Code shall not be entitled to include into tax deductions the amounts of the tax paid in respect of these operations.

The provisions of the present item shall be applicable if the goods (works, services) were acquired by a taxpayer being a tax agent for the purposes specified in Item 2 of the present article and if the taxpayer withheld and paid the tax out of the taxpayer's incomes when they were being acquired.

**4.** Subject to deduction shall be amounts of tax presented by the vendors to a foreign person being a taxpayer not registered with tax authorities of the Russian Federation, when said taxpayer buys goods (works, services), property rights, or pays the foreign person when importing goods to the customs territory of the Russian Federation for his production purposes or for the accomplishment of his other activities.

Said amounts of tax shall be subject to deduction or refund to a foreign person being a taxpayer after a tax agent pays the tax withheld from incomes of this taxpayer and only in the part in which the bought or imported goods (works, services), property rights have been used in the production of goods (performance of works, rendering of services) sold by the tax agent who withheld the tax. The specified amounts of tax shall be subject to deduction or reimbursement, provided the foreign person acting as the taxpayer registers with the tax authorities of the Russian Federation.

5. Subject to deductions shall be amounts of tax presented by the vendor to the buyer and paid by the vendor to the budget when selling goods, if these goods are returned (including during warranty period) to the vendor or such were rejected. Subject to deductions shall be amounts of tax paid when performing works (rendering services) if these works (services) are rejected.

Subject to deductions shall be amounts of tax calculated by the vendors and paid by them to the budget from amounts of payment or partial payment for goods (performance of works, rendering of services) sold on the territory of the Russian Federation in case of the change of the conditions or cancellation of the corresponding contract and return of the appropriate amounts of advance payments.

The provisions of this Item shall extend to taxpaying purchasers discharging the duties of a tax agent in compliance with Item 2 of Article 161 of this Code.

**6.** Deductible shall be the tax amounts presented to a taxpayer by contracting organisations (customers-developers) during capital construction, the assembly (erection) of fixed assets, the tax amounts presented to a taxpayer for goods (works, services) acquired by him for the performance of building and assembly works, and the tax amounts presented to a taxpayer when he acquires facilities of incomplete capital construction.

In the event of reorganisation deductible from the successor or successors shall be the tax amounts which are presented to the reorganised (being reorganised) organisation for goods (works, services) acquired by the reorganised (being reorganised) organisation for the performance of building and assembly works for internal consumption and which are accepted for a deduction, but not accepted by the reorganised (being reorganised) organisation for a deduction at the time of the completion of the reorganisation.

Deductible shall be the tax amounts calculated by taxpayers in accordance with Item 1 in Article 166 of the present Code during building and assembly works for internal consumption, which are connected with the assets which are intended for the realisation of the operations taxable in accordance with the present chapter and the value of which is included in expenses (especially through depreciation deductions at the time of calculating the tax on the profit of organisations.

Tax amounts presented to the taxpayer when contractors carry out the capital construction of the facilities of real estate (fixed assets), when he acquires real estate (except for aircraft, sea-going and inland water ships, and also space objects), and calculated by the taxpayer during building and assembly works for internal consumption, and also accepted for deduction in the order stipulated by the present Chapter, shall be restored if the said facilities of real estate (fixed assets) are subsequently used for the realisation of the operations indicated in Item 2 in Article 170 of the present Code, except for the fixed assets which are fully amortised or which were put into operation by the given taxpayer for more than 15 years.

In the case indicated in the fourth paragraph of the present item, the taxpayer shall be obliged to reflect the restored tax amount upon the end of each calendar year beginning with the year when the time has arrived, as envisaged in the second paragraph of Item 2 in Article 259 of the present Code. He shall reflect this tax amount in the tax declaration to be presented to the tax bodies in the place of his registration for the last tax period of each calendar year during ten years. The tax amount subject to restoration and payment to the budget shall be calculated on the basis of 1/10 of the sum of the tax accepted for a deduction in the corresponding share. The said share shall be determined proceeding from the value of shipped goods (performed works or rendered services) transferred property rights, which are not assessed with the tax and indicated in Item 2 of Article 170 of the present Code, in the total value of goods (works, services) and property rights shipped or transferred over the calendar year. The tax amount liable to restoration shall not be included in the value of this property but shall be accounted within other expenses in keeping with Article 264 of the present Code.

**7.** Subject to deductions shall be amounts of tax paid on expenses borne during business trips (expenses in travel to the place of the business trip and back, including expenses to use bed linen in overnight trains, and also expenses in renting housing) and representation expenses accepted for deduction when calculating the tax levied on profit of organizations.

Where under Chapter 25 of this Code for the purposes of taxation expenditures are taken according to normative standards, the amounts of tax with regard to such expenditures shall be subject to deduction in the amount corresponding to such normative standards.

**8.** Subject to deductions shall be amounts of tax calculated by the taxpayer on amounts of payment or partial payment received against future deliveries of goods (works, services).

**9.** Removed.

**10.** Deductible shall be the tax amounts calculated by the taxpayer in the absence of the documents provided for by Article 165 of the present Code on the operations of selling goods (works, services) indicated in Item 1 of Article 164 of the present Code.

**11.** The tax amounts which were restored by the shareholder (participant, partner) in the order established by Item 3 in Article 170 of the present Code, if they are used for the realisation of the operations recognised as objects of taxation in keeping with the present chapter, shall be subject to deductions from the taxpayer who received as a contribution to the authorised (contributory) capital or fund the property, intangible assets and property righter.

**Article 172.** The Order of Application of Tax Deductions

**1.** Tax deductions stipulated by Article 171 of the present Code shall be made on the basis of invoices drawn up by vendors when taxpayers buy goods (works, services), property rights, documents confirming that tax amounts have been actually paid during the import of goods to the customs territory of the Russian Federation, documents confirming the payment of the tax amounts withheld by tax agents, or on the basis of other documents in cases set forth in Items 3, 6-8 of Article 171 of the present Code.

Subject to deductions shall be, unless otherwise established by the present Article, only amounts of tax presented to a taxpayer upon the acquisition of goods (works, services) and property rights on the territory of the Russian Federation or when the amounts actually paid by them when importing goods to the customs territory of the Russian Federation after aforesaid goods (works, services), property rights are entered into records, with due regard to features laid down by the present Article and provided appropriate primary documents are submitted.

Deductions of tax amounts presented by vendors to the taxpayer when he buys or pays for fixed assets, equipment for installation and/or intangible assets specified in Items 2 and 4 of Article 171 of the present Code and imported to the customs territory of the Russian Federation, shall be effected in full after said fixed assets and/or intangible assets are entered into records.

Upon the acquisition for foreign currency of goods (works, services) and property rights foreign currency shall be converted into roubles at the exchange rate of the Central Bank of the Russian Federation on the date of the registration of goods (works, services) and property rights.

**2.** In case the taxpayer uses his own property (including bills of exchange of a third person) as settlement for goods (works, services) he had bought, the tax amounts actually paid by the taxpayer and calculated by him shall be subject to deductions in the cases and in the procedure envisaged by Item 4 of Article 168 of the present Code.

**3.** Deductions of the tax amounts stipulated by Items 1-8 in Article 171 of the present Code in respect to operations in the sale of goods (works, services) indicated in Item 1 of Article 164 of the present Code shall be made in the order established by the present Article at the time of the estimation of the tax base fixed by Article 167 of the present Code.

Deductions of the tax amounts indicated in Item 10 of Article 171 of the present Code shall be made on the date that corresponds to the time of the subsequent calculation of the tax at the zero per cent tax rate in respect to the operations in the sale of goods (works, services) provided for by Item 1 of Article 164 of the present Code in the presence at this time of the documents stipulated by Article 167 of the present Code.

**4.** Deductions of tax amounts specified in Item 5 of Article 171 of the present Code shall be made in full after appropriate adjustment operations involved in the return of goods or rejection of goods (works, services) have been entered in the records, but no later than one year from the time of the return or rejection.

**5.** Deductions of the tax amounts indicated in the first and second paragraphs of Item 6 in Article 171 of the present Code shall be made in the order established by the first and second paragraphs of Item 1 in the present Article.

Deductions of the amounts of tax indicated in the Third Paragraph of Item 6 of Article 171 of this Code shall be made as the tax calculated by taxpayers in respect of construction and assembly works carried out for own needs is paid to the budget in compliance with Article 173 of this Code.

In the event of the reorganisation of the body the successor or successors shall deduct the tax amounts which were indicated in the third paragraph of Item 6 in Article 171 of the present Code and which were not accepted by the reorganised (being reorganised) organisation for deduction until the time of the completion of the reorganisation, to the extent of the payment to the budget of the tax calculated by the reorganised (being reorganised) organisation during the performance of building and assembly works for internal consumption in accordance with Article 173 of the present Code.

**6.** The deductions of tax amounts specified in Item 8 of Article 171 of the present Code shall be made from the date of unloading of appropriate goods (performance of works, rendering of services).

**7.** During the determination of the time of estimating the tax base in the order provided for by Item 13 in Article 167 of the present Code, deductions of tax amounts shall be made at the time of the estimation of the tax base.

**8.** Deductions of the tax amounts indicated in Item 11 of Article 171 of the present Code shall be made after the registration of property, including fixed and intangible assets and property rights received as the payment of a contribution to the authorised (contributory) capital (fund).

**Article 173.** The Amount of Tax Payable to the Budget

**1.** The amount of tax payable to the budget shall be calculated on the basis of results of each tax period as an amount reduced by the amount of tax deductions stipulated by Article 171 of the present Code (including tax deductions stipulated by Item 3 of Article 172 of the present Code) being the overall amount of the tax calculated according to Article 166 of the present Code and increased by the tax amount restored in accordance with the present Chapter.

**2.** If the amount of tax deductions over any tax period exceeds the total amount of tax computed according to Article 166 of the present Code and increased by the tax amount restored in accordance with Item 3 in Article 170 of the present Code, the positive difference between the amount of tax deductions and the sum of tax computed with regard to the operations recognized as units of taxation under Subitem 1 and 2 of Item 1 of Article 146 of this Code, shall be subject to reimbursement to taxpayers in the procedure and on the conditions which are stipulated by Article 176 of this Code, safe for the cases when taxpayers submit tax declarations on the expiry of three years after the end of an appropriate tax period.

**3.** The amount of tax payable if goods are imported to the customs territory of the Russian Federation shall be calculated according to Item 5 of Article 166 of the present Code.

**4.** In case of sale of goods (works, services) specified in Article 161 of the present Code, the amount of tax payable to the budget shall be calculated and paid in full by tax agents defined in Article 161 of the present Code.

**5.** The amount of tax payable to the budget shall be calculated by the following persons if they invoice the buyer and state separately the tax amount:

1) by persons who are not taxpayers, or by taxpayers released from discharge of the taxpayer obligations involved in the calculation and payment of tax;

2) by taxpayers, when selling goods (works, services) and when operations in selling them are not taxable.

Here, the amount of tax payable to the budget shall be defined as the amount of tax indicated in the appropriate invoice handed in to the buyer of goods (works, services).

**Article 174.** The Order and Terms of Payment of Tax to the Budget

**1.** The payment of tax in respect of transactions recognised as tax basis in compliance with Subitems 1 - 3 Item 1 Article 146 of the present Code, on the territory of the Russian Federation shall be effected according to the results of each tax period and on the basis of actual sale (transfer) of goods (performance of works, including those for own needs, rendering of services, including those for own needs) over the lapsed tax period no later than the 20th day of the month following the lapsed tax period, unless otherwise is stipulated by the present Chapter.

If goods are imported to the customs territory of the Russian Federation, the amount of tax payable to the budget shall be paid according to the customs legislation.

**2.** The amount of tax payable to the budget under operations of sale (transfer, performed, rendered for own needs) goods (works, services) on the territory of the Russian Federation shall be paid at the place of registration of the taxpayer with tax authorities.

**3.** The tax agents (organizations and individual businessmen) shall pay the amount of tax at the place of their location.

**4.** The payment of tax by persons specified in Item 5 of Article 173 of the present Code shall be made on the basis of results of each tax period according to the appropriate sale of goods (works, services) over the lapsed tax period no later than the 20th day of the month following xthe completed tax period.

In the cases of the realisation of works (services), whose place of realisation is the territory of the Russian Federation, by taxpayers that are foreign persons not registered at the tax bodies as taxpayers, the payment of the tax shall be made by the tax agents simultaneously with the payment (transfer) of the monetary funds to such taxpayers.

The bank servicing the tax agent may not accept there from the order for the transfer of the monetary funds in favour of such taxpayers if the tax agent has not submitted to the bank also an order for the payment of the tax from an account opened in that bank if the monetary funds are sufficient for paying the whole tax amount.

**5.** Taxpayers (tax agents), including those listed in Item 5 of Article 173 of the present Code are obliged to submit to the tax authorities at the place of their registration an appropriate tax declaration no later than the 20th day of the month following the lapsed tax period, unless otherwise stipulated by the present Chapter.

**6.** Abrogated from January 1, 2008.

**Article 174.1.** The Peculiarities of the Calculation and the Payment to the Budget of the Tax During Operations in Keeping with the Contract of Special Partnership (the Contract for Joint Activity) or the Contract of the Trust Management of Property on the Territory of the Russian Federation

**1.** For the purpose of the present chapter the general accounting of operations liable to taxation in accordance with Article 146 of the present Code shall be kept by the participant in the partnership represented by a Russian organisation or an individual businessman (hereinafter referred to in the present article as a partnership participant).

During the completion of operations in conformity with the contract of special partnership (the contract for joint activity) or the contract of the trust management of property, the participant in the partnership or the trust manager shall be vested with the duties of a taxpayer established by the present Chapter.

**2.** With the sale of goods (works, services), the transfer of property rights in keeping with the contract of special partnership (the contract for joint activity) or the contract of the trust management of property the participant in the partnership or the trust manager shall be obliged to present the relevant invoices in the order prescribed by the present Code.

**3.** The tax deduction for goods (works, services), including fixed and intangible assets and property rights acquired for the production and/or the sale of goods (works, services), recognised as objects of taxation in keeping with the present chapter, in keeping with the contract of special partnership (the contract for joint activity) or the contract of the trust management of property, shall only be granted to the participant in the partnership or to the trust manager in the presence of the invoices put up by sellers to these persons in the order prescribed by the present Chapter.

When the participant in the partnership who keeps the general accounting of operations for taxation purposes or the trust manager carry out a different activity, the right to a deduction of tax amounts emerges in the presence of a separate accounting of goods (works, services), including fixed and intangible assets and property rights used by him in operations in keeping with the contract of special partnership (the contract for joint activity) or the contract of the trust management of property and used by him in the realisation of different activities.

**Article 175.** Removed.

**Article 176.** Procedure for Tax Reimbursement

**1.** If, on the basis of results of a tax period, the amount of tax deductions exceeds the total amount of tax calculated in respect of the transactions recognised as the tax base under Subitems 1 - 3 of Item 1 of Article 146 of the present Code, the received difference shall be subject to reimbursement (offset, return) to the taxpayer according to the provisions of the present Article.

After submitting the tax return by a taxpayer, the tax authority shall check the substantiation of the tax amount declared for reimbursement, when conducting a documentary tax check in the procedure established by Article 88 of this Code.

**2.** Upon termination of the check the tax authority shall be obliged to render a decision on reimbursement of the appropriate amounts, if in the course of the on-site tax check violations of the legislation on taxes and fees were not detected.

**3.** In the event of detecting violations of the legislation on taxes and fees in the course of a documentary tax check, the authorized officials of the tax authorities have to draw up a tax check report in compliance with Article 100 of this Code.

The act and other materials concerning the documentary tax check in the course of which violations on the legislation on taxes and fees were detected, as well as the objections presented by a taxpayer (a representative thereof) have to be considered by the head (deputy head) of the tax authority that has conducted the tax check and a decision on them has to be adopted in compliance with Article 101 of this Code.

On the basis of the results of considering the materials of a documentary tax check the head (deputy head) of the tax authority shall render a decision on calling the taxpayer to account for committing a tax offence or on the refusal to call the taxpayer to account for committing a tax offence.

Concurrently with this decision shall be rendered a decision on reimbursement (in full or in part) of the tax amount declared for reimbursement or a decision on the refusal to reimburse the tax amount declared for reimbursement.

**4.** If a taxpayer has arrears of tax, of other federal taxes, debts on the appropriate penalties and (or) fines payable or recoverable in the cases provided for by this Code, the tax authority shall

independently set off the tax amount to be reimbursed on account of repaying the said arrears and debts on penalties (or) fines.

**5.** Where a tax authority has decided to reimburse tax amount (in full or in part) in the presence of arrears of tax which emerged within the period between the date of filing the tax return and the date of reimbursement of the appropriate amounts and which did not exceed the amount payable under the decision of the tax authority, penalties on the amount of the arrears shall not charged.

**6.** Where a taxpayer has no arrears of tax, other federal taxes, debts on the appropriate penalties and (or) fines payable or recoverable in the cases provided for by this Code, the tax amount to be reimbursed by decision of the tax authority shall be returned on the taxpayer's application onto the bank account specified by him. If there is a taxpayer application in writing, the amounts to be returned may be entered on account of making forthcoming payments of tax or other federal taxes.

**7.** A decision on setting off (returning) the tax amount shall be rendered by a tax authority concurrently with rendering a decision on reimbursement o\f the tax amount (in full or in part).

**8.** The instruction to return the amount of tax drawn up on the basis of a decision on the return thereof shall be subject to sending by a tax authority to the territorial Federal Treasury agency on the next day after the date of rendering this decision by the tax authority.

The territorial Federal Treasury agency within five days as of the date of receiving the said instruction shall return to the taxpayer the amount of tax in compliance with the budget legislation of the Russian Federation and within the same time period shall notify the tax authority of the date of return and the amount of the monetary funds returned to the tax payer.

**9.** The authority shall be obliged to notify the taxpayer in writing about the rendered decision on such reimbursement ( in full or in part), on the rendered decision to set off (return) the amount of tax to be reimbursed or on the refusal to reimburse it within five days as of the date of rendering the appropriate decision.

The said notification may be delivered personally to the head of the organisation, individual businessman or their representatives against their receipt or in another way proving the fact and date of receiving it.

**10.** In the event of failure to observe the time period for return of the amount of tax, interest shall be charged on the basis of the refinancing rate of the Central Bank of the Russian Federation, starting from the 12th day after completion of the documentary tax check on the basis of whose results a decision was rendered to reimburse (in full or in part) the amount of tax.

The interest rate shall be deemed equal to the refinancing rate of the Central Bank of the Russian Federation effective on the days of failure to observe the time for reimbursement.

**11.** If the interest provided for by Item 10 of this Article is not paid by a taxpayer in full, the tax authority shall render a decision on returning the remaining amount of interest, estimated on the basis of the date of actual return to the taxpayer of the amount of tax subject to reimbursement, within three days as of the date of receiving the notification of a territorial Federal Treasury agency of the date and the amount of monetary funds returned to the taxpayer.

An instruction to return the remaining amount of interest drawn up on the basis of a decision of a tax authority on the return of this amount shall be subject to sending by the tax authority within the time period established by Item 8 of this Article to the territorial Federal Treasury agency for return thereof.

**Article 177.** The Terms and Order of Payment of Tax in Case of Import of Goods to the Customs Territory of the Russian Federation

Terms and order of payment of tax in case of import of goods to the customs territory of the Russian Federation shall be established by the customs legislation of the Russian Federation with allowance for provisions of the present Chapter.

**Article 178.** Abrogated.

## Chapter 22. Excise Taxes

**Article 179.** Taxpayers

**1.** The following shall be defined as taxpayers of the excise tax (further in the present Chapter referred to as - the "taxpayers"):

1) organizations;

2) individual businessmen;

3) persons recognized as taxpayers in connection with the movement of goods across the customs border of the Russian Federation shall be defined according to the customs code of the Russian Federation.

2. Organizations and other persons named in the present Article shall be defined as taxpayers if they perform operations taxable under the present Chapter.

**Article 179.1.** Abrogated from January 1, 2007.

**Article 179.2.** The Certificate of Registration of an Organisation Accomplishing Transactions in Denatured Ethyl Alcohol

**1.** Certificates of registration of an organisation accomplishing transactions in denatured ethyl alcohol (hereinafter referred to in this article as a "certificate") shall be issued to organisations pursuing the following types of activity:

1) the production of denatured ethyl alcohol: a certificate for the production of denatured ethyl alcohol;

2) the production of alcohol-free products where denatured ethyl alcohol is used as a raw material: a certificate for the production of alcohol-free products;

3) making alcohol-containing products in metal aerosol packaging where denatured ethyl alcohol is used as raw material - a certificate for the production of alcohol-containing perfumery and cosmetic goods in metal aerosol packing;

4) making alcohol-containing products in metal aerosol packaging where denatured ethyl alcohol is used as raw material - a certificate for the production of alcohol-containing household chemical goods in metal aerosol packaging.

**2.** The following shall be indicated in the certificate:

1) the name of the tax body that issued the certificate;

2) the full and abbreviated name of the organisation, its whereabouts and the address (the actual place of business) at which the organisation pursues the type of activity specified in Item 1 of the present article;

3) taxpayer identification number (INN);

4) the type of activity;

5) the details of documents confirming the right of ownership (right of economic jurisdiction and/or operative management) for the production facilities, and the location of these facilities;

6) the details of documents confirming the right of ownership (right of economic jurisdiction and/or operative management) for the facilities intended for storing denatured ethyl alcohol and the location of these facilities;

7) the effective term of the certificate (up to one year);

8) the terms and conditions for the pursuance of said types of activity;

9) the registration number and date of issue of the certificate.

**3.** The procedure for issuing the certificate is set by the Ministry of Finance of the Russian Federation.

**4.** Certificates shall be issued to organisations, provided the following requirements are met:

1) a certificate for the production of denatured ethyl alcohol: if the organisation (an organisation where the applicant organisation has over 50 per cent of the charter (contributed) capital (fund) of a limited liability company or of voting shares of a joint-stock company) owns (has by the right of economic jurisdiction and/or operative management) facilities intended for the production, storage and sale of denatured ethyl alcohol;

2) a certificate for the production of alcohol-free products: if the organisation (an organisation where the applicant organisation has over 50 per cent of the charter (contributed) capital (fund) of a limited liability company or of voting shares of a joint-stock company) owns (has by the right of economic jurisdiction and/or operative management) facilities intended for the production, storage and sale of alcohol-free products produced with denatured ethyl alcohol as a raw material.

The tax body shall issue a certificate (notify the applicant of its refusal to issue a certificate) within 30 calendar days after the certificate application was filed by the taxpayer together with copies of the documents envisaged by the present article. The notice shall be sent to the taxpayer in writing together with an indication of reasons for the refusal. For the purpose of obtaining a certificate an organisation shall file the following with the tax body: a certificate application, information on the organisation's having the facilities required to pursue the declared type of activity, and copies of documents confirming the taxpayer's right of ownership to said facilities (copies of documents confirming the right of economic jurisdiction and/or operative management in respect of the property assigned thereto);

3) a certificate for the production of alcohol-containing perfumery and cosmetic goods in metal aerosol packaging, if an organisation (an organisation where the applicant organisation has over 50 per cent of the authorised (pooled) capital (fund) of a limited liability company or of voting shares of a joint-stock company) owns (holds the right of economic jurisdiction and/or operative management in respect of) facilities intended for the production, storage and sale of the aforesaid products where denatured ethyl alcohol is used as raw material;

4) a certificate for the production of alcohol-containing household chemical goods, if an organisation (an organisation where the applicant organisation has over 50 per cent of the authorised (pooled) capital (fund) of a limited liability company or of voting shares of a jointstock company) owns

(holds the right of economic jurisdiction and/or operative management in respect of) the facilities intended for the production, storage and sale of the aforesaid products where denatured ethyl alcohol is used as raw material.

**5.** Tax bodies shall suspend a certificate if:

an organisation is in breach of the effective legislation on taxes and fees in as much as it concerns the calculation and payment of excise taxes;

an organisation fails to show the registers of invoices filed with tax bodies in accordance with Article 201 of the present Code. In this case the certificate of an organisation being a buyer (recipient) of denatured ethyl alcohol shall be suspended;

the technological equipment used to produce, store and sell denatured ethyl alcohol is not equipped with devices intended for monitoring and recording the volume thereof or is equipped with out-of-order monitoring and recording equipment, if disorders occur in the operation and operational conditions of the monitoring and recording equipment installed on said technological equipment.

If a certificate is suspended the tax body shall set a term for elimination of the irregularities that have caused the suspension thereof. This term shall not exceed six months. If within the term set the irregularities have not been eliminated the certificate shall be annulled.

The organisation holding the certificate shall notify in writing the tax body that has issued it that it has eliminated the irregularities that caused the suspension of the certificate. The tax body that issued the certificate shall take its decision on resumption or on the refusal to resume of the certificate and notify in writing the organisation holding the certificate within three days as of the date of receiving a notice of elimination of the irregularities that caused suspension of the certificate.

The effective term of a certificate shall not be extended by the duration of its suspension term.

A certificate shall be annulled by tax bodies if:

alcohol-containing products are produced by an organisation holding a certificate for the production of alcohol-free products;

an organisation holding a certificate for the production of alcohol-free products has transferred denatured ethyl alcohol to another person;

an organisation has filed an application to this effect;

an organisation has assigned to another person the certificate issued in the procedure established in accordance with Item 3 of the present Article;

an organisation's re-organisation has been completed, and, as a result of the re-organisation, this organisation has lost its right of ownership to the facilities declared when the certificate was received;

the name of an organisation has been changed;

the location of an organisation has been changed;

the right of ownership to the entirety of facilities specified in the licence has been terminated;

production of different alcohol-containing products (except for denatured alcohol-products) by an organisation that has a certificate for making alcohol-containing perfumery and cosmetic products in metal aerosol tare and (or) the certificate for making alcohol-containing household chemical goods in metal aerosol packaging;

transfer by an organisation that has a certificate for making alcohol-containing perfumery and cosmetic products in metal aerosol packaging and (or) a certificate for making alcohol-containing household chemical goods in metal aerosol packaging, of denatured ethyl alcohol to another person.

**6.** If a certificate is annulled in the cases listed in Item 5 of the present Article or if an organisation has lost its certificate the organisation is entitled to file a certificate application asking for a new certificate.

**7.** The tax body that issued a certificate shall notify the organisation of suspension or annulment of the certificate within three days after the date of the decision to this effect.

**8.** An organisation holding a certificate shall report to the tax body that issued it on the use of denatured ethyl alcohol, in the procedure established by the Ministry of Finance of the Russian Federation.

**Article 179.3.** Registration Certificate of a Person Engaged in Transactions with Directly Distilled Petroleum

**1.** Registration certificates of persons engaged in transactions with directly distilled petroleum (hereinafter referred to as the certificate) shall be issued to organisations and individual businessmen engaged in the following types of activities:

production of directly distilled petroleum, in particular from customer's raw material (materials) - a certificate for production of directly distilled petroleum;

making petrochemical products with the use of directly distilled petroleum, in particular from customer's raw material (materials) - a certificate for processing directly distilled petroleum.

For the purposes of this Chapter, petrochemical products shall mean the products resulting from processing (conversion) of oil components (including directly distilled petroleum) and natural gas aimed at transforming them into organic compounds and fractions that are final products and (or) are further used

for making other products on the basis of them, as well as the waste resulting from processing directly distilled petroleum in the course of making the said products.

**2.** The following shall stated in the certificate:

1) denomination of the tax authority that has issued the certificate;

2) full and abbreviated denominations of the organisation (full name of the individual businessman), location of the organisation (place of residence of the individual businessman) and address (actual place of operation) where the organisation (the individual businessman) exercises the activity types specified by Item 1 of this Article;

3) taxpayer identification number (INN);

4) type of activity;

5) requisite elements of the documents proving ownership (the right of possession or use on any other legal grounds on condition that the contribution (share) of the organisation which owns production facilities constitutes 100 per cent of the authorized (pooled) capital of the applicant organisation) of production facilities, and location of said facilities;

6) requisite elements of the contract for the rendering by the taxpayer of the services of processing oil, gas condensate, associated petroleum gas, natural gas, shale oil, coal and other raw material, as well as products processed therefrom for the purpose of producing directly distilled petroleum (if said contract is available);

7) requisite elements of the contract for rendering services related to processing of directly distilled petroleum made with an organisation engaged in making petrochemical products (if said contract is available);

8) the certificate's registration number and date of its issuance.

**3.** The procedure for issuing the certificate shall be determined by the Ministry of Finance of the Russian Federation.

**4.** The certificate shall be issued to organsaitions and individual businessmen, if they comply with the following requirements:

the certificate for production of directly distilled petroleum - if an organisation or individual businessman (an organisation where the applicant organisation has over 50 per cent of the authorised (pooled) capital (fund) of a limited liability company or of voting shares of a joint-stock company) owns (possesses or uses on other legal grounds on condition that the contribution (shares) of the orgnaisation which owns production facilities constitutes 100 per cent of the authorized (pooled) capital of the applicant organisation) the facilities intended for the production of directly distilled petroleum, and (or) if there is a contract for rendering services related to processing by the taxpayer of crude oil, gas condensate, associated petroleum gas, natural gas, shale oil, coal and other raw material, as well as products processed therefrom, which results in the production of directly distilled petroleum;

the certificate for processing directly distilled petroleum - if an organisation or individual businessman (an organisation where the applicant organisation has over 50 per cent of the authorised (pooled) capital (fund) of a limited liability company or of voting shares of a joint-stock company) owns (possesses or uses on other legal grounds on condition that the contribution (shares) of the organsaition which owns production facilities constitutes 100 per cent of the authorized (pooled) capital of the applicant organisation) facilities intended for making petrochemical products, and (or) if there is a contract for rendering services related to processing of directly distilled petroleum owned by the given taxpayer which is made with an organisation engaged in making petrochemical products.

The tax authorities shall be obliged to issue the certificate (to notify the applicant of the refusal to issue the certificate) at the latest in 30 calendar days as of the time of submission by a taxpayer of an application for issuance of the certificate and of the documents provided for by this Article. A notice shall be sent to a taxpayer in writing and shall state reasons for the refusal. To receive the certificate a taxpayer (if not otherwise established by this Article) shall file with the tax authorities an application for issuance of the certificate, data on his having available the production facilities required for the exercise of the declared type of activity, copies of the documents proving the taxpayer's ownership of said facilities (copies of the documents proving the right of economic jurisdiction and (or) day-to-day management of the property assigned to him).

To obtain the certificate for production of directly distilled petroleum, an organsation or an individual businessman engaged in processing of crude oil, gas condensate, associated petroleum gas, natural gas, shale oil, coal and other raw material, as well as products processed therefrom, instead of the documents proving ownership (rights of economic jurisdiction or day-to-day management) of the facilities for production of directly distilled petroleum may file with the tax authorities a copy of the contract for rendering services related to processing of oil, gas condensate, associated petroleum gas, natural gas, shale oil, coal and other raw material, as well as products processed therefrom with a note of the tax authority at the location of the organisation engaged in processing of oil, gas condensate, associated petroleum gas, natural gas, shale oil, coal and other raw stuff, as well as products processed therefrom. The said note shall be made upon submission to the tax authority at the location of this organisation or the place of residence of the individual businessman of a copy of a contract for rendering services related

to processing of oil, gas condensate, associated petroleum gas, natural gas, shale oil, coal and other raw material, as well as products processed therefrom.

To obtain the certificate for processing of directly distilled petroleum, an organsiation or individual businessman owning raw material, instead of the documents proving ownership (right of possession or use on any other legal grounds on condition that the contribution (share) of the organsation which owns production facilities constitutes 100 per cent of the authorized (pooled) capital of the applicant organisation) of the facilities intended for production, storage and sale of petrochemical products may file with the tax authorities an attested copy of a contract for rendering services related to processing of directly distilled petroleum which is made with an organisation making petrochemical products and bears a note of the tax authority at the location of the organisation making petrochemical products. The said note shall be made upon submission to the tax authority at the location of the organisation or place of residence of the individual businessman engaged in making petrochemical products of a copy of a contract for rendering services related to processing of directly distilled petroleum.

The certificates provided for by this Article shall be likewise issued to the organsaition or individual businessman which has made an application for issuing the appropriate certificate, if the organisation where the applicant organisation or individual businessman has over 50 per cent of the authorised (pooled) capital (fund) of a limited liability company or of voting stocks of a joint-stock company has available production facilities required for obtaining of the certificates. In this case, the organisation or individual businessman that has filed an application for issuing the certificates shall submit to the tax authority the documents proving the right of the organisation to possess, use and, dispose of, the said property and documents proving ownership of the said share (of the appropriate number of voting stocks) in the authorized (pooled) capital (fund) of the organisation.

**5.** The tax authorities shall suspend the certificate in the event of the following:

the organisation's or individual businessman's failure to follow the provisions of the legislation on taxes and fees, as regards the calculation and payment of excise duties;

failure of the organisation or individual businessman which are purchasers (recipients) of directly distilled petroleum to submit within three tax periods running the invoices to be submitted to the tax authorities in compliance with Article 201 of this Code. If this is the case, the certificate of the organisation or individual businessman, which are purchasers (recipients) of directly distilled petroleum, shall be suspended;

use engineering facilities for production, storage and sale of directly distilled petroleum which are not equipped with monitoring devices for registration of its volume, as well as if they are equipped with broken monitoring and measurement devices, malfunctioning of the monitoring and measurement equipment installed in said engineering facilities and failure to observe the service conditions thereof.

In the event of suspending the certificate, the tax authorities shall be obliged to fix the time period for elimination of the violations which have entailed the suspension of the certificate. The said time period may not exceed six months. If within the established time period violations are not eliminated, the certificate shall be cancelled.

An organisation or individual businessman which has the certificate shall be obliged to notify in writing the tax authority that issued the certificate of elimination by them of the violations which entailed suspension of the certificate. The tax authority that has issued the certificate shall render a decision to renew the certificate or to deny the renewal thereof and shall notify of it the organisation or individual businessman, that have the certificate in writing, within three days as of the date of receiving a notice concerning the elimination of the violations which have entailed the suspension of the certificate.

The term of the certificate's validity shall not be extended by the time period of its suspension.

The tax authorities shall cancel the certificate in case of the following:

submission of the relevant application by an organisation or individual businessman;

transfer by an organisation or individual businessman of the certificate issued in the procedure established in compliance with Item 3 of this Article to another person;

completion of a company's re-organisation which results in this company losing the ownership of the production facilities declared for obtaining the certificate or termination of the contracts provided for by Paragraphs Two and Three of Item 4 of this Article;

modification of an organisation's denomination (changes in the first name, family name or patronymic of an individual businessman);

change of an organisation's location (change of an individual businessman's place of residence);

termination of ownership or possession (use) on other legal grounds (on condition that the contribution (share) of the organsaition owning production facilities constitutes 100 per cent of the authorized (pooled) capital (fund) of the applicant organisation) of all production facilities specified in the certificate or termination of the contracts provided for by paragraphs two and three of Item 4 of this Article.

**6.** In the cases of the certificate's cancellation provided for by Item 5 of this Article, as well as in the event of an organisation or individual businessman losing the certificate, the organisation or individual businessman shall be entitled to file an application for issuance a new certificate.

**7.** The tax authority that has issued the certificate shall be obliged to notify in writing an organisation or individual businessman of suspending or canceling the certificate within a three-day term as of the date of rendering the appropriate decision.

**Article 180.** Features of Execution of the Duties of Taxpayer Within the Framework of a Contract of Simple Partnership (Contract on Joint Activity)

1. Organisations or individual entrepreneurs - parties to a contract of simple partnership (contract on joint activity) shall bear the joint and several liability on bearing the responsibility on payment of tax calculated according to the present Chapter.

**2.** For the purposes of the present Chapter, it shall be established that the person managing the business of the simple partnership (of the contract on joint activity) shall be named as the person discharging the obligation to calculate and pay the entire amount of excise tax computed under operations defined as an item of taxation according to the present Chapter and performed within the framework of a simple partnership contract (contract on joint activity). In case the simple partnership (contract on joint activity) is managed jointly by all participants of the simple partnership (contract on joint activity), the parties to the contract of simple partnership (contract on joint activity) shall independently name a participant discharging the obligation in the calculation and payment of the entire amount of excise tax under operations defined as the item of taxation according to the present Chapter and performed within the framework of the simple partnership contract (contract on joint activity).

Said person shall have all rights and discharge the taxpayer obligations stipulated by the present Code concerning the aforesaid amount of excise tax.

No later than on the day of performance of the first operation, defined as an item of taxation according to the present Chapter, said person shall to notify a tax body of his having discharged his duty as a taxpayer within the framework of a general partnership agreement (joint activity agreement).

**3.** In case the obligation to pay the excise tax is duly performed in full by the person discharging the obligation to pay the excise tax within the framework of the simple partnership (the contract on joint activity) according to Item 2 of the present Article, the obligation to pay the excise tax by other parties to contract of a simple partnership (contract on joint activity) shall be considered fulfilled.

**Article 181.** Excisable Goods

1. Excisable goods shall be defined as follows:

1) ethyl alcohol made of all types of raw materials, except for brandy alcohol;

2) alcohol containing products (solutions, emulsion, suspension and other types of products in liquid form with a volumetric share of ethyl alcohol over 9 per cent.

For the purposes of the present Chapter, the following goods shall not be defined as excisable goods:

medical, treatment-and-preventive, diagnostic preparations that were granted state registration with the authorized federal body of executive power and entered into the State Register of drugs and articles of medical use, medicinal, treatment-and-preventive drugs (including homeopathic drugs) produced by chemist organizations under individual recipes and requests of medical organizations and dispensed in bottles in compliance with the requirements of state standards concerning medicines (pharmacopoeia assets) endorsed by the authorized federal executive body;

drugs of veterinary use that were granted state registration with the authorized federal body of executive power and entered into the State Register of the registered veterinary drugs developed for application in animal industries on the territory of the Russian Federation bottled in tare not more than 100 ml;

perfume and cosmetics products poured into containers of at most 100 ml with the volume fraction of ethyl alcohol up to 80% inclusive and (or) perfumery and cosmetic products with a volumetric share of ethyl alcohol up to 90 per cent inclusive, if the flask is equipped with a sprayer, which are bottled into containers with a capacity of 100 ml at most;

waste materials subject to further processing and/or use for technical purposes which are byproducts of production of ethyl alcohol made of food raw material, of vodka articles, liqueur and vodka articles, the former conforming to the reference documentation approved (agreed) by a federal body of executive power;

3) alcoholic products (drinkable alcohol, vodka, liqueur and vodka articles, cognacs, wine and other food products containing a volumetric share of ethyl alcohol more than 1.5 per cent, except for wine materials);

4) beer;

5) tobacco products;

6) cars and motorcycles featuring engine power rating over 112.5 kW (150 h.p.);

7) petrol;

8) diesel fuel;

9) motor oil for diesel and/or carburetor (injector) engines.

10) direct-distillation petrol. For the purposes of the present Chapter, by direct-distillation petrol shall be meant petrol fractions, obtained as the result of processing oil, gas condensate, casing-head gas, natural gas, combustible shales, coal and other raw materials, as well as of processed products thereof except for motor vehicle petrol and petrochemical products.

For the purposes of this Article, a petrol fraction shall be a mixture of hydrocarbons, boiling in the temperature interval from 30 to 215 degrees Centigrade under an atmospheric pressure of 760 millimetres of mercury.

**2.** Abolished from January 1, 2004.

**Article 182.** Tax Basis

**1.** The following transactions shall be deemed tax basis:

1) the sale in the territory of the Russian Federation by persons of the excisable goods they have produced, in particular, the sale of pledged items and the transfer of excisable goods under release-money or novation agreements.

For the purposes of the present chapter the transfer of a right of ownership to excisable goods by one person to another on onerous and/or gratuitous basis and also the use thereof in case when payment is made in kind shall be deemed a sale of excisable goods;

2) abrogated from January 1, 2007;

3) abrogated from January 1, 2007;

4) abrogated from January 1, 2007;

5) abolished from January 1, 2006;

6) the sale by persons of the confiscated excisable goods and/or excisable goods in abeyance, the excisable goods renounced by the owner for the benefit of the sate which have been transferred to the persons under judgements or decisions of courts, arbitration courts or other state bodies authorised to do so and which are to be converted to state and/or municipal ownership;

7) the transfer in the territory of the Russian Federation by persons of excisable goods produced by the persons from the client's raw materials (materials) to the owner of the said raw materials (materials) or to other persons, in particular, the receipt of the said excisable goods for ownership as setting off payment for the services of production of excisable goods from the client's raw materials (materials);

8) the transfer, within the structure of an organisation, of produced excisable goods for further production of non-excisable goods, except for the transfer of directly distilled petroleum for further making of petrochemical products within the structure of an organisation which has a registration certificate of a person engaged in transactions with directly distilled petroleum and (or) the transfer of produced denatured ethyl alcohol for making alcohol-free products within the structure of an organisation which has a registration certificate of an organisation engaged in transactions with denatured ethyl alcohol;

9) the transfer in the territory of the Russian Federation by persons of excisable goods produced by the persons for own needs;

10) the transfer in the territory of the Russian Federation by persons of excisable goods produced by the persons into the authorised (contributed) capital of organisations, the share funds of co-operatives and also as a contribution under a simple partnership agreement (joint activity agreement);

11) the transfer in the territory of the Russian Federation by an organisation (a company or a partnership) of excisable goods produced by it to its participant (its successor or heir) when s/he/it quits (opts out) the organisation (company or partnership) and also the transfer of excisable goods produced within the framework of a simple partnership agreement (a joint activity agreement) to a participant (the successor or heir thereof) in the said agreement in the case of partition of his/her/its participatory share from the property in common ownership of the participants in the agreement or division of such property;

12) the transfer of produced excisable goods for processing on a give and take basis;

13) the importation of excisable goods into the customs territory of the Russian Federation;

14) abrogated from January 1, 2007;

15) abolished from January 1, 2004;

16) abolished from January 1, 2004;

17) abolished from January 1, 2004;

18) abolished from January 1, 2004;

19) abolished from January 1, 2004;

20) the receipt (entry in the books) of denatured ethyl alcohol by an organisation holding a certificate for the production of alcohol-free products.

For the purposes of the present chapter the "receipt of denatured ethyl alcohol" means the acquisition of denatured ethyl alcohol for ownership;

21) the receipt of directly distilled petroleum by an organisation which has a certificate for processing directly distilled petroleum.

For the purposes of this Article, as the receipt of directly distilled petroleum shall be deemed the acquisition of directly distilled petroleum for ownership thereof.

**2.** Abolished from January 1, 2004;

3. For the purposes of the present chapter the term "production" encompasses the bottling of alcoholic products and beer effected as a part of the general process of production of these goods under the state standards and/or other regulatory-technical documentation which govern the process of production of the said goods and which are approved by authorised federal executive governmental bodies, and also any types of blending of goods at the place of their storage and sale (except for public catering organisations) resulting in an excisable good.

**4.** In the event of a reconstruction of an organisation the rights and duties relating to payment of excise taxes shall be transferred to the organisation's successor.

**Article 183.** Operations Which Are Not Taxable (Exempt From Taxation)

**1.** Not subject to taxation (the following operations are exempt from taxation) shall be:

1) transfer of excisable goods by a structural unit of an organization not being an independent taxpayer for production of other excisable goods to another similar structural unit of this organization;

2) abolished from January 1, 2006;

3) abolished from January 1, 2006;

4) the sale of excisable goods placed under the customs regime of export to territories outside of the territory of the Russian Federation with account taken of losses within the natural loss rates or importation of excise goods into the by-port special economic zone from the other part of the territory of the Russian Federation.

The said transactions shall be relieved from taxation in compliance with Article 184 of the present Code;

5) abrogated from January 1, 2007;

6) the initial sale (transfer) of confiscated and/or ownerless excisable goods or excisable goods that were refused in favour of the state, and which are to be transferred into state and/or municipal property, for industrial processing under customs control and/or that of the tax authorities or destruction;

7) Abolished from January 1, 2004;

8) Abolished from January 1, 2004;

9) Abolished from January 1, 2004;

10) Abolished from January 1, 2004;

11) Abolished from January 1, 2004;

12) Abolished from January 1, 2004;

13) Abolished from January 1, 2004;

**2.** Operations listed in Item 1 of the present Article shall not be taxable (are exempt from taxation) only in case separate record-keeping of operations on production and sale (transfer) of such excisable goods is maintained.

**3.** Not taxable shall be (shall be exempt from taxation) the import to the customs territory of the Russian Federation of excisable goods which were refused in favour of the state and which are to be transferred into the state and/or municipal property, or which are placed within the by-port special economic zone.

**Article 184.** The Peculiarities of Relieving from Taxation in the Event of Sale of Excisable Goods to Territories Outside of the Territory of the Russian Federation

**1.** The transactions specified in Subitem 4 of Item of Article 183 of the present Code shall be relieved from taxation only when excisable goods are exported from the territory of the Russian Federation under the customs regime of export or in case of importation of excise goods into the by-port special economic zone.

**2.** The taxpayer shall be absolved from payment of excise duty in realisation of excise goods manufactured by it and/or in case of transfer of excise goods manufactured from the give-and-take raw materials and placed under the customs regime of export, outside the territory of the Russian Federation or in case of importation of excise goods into the by-port special economic zone upon submission to the tax body of banker's surety as is envisaged under Article 74 of this Code or bank guarantee. That banker's surety or bank guarantee shall provide for the banker's obligation to pay the amount of excise and appropriate penalty in cases of taxpayer's failure to present in the procedure and within the time limits fixed under Items 7 and 7.1 of Article 198 of this Code, documents confirming the fact of export or import into the by-port special economic zone of excise goods placed under the customs regime of free customs zone and failure to pay excise duty and/or penalties.

If there is no bank's suretyship (bank guarantee) the taxpayer shall pay the excise tax in the manner envisaged for the transactions of sale of excisable goods in the territory of the Russian Federation.

**3.** In the event of payment of an excise tax due to the taxpayer's lacking a bank suretyship (bank guarantee) the excise amounts paid shall be refundable after the filing of documents by the taxpayer with the tax bodies to confirm the fact of exportation of excisable goods.

The refund of excise amounts shall be effected in the manner envisaged by Article 203 of the present Code.

**Article 185.** Features of Taxation in Case of Movement of Excisable Goods Across the Customs Border of the Russian Federation

**1.** In case of import of excisable goods to the customs territory of the Russian Federation depending on a selected customs treatment, taxation shall be made in the following order:

1) with the release of excisable goods for free circulation and with the placement of excisable goods under the customs regimes of processing for internal consumption and a free customs zone, except for excise goods brought into the by-port special economic zone, the excise shall be paid in fall scope;

2) if excisable goods are placed under the customs treatment of re-import, the taxpayer shall pay the amount of excise tax from which he was exempt or which was returned to him in connection with the export of goods according to the present Code in the order stipulated by the customs legislation the Russian Federation;

3) when excisable goods are placed under the customs regimes of transit, a bonded warehouse, reexport, duty-free trade, a free warehouse, destruction and waiver in favour of the State, and also under the customs regime of free customs zone in the by-port special economic zone, the excise shall not be paid;

4) when excisable goods are placed under the customs regime of processing in the customs territory the excise tax shall not be paid on the condition that the processed products will be exported within a certain term. When the processed products are cleared for free circulation the excise tax shall be paid in full with due regard to the provisions established by the Customs Code of the Russian Federation;

5) if excisable goods are placed under the customs treatment of temporary import, the excise tax shall be exempted in full or partially in the order stipulated by the customs legislation of the Russian Federation.

**2.** In the case of export of excisable goods from the customs territory of the Russian Federation, the tax shall be imposed in the following manner:

1) in case of export of goods under the customs treatment of export from the customs territory of the Russian Federation, the excise tax is not paid with allowance for Article 184 of the present Code or the paid amounts of the excise tax are refunded (are offset) by the tax authorities of the Russian Federation in the order stipulated by the present Code.

The taxation procedure indicated in the present Subitem shall also be applied when goods are placed under the customs regime of a bonded warehouse for the purpose of a subsequent exportation of these goods in accordance with the customs regime of export, and also when goods are placed under the customs regime of a free customs zone;

2) in case of export of goods under the customs treatment of re-export from the customs territory of the Russian Federation, amounts of excise tax paid on their import to the customs territory of the Russian Federation shall be refunded to the taxpayer in the order stipulated by the customs legislation the Russian Federation;

3) in case of export of excisable goods from the customs territory of the Russian Federation according to customs treatments different from those listed in Subitems 1 and 2 of the present Item, there is no exemption from taxation nor a refund of paid amounts of excise tax, unless otherwise stipulated by the customs legislation of the Russian Federation.

**3.** When natural persons move excisable goods intended for personal, family, household and other needs not relating to the pursuance of entrepreneurial activity the procedure for payment of the excise tax payable in connection with the movement of the goods across the customs border of the Russian Federations shall be determined in accordance with the Customs Code of the Russian Federation.

**Article 186.** Features of Levying of Excise Tax on Excisable goods moved Across the Customs Border of the Russian Federation in the Absence of Customs Control and Customs Registration

**1.** If, under an international treaty of the Russian Federation with a foreign state, the customs control and customs registration are abrogated for goods being moved across the customs border of the Russian Federation, the procedure for levying excise tax on excisable goods originating from such a state or released for free circulation on its territory and imported to the territory of the Russian Federation shall be established by the Government of the Russian Federation.

**2.** In case of export of excisable goods from the territory of the Russian Federation to the territory of foreign states defined in Item 1 of the present Article, the order of confirmation of the right to exemption

from payment of excise tax shall be established by the Government of the Russian Federation, including on the basis of bilateral agreements with the governments of said foreign states.

**Article 187.** Determination of the Tax Base in Case of the Sale (Transfer) or in the Receipt of Excisable Goods

1. The tax base is defined separately for each type of excisable good.

2. The tax base in case of the sale (transfer defined as an item of taxation according to the present Chapter) of excisable goods produced by the taxpayer depending on tax rates fixed for such goods shall be defined as:

1) the volume of sold (transferred) excisable goods in kind - on excisable goods for which firm (specific) tax rates (in an absolute amount per unit of measurement) are established;

2) the cost of sold (transferred) excisable goods computed on the basis of prices defined with due regard to the provisions of Article 40 of the present Code disregarding the excise tax, value-added tax on excisable goods for which ad valorem (in percentage points) tax rates are established;

3) the cost of transferred excisable goods computed on the basis of average prices of sale effective over the previous tax period, and in their absence, on the basis of market prices disregarding the excise tax, value-added tax - on excisable goods for which ad valorem (in percentage) tax rates are established. In a similar order the tax base on excisable goods shall be defined for which ad valorem (in percentage) tax rates are established when they are sold on a gratuitous basis, when performing commodity swap (barter) transactions, and also by transfer of excisable goods under a cancellation compensation or novation and transfer of excisable goods as wages in kind;

4) the volume of sold (transferred) excisable goods in kind for calculation of excise duty when applying a fixed (specific) tax rate and as the estimated cost of sold (transferred) excisable goods calculated on the basis of the maximum retail prices for calculation of excise duty in the event of applying the ad valorem (percentage) tax rate - on excisable goods, in respect of which the combined tax rates, consisting of fixed (specific) and ad valorem (percentage) tax rates, are established. The estimated cost of the tobacco products, in respect of which combined tax rates are established, shall be determined in compliance with Article 187.1 of this Code.

**3.** Abrogated from January 1, 2007.

**4.** The tax base in case of sale of confiscated and/or ownerless excisable goods, excisable goods which were refused for the benefit of the state and which are to be transferred into the state and/or municipal property shall be defined according to Subitems 1 and 2 of Item 2 of the present Article.

**5.** When determining the tax base, the taxpayer's proceeds received in foreign currency shall be converted into the currency of the Russian Federation at the rate of the Central Bank of the Russian Federation effective on date of sale of excisable goods.

**6.** Not to be included in the tax base are the funds received by taxpayers and that are not associated with the sale of excisable goods.

**7.** The tax base for the taxable object specified in Subitem 20 of Item 1 of Article 182 of the present Code is assessed as the volume of received denatured ethyl alcohol in physical terms.

**8.** The tax base for the taxation object, specified by Subitem 21 of Item 1 of Article 182 of this Code, shall be assessed as the volume of obtained directly distilled petroleum in kind.

**Article 187.1.** Procedure for Assessing the Estimated Cost of Tobacco Products in Respect of Which Combined Tax Rates Are Established

**1.** As the estimated value shall be deemed the product of the maximum retail price stated on a consumer pack unit (package) and the number of consumer pack units (packages) of tobacco products sold (transferred) within the reporting period or imported in to the customs territory of the Russian Federation.

**2.** The maximum retail price represents the price, above which a unit of the usable package (parket) of tobacco goods may not be sold to customers by retail trade establishments, catering facilities, the service sphere, and also by individual businessmen. The maximum retail price shall be fixed by a taxpayer independently per consumer pack unit (package) of tobacco products, separately for each sort (each item) of tobacco products. For the purposes of this Chapter, a sort (item) shall mean the product line position of tobacco products differing from other sorts (items) by its individual denomination given by the manufacturer or licensor thereof and by other features, that is, its formula, dimensions, presence or absence of a filter and packing.

**3.** A taxpayer shall be obliged to file with the tax authority at the place of tax registration (the customs authority at the place of customs registration of excisable goods) a notice of the maximum retail prices (hereinafter referred to as a notice) in respect of each sort (each item) of tobacco products at latest 10 calendar days before the start of a calendar month wherefrom the maximum retail prices, stated in the notice, are to be plotted-on. The form of the notice shall be established by the Ministry of Finance of the Russian Federation.

**4.** The maximum retail prices declared in the notice mentioned in Item 3 of this Article, as well as data on the month and year of tobacco products' manufacture, shall be shown on each consumer pack unit (package) of tobacco products made within the time period of the notice's validity (except for non-taxable tobacco products or those exempted from taxation in compliance with Article 185 of this Code). Production within the time period of the notice's validity of a sort (item) of tobacco products with the maximum retail price shown on it, other than the one stated in the notice, shall not be allowable.

**5.** The maximum retail prices declared in the notice mentioned in Item 3 of this Article, as well as data on the month and year of tobacco products' manufacture, shall be put on each consumer pack unit (package) of tobacco products starting from the 1st day of the month following the date of filing the notice and shall be in effect for at least one calendar month. A taxpayer shall be entitled to change the maximum retail price of all sorts (items) or several sorts (items) of tobacco products by way of filing one more notice in compliance with Item 3 of this Article. The maximum retail prices specified in the new notice shall be put on each consumer pack (package) of tobacco products starting from the first day of the month following the date of filing the notice but at the earliest upon the expiry of the minimum validity term of the previous notice.

**6.** If a taxpayer within the same tax period sells (transfers) tobacco products of the same sort (item) with different maximum retail prices shown on a consumer pack unit (package) thereof, the estimated cost shall be determined as the product of each maximum retail price put on a unit consumer pack (unit) thereof and the number of sold consumer pack units (packages) upon which the appropriate maximum retail price is indicated.

**7.** When a taxpayer declares tobacco goods of one mark (one name), brought into the customs territory of the Russian Federation, with different retail prices indicated on a unit of the usable package (packet) of tobacco goods, the calculated value shall be estimated as a product of each maximum retail price indicated on a unit of the usable package (packet) containing relevant maximum retail prices.

**Article 188.** Abolished from January 1, 2004.

**Article 189.** The Increase of the Tax Base in Case of Sale of Excisable Goods

**1.** The tax base defined according to Articles 187 and 188 of the present Code shall be increased by the amounts received for excisable goods sold in the form of financial assistance, advance and other payments received to offset future delivery of excisable goods whose date of sale is determined in compliance with Item 2 Article 195 of the present Code, to replenish special purpose funds for the increase of incomes in the form of interest (discount) on bills of exchange and commodity credit interest, or otherwise shall be associated with the payment for sold excisable goods.

**2.** The provisions of Item 1 of the present Article shall be applied to operations on sale of excisable goods for which ad valorem (in percentage points) tax rates are established.

**3.** The amounts specified in the present Article received in foreign currency shall be converted into the currency of the Russian Federation at the rate of the Central Bank of the Russian Federation effective on the date of their actual receipt.

**Article 190**. The Peculiarities of Tax Base Assessment in the Case of Accomplishment of Transactions in Excisable Goods through the Use of Different Tax Rates

**1.** In respect of the excisable goods for which different tax rates have been established, tax base shall be assessed for each of the tax rates.

**2.** If the taxpayer does not keep separate records as required by Item 1 of the present Article a single tax base shall be calculated for all the transactions of sale (transfer) and/or receipt of excisable goods. In this case the amounts specified in Item 1 of Article 189 of the present Code shall be included in this single tax base (except for the tax base for transactions in the excisable goods specified by Subitems 7-10 of Item 1 of Article 181 of this Code (hereinafter referred to in this Chapter as petroleum products) recognised as an object of taxation under the present Chapter).

**Article 191.** Determination of Tax Base in Case of Import of Excisable Goods to the Customs Territory of the Russian Federation

**1.** If excisable goods (with allowance for provisions of Article 185 of the present Code) are imported to the customs territory of the Russian Federation, the tax base shall be defined:

1) for excisable goods concerning which firm (specific) tax rates are established (in absolute amounts per unit of measurement) - as the volume of imported excisable goods in kind;

2) for excisable goods concerning which ad valorem (in percentage points) tax rates are established as the sum of:

their customs value;

the payable customs duty;

3) for excisable goods in respect of which combined tax rates consisting of the fixed (specific) and ad valorem (percentage) tax rates are established - as the volume of imported excisable goods in kind for calculation of excise duty when applying the fixed (specific) tax rate and as the estimated cost of imported excisable goods estimated on the basis of the maximum retail prices for calculation of excise duty when applying the ad valorem (percentage) tax rate. The estimated cost of excisable goods, in respect of which combined excise rates are established, shall be determined in compliance with Article 187.1 of this Code.

**2.** Customs values of excisable goods and also payable customs duty shall be defined according to the present Code.

**3.** The tax base shall be defined separately for each consignment of excisable goods which are imported to the customs territory of the Russian Federation.

If a consignment of excisable goods imported to the customs territory of the Russian Federation contains excisable goods whose importation is taxed under different tax rates, the tax base shall be defined separately for each group of said goods. Similarly shall be determined the tax base if a consignment of excisable goods imported to the customs territory of the Russian Federation contains excisable goods which had been earlier exported from the customs territory of the Russian Federation for processing outside the customs territory of the Russian Federation.

**4.** When importing to the customs territory of the Russian Federation excisable goods as products of processing outside the customs territory of the Russian Federation, the tax base shall be defined according to the provisions of the present Article.

**5.** The tax base with the importation of Russian goods placed under the regime of a free customs zone to the remaining part of the customs territory of the Russian Federation or with the transfer of these goods on the territory of a special economic zone to the persons who are not residents of such a zone shall be determined in accordance with Article 187 of this Code.

**Article 192.** Tax Period

Seen as the tax period shall be a calendar month.

**Article 193.** Tax Rates

**1.** Excisable goods shall be taxed by the following tax rates:

| Types of excisable goods | Tax rate (in per cent and/or in roubles and copecks for a unit of measurement) | | |
|---|---|---|---|
| | from January 1 to December 31, 2008, inclusive | from January 1 to December 31, 2009, inclusive | from January 1 to December 31, 2010, inclusive |
| Ethyl alcohol made from all the types of raw material (including crude alcohol from all the types of raw material | 25 roubles 15 copecks for one litre of absolute ethyl alcohol | 26 roubles 80 kopecks for one litre of absolute ethyl alcohol | 28 roubles 40 copecks for one litre of absolute ethyl alcohol |

|Alcohol-containing perfume|zero rouble 00|zero rouble 00|zero rouble 00|
|and cosmetics products in|copecks for one|copecks for one|copecks for one|
|a metallic aerosol packing|litre of absolute|litre of absolute|litre of absolute|
| |ethyl alcohol|alcohol contained|ethyl alcohol|
| |contained in|in excisable goods|contained in|
| |excisable goods | |excisable goods |
|---|---|---|---|
|Alcohol-containing |zero rouble 00|zero rouble 00|zero rouble 00|
|household chemical goods|copecks for one|copecks for one|copecks for one|
|in metallic aerosol|litre of absolute|litre of absolute|litre of absolute|
|packing |ethyl alcohol|ethyl alcohol|ethyl alcohol|
| |contained in|contained in|contained in|
| |excisable goods |excisable goods |excisable goods |
|---|---|---|---|
|Alcohol drinks with a|173 roubles 50|185 roubles 00|196 roubles 00|
|volume fraction of ethyl|copecks for one|copecks for one|copecks for one|
|alcohol over 9 per cent|litre of absolute|litre of absolute|litre of absolute|
|(except for natural wines,|ethyl alcohol|ethyl alcohol|ethyl alcohol|
|champagne, sparkling,|contained in|contained in|contained in|
|aerated, brisk natural|excisable goods |excisable goods |excisable goods |
|beverages with a volume| | | |
|fraction of ethyl alcohol| | | |
|of about 6 per cent of the| | | |
|volume of ready-made| | | |
|products made from wine| | | |
|materials produced without| | | |
|the admixture of ethyl| | | |
|alcohol) and| | | |
|spirit-containing products| | | |
|(except alcohol-containing| | | |
|perfume and cosmetics| | | |
|products in metallic| | | |
|

| | | | |
|---|---|---|---|
| aerosol packing and alcohol containing household chemical products in metallic aerosol packing | | | |
| Alcoholic drinks with a volume fraction of ethyl alcohol up to 9 per cent inclusive (except for natural wines, including champagne, sparkling, aerated, brisk, natural beverages with a volume fraction of ethyl alcohol about 6 per cent of the volume of ready-made products made from wine materials without the admixture of ethyl alcohol) | 110 roubles 00 copecks for one litre of absolute ethyl alcohol contained in excisable goods | 117 roubles 15 copecks for one litre of ethyl absolute alcohol contained in excisable goods | 124 roubles 18 copecks for one litre of absolute ethyl alcohol contained in excisable goods |
| Natural wines (except for champagne, sparkling, aerated, brisk wines, natural beverages with a volume fraction of ethyl alcohol of about 6 per cent of the volume of ready-made products made from wine materials without the admixture of | 2 roubles 35 copecks for one litre | 2 roubles 50 copecks for one litre | 2 roubles 70 copecks for one litre |

| | | | |
|---|---|---|---|
| ethyl alcohol | | | |
| Champagne, sparkling, aerated and brisk wines | 10 roubles 50 copecks for one litre | 11 roubles 20 copecks for one litre | 2 roubles 70 copecks for one litre |
| Beer with a normative (standardised) content of a volume fraction of ethyl alcohol up to 0.5 per cent inclusive | zero rubles 00 copecks for one litre | zero roubles 00 copecks for one litre | zero roubles 00 copecks for one litre |
| Beer with a normative (standardised) content of a volume fraction of ethyl alcohol of over 0.5 and 8.6 per cent inclusive | 2 roubles 74 copecks for one litre | 2 roubles 92 copecks for one litre | 3 roubles 09 copecks for one litre |
| Beer with a normative (standardised) content of the volume fraction of ethyl alcohol of over 8.6 per cent | 8 roubles 94 copecks for one litre | 9 roubles 52 copecks for one litre | 10 roubles 0.9 for one litre |
| Pipe, smoking and sinking tobacco, chew, snuff and hookah tobacco (except for tobacco used as a raw material for the production of cigarettes) | 300 roubles 00 copecks for one kilogram | 300 roubles 00 copecks for one kilogram | 300 roubles 00 copecks for one kilogram |
| Cigars | 17 roubles 75 | 17 roubles 75 | 17 roubles 75 |

| | | | |
|---|---|---|---|
| | copecks for one piece | copecks for one piece | copecks for one piece |
| Cigarillos | 232 roubles 00 copecks for 1,000 pieces | 247 roubles 00 copecks for 1,000 pieces | 262 roubles 00 copecks for 1,000 pieces |
| Cigarettes with a filter | 120 roubles 00 copecks for 1,000 pieces + 5.5 per cent of calculated value, counted on the basis of the maximum retail price, but not less than 142 roubles 00 copecks for 1,000 pieces | 145 roubles 00 copecks for 1,000 pieces + 6 per cent of calculated value counted on the basis of the maximum retail price, but not less than 172 roubles 00 copeck for 1,000 pieces | 175 roubles 00 copecks for 1,000 pieces + 6,5 per cent of calculated value counted on the basis of the maximum retail price, but not less than 210 roubles 00 copecks for 1,000 pieces |
| Cigarettes without a filter, Russian cigarettes | 55 roubles 00 copecks for 1,000 pieces + 5.5 per cent of calculated value counted on the basis of the maximal retail price, but not less than 72 roubles 00 copecks for 1,000 pieces | 70 roubles 00 copecks for 1,000 pieces + 6 per cent of calculated value counted on the basis of the maximum retail price, but not less than 90 roubles 00 copecks for 1,000 pieces | 90 roubles 00 copecks for 1,000 pieces + 6.5 per cent of calculated value counted on the basis of the maximum retail price, but not less than 115 roubles 00 copecks for 1,000 pieces |
| Passenger cars with there | zero rouble 00 copecks | zero rouble 00 copecks | zero roubles 00 copecks |

|engine power up to 67.5|copecks for 0.77|copecks for 0.75|copecks for 0.75|
|kWt (90 hp) inclusive |kWt (1hp) |kWt (1hp) |kWt (1 hp) |
|---|---|---|---|
|Passenger cars with their|19 roubles 26|21 roubles 00|22 roubles 00|
|engine power over 67.5 kWt|copecks for 0.75|copecks for 0.75|copecks for 0.75|
|(90 hp) and up to 112.5|kWt (1 hp) |kWt (1 hp) |kWt (1 hp) |
|kWt (150 hp) inclusive | | | |
|---|---|---|---|
|Passenger cars with their|194 roubles 00|207 roubles 00|220 roubles 00|
|engine power over 112.5|copecks for 0.75|copecks for 0.75|copecks for 0.75|
|kWt (150 hp), motorcycles|kWt (1 hp) |kWt (1 hp) |kWt (1 hp) |
|with their engine power| | | |
|over 112.5 kWt (150 hp) | | | |
|---|---|---|---|
|Motor gasoline with an|2,657 roubles 00|2,657 roubles 00|2,657 roubles 00|
|octane number up to "80"|copecks for 1 ton |copecks for 1 ton |copecks for 1 ton |
|inclusive | | | |
|---|---|---|---|
|Motor gasoline with other|3,629 roubles 00|3,629 roubles 00|3,629 roubles 00|
|octane numbers |copecks for 1 ton |copecks for 1 ton |copecks for 1 ton |
|---|---|---|---|
|Diesel fuel |1,080 roubles 00|1,080 roubles 00|1,080 roubles 00|
| |copecks for 1 ton |copecks for 1 ton |copecks for 1 ton |
|---|---|---|---|
|Motor oils for diesel|1,951 roubles 00|2,951 roubles 00|2,951 roubles 00|
|and/or carburetted|copecks for 1 ton |copecks for 1 ton |copecks for 1 ton |
|(injector) engines | | | |
|---|---|---|---|
|Straight-on gasoline |2,657 roubles 00|2,657 roubles 00|2,657 roubles 00|
| |copecks for 1 ton |copecks for 1 ton |copecks for 1 ton |

**2.** Abolished from January 1, 2006.

**3.** Abolished from January 1, 2006.

**Article 194.** The Order of Calculation of Excise Tax

**1.** The excise tax amount on excisable goods (including in case of import to the territory of the Russian Federation) concerning which firm (specific) tax rates are established shall be calculated as the product of a corresponding tax rate and the tax base estimated according to the Articles 187 - 191 of present Codes.

**2.** The excise tax amount on excisable goods (including imported to the territory of the Russian Federation) concerning which ad valorem (in percentage points) tax rates are established shall be calculated as the percentage share corresponding to the tax rate of the tax base defined according to Articles 187 - 191 of the present Code.

**3.** The sum of the excise duty for excisable commodities (including for those imported to the territory of the Russian Federation), with respect to which combined tax rates are established (consisting of the fixed (specific) and advalore (percentages) tax rates), shall be computed as the sum, obtained as a result of adding up the sum of the excise duty, computed as the product of the fixed (specific) tax rate and of the volume of the realized (transferred, imported) excisable commodities, expressed in kind, and as the percentages share of the maximum retail price of such commodities, corresponding to the advalore (percentages) tax rate.

**4.** The sum total of excise tax in the case of accomplishment of transactions in the excisable goods recognised as tax basis under the present chapter shall calculated as the sum of the amounts of excise tax calculated under Items 1 and 2 of the present article for each type of excisable good taxable by an excise tax at different tax rates. The sum total of excise tax in the case of accomplishment of transactions in the excisable petroleum products recognised as tax basis under the present chapter shall be calculated separately from the sum of excise tax on other excisable goods.

**5.** Sum of excise tax on excisable goods shall be calculated on the results of each tax period as applied to all operations in the sale of excisable goods, the date of sale of which (of transfer) refers to the appropriate tax period and also with allowance for all changes which increase or reduce the tax base over the respective tax period.

**6.** Sum of excise tax if several types of excisable goods taxed at different tax rates are imported to the territory of the Russian Federation shall be an amount received as a result of the addition of excise tax amounts computed for each type of these goods according to Items 1 - 3 of the present Article.

**7.** If the taxpayer does not maintain separate record-keeping stipulated by Item 1 of Article 190 of the present Code, the excise tax amount on excisable goods shall be defined on the basis of the highest tax rate of those used by the taxpayer in relation to the single tax base defined for all taxable operations.

**Article 195**. Determining the Date of Sale (Transfer) or Receipt of Excisable Goods

1. Abolished from January 1, 2004.

**2.** For the purposes of the present chapter the date of sale (transfer) of excisable goods shall be determined as the date of shipment (transfer) of the excisable goods, in particular to the structural subdivision of a company engaged in their retail sale.

As for the transactions specified in Subitem 7 of Item 1 of Article 182 of the present Code, the date of transfer shall be deemed the date when the acceptance certificate is signed for excisable goods.

As for the transactions specified by Subitem 21 of Item 1 of Article 182 of this Code, the date of receiving directly distilled petroleum shall be deemed that date of its receipt by an organisation which has a licence for processing direcly distilled petroleum.

**3.** Abolished from January 1, 2004.

**4.** If a shortage of excisable goods is discovered the date of their sale (transfer) shall be determined as the date of discovery of the shortage (except for cases when a shortage is within the limits of natural loss rate approved by the empowered federal executive governmental body).

**5.** For the transactions specified in Subitem 20 of Item 1 of Article 182 of the present Code the following shall be deemed the date of receipt of denatured ethyl alcohol: the day when the denatured ethyl alcohol was received (entered in the books) by the organisation holding a certificate for the production of alcohol-free products or denatured ethyl alcohol.

**Article 196.** Abolished from January 1, 2006.

**Article 197.** Abolished from January 1, 2006.

**Article 197.1.** Abrogated from January 1, 2007.

**Article 198.** The Amount of Excise Tax Charged by the Seller to the Buyer

**1.** The taxpayer accomplishing the transactions deemed taxable under the present Chapter, except for the transactions concerning realization (transfer) of directly distilled petroleum by a taxpayer which has a certificate for production of directly distilled petroleum to a taxpayer which has a certificate for

processing directly distilled petroleum (in particular on the basis of administrative documents of the owner of directly distilled petroleum made of customer's raw material (materials), and also transactions for the sale of denatured ethyl alcohol to a taxpayer holding a certificate for the production of alcohol-free products shall charge the buyer of excisable goods (the owner of the client's raw materials (materials)) with the relevant amount of excise tax.

**2.** In settlement documents, in particular, sheets of receipts and sheets for receipt of amounts of money from a letter of credit, source accounting documents and invoices the relevant amount of excise tax shall be shown as a separate item, except for the cases of sale of excisable goods to territories outside of the territory of the Russian Federation and except for transactions concerning the sale (transfer) of directly distilled petroleum (in particular on the basis of administrative documents of the owner of directly distilled petroleum made of customer's raw material (materials) by a taxpayer having a certificate for production of directly distilled petroleum to a taxpayer having a certificate for processing of directly distilled petroleum, as well as transactions concerning the sale of denatured ethyl alcohol by a taxpayer having a certificate for production of denatured ethyl alcohol to a taxpayer having a certificate for production of alcohol-free products.

**3.** In the event of sale of excisable goods for which the sale is effected by means of the transactions exempt from taxation under Article 183 of the present Code, the settlement documents, source accounting documents and invoices shall be drawn up without showing relevant excise tax amounts as separate items. In this case the annotation or rubber stamp "Without excise tax" shall be entered in the said documents.

**4.** In the event of sale (transfer) of excisable goods on a retail basis the relevant amount of excise tax shall be included in the price of said goods. In this case in the labels and price-tags of the goods posted by the seller and also in the cash receipts and other documents issued to the buyer the relevant amount of excise tax need not be shown as a separate item.

**5.** Abrogated from January 1, 2007.

**6.** In the event of importation of excisable goods into the customs territory of the Russian Federation the relevant filled-in customs forms and settlement documents confirming the fact of payment of the excise tax shall be used as verification documents to establish the availability of proper grounds for tax deductibles.

**7.** In the event of exportation of excisable goods under the customs regime of export out of the territory of the Russian Federation the following documents shall be filed with the tax body at the place of registration of the taxpayer within 180 calendar days after the sale of the said goods to confirm the availability of proper grounds for excise tax exemption and tax deductibles:

1) the contract (copy of the contract) of the taxpayer with a party under contract for the delivery of excisable goods. If the export delivery of excisable goods is effected under a commission agency contract, commission contract or agency contract the taxpayer shall present to the tax bodies the commission agency contract, commission contract or agency contract (copies of these contracts) and the contract (copy of the contract) of the person who carries out the export delivery of the excisable goods on behalf of the taxpayer (under a commission agency contract, commission contract or agency contract) with a party under contract.

If excisable goods produced from the client's raw materials are exported by the owner of the client's raw materials and materials the taxpayer shall present to the tax bodies the contract between the owner of the excisable goods produced from the client's raw materials and the taxpayer for the production of excisable goods and the contract (copy of the contract) between the owner of the client's raw materials and the party under contract.

When the exportation of excisable goods produced from the client's raw materials is effected by another person under a commission agency contract or another contract with the owner of the client's raw materials the taxpayer being the producer of these goods from the client's raw material shall present the following to the tax bodies apart from the contract between the owner of the excisable goods produced from the client's raw materials and the taxpayer for the production of the excisable goods: the commission agency contract, commission contract or agency contract (copies of the said contracts) between the owner of these excisable goods and the person who effects the export delivery of the goods and also the contract (copy of the contract) of the person who effects the export delivery of the excisable goods with the party under contract.

2) the payment documents and a bank statement (copies thereof) confirming that the proceeds from the sale of the excisable goods to a foreign person have been received in the taxpayer's account in a Russian bank.

Where the export delivery of excisable goods is effected under a commission agency contract, commission contract or agency contract the taxpayer shall present to the tax bodies payment documents and a bank statement (copies thereof) to confirm that the proceeds from the sale of the excisable goods to a foreign person have been actually received in the account of the commission agent (attorney, agent) in a Russian bank.

Where the exportation of excisable goods produced from the client's raw materials and materials is effected by the owner of the said goods the taxpayer producing these goods from the client's raw materials and materials shall present to the tax bodies the payment documents and a bank statement (copies thereof) to confirm that the whole proceeds from the sale of the excisable goods to a foreign person have been received in a Russian-bank account of the owner of the excisable goods produced from the client's raw materials and materials.

When proceeds from the sale of excisable goods to a foreign person come to an account of the taxpayer or the owner of these excisable goods from a third person the following documents shall be filed with the tax bodies apart from payment documents and a bank statement (copies thereof): the agency contracts for payment for exported excisable goods concluded between the foreign person and the organisation (person) that effected the payment.

If the non-entry of foreign currency proceeds from the sale of excisable goods in the territory of the Russian Federation is done in compliance with the procedure envisaged by the currency legislation of the Russian Federation, the taxpayer shall present to the tax bodies the documents (copies of the documents) confirming the right to abstain from bringing the foreign currency proceeds into the territory of the Russian Federation;

3) the cargo customs declaration (a copy thereof) bearing annotations by the Russian customs body that cleared the goods under the customs regime of export and of the Russian customs body whose operational area includes the check-point via which the said goods have been taken out of the customs territory of the Russian Federation (hereinafter referred to as "border customs body").

In the event of exportation of petroleum products under the customs regime of export out of the territory of the Russian Federation by pipeline a complete cargo customs declaration shall be presented bearing annotations by the Russian customs body that performed customs formalities in respect of the said petroleum product exportation.

In the event of exportation to third countries of petroleum products under the customs regime of export across the border of the Russian Federation with a member state of the Customs Union, with customs control having been abolished at this border, a cargo customs declaration shall be presented bearing annotations by the Russian custom body that has performed customs formalities in respect of the said petroleum product exportation;

4) copies of carriage or forwarding documents or other documents bearing annotations by border customs bodies of foreign states confirming that the goods have been exported from the customs territory of the Russian Federation, except for the exportation of petroleum products under the customs treatment of export across the border of the Russian Federation.

In the event of exportation of petroleum products under the customs regime of export via sea ports, copies of the following documents shall be presented by the taxpayer to the tax bodies to confirm that the goods have been exported out of the customs territory of the Russian Federation:

the instructions for shipment of the exported petroleum products complete with an indication of the unloading port and the annotation "Loading permitted" by the border customs body;

the bill of lading for the carriage of the exported petroleum products with an indication of the place located outside of the customs territory of the Russian Federation in the item "Unloading Port".

Copies of carriage, forwarding and/or other documents confirming the exportation of petroleum products out of the customs territory of the Russian Federation may not be filed in the case of exportation of petroleum products under the customs regime of pipeline exportation.

When petroleum products are exported under the customs regime of export in railway tankers the taxpayer shall present the following to the customs body to confirm that the goods have been exported out of the customs territory of the Russian Federation: copies of the carriage, forwarding and/or other documents confirming that the petroleum products have been exported out of the customs territory of the Russian Federation bearing annotations by the border customs body.

In the event of exportation of goods under the customs regime of export across the border of the Russian Federation with member state of the Customs Union, with customs control having been abolished at this border, copies of carriage and forwarding documents shall be presented bearing annotations by the Russian customs body that performed customs formalities in respect of the said goods exportation.

If thereafter the taxpayer presents documents (copies of documents) to tax bodies to validate tax exemption the amounts of tax paid shall become refundable to the taxpayer in the manner and on the terms envisaged by Article 203 of the present Code.

**7.1.** In case of importation into the by-port special economic zone of Russian goods placed under the customs regime of free customs zone, in order to confirm the validity of excise duty exemption and tax deductions one shall present to the tax body at the place of taxpayer's registration within 180 days from importation of said goods into the by-port special economic zone the following documents:

1) contract (copy of contract) made with the resident of special economic zone;

2) copy of certificate of registration of person, as the resident of special economic zone issued by the federal executive body authorised to perform the functions of managing special economic zones or by its territorial body;

3) customs declaration (its copy) bearing the notes of the customs body on the release of goods in line with the customs regime of free customs zone or in case of importation into the by-port special economic zone of Russian goods placed outside the by-port special economic zone under the customs regime of export, customs declaration (its copy) bearing the notes of the customs body which released the goods in line with the customs regime of export and of the customs body which is authorised to carry out customs procedures and customs operations in case of customs clearance of goods as is envisaged under the customs regime of free customs zone and within whose area of activity the by-port special economic zone is situated;

4) documents confirming the transfer of goods to the resident of the by-port special economic zone;

5) documents specified under Subitem 1 of Item 7 of this Article in case of importation into the by-port special economic zone of goods placed outside the by-port special economic zone under the customs regime of export.

**8.** In the event of non-filing or incomplete filing of the documents specified in Item 7 of the present Article and which confirm the fact of exportation of excisable goods to a territory outside the territory of the Russian Federation and must be filed with the tax bodies at the organisation's location (at the place of residence of the individual entrepreneur) excise tax shall be paid on the said excisable goods in the manner established by the present chapter for transactions in excisable goods in the territory of the Russian Federation.

**9.** When a taxpayer having a sells denatured ethyl alcohol licence for production of denatured ethyl alcohol to an organisation having a licence for production of alcohol-free products, the appropriate excise amounts shall not be shown separately in settlement documents, primary accounting documents and invoices. When a taxpayer having a certificate for production of directly distilled petroleum transfers directly distilled petroleum on the basis of regulatory documents of the owner to a person having the certificate for processing of directly distilled petroleum the settlement documents, primary accounting documents and invoices (advanced by the manufacturer of directly distilled petroleum to the owner thereof, as well as by the owner of directly distilled petroleum to the purchaser thereof), shall not shown the appropriate excise amounts separately therein. For this, the stamp "Less excise duty" shall be affixed to said documents or such note in writing shall be entered thereto.

When directly distilled petroleum is sold by a taxpayer having a certificate for production of directly distilled petroleum to a person having a certificate for processing of directly distilled petroleum, the appropriate excise amounts shall not be shown separately in the settlement documents, primary accounting documents and invoices. For this, the stamp "Less excise duty" shall be affixed to said documents or such note in writing shall be entered thereto.

**Article 199.** The Procedure for Referring Excise Tax Amounts

**1.** Amounts of excise tax calculated by the taxpayer in case of sale of excisable goods (except for sale on a gratuitous basis) and presented to the buyer, shall be referred to the taxpayer to expenses accepted for deduction when computing the organization's profit tax.

Amounts of excise tax calculated by the taxpayer on operations of transfer of excisable goods recognized as an item of taxation according to the present Chapter, and also in case of their sale on a gratuitous basis shall be referred to the taxpayer to the charge of corresponding sources to the charge of which are referred expenses under said excisable goods.

**2.** Amounts of excise tax presented by the taxpayer to the buyer in case of sale of excisable goods for the buyer shall be accounted in the cost of bought excisable goods, unless otherwise stipulated by Item 3 of the present Article.

Amounts of excise tax actually paid when importing excisable goods to the customs territory of the Russian Federation shall be taken into account in the cost of said excisable goods, unless otherwise is stipulated by Item 3 of the present Article.

Amounts of excise tax presented by the taxpayer to the owner of the on-commission raw material (materials), shall be referred by the owner of on-commission raw material (materials) (except for petroleum products) to the cost of excisable goods produced from said raw material (materials) (except for petroleum products).

**3.** There shall not be included into the cost of acquired, or imported to the territory of the Russian Federation, or transferred on commission, excisable goods and there shall be subject to deduction or return in the procedure provided for by this Chapter, the amounts of the excise tax, the purchaser is charged with, when buying said goods, or the amounts of the excise tax subject to payment, when importing to the territory of the Russian Federation, or the amounts of the excise tax, the owner of goods (materials) made on commission is charged with, when transferring excisable goods used as raw

materials in production of other excisable goods. Said provision shall apply, where the rates of the excise tax with regard to the excisable goods used as raw materials and the rates of the excise tax with regard to the excise goods made from these raw materials are determined on the basis of an equal measurement unit of the tax base.

**4.** In the event of accomplishment of the transactions in denatured ethyl alcohol specified by Subitem 20 of Item 1 of Article 182 of this Code and (or) in the event of accomplishment of the transactions in directly distilled petroleum specified in Subitem 21 of Item 1 of Article 182 of this Code, the amount of excise tax shall be accounted for in the following manner:

1) the amount of excise tax calculated by a taxpayer on the transactions specified in Subitem 20 of Item 1 of Article 182 of the present Code, if the taxpayer further uses the denatured ethyl alcohol produced by him as raw material for making alcohol-free products, shall not be included into the value of transferred denatured ethyl alcohol. The amount of excise tax calculated on the transactions specified in Subitem 20 of Item 1 of Article 182 of the present Code, if a taxpayer further uses the denatured ethyl alcohol produced by him as raw material for making alcohol-free products, shall be included into the value of transferred denatured ethyl alcohol;

2) the amount of excise tax calculated by a taxpayer on the transactions specified by Subitem 21 of Item 1 of Article 182 of this Code, in the event of further use (in particular in the event of transfer for processing on a commission basis) of produced directly distilled petroleum as raw material for making petrochemical products, shall not be included into the value of transferred directly distilled petroleum. The amount of excise tax calculated on the operations specified by Subitem 21 of Item 1 of Article 182 of this Code, if a taxpayer further uses the directly distilled petroleum produced by him as raw material for making petrochemical products, shall be included into the value of the transferred directly distilled petroleum.

**Article 200.** Tax Deductions

**1.** The taxpayer has the right to reduce the excise tax amount on excisable goods defined according to Article 194 of the present Chapter by tax deductions laid down in the present Article.

**2.** Deductible shall be amounts of excise tax presented by vendors and paid by the taxpayer when acquiring excisable goods or paid by the taxpayer when importing excisable goods (except for petroleum products) to the customs territory of the Russian Federation which have been released for free circulation and used thereafter as raw material to produce excisable goods.

If the said excisable goods (except for petroleum products) get lost in the course of the production, storage, relocation and subsequent technological processing thereof the amounts of excise tax shall also be subject to deduction. In such a case the following shall be subject to deduction: the amount of excise relating to the part of the goods irreparably lost within the in-process loss normative standards and (or) natural wear and tear rates endorsed by the authorised federal executive body for a relevant group of goods.

**3.** In the event of transfer of excisable goods produced from the client's raw materials (materials) if the client's raw materials (materials) are excisable goods the deductibles shall be the amounts of excise tax paid by the owner of the said client's raw materials (materials) at the acquisition thereof or paid by him at the importation of these raw materials (materials) into the customs territory of the Russian Federation cleared for free circulation and also the amounts of excise tax paid by the owner of these client's raw materials (materials) at the production thereof.

**4.** Deductible shall be amounts of excise tax paid on the territory of the Russian Federation on ethyl alcohol produced from food raw material used in the production of wine materials and thereinafter used in the production of alcoholic products.

**5.** Deductible shall be amounts of excise tax paid by the taxpayer when a buyer returns excisable goods (including return during warranty period) or rejects such.

**6.** Abrogated from January 1, 2007.

**7.** The taxpayer shall be entitled to reduce the sum total of excise tax on excisable goods determined under Article 194 of the present Code by the sum of excise tax calculated by the taxpayer on the amounts of advance and/or other payments received to offset future delivery of excisable goods.

**8.** Abrogated from January 1, 2007.

**9.** Abrogated from January 1, 2007.

**10.** Abrogated from January 1, 2007.

**11.** Deductible are excise tax amounts accrued when denatured ethyl alcohol was received (entered in the books) by a taxpayer holding a certificate for the production of alcohol-free products if denatured ethyl alcohol is used to produce alcohol-free products (if documents are filed in accordance with Item 11 of Article 201 of the present Code).

**12.** Deductible are excise tax amounts accrued by a taxpayer holding a certificate for the production of denatured ethyl alcohol if denatured ethyl alcohol is sold to a taxpayer holding a certificate for the production of alcohol-free products (if documents are filed in accordance with Item 12 of Article 201 of the present Code).

**13.** The amounts of excise duty calculated by a taxpayer having a certificate for production of directly distilled petroleum, when selling directly distilled petroleum to a taxpayer having a certificate for processing directly distilled petroleum, shall be subject to deduction (in the event of submitting the documents in compliance with Item 13 of Article 201 of this Code).

**14.** The amount of excise duty calculated by a taxpayer having a certificate for production of directly distilled petroleum shall be subject to deduction in the event of making the transactions in directly distilled petroleum specified by Subitems 7 and 12 of Item 1 of Article 182 of this Code (in the event of submitting the documents, proving the use of directly distilled petroleum for making petrochemical products, to persons, having a certificate for processing directly distilled petroleum, in compliance with Item 14 of Article 201 of this Code).

**15.** The amounts of excise duty calculated upon receiving directly distilled petroleum by a taxpayer, which has the certificate for processing of directly distilled petroleum, shall be subject to deduction, if the taxpayer himself uses directly distilled petroleum for making petrochemical products and (or) transfers directly distilled petroleum for making petrochemical products on a commission basis (on the basis of a contract of rendering services related to processing of the directly distilled petroleum possessed by this taxpayer) upon submission of the documents in compliance with Item 15 of Article 201 of this Code.

**Article 201.** The Procedure for Tax Deductions' Application

**1.** The tax deductions stipulated by Items 1 - 4 of Article 200 of the present Code shall be made on the basis of settlement documents and invoices drawn up by vendors when the taxpayer acquires excisable goods or presented by a taxpayer to the owner of oncommission raw (materials) in production thereof, or on the basis of customs declarations or other documents confirming the fact of import of excisable goods to the customs territory of the Russian Federation and the payment of a corresponding excise tax amount, if not otherwise provided for by this Article.

Deductible shall only be amounts of excise tax actually paid by vendors in case of purchase of excisable goods or presented by a taxpayer to the owner of oncommission raw (materials) in production thereof, or actually paid in case of import of excisable goods to the customs territory of the Russian Federation which were released for free circulation.

If third persons pay for excisable goods used as raw material in the production of other goods, tax deductions shall be made if settlement documents give the name of the organization for which the payment was made.

If excisable goods on which on the territory of the Russian Federation excise tax has already been paid were used as the give-and-take raw material tax deductions, when the taxpayers submit copies of payment documents, a mark of the bank shall be necessary to confirm the fact of payment of the tax by the owner of the raw material (materials) or the fact of payment by the owner of the cost of the raw material at prices which include excise tax.

The tax deductions provided for using excisable goods, previously made by a taxpayer from on-commission raw, as on commission raw shall be effected on the basis of copies of the basic documents confirming the fact of charging the owner of this raw with said amounts of the excise tax by a taxpayer (of an act of acceptance and conveyance of excisable goods made, or of an act of production, or of an act of return of excisable goods for production) and of payment documents marked by a bank which confirm the fact of the raw owner's payment for production of the excisable goods with the account taken of the excise duty.

**2.** The deductions of amounts of excise tax specified in Item 4 of Article 200 of the present Code shall be made on the basis of the volumetric share of ethyl alcohol used for making wine materials at the time of acquiring the wine materials, in the event of submission by a taxpayer engaged in making alcoholic products of the following documents (copies thereof) to the tax authorities:

1) contract for wines materials' purchase and sale made by the producer of the wine materials and the producer of alcoholic products;

2) payment documents bearing a bank note which proves payment for acquired wine materials;

3) commodity bills of lading concerning the supply of wine materials and invoices;

4) blend certificates;

5) certificate proving wine materials' writing-off to production.

**3.** The deductions of amounts of excise tax stated in Items 1-4 of Article 200 of the present Code shall be made on the part of the cost of corresponding to excisable goods used as basic raw material, such cost being actually included into production outlays of other excisable goods accepted for deduction when calculating the organizations' profit tax.

If over a reporting tax period the cost of excisable goods (raw material) is referred to production outlays of other excisable goods without payment of the excise tax on these goods (raw material) to the vendors, the amounts of excise tax shall be deductible in the reporting period when it was paid to the vendors.

**4.** Abrogated from January 1, 2007.

**5.** The deductions of amounts of excise tax indicated in Item 5 of Article 200 of the present Code, shall be effected in full after appropriate adjustment operations in connection with the return of these goods or rejection of these goods are reflected in the record-keeping, but no later than one year from the time of return of these goods or rejection of these goods.

**6.** Abrogated from January 1, 2007.

**7.** The tax deductions indicated in Item 7 of Article 200 of this Code shall be effected upon showing in accounts operations in sale of excisable goods.

**8.** Abrogated from January 1, 2007.

**9.** Abrogated from January 1, 2007.

**10.** Abrogated from January 1, 2007.

**11.** The tax deductions specified in Item 11 of Article 200 of the present Code are effected when a taxpayer files the following documents with tax bodies to confirm the fact that an alcohol-free product is produced from denatured ethyl alcohol:

1) the certificate for the production of the alcohol-free product;

2) a copy of the contract concluded with the producer of denatured ethyl alcohol;

3) a register of the invoices presented by the producers of denatured ethyl alcohol. The form and procedure for filing registers with tax bodies are defined by the Ministry of Finance of the Russian Federation;

4) an in-house transportation note;

5) a certificate of acceptance acknowledging delivery and acceptance by the taxpayer's structural units;

6) a certificate of writing off for production purposes as well as other documents.

**12.** The tax deductions mentioned in Item 12 of Article 200 of the present Code are implemented when a taxpayer files the following documents with tax bodies to confirm the fact that an alcohol-free product is produced from denatured ethyl alcohol:

1) a certificate for the production of denatured ethyl alcohol;

2) a copy of a contract concluded with the taxpayer holding a certificate for the production of the alcohol-free product;

3) registers of invoices bearing an annotation by the tax body with which the buyer (recipient) of denatured ethyl alcohol has registered. The form and procedure for filing registers with tax bodies is defined by the Ministry of Finance of the Russian Federation.

The said annotation is entered if the information available in the tax return of the taxpayer being a buyer holding a certificate matches the information contained in the registers of invoices presented by the taxpayer being the buyer. The annotation shall be entered by the tax body within five days after the date of filing of the tax return, in the procedure defined by the Ministry of Finance of the Russian Federation;

4) the notes of release of denatured ethyl alcohol;

5) the certificates of acceptance of denatured ethyl alcohol.

**13.** The tax deductions, specified by Item 13 of Article 200 of this Cod, shall be made upon a taxpayer filing the following documents with the tax authorities:

1) copy of the contract made with a taxpayer having a certificate for processing directly distilled petroleum;

2) registers of invoices bearing a note of the tax authority with which the purchaser (recipient) of directly distilled petroleum is registered. The form of, and procedure for, submitting the registers to the tax authorities shall be defined by the Ministry of Finance of the Russian Federation. The said note shall be made in the event of correspondence of the data stated in the tax declaration of the taxpayer being the purchaser to the data contained in the registers of invoices submitted by the taxpayer being the purchaser. The said note shall be made by the tax authorities at the latest in five days as of the date of submitting the tax declaration in the procedure defined by the Ministry of Finance of the Russian Federation.

**14.** The tax deductions mentioned in Item 14 of Article 200 of this Code shall be made upon the filing with the tax authorities by a taxpayer having the certificate for production of directly distilled petroleum of the following documents, when delivering it (in particular on the basis of regulatory documents of the directly distilled petroleum's owner) to the person having a certificate for processing directly distilled petroleum:

1) when delivering directly distilled petroleum for processing on a commission basis:

a copy of the contract made by the taxpayer with the person having the certificate for processing directly distilled petroleum;

a copy of the certificate for processing directly distilled petroleum of the person with which the contract of processing directly distilled petroleum has been made;

register of the invoices sent by the person having the certificate for processing of directly distilled petroleum. The form of, and procedure for, submitting registers to the tax authorities shall be defined by the Ministry of Finance of the Russian Federation;

2) when delivering directly distilled petroleum (in particular on the basis of regulatory documents of the directly distilled petroleum's owner) to the person having the certificate for processing directly distilled petroleum:

a copy of the contract made by the owner of directly distilled petroleum and the taxpayer;

a copy of the contract made by the owner of directly distilled petroleum and the person having the certificate for processing directly distilled petroleum;

a copy of regulatory documents of the directly distilled petroleum's owner (if such documents are available) for the taxpayer to deliver directly distilled petroleum to the person having the certificate for processing directly distilled petroleum;

waybill as to the delivery of directly distilled petroleum or certificate of transfer of directly distilled petroleum to the person having a certificate for processing directly distilled petroleum.

**15.** The tax deductions mentioned in Item 15 of Article 200 of this Code shall be made upon submission by a taxpayer to the tax authorities of any of the following documents proving the fact of transferring directly distilled petroleum by the taxpayer proper and (or) by the organisation, rendering to the taxpayer the services related to processing of directly distilled petroleum, for production of petrochemical products:

1) internal carriage note;

2) material realease note;

3) procurement limit card;

4) certificate of acceptance of raw materials for processing;

5) acceptance certificate for delivery/acceptance between the taxpayer's structural units;

6) write-off to production certificates.

**16.** Tax deductions of the amounts of excise duty actually paid to the sellers when purchasing denatured ethyl alcohol for making alcohol-containing perfumery and cosmetic products in metal aerosol tare and (or) for making alcohol containing household chemical products in metal aerosol tare shall be made upon submission of the following documents by a taxpayer to the tax authorities:

1) certificate for making alcohol-containing perfumery and cosmetic products in metal aerosol tare and (or) certificate for making alcohol containing household chemical products in metal aerosol tare;

2) copy of the contract made with the producer of denatured ethyl alcohol;

3) invoices sent by the producer of denatured ethyl alcohol;

4) payment documents proving the fact of paying excise duty on denatured ethyl alcohol;

5) write-off to production certificates (acceptance certificates for delivery/acceptance between the taxpayer's structural units, procurement limit cards and other documents).

**Article 202.** Payable Excise Tax Amount

**1.** The excise tax amount payable by the taxpayer performing operations recognized as an item of taxation according to the present Chapter shall be defined by results of each tax period as reduced by tax deductions stipulated by Article 200 of the present Code, the excise tax amount defined according to Article 194 of the present Code.

**2.** Abolished from January 1, 2004.

**3.** The excise tax amount payable in case of import of excisable goods to the territory of the Russian Federation shall be determined according to Item 6 of Article 194 of the present Code.

**4.** The excise tax amount payable by the taxpayers performing the primary sale of excisable goods originating and imported from the territory of member states of the Customs Union without customs registration (if there are agreements on single customs space) shall be determined according to Article 194 of the present Code.

**5.** If the amount of excise tax deductions over any tax period exceeds the tax amount calculated on sold excisable goods, the taxpayer shall pay no tax in such an excise tax period.

The amount of excise tax deductions exceeding the amount of tax computed on transactions, recognized as the object of taxation in accordance with the present Chapter, shall be subject to offset to the charge of current and/or future payments in the following tax period on this tax.

The amount of excise tax deductions exceeding the amount of tax computed on transactions, recognized as the object of taxation in accordance with the present Chapter, carried out over a reporting tax period shall be deductible from the total amount of excise tax in the following tax period as priority in comparison with other tax deductions.

**Article 203.** The Refundable Amount of Excise Tax

**1.** If according to the results of the tax period tax deductible amount exceeds the amount of excise tax calculated on transactions in excisable goods deemed tax basis under the present chapter then according to the results of the tax period the resulting difference shall be subject to reimbursement (setoff, refund) to the taxpayer under the provisions of the present article.

**2.** Said amounts shall be used over a reporting tax period and during three tax periods thereafter to meet obligations to pay tax or fees, including the taxes paid in connection with the movement of excisable goods across the customs border of the Russian Federation, to pay fines, and to settle arrears and amounts of tax penalties awarded to the taxpayer which are subject to transfer to the same budget.

The tax authorities shall make the offset their own while on taxes paid in connection with the movement of excisable goods across the customs border of the Russian Federation, in coordination with the customs authorities and within 10 days shall inform thereof the taxpayer.

**3.** Upon lapse of three tax periods following a reporting tax period, an amount which was not offset shall be refundable to the taxpayer upon his application.

Within two weeks after receiving said application, the tax authorities shall take a decision on refunding said amount to the taxpayer from a corresponding budget and by the same deadline send this decision for execution to a corresponding body of the federal treasury. Said amounts shall be refunded by bodies of the Federal Treasury within two weeks after receiving the decision of the tax authorities. If such decision is not received by the appropriate body of the Federal Treasury within seven days from the date of its sending by the tax authority, the eighth day from the date of sending such a decision by the tax authority shall be date of receipt of such a decision.

If the deadlines laid down by the present Item are violated, interest shall be charged on the amount refundable to the taxpayer on the basis of one three hundred sixtieth rate of refinancing of the Central Bank of the Russian Federation for each day of delay.

**4.** The amounts stipulated by Article 201 of the present Code, in respect of transactions in excisable goods defined by Subitem 4 of Item 1 of Article 183 of the present Code shall be subject to offset (refund) on the basis of documents defined by Item 7 of Article 198 of the present Chapter.

The reimbursement is made no later than three months from the date of submission of documents stipulated by Item 7 of Article 198 of the present Code.

During said term, tax authorities shall check the propriety of tax deductions and take a decision to reimburse by offset or refund of the appropriate amounts or to refuse (in full or partially) the reimbursement.

If tax authorities decided to deny (completely or partially) the reimbursement, it is obliged to provide the taxpayer with a reasoned conclusion no later than 10 days after the corresponding decision was taken.

In case the prescribed period the tax authorities took no decision to deny and/or no corresponding conclusion was submitted to the taxpayer, the tax authorities are obliged to decide to reimburse the amounts on which the decision to refuse was not taken and to notify the taxpayer on the decision taken within 10 days.

In case the taxpayer has any arrears or fines on the excise tax, arrears and fines on other taxes, or indebtedness on awarded tax sanctions subject to transfer to the same budget from which the refund is to be made, they shall be subject to offset as the priority by decision of the tax authority.

Tax authorities shall make said offset and within 10 days inform thereof the taxpayer.

If tax authorities decide to reimburse the amounts, and in the presence of any arrears on the excise tax accrued over a period between the date of submission of tax declaration and the date of reimbursement of the appropriate amounts, not exceeding the amount subject to reimbursement, as per the decision of tax authorities, no fine shall be charged on the amount of arrears.

In case the taxpayer has no arrears or fines on the excise tax, arrears, fines on other taxes, or arrears on awarded tax sanctions subject to transfer to the same budget from which the refund is to be made, the amounts subject to reimbursement shall be off-set against current payments on the tax and/or other taxes payable to the same budget, and also on the taxes paid in connection with the movement of goods (of works, services) across the customs border of the Russian Federation as agreed with customs authorities or refundable to the taxpayer upon his request.

Not later than the last day of the term specified in Paragraph 2 of the present item the tax body shall adopt a decision to refund the excise tax amount at the expense of a relevant budget (the budget of a territorial road fund) and within the same term it shall forward this decision to a relevant Federal Treasury body for execution.

The return of amounts of excise tax is effected by bodies of the Federal Treasury within two weeks after receiving the decision of the tax authorities. If said decision is not received by the appropriate body of the Federal Treasury after seven days from the date of direction by this tax authority, the eighth day from the date of sending such decision by the tax authority shall be date of receipt of such decision.

If the deadlines laid down by the present Item are violated, interest shall be charged on the amount of excise tax refundable to the taxpayer on the basis of one three hundred and sixtieth rate of refinancing of the Central Bank of the Russian Federation for each day of delay.

**5.** Abrogated from January 1, 2007.

**Article 204.** The Term and Procedure for Payment of the Excise Tax at the Accomplishment of Transactions in Excisable Goods

**1.** Abolished as of January 1, 2004.

**2.** Abrogated from January 1, 2007.

**3.** The payment of excise tax in the case of taxpayers selling (transferring) excisable goods manufactured by them shall be effected proceeding from the actual sale (transfer) of the said goods over the past tax period in equal instalments not later than the 25th day of the month following the accounting month and not later than the 15th day of the second month following the accounting month.

**3.1.** Excise tax on directly distilled petroleum and denatured ethyl alcohol shall be paid by taxpayers having a registration certificate of a person engaged in transactions with directly distilled petroleum and (or) a registration certificate of an organisation engaged in transactions with denatured ethyl alcohol at the latest on the 25th day of the third month following the expired tax period.

**4.** The excise tax on excisable goods is paid at the place of production of such goods, if not otherwise provided for by this Article.

When making transactions deemed to be an object of taxation in compliance with Subitem 20 of Item 1 of Article 182 of this Code, excise tax shall be paid at the place of entry of excisable goods for ownership.

When making the transactions deemed to be an object of taxation in compliance with Subitem 21 of Item 1 of Article 182 of this Code, excise tax shall be paid at the taxpayer's location.

**5.** Taxpayers shall file a tax return for the tax period with the tax bodies at the place where they are located and also at the place where each their isolated unit, unless otherwise envisaged in the present Item, is located in as much as it concerns the transactions accomplished by them which are deemed tax basis under the present Chapter within the term ending the 25th day of the month following the past tax period, except as otherwise envisaged by the present Item, and the taxpayers having a registration certificate of a person engaged in transactions with directly distilled petroleum and (or) a registration certificate of an organisation engaged in transactions with denatured ethyl alcohol, at the latest on the 25th day of the third month following the reporting month.

The tax payers, referred in conformity with Article 83 of the present Code to the category of major tax payers, shall submit tax declarations to the tax body at the place of their recording as major tax payers.

**Article 205.** The Terms and Procedure of Payment of Excise Tax When Importing Excisable Goods to the Customs Territory of the Russian Federation

The terms and procedure for payment of excise tax in case of import of excisable goods to the customs territory of the Russian Federation are established by the customs legislation of the Russian Federation on the basis of provisions of the present Chapter.

**Article 206.** Abolished.

## Chapter 23. Personal Income Tax

**Article 207.** Taxpayers

**1.** Taxpayers of the personal income tax (hereinafter in the present Chapter referred to as the tax) shall be defined as natural persons being tax residents of the Russian Federation and also natural persons receiving incomes from sources in the Russian Federation who are not tax residents of the Russian Federation.

**2.** As residents shall be deemed natural persons actually staying in the Russian Federation for at least 183 calendar days within 12 months running. The period of a natural person's staying in the Russian Federation shall not be interrupted by the periods of his exiting the Russian Federation for a short-term (less than six months) treatment or training.

**3.** Regardless of the actual time period of their staying in the Russian Federation, tax residents of the Russian Federation shall be deemed the Russian military servicemen doing their military service abroad, as well as officials of state power bodies and local self-government bodies detached for work outside the Russian Federation.

**Article 208.** Incomes From Sources in the Russian Federation and Incomes from Sources Outside the Russian Federation

**1.** For the purposes of the present Chapter, the following shall be referred to as incomes from sources in the Russian Federation:

1) the dividends and interest received from a Russian organisation, as well as interest received from Russian individual businessmen and (or) from a foreign organisation in connection with the activity of its detached unit in the Russian Federation;

2) insurance disbursements, given the onset of an insured accident, including periodical insurance payments (rents, annuities) and/or payments connected with participation of the insurant in the insurer's investment receipts, as well as redemption amounts received from a Russian organisation

and/or from a foreign organisation in connection with the activities of its detached unit in the Russian Federation;

3) incomes received from the use of copyright and other adjacent rights in the Russian Federation;

4) incomes received from the lease or another use of an asset located in the Russian Federation;

5) incomes from the sale of:

real estate located in the Russian Federation;

in the Russian Federation, shares or other securities and also shares in the charter capital of organizations;

rights of claim to a Russian or foreign organization in connection with activity of its detached unit on the territory of the Russian Federation;

other property located in the Russian Federation and owned by the natural person;

6) compensation for the performance of labour or other duties, performed work, rendered services, performance of action in the Russian Federation. In so doing, the compensation to directors and other similar disbursements received by members of a body of management of an organization (of board of directors or another similar body) - of the tax resident of the Russian Federation whose location (seat of management) is the Russian Federation shall be regarded as incomes received from sources in the Russian Federation irrespective of the place where the managerial duties conferred to such persons were actually performed or whence the disbursements of said compensations were effected;

7) pensions, allowances, grants and other similar disbursements received by taxpayers according to the effective Russian legislation or received from a foreign organisation in connection with activity of its detached unit in the Russian Federation;

8) incomes received from the use of any vehicles including sea, river, air vehicles and motor road vehicles in connection with carriage to the Russian Federation and/or out of the Russian Federation or within the boundaries thereof and also fines and other sanctions for demurrage (delay) of such vehicles at loading/unloading points in the Russian Federation;

9) incomes received from the use of pipelines, electrical transmission lines, optical fibre and/or wireless communication lines, other communication facilities including computer networks, on the territory of the Russian Federation;

9.1) payments to legal successors of insured persons in the instances provided for by the laws of the Russian Federation on obligatory pension insurance;

10) other incomes received by the taxpayer as a result of an activity he performed in the Russian Federation.

**2.** For the purposes of the present Chapter, incomes of a natural person received by him as a result of conducting foreign trade operations (including commodity exchange) performed solely on behalf of and in the interests of this natural person and connected solely with the purchasing (acquiring) of goods (performance of works, rendering of services) in the Russian Federation and also with the import of goods in the Russian Federation shall not be referred to incomes received from sources in the Russian Federation.

This provision shall apply to operations involving the import of goods to the territory of the Russian Federation under the customs treatment of release for free circulation only if the following conditions are met:

1) the delivery of goods is performed by a natural person not from places of storage (including bonded warehouses) located on the territory the Russian Federation;

2) the operations are not covered by provisions of Item 3 of Article 40 of the present Code;

3) the goods are not sold through a detached unit of a foreign establishment in the Russian Federation.

If any one of said conditions is not met, the part of received incomes referred to as activity of the natural person in the Russian Federation shall be regarded an income received from sources in the Russian Federation in connection with the sale of the goods.

In case of subsequent sale of goods acquired by the natural person through foreign trade operations defined by the present Item, to incomes of such natural person received from sources in the Russian Federation shall be referred any incomes from any sale of these goods, including their resale or pledge from warehouses or other places of location and storage of such goods which are situated on the territory of the Russian Federation, owned by this natural person, leased or used by him, except for their sale outside the Russian Federation from bonded warehouses.

**3.** For the purposes of the present Chapter, to the incomes received from sources outside the Russian Federation shall be referred:

1) the dividends and interest received from a foreign organisation, with the exception of interest envisaged by Subitem 1 of Item 1 of the present Article;

2) insurance disbursements in the case of onset of an insured accident, received from a foreign organisation, save the insurance disbursements specified in Subitem 2 Item 1 of the present article;

3) incomes from the use of copyright and other adjacent rights outside of the Russian Federation;

4) incomes received from the lease or another use of an asset located outside of the Russian Federation;

5) incomes from sales of:

real estate located outside the Russian Federation;

shares outside the Russian Federation and other securities and also shares in the authorised capitals of foreign organisations;

rights of claim to a foreign organization except for rights of claim specified in paragraph four of Subitem 5 of Item 1 of the present Article;

other property situated outside the Russian Federation;

6) compensation for the performance of labour or other duties, performed work, rendered services, or performance of action outside the Russian Federation. Here, compensation to directors and other similar disbursements received by members of a body of management of a foreign organization (of a board of directors or another similar body) - of the tax resident of the Russian Federation whose location (seat of management) is the Russian Federation shall be regarded as incomes received from sources located outside the Russian Federation irrespective of the place where the managerial duties conferred to such persons were actually performed;

7) pensions, allowances, grants and other similar disbursements received by the taxpayer in accordance with the legislation of foreign states;

8) incomes received from the use of any vehicles including sea, river, air vehicles and motor road vehicles and also fines and other sanction for the demurrage (delay) of such vehicles at loading/unloading points, save those specified in Subitem 8 Item 1 of the present article;

9) other incomes received by the taxpayer as a result of an activity he performed outside the Russian Federation.

**4.** If provisions of the present Code do not allow to attribute unequivocally the incomes received by the taxpayer either to incomes received from sources in the Russian Federation or to incomes from sources outside the Russian Federation, the Ministry of Finance of the Russian Federation shall make the attribution. Similarly shall be defined the share of said incomes which can be referred to incomes from sources in the Russian Federation and the share which can be referred to incomes from sources outside the Russian Federation.

**5.** For the purposes of the present chapter the term "incomes" shall not include incomes from transactions relating to property and non- property relationships of natural persons recognised as family members and/or close relatives under the Family Code of the Russian Federation, except incomes received by the said natural persons as a result of their concluding between themselves agreements of civil legal nature or labour agreements.

**Article 209.** The Item of Taxation

The item of taxation shall be defined as an income received by taxpayers:

1) from sources in the Russian Federation and/or from sources outside the Russian Federation - for natural persons who are tax residents of the Russian Federation;

2) from sources in the Russian Federation - for natural persons who are not tax residents of the Russian Federation.

**Article 210.** The Tax Base

**1.** When determining the tax base taken into account shall be all incomes the taxpayer has received both in cash and in kind or the right to dispose of which he has acquired, and also incomes in the form of material benefit defined according to Article 212 of the present Code.

If any deductions are made from the taxpayer's income by his order or by a court ruling or decisions of other bodies, such deductions shall not reduce the tax base.

**2.** Tax base shall be defined separately for each type of income concerning which various tax rates are established.

3. For incomes concerning which the tax rate established by Item 1 of Article 224 of the present Code is stipulated, the tax base shall be defined as the pecuniary form of such taxable incomes reduced by the tax deductions stipulated by Articles 218-221 of the present Code with allowance for features established by the present Chapter.

If the amount of tax deductions in a tax period will exceed the amount of taxable incomes covered by the tax rate established by Item 1 of Article 224 of the present Code, over the same tax period the tax base shall be defined as having zero value. The difference between the amount of tax deductions in this tax period and the amount of taxable incomes concerning which the tax rate established by Item 1 of Article 224 of the present Code is stipulated, shall not be rolled over into the following tax period, unless otherwise is stipulated by the present Chapter.

4. For incomes concerning which other tax rates are established, the tax base shall be defined as a pecuniary form of taxable incomes. Thus, the tax deductions stipulated by Articles 218-221 of the present Code, shall not apply.

**5.** Incomes (expenses accepted for deduction according to Articles 218-221 of the present Code) of the taxpayer expressed (nominated) in foreign currency are converted into roubles at the rate of the Central Bank of the Russian Federation established on the date of actual receipt of the incomes (on the date of the actually incurred expenses).

**Article 211.** Features of the Determination of the Tax Base When Receiving Incomes in Kind

1. If the taxpayer receives an income from organizations and individual entrepreneurs in kind in the form of goods (works, services) and other property, the tax base shall be defined as the cost of these goods (works, services) other property calculated on the basis of their prices defined in accordance with the procedure described in Article 40 of the present Code.

Thus, the cost of such goods (works, services) shall include corresponding amount of the value added tax and excise tax and exclude partial payment by the taxpayer of the cost of commodities received by him, the works carried out for him and the services rendered to him.

**2.** Incomes received by the taxpayer in kind, in particular shall include:

1) payment (full or partial) made for him by organizations or individual entrepreneurs in goods (works, services) or property rights, including municipal services, meals, rest, and training in the interests of the taxpayer;

2) goods received by taxpayers, works performed in the interests of the taxpayer, and services rendered in the interests of the taxpayer on a gratuitous or partially paid basis;

3) wages in kind.

**Article 212.** Features of the Determination of the Tax Base When Receiving Incomes in the Form of Material Benefit

**1.** Incomes of the taxpayer received in the form of material benefit shall be:

1) material benefit received from economic gain on the interest for use by the taxpayer of borrowed (credit) funds, received from organisations or individual entrepreneurs, except for the material benefit received in connection with operations with bank cards during the interest-free period established in the agreement on the furnishing of a bank card and the material benefit derived from savings on interest for the use of borrowed (credit) funds for new construction or acquisition in the territory of the Russian Federation of a dwelling house, flat, room or a share (shares) therein, if the taxpayer is entitled to the property tax deduction in compliance with Subitem 2 of Item 1 of Article 220 of this Code;

2) material benefit received from the purchase of goods (of works, services) from natural persons under an agreement having civil legal nature as natural persons are concerned, organizations and individual entrepreneurs being related to the taxpayer;

3) material benefit received from acquiring securities.

**2.** When the taxpayer receives an income in the form of material benefit specified in Subitem 1 of Item 1 of the present Article, the tax base shall be defined as:

1) excess of amounts of interest for the use of borrowed (credit) funds expressed in roubles calculated on the basis of three quarters of the current refinancing rate established by the Central Bank of the Russian Federation on the date of actual receipt of income by the taxpayer over the amount of interest calculated on the basis of terms and conditions of the contract;

2) excess of the amount of interest for the use of borrowed (credit) funds expressed in foreign currency calculated on the basis of 9 per cent per annum, over the amount of interest calculated on the basis of terms and conditions of the contract.

The tax agent shall determine the tax base when receiving an income in the form of material benefit derived from savings on interest at the receipt of borrowed (credit) funds, shall calculate, deduct and remit tax in the procedure established by this Code.

**3.** When the taxpayer receives an income in the form of material benefit specified in Subitem 2 of Item 1 of the present Article, the tax base is defined as the excess of the price of the identical (homogeneous) goods (works, services) sold by persons being related to the taxpayer, under usual conditions to persons who are not related, over the prices of sale of identical (homogeneous) goods (works, services) to the taxpayer.

**4.** When the taxpayer receives an income in the form of material benefit specified in Subitem 3 of Item 1 of the present Article, the tax base is defined as the excess of the market value of securities determined with the account taken of the security market price variation limits above the amount of actual expenses of the taxpayer for their purchase.

The procedure for determining the market value of securities and security market price variation limits shall be established by the federal body responsible for regulating the securities market.

**Article 213.** Features of the Determination of the Tax Base on Insurance Contracts

**1.** When determining the tax base, shall be accounted incomes received by the taxpayer in the form of insurance, except for payments received:

1) under contracts of compulsory insurance carried out in the procedure established by the legislation of the Russian Federation;

2) under contracts of voluntary life insurance (except for the contracts provided for by Subitem 4 of this Item) in the event of payments in connection with the attainment by the insured person of a certain age or time, or in the event of the onset of some other event, where under the terms of such contract insurance fees are paid by the taxpayer and if the amounts of insurance payments do not exceed the amounts of the insurance fees paid by him which are increased by the sum calculated by way of serial addition of products of the amounts of insurance fees paid from the date of making the insurance contract up to the end date of each year when such contract of voluntary life insurance is in effect (inclusive) and the average annual refinancing rate of the Central Bank of the Russian Federation effective in the relevant year. Otherwise the difference between the said amounts shall be accounted when determining the tax base and shall be taxable at the source of disbursement.

For the purposes of this Article, the average annual refinancing rate of the Central Bank of the Russian Federation shall be determined as the quotient obtained from dividing the sum resulting from addition of the amounts of the refinancing rates effective as of the 1st day of each calendar month of the year when the contract of life insurance is in effect by the number of added amounts of refinancing rates of the Central Bank of the Russian Federation.

In case of early dissolution of contracts of voluntary life insurance which are provided for by this subitem (except when contracts of voluntary life insurance are dissolved for the reasons which are beyond control of the parties thereto) and repayment by a natural person of the amount of money (redemption amount) to be paid under the rules of insurance and the terms of the said contracts in the event of early dissolution of such contracts, the derived income, less the amounts of the insurance fees paid by the taxpayer, shall be accounted when determining the tax base and shall be taxable at the source of disbursement;

3) under contracts of voluntary personal insurance providing for payments in case of death, infliction of health hazard and/or reimbursement of medical outlays of the insured person (except for covering the cost of permits to sanatorium-and-spa institutions);

4) under contracts of voluntary retirement insurance made by natural persons to the their benefit with insurance organizations, where such payments are made upon the occurrence of reasons for retirement under the laws of the Russian Federation.

In the event of dissolution of contracts of voluntary pension insurance (except when insurance contracts are dissolved for the reasons beyond control of the parties thereto) and the repayment to a natural person of the amount of money (the redemption amount) to be paid under the insurance rules and the terms of the contract when dissolving such contracts, the derived income, less the amounts of insurance fees paid by the taxpayer, shall be accounted when defining the tax base and shall be taxable at the source of disbursement.

In case of dissolving a contract of voluntary pension insurance (except when insurance contracts are dissolved for reasons beyond control of the parties thereto) shall be accounted when determining the tax base the amounts of insurance fees paid by a natural person under such contract in respect of which the social tax deduction specified in Subitem 4 of Item 1 of Article 219 of this Code has been granted to him.

With this, an insurance organisation, when paying to a natural person the amounts of money (redemption amounts) under a contract of voluntary pension insurance, is obliged to deduct the amount of tax calculated in respect of the sum of income which is equal to the amount of insurance fees paid by the natural person under such contract for each calendar year when the taxpayer was entitled to the social tax deduction specified in Subitem 4 of Item 1 of Article 219 of this Code.

If a taxpayer presented the report issued by the tax authority at the taxpayer's place of residence proving the taxpayer's failure to receive the social tax deduction or proving the fact of receiving by the taxpayer of the amount of the granted social tax deduction specified in Subitem 4 of Item 1 of Article 219 of this Code, the insurance organisation accordingly would not deduct the amount of tax or would calculate the amount of tax to be deducted.

**1.1.** The form of the report issued by the tax authority at the place of a taxpayer's residence proving that the taxpayer has failed to enjoy the social tax deduction or proving the fact of enjoying by the taxpayer of the amount of the granted tax deduction shall be approved by the federal executive body authorized to exercise control and supervision with respect to taxes and fees.

**2.** Abolished from January 1, 2005.

**3.** When determining the tax base, insurance premiums shall be taken into account where the said amounts are paid for natural persons by employers thereof or by establishments and individual businessmen which are not employers with respect to those natural persons for whom they made insurance fees, except when natural persons are insured under obligatory insurance contracts, contracts of voluntary personal insurance or contracts of voluntary retirement insurance.

**4.** Under a contract of voluntary insurance of property (including the insurance of civil liability for causing damage to the property of third persons and (or) the insurance of civil liability of transport vehicles' owners) the taxable incomes of a taxpayer upon the occurrence of an insured accident shall be determined in the event of:

loss or destruction of insured property (property of third persons) as the difference between the received insurance compensation and the market value of insured property on the date of conclusion of the aforesaid contract (on the date of the insured accident - for a civil liability insurance contract) marked up by the amount of the insurance premium payments paid to insure this property;

damage of insured property (property of third persons) as the difference between the received insurance compensation and expenses required for repairing (restoring) this property (if no repair has been performed), or the cost of repair (rehabilitation) of this property (if repairs have been performed) being marked up by the amount of insurance premium payments paid to insure this property.

The feasibility of expenses required towards repairing (restoring) insured property, if no repair (restoration) has been performed, shall be confirmed by a document (cost-estimate, statement, certificate) drawn up by an insurer or independent expert (surveyor).

The feasibility of expenses towards effected repair (rehabilitation) of insured property shall be confirmed by the following documents:

1) contract (copy of the contract) on the performance of appropriate works (on rendering services);

2) documents confirming acceptance of executed works (rendered services);

3) payment documents which were made out in due order to confirm the fact of payment for works (services).

In so doing, not to be taken into account as income shall be the amount reimbursed to the insurant or the expenses incurred by the insurers involved in the investigation of circumstances of an insured accident, assessment of the scope of damage, legal costs, and also other expenses according to the current legislation and terms and conditions of a property insurance contract.

**5.** Abolished from January 1, 2005.

**6.** Abolished from January 1, 2005.

**Article 213.1.** Specifics of Determining the Tax Base with Regard to Contracts of Non-Governmental Provision of Pensions and Contracts of Obligatory Pension Insurance Made with Non-Governmental Funds

**1.** The following shall not be taken into account, when determining the tax base under contracts of non-governmental provision of pensions and contracts of obligatory pension insurance:

insurance premiums for obligatory pension insurance payable by organisations and other employers in compliance with the laws of the Russian Federation;

the accumulative part of the labour pension;

pensions payable under contracts of non-governmental pension insurance made by natural persons for their benefit with Russian nongovernmental pension funds;

insurance premiums under contracts of non-governmental provision of pensions made by organisations and other employers with Russian nongovernmental pension funds that have the appropriate licences;

insurance premiums under contracts of non-governmental provision of pensions made by natural persons with Russian non-governmental pension funds, having the appropriate licences, for the benefit of other persons.

**2.** The following shall be taken into account when determining the tax base:

pensions payable to natural persons under contracts of nongovernmental provision of pensions made by organisations and other employers with Russian non-governmental pension funds that have the appropriate licences;

pensions payable under contracts of non-governmental provision of pensions made by natural persons with Russian non-governmental pension funds, that have the appropriate licenses, for the benefit of other persons;

sums of money (redemption amounts), less the payments (fees) made by natural persons for their own benefit, payable in compliance with pension rules and terms of contracts of non-governmental provision of pensions made with Russian non-governmental pension funds that have the appropriate licences, in the event of preschedule dissolution of the said contracts (except for the instances of their preschedule dissolution for reasons independent of the parties' will, or of the transfer of the redemption amount to another non-governmental pension fund), as well as in the event of changing the conditions of the said contracts in respect of the validity term thereof.

The sums of money specified in this Item shall be taxable at the source.

The amounts of payments (fees) made by a natural person under a contract of non-governmental provision of pension in respect of which the natural person has been granted the social tax deduction specified in Subitem 4 of Item 1 of Article 219 of this Code shall be taxable when paying the amount of

money (redemption amount) (except when the said contract is dissolved ahead of time for the reasons beyond control of the parties thereto or the amount of money (redemption amount) is remitted to another non-governmental pension fund).

With this, a non-governmental pension fund when paying to a natural person amounts of money (redemption amounts) is obliged to deduct the amount of tax calculated in respect of the amount of income which is equal to the sum of payment (fees) paid by the natural person under this contract for each calendar year when the taxpayer was entitled to the social tax deduction specified in Subitem 4 of Item 1 of Article 219 of this Code.

If a taxpayer presented the report issued by the tax authority at the taxpayer's place of residence proving the taxpayer's failure to receive the social tax deduction or proving the fact of receiving by the taxpayer of the amount of the social tax deduction specified in Subitem 4 of Item 1 of Article 219 of this Code, the non-governmental pension fund accordingly would not deduct the amount of tax or would calculate the amount of tax to be deducted.

**Article 214.** Specifics in the Payment of Tax on the Profits of Natural Persons with Respect to Incomes from Share Participation in an Organisation

The sum of tax on the incomes of natural persons (hereinafter in the present Chapter ' the tax') with respect to the incomes from the share participation in an organisation received in the form of dividends, shall be determined taking into account the following provisions:

1) the sum of the tax with respect to dividends received from the sources outside of the Russian Federation, shall be defined by the tax payer on his own as concerns every amount of received dividends, in accordance with the rate envisaged by Item 4 of Article 224 of this Code. "The taxpayers receiving dividends from sources outside of the Russian Federation shall in this case have the right to reduce the sum of the tax calculated in conformity with the present Chapter, by the sum of the tax calculated and paid at the place of location of the source of the income, only in cases when the source of the income is situated in a foreign state, with which a contract (agreement) is signed on avoiding double taxation.

If the sum of the tax paid up at the place of location of the source of the income exceeds the sum of the tax calculated in conformity with the present Chapter, the resulting difference shall not be subject to return from the budget;

2) if the source of the taxpayer's income received in the form of dividends is a Russian organisation, the said organisation shall be recognised as a tax agent and shall determine the sum of the tax separately for every taxpayer as concerns every payment of the said incomes in accordance with the rate envisaged by Item 4 of Article 224 of this Code, and with the order stipulated by Article 275 of the present Code.

**Article 214.1.** The Peculiarities of Determining Tax Base, Calculating and Paying the Tax on Incomes under Transactions in Securities and the Transactions in Time Deal Instruments of Which the Base Asset Is Securities or Stock Indices Calculated by Trade Promoters in the Securities Market

**1.** When determining the tax base with regard to incomes from transactions in securities, including investment shares of a unit fund, and the transactions in time deal instruments of which the base asset is securities or stock indices estimated by trade promoters in the securities market, account shall be taken of incomes received under the following transactions:

the purchase and sale of securities traded in the organized securities market;

the purchase and sale of securities not traded in the organized securities market;

in time deal instruments of which the base asset is securities or stock indices estimated by trade promoters in the securities market;

liquidation of investment shares of unit investment funds;

in securities and time deal instruments of which the base asset is securities or stock indices estimated by trade promoters in the securities market, such transactions being accomplished by the trustee (except for management companies engaged in trust management of assets forming a unit fund) for the benefit of the founder of a trust (beneficiary) being a natural person.

**2.** For each of the transactions specified in Item 1 of the present Article the tax base shall be determined separately with due regard to the provisions of the present Article.

For the purposes of the present Chapter the time deal instruments of which the base asset is securities or stock indices estimated by trade promoters in the securities market shall mean futures and option market deals.

3. Income (loss) under securities purchase/sale transactions shall be determined as the sum of incomes under the aggregate deals in securities of a certain category accomplished in the tax period, less the sum of losses.

Income (loss) under a securities purchase/sale deal, including investment shares of unit funds, shall be determined as a difference between the sums received from the sale of the securities and the expenses towards acquiring, selling and holding in custody the securities actually incurred by the

taxpayer (including the expenses reimbursed to a professional participant in the securities market, to a management company engaged in trust management of assets forming a unit fund) and documented.

These expenses are as follows:

amounts payable to the seller under a contract;

payment for the services provided by a custodian;

commission payable to professional participants in the securities market, discount paid (reimbursed) by a management company of a unit fund, when selling (liquidating) by an investor of an investment share in a unit fund which is determined in the procedure established by the laws of the Russian Federation on investment funds;

market fee (commission);

payment for the services of a registrar;

the tax on inheritance paid by the taxpayer when securities are received by way of succession;

the tax paid by a taxpayer when receiving by way of gift stocks and shares in compliance with Item 18.1 of Article 217 of this Code;

other expenses directly relating to the purchase, sale and custody of securities payable for the services provided by professional participants in the securities market within the framework of their professional activity.

If the issuing organisation has accomplished an exchange (conversion) of shares the following expenses shall be deemed taxpayer's documented expenses in the sale of shares received by the taxpayer as the result of the exchange (conversion): the expenses towards acquisition of the shares held by the taxpayer prior to the exchange (conversion) thereof.

In the event of sale of shares (stakes, participatory shares) received by a taxpayer when organisations were reorganised the following shall be deemed expenses towards the acquisition thereof: the value assessed in accordance with Items 4 - 6 of Article 277 of the present Code, provided the taxpayer has documented confirmation of the expenses incurred to acquire the shares (stakes, participatory shares) of the organisations reorganised.

When selling (liquidating) investment shares issued by the management company engaged in trust management of the property constituting a unit investment fund and received by a taxpayer when contributing property (property rights) to the property of the unit investment fund, the outlays on acquisition of the property (property rights ) contributed to the property of the unit investment fund proved by documents shall be recognized as outlays on acquisition of these investment shares.

If a taxpayer has acquired as ownership (including has received on a gratuitous basis or with partial payment) certain securities, then in the taxation of the income on the operations of the purchase-and-sale of the securities and liquidation of investment shares as documentarily confirmed expenses on the acquisition (receipt) of such securities there shall also be taken into account the amounts from which there has been calculated and paid the tax in the acquisition (receipt) of the said securities.

Income (loss) under a deal of purchase/sale of securities traded in the organized securities market shall be reduced (increased) by the amount of interest paid for the use of the amounts of money raised to accomplish the securities purchase/sale deal within the limits calculated proceeding from the effective refinancing rate of the Central Bank of the Russian Federation.

Loss under a deal in securities traded in the organized securities market shall be determined with due regard to the security market price variation limits.

For the purposes of the present Chapter the "securities traded in the organized securities market" mean securities cleared for trading by trade organizers holding a licence issued by the federal body responsible for regulating the securities market.

In the event of selling an investment share which is not traded in the organized securities market, the expenses shall be determined proceeding from the cost of acquisition of the said investment share with extra charges included therein.

Paragraph is abrogated from January 1, 2008.

In the event of acquiring an investment share of a unit fund from the management company engaged in trust management of the property constituting this unit fund which is not traded in the organized securities market, the estimated cost of the investment share determined in the procedure established by the laws of the Russian Federation on investment funds shall be regarded as the market price thereof. Where the rules of trust management of a unit fund provide for an extra charge to the estimated cost of an investment share, the estimated cost of the investment share with the account taken of such extra charge shall be regarded as the market price thereof.

Paragraph is abrogated from January 1, 2008.

*See text of Paragraph 22 of Item 3 of Article 214.1*

Where a taxpayer's expenses towards the acquisition, sale and custody of securities cannot be referred to as "expenses towards the acquisition, sale and custody" of specific securities, the said expenses shall be distributed pro rata to the value appraisal of the securities to which the said expenses are attributable. The value appraisal of the securities shall be effected as of the date when the expenses were incurred.

At the sale (realisation) before January 1, 2007 of securities which were in the tax payer's ownership for over three years, the tax payer has the right to make use of the property tax deduction, stipulated in the first paragraph of Item 1 of Article 220 of the present Code.

Deduction in the amount of actually incurred and documented expenses shall be granted to a taxpayer when the tax is being calculated and paid to the budget at the source of disbursement of an income (a broker, trustee, management company engaged in trust management of property forming a unit fund, or other person accomplishing transactions under an agency agreement or another agreement of similar nature for the taxpayer's benefit) or upon the expiry of the tax period when the tax return is filed with a tax body.

**4.** The tax base relating to securities purchase/sale transactions shall be determined as the income received according to the securities transactions results of the tax period. Income (loss) under securities purchase/sale transactions shall be determined in compliance with Item 3 of the present Article.

Loss under transactions in securities traded in the organised securities market incurred according to the results of the said transactions accomplished in the tax period shall reduce the tax base of the transactions of purchase/sale of securities of a certain category.

Income under the transactions of purchase/sale of securities which are not traded in the organised securities market and which, as of the time of purchase, met the criteria applicable to the securities traded in the organised securities market may be reduced by the sum of loss incurred in the tax period under the transactions of purchase/sale of securities traded in the organised securities market.

**5.** The income (loss) relating to transactions in time deal instruments (except for the transactions specified in Item 6 of the present article) shall be determined as the amount of incomes derived from the totality of operations in time deal instruments made within the tax period, less the amount of losses from such operations.

With this, the income (loss) from operations in time deal instruments shall be defined as the difference between the amount of incomes derived from operations in time deal instruments (time deals), including charged amounts of the variant margin and/or bonuses received under deals in options, less the outlays actually made by the taxpayer and proved by documents which are connected with making, implementing and terminating time deals, including the outlays reimbursed to a professional securities market-maker, as well as the outlays connected with payment of the amounts of the variant margin and/or bonuses received under deals in options.

The following shall likewise include the said outlays:

amounts paid to the seller in compliance with the contract;

payment for the services rendered by a depository;

commission deductions to professional securities market-makers;

exchange fee (brokerage);

payment for the services of the registrar;

other outlays directly connected with operations in time deal instruments on the services rendered by professional securities market-makers within the framework of their professional activities.

**6.** As it concerns transactions in instruments of the time deals made for the purposes of minimising the risk of security price variation, the incomes from the transactions in time deal instruments (including the bonuses received under option deals) shall increase and the losses shall reduce the tax base relating to transactions in the base asset.

**7.** The tax base relating to the transactions in securities and time deal instruments accomplished by a trustee shall be calculated in compliance with the procedure established by Items 4 - 6 of the present article with due regard to the provisions of the present item.

The taxpayer's incomes shall also include the amounts paid by the founder of a trust (beneficiary) to the trustee in the form of a fee and compensation for the expenses incurred by him under accomplished transactions in securities and transactions in time deal instruments.

When calculation is effected of the tax base relating to incomes under the transactions in securities and transactions in time deal instruments accomplished by a trustee for the benefit of a founder (beneficiary) of the trust the said income shall be determined for a beneficiary not being a founder of the trust with due regard to the provisions of the trust agreement.

When, in the case of trust management, deals are made in securities of various categories and also if other types of income occur in the course of trust management (including, in particular, incomes under transactions in time deal instruments, incomes in the form of dividends, interest) the tax base shall be determined separately for each category of securities and for each type of income. In such a case the incomes that cannot be directly referred to income reduction under deals in the securities of a certain category or to the reduction in a certain type of income shall be distributed pro rata to the share of each type of income (income received under transactions in the securities of a relevant category).

The loss incurred under transactions in securities accomplished by a trustee for the benefit of the founder (beneficiary) of the trust in the tax period shall reduce the incomes under the said transactions.

The loss incurred under transactions in securities and transactions in time deal instruments accomplished by a trustee for the benefit of the founder (beneficiary) of the trust shall reduce the incomes

received under transactions in the securities of a relevant category and transactions in time deal instruments and the incomes received under the said transactions shall increase the incomes (reduce the losses) under transactions in the securities of a relevant category and transactions in time deal instruments.

The loss incurred under transactions in securities and transactions in time deal instruments accomplished by a trustee for the benefit of the founder (beneficiary) of the trust accomplished in the tax period shall reduce the tax base relating to transactions in the securities of a relevant category and transactions in time deal instruments respectively.

**8.** The tax base relating to the transactions of purchase/sale of securities and transactions in time deal instruments shall be calculated upon the expiration of the tax period. Tax calculation and payment shall be effected by the tax agent upon the expiration of the tax period or when the agent disburses amounts of money for the benefit of the taxpayer before the expiration of next tax period.

When amounts of money are disbursed by the tax agent before the expiration of next tax period the tax shall be paid on the share of income determined in compliance with the present article as corresponding to the actual amount of money disbursed. The share of income shall be determined as the sum total of income times the ratio of disbursement amount to securities value appraisal determined as of the date of the disbursement of the monies in respect of which the tax agent acts as a broker. When amounts of money are disbursed for the benefit of the taxpayer more than once in the tax period the tax amount shall be accrued and be cumulative, with the tax amounts paid earlier being taken into account.

The value appraisal of securities shall be effected proceeding from the actual expenses incurred to acquire them if these expenses are documented.

As it concerns the incomes under transactions in securities and transactions in time deal instruments accomplished by a trustee for the benefit of the founder (beneficiary) of the trust, the trustee shall be deemed a tax agent, such a trustee determining the tax base under the said transactions with due regard to the provisions of the present article.

The tax base relating to transactions in securities accomplished by a trustee for the benefit of the founder (beneficiary) of the trust shall be determined as of the date of end of the tax period or as of the date of disbursement of amounts of money (transfer of securities) before the expiration of next tax period.

When disbursements are effected in monetary form or in kind out of the resources held on trust, before the expiration of the effective term of the trust agreement or before the expiration of the tax period the tax shall be paid on the share of income determined in compliance with Item 7 of the present article corresponding to the actual amount of money disbursed for the benefit of the founder (beneficiary) of the trust. In such a case the share of income shall be determined as the sum total of income times the ratio of the amount of disbursement to the appraisal of the securities (monies) held on trust determined as of the date of disbursement of amounts of money. When disbursement is effected in monetary form or in kind out of the resources held on trust, more than once in the tax period the said calculation shall be effected as accrual and be cumulative, with the account being taken of the tax amounts paid earlier.

For the purposes of the present item the "disbursement of amounts of money" means disbursement in cash, the remittance of amounts of money to a person's bank account or to a third person's bank account on the request of a natural person.

If its is impossible to withhold from a taxpayer a tax amount calculated by the source of disbursement the tax agent (broker, trustee or another person accomplishing transactions under an agency, commission agreement or another agreement for the taxpayer's benefit) shall notify the tax body at the place of its registration within one month after the occurrence of this circumstance about the impossibility of such a withholding and of the amount of money owed by the taxpayer. In this case the tax shall be paid in compliance with Article 228 of the present Code.

The tax deducted from a taxpayer shall be subject to remittance by tax agents within one month as of the end date of the tax period or as of the date of paying monetary funds (transfer of securities).

**Article 214.2.** Specifics of Determination of the Tax Base When Receiving Incomes in the Form of Interest on Bank Deposits

In respect of incomes in the form of interest on bank deposits the tax base shall be determined as the excess of the amount of interest accrued under the terms of a contract over the amount of interest calculated for deposits in roubles on the basis of the refinancing rate of the Central Bank of the Russian Federation effective within the period for which the said interest is accrued and on the basis of 9 per cent annual receipts for deposits in foreign currency, if not otherwise provided for by this Article.

**Article 215.** Features of the Determination of Incomes of Specific Categories of Foreign Citizens

**1.** The following incomes shall not be taxable:

1) of heads and also staff of missions of a foreign state having a diplomatic or consular rank, members of their families staying with them if they are not citizens of the Russian Federation, except for the incomes from sources in the Russian Federation which are not connected to the diplomatic or consular service of these natural persons;

2) of the administrative-clerical staff of missions of a foreign state and members of their families staying with them, if they are not citizens of the Russian Federation or do not live in Russian Federation permanently, except for the incomes from sources in the Russian Federation which are not connected to the said individuals' employment with these missions;

3) of supporting personnel of the missions of a foreign state who are not citizens of the Russian Federation or do not live in the Russian Federation permanently which they receive when in their line of duty in the mission of a foreign state;

4) employees of international organizations - according to the charters of these organizations.

**2.** Provisions of the present Article shall apply in cases when legislation of a corresponding foreign state had established a similar order concerning persons listed in Subitems 1-3 of Item 1 of the present Article, or if such norm is stipulated by an international treaty (agreement) of the Russian Federation. The list of foreign states and international organizations concerning whose citizens (employees) the standards of the present Article shall be applied is defined by a federal body of the executive power in the area of international relations together with the Ministry of Finance of the Russian Federation.

**Article 216.** The Tax Period

The tax period shall be defined as a calendar year.

**Article 217.** Non-Taxable Incomes (Exempt from Taxation)

The following types of personal incomes shall be exempt from taxation (not subject to taxation):

1) state allowances, excluding temporary disability allowance, (including the allowance for care of a sick child) as well as other disbursements and compensations paid according to the effective legislation. Here, tax exempt allowances include unemployment benefit, and maternity and birth of a child allowance;

2) the state and labour pensions awarded in the order, established by the current legislation;

3) all types of compensatory disbursements established by the legislation of the Russian Federation, legislative acts of constituent entities of the Russian Federation, decisions of representative bodies of local self-government (within the limits of standards established according to the legislation of the Russian Federation) and involving:

reimbursement of harm caused by mutilation or other damage to health;

free granting of housing and utilities, fuels or a relevant pecuniary reimbursement;

payment of cost and/or issue of authorized allowance in kind and also the disbursement of cash instead of such an allowance;

payment of the cost of meals, sports gear, equipment, sports and dress uniform received by the sportsmen and staff of physical culture and sports organizations for training process and participation in sport competitions;

dismissal of workers, including compensations for unused holiday;

loss of life of military servicemen or government officials in the line of their official duties;

reimbursement of other expenses, including the expenses involved in the improvement of professional skills of workers;

performance by the taxpayer of his job duties (including relocation to work to another locality and reimbursement of travel and living expenses).

In case the employer pays the expenses of business trips of workers both in the country and abroad, the daily allowance exempt from taxation shall be in compliance with the legislation of the Russian Federation but at most 700 roubles for each day of a business mission in the territory of the Russian Federation and at most 2 500 roubles for each day of a business mission abroad, and also the actually effected and documented target expenses in the travel up to destination and back, charges for airport services, commission charges, expenses in travel to the airport or terminal in the places of departure, destination or changes, on conveyance, expenses in hiring housing, communication services expenses, charges for the receipt and registration of a service foreign passport, charges for granting visas, and also expenses in exchange of currency cash or cheques in a bank into foreign currency in cash. If no documents are presented to confirm the payment of expenses for hiring of housing, the amounts of such payment can be exempted from taxation within the limits of standards established by the legislation of the Russian Federation. A similar order of taxation shall apply to disbursements effected to persons found in command or administrative subordination to an organization, and also members of a board of directors or any similar body of the company coming to participate in meetings of the board of directors, the management board or another similar body of such a company;

4) compensation to donors for donated blood, mother's milk or other donor's assistance;

5) alimonies received by taxpayers;

6) amounts received by taxpayers in the form of grants (gratuitous aid) furnished for the support of science and education, culture and art in the Russian Federation by international, foreign and/or

Russian organisations by lists of such organisations approved by the Government of the Russian Federation;

7) amounts received by taxpayers in the form of international, foreign or Russian prizes for achievements in the field of science and engineering, education, culture, literature and arts and mass media under the list of prizes approved by the Government of the Russian Federation, as well as in the form of prizes awarded by supreme officials of constituent entities of the Russian Federation (by heads of supreme executive power bodies of constituent entities of the Russian Federation) for outstanding achievements in the said areas under the lists of prizes endorsed by supreme officials of constituent entities of the Russian Federation (by heads of supreme executive power bodies of constituent entities of the Russian Federation);

8) the amount of lump sum material assistance rendered:

to taxpayers in connection with natural disaster or other emergencies, as well as to taxpayers who are family members of persons perished as a result of natural disasters or other emergencies in order to compensate for material loss caused to them or harm to their health, regardless of the source of disbursement;

by the employers to members of the family of a deceased employee or to an employee in connection with the death of a member (members) of his/her family;

to the taxpayers in the form of humanitarian aid (assistance), and also in the form of charitable help (in cash and in kind) rendered by Russian and foreign charitable organizations (funds, associations) registered in due order, in accordance with the legislation of the Russian federation on the charitable activity in the Russian Federation;

to low income and taxpayers and socially vulnerable categories of citizens in the form of amounts of the target oriented social assistance (in cash and in kind) rendered to the charge of funds of the federal budget, budgets of the constituent entities of the Russian Federation, local budgets and extra-budgetary funds according to programs approved annually by the appropriate public authorities;

to taxpayers who suffered from terrorist acts on the territory of the Russian Federation, as well as to taxpayers who are family members of the persons perished as a result of terrorist acts in the territory of the Russian Federation, irrespective of source of disbursement;

by employers to employees (parents, adopters, trustees) upon the birth (or adoption) of a child but not more than 50 thousand roubles for each child;

8.1) the remunerations payable with funds of the federal budget or the budget of a subject of the Russian Federation to persons for their assistance to federal executive governmental bodies in the detection, prevention, stopping and clearing acts of terrorism, the detection and detention of persons who are preparing, committing or have committed such acts, and also for their assistance to the federal security service and the federal executive governmental bodies which carry out operative investigation activities;

9) amounts of full or partial compensation (payment) by employers to their employees and/or their family members, to their former employees who have retired on an old-age or disability pension and to disabled persons, who do not work for a given organisation, of the cost of permits, except for tourist ones, to sanatorium-and-spa and health improvement establishments located in the territory of the Russian Federation, and also the amounts of full or partial compensation (payment) of the cost of permits to children who have not reached 16 years of age to sanatorium-and-spa and health improvement establishments located in the territory of the Russian Federation which are paid:

to the charge of the funds of organisations (individual businessmen) if outlays on such compensation (payment) do not pertain under this Code to outlays accountable when determining the tax base for profit tax of organsaitions;

to the charge of budgets of the budget system of the Russian Federation;

to the charge of funds derived from the activity in respect of which organisations (individual businessmen) apply special tax treatments.

For the purposes of this article, sanatorium-and-spa and health improvement establishments mean sanatoriums, sanatoriums-preventoriums, preventoriums, resthouses and camps, vacation hotels, medical-and-health improvement complexes, sanatory, health improvement and sporting camps for children;

10) amounts paid by employers from funds they have retained after payment of the organization's profit tax for treatment and health services rendered to workers, their spouses, their parents and their children, the sums of money paid by public associations of invalids for medical treatment and servicing of invalids provided the medical establishments hold the appropriate licenses, and documents are produced to confirm actual expenses in treatment and health services.

Aforesaid incomes shall be exempted from taxation if the employers and/or public associations of invalids make non-cash payments to medical establishments for the treatment and health services of the taxpayers, and also if the cash for these purposes is issued directly to the taxpayer (members of his family, parents) or funds intended for such purposes are entered into accounts of the taxpayers held with bank institutions;

11) grants to pupils, students, post-graduate students, hospital physicians, associates or persons working for a doctor's degree of higher higher vocational training or post-college vocational training, of research establishments, of students of learning establishments of basic professional and medium vocational training, students of theological educational establishments which are paid to said persons by these establishments, grants established by the President of the Russian Federation, bodies of legislative (representative) or executive power of the Russian Federation, bodies of constituent entities of the Russian Federation, charitable funds, grants paid at the expense of budget funds to taxpayers who undergo training under a voucher issued by bodies of the employment service;

12) amounts of wages and other amounts in foreign currency received by taxpayers from federally funded state institutions or organizations that sent them to work abroad - within the limits of standards established by the current legislation on wages of employees;

13) incomes of taxpayers received from the sale of cattle, rabbits, coypu rats, birds, wild animals and birds (both live and products of their slaughter, both raw or processed) production of cattle-breeding, plant growing, flower-growing and bee-keeping, both in kind and processed which were raised on personal part-time farms, situated on the territory the Russian Federation.

Aforesaid incomes are released from taxation provided the taxpayer submits a document issued by an appropriate body of local self-government, gardening board, gardening or vegetable gardening partnerships confirming that the sold products have been produced by the taxpayer on the land lot owned by him or members of his family used for personal part-time farming, country cottage construction, gardening and vegetable gardening;

14) incomes of members of a country (farmer) household received in such a household from the production and sale of agricultural products and also from the production of agricultural products, and their processing and sale - within five years after the registration year of the household.

The present norm shall be applicable to the incomes of such members of a peasant (farmer's) farm to whom it has not been applied.

15) incomes received from the sale of the wild fruits, berries, nuts, mushrooms and other edible forest resources (food forest resources), non-arboreal forest resources procured by natural persons for their own needs;

16) incomes (except for wages of hired workers) received by members registered in accordance with the established procedure patrimonial, family communities of small ethnic groups of the North from the sale of products received as a result of pursuing their traditional types of craft;

17) incomes from the sale of the furs, wild animal meat and the other products obtained by natural persons in the course of amateur and sport hunting;

18) incomes in cash and in kind received from natural persons by way of succession, except for compensation paid to heirs (assignees) of authors of works of science, literature, art, and also discoveries, inventions and industrial models;

18.1) incomes - in monetary form or in kind - received from natural persons by donation, except for the cases of donation of immovable property, vehicles, shares, stakes, participatory shares, except as otherwise envisaged by the present item.

Incomes received by donation are relieved from taxation if the donor and the donee are members of the family and/or close relatives under the Family Code of the Russian Federation (spouses, parents and children, including adoptive parents and adopted children, grandfather, grandmother and grandchildren, fully natural or partially natural (having a common father or mother) brothers and sisters);

19) income received from joint-stock companies or other organisations:

by stock holders of those joint-stock companies or by participants of other organisations as a result of the revaluation of the fixed (capital) assets in the form of stock (stakes, shares) additionally received by them and distributed among the stock-holders or the participants of an organisation in proportion to their share and the types of stock, or in the form of the difference between the new and the initial nominal value of the stock or their property share in the authorised capital;

by stockholders of those joint-stock companies or by participants of other organisations in a reorganisation stipulating the distribution of stock (stakes, shares) of organisations being created among the stockholders (participants, partners) of organisations being reorganised and/or the conversion (exchange) of stock (stakes, shares) of the organisation being reorganised into stock (stakes, shares) of the organisation being created or an organisation in which a merger is being carried out in the form of stock (stakes, shares) received in addition or in exchange;

20) prizes in cash and (or) kind received by sportsmen, in particular, sportsmen with disabilities for prize-winning places for the following sport competitions:

Olympic, Paralympic and Deaflympic games, World Chess Olympic Games, championships and the world- and European cups of the official organizers or on the basis of decisions of public authorities and bodies of local self-government to the charge of funds of appropriate budgets;

championships, competitions and cups of the Russian Federation from the official organizers;

21) amounts paid to organizations and (or) natural persons orphan children aged up to 24 for education at educational establishments that have the appropriate licenses or for their training/education to the said institutions;

22) amounts of payment for invalids by organizations or individual entrepreneurs of means of prevention of physical disability and rehabilitation of invalids, and also payment of acquiring and keeping of guide dogs of disabled persons;

23) compensation paid for handing treasures over to state ownership;

24) incomes received by individual entrepreneurs for the performance of those types of activity under which they are the payers of the single tax on imputed income for individual kinds of activity, and also for those in whose taxation simplified taxation system or the taxation system for agricultural commodity producers (uniform agricultural tax) is applied;

25) amounts of interest under state treasury obligations, bonds and other state securities of the former USSR, the Russian Federation and constituent entities of the Russian Federation, and also under bonds and securities issued by decision of representative bodies of local government;

26) incomes received by children - orphans and children, being members of families whose incomes per one member does not exceed the cost of living, from duly registered charitable funds and religious organizations;

27) incomes in the form of interest received by taxpayers on deposits in banks located in the territory of the Russian Federation if:

interest on rouble deposits is paid within the amounts calculated on the basis of the effective refinancing rate of the Central Bank of the Russian Federation during the period for which said interest is accrued;

the set rate does not exceed nine per cent per annum on foreign currency deposits;

interest on deposits in roubles which on the date of making a contract or extending a contract were fixed at the rate not exceeding the effective refinancing rate of the Central Bank of the Russian Federation, provided that within the period of interest calculation the rate of interest on the deposit was not increased and that at most three years have passed since the interest rate on a deposit in roubles exceeded the refinancing rate of the Central Bank of the Russian Federation;

28) incomes not exceeding 4,000 roubles received on any of the following grounds over a tax period:

cost of gifts received by taxpayers from organizations or individual businessmen;

cost of prizes in cash and in kind received by taxpayers in competitions and contests held by decisions of the Government of the Russian Federation, legislative (representative) public authorities or representative bodies of a local self-government;

amounts of material assistance rendered by employers to their workers and also former workers who have retired due to disability or age-related pension;

reimbursement (payment) by employers to their workers, their spouses, parents and children, former workers (age retirees) and also invalids of the cost of drugs bought by them (for them) prescribed to them by a treating doctor.

Exemption from taxation shall be granted upon the submission of documents confirming the actual expenses incurred towards the acquisition of these medicines;

cost of any prizes or winnings received through competitions, games and other activities for the purposes of advertising goods (works, services);

the amounts of the material aid rendered to invalids by public associations of invalids;

29) the incomes of soldiers, sailors, sergeants and sergeant- majors drafted undergo military service and also persons drafted to undergo periodical training in the form of an allowance of money, per diem and other amounts of money received at the place of service or periodical training;

30) amounts of money paid out to natural persons by electoral commissions, referendum commissions, and also from electoral funds of candidates for the office of President of the Russian Federation, candidates for deputies of the legislative (representative) governmental body of a subject of the Russian Federation, candidates for a position in another state body of a subject of the Russian Federation envisaged by the constitution, the charter of the subject of the Russian Federation and elected directly by citizens, candidates for deputies of the representative body of a municipal formation, candidates for the office of head of a municipal formation, for another office envisaged by the charter of a municipal formation and filled by direct election, the electoral funds of electoral associations, the electoral funds of regional branches of political parties not deemed electoral associations, from a referendum fund of an initiative group for a referendum of the Russian Federation, a referendum of a subject of the Russian Federation, a local referendum, an initiative canvassing group for a referendum of the Russian Federation, other groups of participants in a referendum of the Russian Federation, a local referendum - for the performance by these persons of works directly relating to the conduct of electoral campaigns or referendum campaigns;

31) Disbursements made by trade-union committees (including financial assistance) to members of trade unions except rewards and other disbursements for the performance of labour duties, at the

expense of the tax, and also disbursements effected by youth and children's organizations to their members to the charge of membership fees to cover expenses involved in holding cultural, mass entertainment- , physical culture and sport activities;

32) prises on Russia state loan bonds and amounts received at the redemption of these bonds;

33) aid (in monetary form and in kind) and also gifts received by veterans of the Great Patriotic War, the invalids of the Great Patriotic Ware, the widows of military servicemen killed during the war with Finland, the Great Patriotic Ware, the war with Japan, the widows of deceased invalids of the Great Patriotic War and the former prisoners of Nazi concentration camps, prisons and ghettoes and also the former minor prisoners of concentration camps, ghettoes and other forced detention facilities created by the fascists and their allies during the Second World War in an amount not exceeding 10,000 roubles for the tax period;

34) means of the maternal (family) capital assigned to ensuring the realisation of the additional measures of state support of families having children;

35) amounts received by taxpayers to the charge of funds from budgets of the budget system of the Russian Federation as compensation of outlays (a part of outlays) on payment of interest on loans (credits);

36) the sums of payments for the acquisition and/or the building of a living accommodation, granted from the resources of the federal budget, the budgets of the constituents of the Russian Federation and the local budgets;

37) in the form of the sum of income from investing, used for the acquisition (construction) of living premises by participants in the accumulation-mortgage system for providing the housing for servicemen in conformity with Federal Law No. 117-FZ of August 20, 2004 on the Accumulation-Mortgage System of the Housing Provision for Servicemen.

**Article 218.** Standard Tax Deductions

**1.** When determining the size of the tax base in compliance with Item 3 of Article 210 of the present Code, the taxpayer shall have the right to receive the following standard tax deductions:

1) In the amount of 3,000 roubles for each month over a tax period shall be applicable to the following categories of taxpayers:

persons who have contracted radiation sickness or any other diseases associated with the radiation effects due to the Chernobyl catastrophe or associated with projects to mitigate the consequences of the catastrophe at the Chernobyl Atomic Power Plant;

persons who developed disability due to the Chernobyl accident from among the persons who took part in the elimination of consequences of the accident within the limits of the alienation zone, or who are engaged in the operation or in any other works of the Chernobyl Atomic Power Plant (including those who have been sent temporarily or dispatched therefrom), the military servicemen and men liable for call-up who have been called up for special assemblies and attracted to the performance of works associated with the elimination of consequences of the Chernobyl accident, regardless of their stationing or works performed, and also the officers and men of bodies of internal affairs, of the State Fire Service, who were (are) serving in the alienation zone, persons who have been evacuated from the alienation zone and resettled from the settling-out zone, or who have left the said zones voluntarily, persons who have donated their bone marrow to save the lives of victims of the Chernobyl accident, regardless of the time that has passed since the moment of the bone marrow transplantation and the time when they became disabled in this connection;

persons who in 1986-1987 consequences of the Chernobyl accident within the limits of the alienation zone or who were engaged in that period in works associated with the evacuation of the population, material assets or agricultural animals, and in the operation or in any other works at the Chernobyl Atomic Power Plant (including those who were sent temporarily or dispatched therefrom);

military servicemen, citizens discharged from military service and also men liable for call-up who were called up for special assemblies and were attracted in that period to perform works associated with the elimination of consequences of the Chernobyl accident, including flight-operating and technical personnel of civil aviation, regardless of their stationing or works performed;

officers and rank and file members of internal affairs personnel, of the State Fire Service, in particular the persons discharged from military service who were undergoing service in the alienation area of Chernobyl Atomic Power Plant in 1986-1987;

military servicemen, citizens discharged from military service and also men liable for call-up who were called up for military assemblies and participated in 1988-1990 in works on the object "Cover";

persons who became disabled, or who contracted radiation sickness, or any other diseases due to the accident in 1957 at the production association "Mayak" and the radioactive waste disposal into the river Techa from among persons who (including those who were temporarily sent or dispatched) in 1957-1958 participated directly in the works on the elimination of the consequences of the accident in 1957 at the production association "Mayak", and also who were engaged in works on conducting protection

activities and rehabilitation of radioactively contaminated territories along the Techa river in 1949-1956, who (including those who were temporarily sent or dispatched) in 1959-1961 participated directly in eliminating the consequences of the accident at the production association "Mayak" in 1957, who were evacuated (resettled) from, and also who voluntarily left the populated localities which became exposed to radioactive contamination due to the accident in the 1957 at the production association "Mayak" and the radioactive waste disposal into the Techa river, including children - among them those who at the time of the evacuation (resettlement) were in the state of intra-uterine development, - and also the military servicemen and the civilian personnel of the military units and the special contingent evacuated in 1957 from the zone of radioactive contamination (in this case the voluntary leavers shall be defined as citizens who from September 29, 1957 until December 31, 1958 inclusive left the populated localities which were exposed to radioactive contamination due to the accident in 1957 at the production association "Mayak", and also those who from 1949 until 1956 inclusive left the populated localities which were exposed to radioactive contamination due to the radioactive waste disposal into the Techa river), persons who reside in the populated localities that were exposed to the radioactive contamination due to the accident in 1957 at the production association "Mayak" and the radioactive waste disposal into the Techa river where the mean annual effective equivalent irradiation dose on May 20, 1993 was still over 1 Mev (additionally, above the level of the natural radiation background for the given locality), persons who moved voluntarily to new places of residence from the populated localities exposed to radioactive contamination due to the accident in 1957 at the production association "Mayak" and the radioactive waste disposal into the Techa river, where the mean annual effective equivalent irradiation dose on May 20, 1993 was still over 1 Mev (additionally, above the level of the natural radiation background for the given locality);

persons who participated directly in the tests of nuclear weapons in the atmosphere and of combat radioactive substances, and in exercises employing such weapons before January 31, 1963;

persons who participated directly in underground nuclear weapons tests under conditions of non-standard radiation situations and the effect of other injurious effects of nuclear weapons;

persons who participated directly in the clean-up of radiation accidents that occurred at nuclear plants of surface and submarine ships and at any other military facilities whose accidents have been registered in the established procedure by the federal executive body authorised in the sphere of defence;

persons (including military servicemen) who participated directly in the works on the assembly of nuclear charges before December 31, 1961;

persons who participated directly in underground nuclear weapons tests, and in conducting and supporting the works on the collection and burial of radioactive substances.

invalids of the Great Patriotic war;

invalids of groups I, II, and III from among the military servicemen who became disabled due to a wound, a concussion or an injury received in the defence of the USSR or in the performance of any other duties of military service, or due to a disease associated with a stay at the front, from among former partisans, and also any other categories of invalids equated in the provision of pensions to said categories of military servicemen;

2) the tax deduction of 500 roubles for each month of a tax period shall be applicable to the following categories of taxpayers:

Heroes of the Soviet Union and Heroes of the Russian Federation, and also persons decorated with the Order of Glory of the three degrees;

civilian personnel of the Soviet Army, the Soviet Navy, bodies of internal affairs of the USSR and State security of the USSR, who held established posts in military units, staffs and institutions which comprised the Army in the Field in the period of the Great Patriotic war, or persons who were in that period in the cities, the participation in whose defence is included for such persons in the period of service for assigning a pension under the preferential terms established for servicemen of the units of the active Army;

participants in the Great Patriotic War, combat operations for the defence of the USSR out of the military servicemen who served in military units, headquarters and institutions incorporated in the army and former guerrillas;

persons who were in Leningrad in the period of its siege in the years of the Great Patriotic war from September 8, 1941 until January 27, 1944, regardless of the duration of staying there;

the former, (including minors) prisoners of concentration camps, ghettos and any other places of confinement created by Nazi Germany and its allies in the period of World War II;

invalids from childhood, and also invalids of the first and second groups;

persons who contracted radiation sickness or any other diseases connected with nuclear fuel, or caused by the consequences of radiation accidents at places of civil or military atomic operations, or as a result of tests, exercises or any other works associated with any types of nuclear installations, including nuclear weapons and space technology;

junior and medium-level medical personnel, physicians and other workers of the medical institutions (with the exception of persons whose professional activity is associated with the work with any

type of source of ionizing radiation under the conditions of a radiation situation at their working place corresponding to the character of the work performed) who got an overdose of radiation when rendering medical aid and attending, in the period from April 26 to June 30, 1986, persons who suffered as a result of the Chernobyl accident and who are sources of ionizing radiation;

persons who have donated their bone marrow to save the lives of another persons;

industrial and office workers, and also former military servicemen, and officers and men of the bodies of internal affairs, of the State Fire Service, staff members of institutions and bodies of the criminal and penal system who have since been discharged from service, that have contracted occupational diseases associated with radiation effects at works in the alienation zone of the Chernobyl Atomic Power Plant;

persons (including those who were temporarily sent or dispatched) who in 1957-1958 participated directly in the works on the clean-up of the consequences of the accident in 1957 at the production association "Mayak", and also persons who were engaged in the works on conducting the protective arrangements and the rehabilitation of the radioactively contaminated territories along the Techa river in 1949 - 1956;

persons who were evacuated (resettled) from, and also who left voluntarily the populated localities which became exposed to radioactive contamination due to the accident in 1957 at the production association "Mayak" and the radioactive waste-disposal into the Techa river, including children - among them those who at the moment of evacuation (resettlement) were in the state of intra-uterine development - and also former military servicemen and civilians of the military units and the special contingent evacuated in 1957 from the zone of radioactive contamination. In this case, the voluntary leavers shall be deemed to be citizens who from September 29, 1957 until December 31, 1958, inclusive, left the populated localities which were exposed to radioactive contamination due to the accident in 1957 at the production association "Mayak", and also those who from 1949 until 1956 inclusive left the populated localities which were exposed to radioactive waste disposal into the Techa river;

persons who were evacuated (including those who left voluntarily) in 1986 from the alienation zone which became exposed to radioactive contamination due to the Chernobyl accident, or who have been (are being) resettled from, including those who have left voluntarily, the fall-out zone in 1986 and in subsequent years, including children who at the moment of the evacuation were (are) in the state of intra-uterine development;

parents and spouses of military servicemen who died due to a wound, concussion or injury they suffered in the defence of the USSR or the Russian Federation or in the discharge of any other duties, or due to a disease associated with being at the front line, and also the parents and spouses of government officials who died in the discharge of their official duties. Said deduction shall be granted to spouses of diseased military servicemen and government officials, provided they have not remarried;

citizens who were dismissed from military service or were called up to military assemblies and who fulfilled overseas duty in the Republic of Afghanistan and any other countries where combat operations were conducted, and also citizens who took part in combat operations on the territory of the Russian Federation in accordance with the decisions of organs of state power of the Russian Federation;

3) the tax deduction of 400 roubles for each month of a tax period shall be applicable to those categories of taxpayers that are not listed in Subitems 1 - 2 of Item 1 of the present Article and it shall be effective for up to a month in which their income calculated in progressive total from the start of the taxable period (which is covered by the tax rate laid down by Item 1 of Article 224 of the present Code) by a tax agent granting aforesaid standard tax deduction, has exceeded 20,000 roubles. Starting with the month when said income exceeds 20,000 roubles, the tax deduction established by the present Subitem shall not apply;

4) the tax deduction in the amount of 600 roubles for each month of the tax period shall be applicable to:

each child of taxpayers maintaining a child who are parents or the spouses of the parents;

each child of taxpayers who are trustees or guardians or adoptive parents.

Such tax deduction shall be effective till the month in which the income of taxpayers calculated as a progressive total from the beginning of the tax period (in whose respect the tax rate is stipulated as established by Item 1 of Article 224 of this Code) by the tax agent furnishing the standard tax deduction exceeds 40,000 roubles. From the month in which said income exceeds 40,000 roubles, the tax deduction stipulated by this Subitem shall not be applied.

The tax deduction established by this Subitem shall be carried out for each child at the age of up to 18 years, and also for each pupil of the intramural form of studies, postgraduate student, hospital physician, student or cadet at the age of up to 24 with parents and/or the spouses of parents, trustees or guardians or adoptive parents.

Said tax deduction shall be doubled if a child aged under 18 is an invalid, and also if a pupil of the intramural form of studies, a postgraduate student, a hospital physician or a student under 24 is an invalid of the first or second group.

Widows (widowers), single parents, trustees or guardians, or adoptive parents shall be subject to the tax deduction in a double amount. The granting of the tax deduction to widows (widowers) or single parents shall be terminated from the month following the month of their marriage.

Said tax deduction shall be granted to widows (widowers), single parents, trustees or guardians, or adoptive parents on the basis of their written applications and documents confirming their right to the tax deduction. In this case foreign natural persons whose child (children) is (are) beyond the borders of the Russian Federation shall be granted such deduction on the basis of documents attested by the competent bodies of the state in which a child (children) resides (reside).

For the purpose of this Chapter, by single parents shall be understood one of the parents who has not entered into a registered marriage.

The diminution of the tax base shall be effected from the month of the birth of a child (children), or from the month in which trusteeship (guardianship) is established, or from the month of the entry into force of an agreement on the transfer of a child (children) for up bringing to a family and shall continue till the end of the year in which the child (children) has (have) reached the age indicated in paragraphs five and six of this Subitem, or in the event of the expiry of the period of effect or an early dissolution of the agreement on the transfer of a child (children) for upbringing to the family, or in the event of the death of the child (children). The tax deduction shall be granted for the period of the study of a child (children) at an educational institution and/or instructional establishment, including an academic leave formalised in the established procedure during the period of studies.

2. The taxpayers who according to Subitems 1-3 of Item 1 of the present Article are entitled to more than one standard tax deduction shall be granted the largest of the corresponding deductions.

The standard tax deduction established by Subitem 4 of Item 1 of the present Article shall be granted irrespective of granting a standard tax deduction established by Subitems 1-3 of Item 1 of the present Article.

**3.** The standard tax deductions established by the present Article shall be granted to the taxpayer by one of tax agents being a source of income disbursement at the choice of the taxpayer on the basis of his written application and documents confirming his right to such tax deductions.

If a taxpayer begins to work from a month different from the first month of a tax period the deductions specified in Subitems 3 and 4 Item 1 of the present article shall be granted by a given employer with the account taken of the income received since the beginning of the tax period from another employer whereby the taxpayer was provided with tax deductions. The amount of income received shall be documented by a statement of incomes received by the taxpayer issued by the tax agent in keeping with Item 3 Article 230 of the present Code.

**4.** If during a tax period the standard tax deductions were not granted to the taxpayer or were granted in a smaller amount than is stipulated by the present Article, upon termination of the tax period on the basis of the taxpayer's application, enclosed with the tax declaration and documents confirming the right to such deductions, the tax authorities shall recalculate the tax base with regard to granting standard tax deductions in the amounts stipulated by the present Article.

**Article 219.** Social Tax Deductions

**1.** When determining the size of the tax base according to Item 3 of Article 210 of the present Code, the taxpayer shall be entitled to the following social tax deductions:

1) in the amount of incomes transferred by the taxpayer to charities in the form of assistance in cash to organizations of science, culture, education, public health services and social security, partially or fully funded from appropriate budgets, and also to organizations of physical culture and sports, educational and pre-school establishments for needs of physical education of citizens and to the upkeep of sports teams in the amount of actually effected expenses, as well as in the amount of donations transferred (paid) by a taxpayer to religious organizations for exercising by them of the activities stipulated by their statutes, but no more than 25 per cent of the amount of income received over a tax period;

2) in the amount paid by the taxpayer within the tax period for his/her training at an educational establishment - at the rate of the outlays actually made on the training subject to the restrictions established by Item 2 of this Article, as well as in the amount paid by the taxpaying parent for training of his/her children of up to 24 years of age, by the trustee taxpayer (the guardian taxpayer) for training with full time attendance of his/her wards of up to 18 years of age at educational establishments - at the rate of the outlays actually made on this training but at most 50 000 roubles per one child in total for both parents (custodian or trustee).

The right to receive the said social tax deduction shall cover the taxpayers who performed the duties of a trustee or guardian over citizens who were their wards after the termination of the trusteeship or guardianship in the cases of payment by the taxpayer for the training of the said citizens at the age of up to 24 years with full-time attendance at educational institutions.

Said social tax deduction shall be granted, provided the educational establishment has a corresponding license or another document confirming the status of the educational institution, and also upon submission by the taxpayer of documents confirming his actual expenses for training.

The social tax deduction is granted for the period of education of said persons in an educational institution, including a leave of absence which was duly taken during education.

The social tax deduction shall not be applied in the event that the payment of the expenses on education is made from the means of the maternal (family) capital assigned to ensuring the realisation of the additional measures of state support of families having children;

3) in the amount paid by the taxpayer during a tax period for services in treatment granted to him by medical establishments of the Russian Federation, and also paid by the taxpayer for services in treatment of his/her spouse, his/her parents and (or) his/her children of up to 18 years of age in medical establishments of the Russian Federation (according to the list of medical services approved by the Government of the Russian Federation), and also in the amount of the cost of drugs (according to the list of drugs approved by the Government of the Russian Federation) prescribed to him by a treating doctor and purchased by taxpayers at their own expense.

When applying the social tax deduction provided for by this Subitem, shall be accounted the amounts of insurance payments made by a taxpayer within the tax period as well as under contracts of voluntary insurance of the spouse, parents and/or their children of up to 18 years of age made by him with insurance organisations, that have the licences for the exercise of the appropriate type of activities, and providing exclusively for medical treatment service payments by such insurance organisations.

The total amount of the social tax deduction provided for by Paragraphs One and Two of this Subitem shall be counted in the sum of actually made outlays but subject to the restrictions established by Item 2 of this Article.

For expensive types of treatment in medical establishments of the Russian Federation, the amount of tax deduction shall be accepted in theamount of actually borne expenses. The list of expensive types of treatment shall be approved by a decision of the Government of the Russian Federation.

The deduction of amounts of payment of treatment cost and (or) of payment of insurance fees shall be granted to the taxpayer if the treatment took place in the medical establishments that have the required licenses to engage in medical activities, and also if the taxpayer submits documents confirming his actual expenses for the treatment, purchase of drugs or payment of insurance fees.

Aforesaid social tax deduction shall be granted to the taxpayer if the treatment and purchased drugs, and (or) insurance fees were not paid for by an organization to the charge of funds of employers;

4) in the amount of pension fees paid by the taxpayer within the tax period under a contract (contracts) of non-governmental pension provision made by the taxpayer with a non-governmental pension fund to his/her benefit and/or to the benefit of the spouse thereof (including to the benefit of the widow or widower), parents (including adoptive parents), disabled children (including adopted ones and those who are under guardianship or trusteeship) and/or in the amount of the insurance fees paid by the taxpayer within the tax period under a contract (contracts) of voluntary pension insurance made with an insurance organisation to his/her benefit and/or to the benefit of the spouse thereof (including to the benefit of the widow or widower), parents (including adoptive parents), disabled children (including adopted ones and those who are under guardianship or trusteeship) - at the rate of actually made outlays subject to the restrictions established by Item 2 of this Article.

The social tax deduction specified in this subitem shall be granted upon presentation by the taxpayer of the documents proving his actual outlays related to non-governmental pension provision and/or voluntary pension insurance.

**2.** Social tax deductions cited in Item 1 of this Article shall be granted on the basis of written application of the taxpayer when the taxpayer submits his tax declaration to the tax authorities upon the lapse of the tax period.

The social tax deductions cited in Subitems 2 - 4 of Item 1 of this Article (except for the outlays on training the taxpayer's children cited in Subitem 2 of Item 1 of this Article and outlays on expensive treatment cited in Subitem 3 of Item 1 of this Article) shall be granted at the rate of actually made outlays but at most 100 000 roubles in total within the tax period. If a taxpayer within the same tax period has made outlays on training, medical treatment and outlays under a contract (contracts) of non-governmental pension provisions and under a contract (contracts) of voluntary pension insurance, the taxpayer shall independently choose the kinds of outlays and the amounts thereof to be accounted within the limits of the maximum rate of the social tax deduction specified in this Item.

**Article 220.** Property Tax Deductions

**1.** When determining the size of the tax base according to Item 3 of Article 210 of the present Code, the taxpayer shall be entitled to the following property tax deductions:

1) in the amounts received by the taxpayer over a tax period from the sale of apartment houses, flats, rooms including privatized residential premises, summer cottages, garden houses or land plots,

including shares in the said property which have been owned by the taxpayer for less than three years, but in general not more than 1,000,000 roubles, and also in the amount received in a tax period from the sale of other property owned by the taxpayer for less than three years, but not more than 125 000 roubles. When selling apartment houses, flats, rooms including privatized residential premises, summer cottages, garden houses and land plots, as well as shares in the said property which have been owned by the taxpayer for three years or more, as well as other property that have been owned by the taxpayer for three years and more, the property tax deduction shall be granted in the amount received by the taxpayer through sale of said property.

Instead of exercising his right to the property tax deduction stipulated by the present Subitem, the taxpayer shall have the right to reduce the sum of his taxable incomes by the amount of his actual expenses, proved by documents that are involved in the receipt of these incomes, except for sale by the taxpayer of securities owned by him. When selling a share (a part thereof) in the authorized capital of an organization, assigning the right of claim under a contract of share construction participation (a contract of share construction investing or under another contract connected with share construction), the taxpayer shall be likewise entitled to reduce the sum of taxable income by the amount of his actual expenses, proved by documents, that are involved in the receipt of these incomes.

When selling property that is in common share or common joint ownership, the appropriate size of property tax deduction calculated according to the present Subitem shall be distributed between the co-owners of this property in proportion to their share or under an arrangement between them (in case of sale of property that is in common joint ownership).

The provisions of the present Subitem shall not apply to incomes received by individual businessmen from sale of property in connection with performance of their business activities;

In the event of sale of shares (stakes, participatory shares) received by a taxpayer when organisations were reorganised the term of their being under the ownership of the taxpayer shall be counted from the date of acquisition into ownership of the shares (stakes, participatory shares) of the organisations reorganised;

2) in the amount spent by the taxpayer for a new construction or acquiring on the territory of the Russian Federation an apartment house, flat, room or a share (shares) in them in the amount of his actual expenses, and also in the amount used to repay interest on the purposive loans (credits) received from credit and other organizations of the Russian Federation and actually spent by him on the new construction or on the purchase of an apartment house, flat, room or a share (shares) in them on the territory of the Russian Federation.

The following shall be included into the taxpayers' actual expenses on a new construction or on the purchase of a living house, as well as of a share (shares) in them:

outlays on drawing up design estimates;

outlays on the acquisition of construction and finishing materials;

outlays on the acquisition of a living house, including one whose construction is not ended;

outlays connected with works and services related to construction (completion of a house whose construction is not finished) and finishing;

outlays on the connection to the networks of electricity supply, water and gas supply, as well as to sewage system or the establishment of self-contained sources of electricity supply, water and gas supply, as well as of sewage.

The following may be included into the actual expenses on the acquisition of a flat, room or a share (shares) in them:

outlays on the acquisition of a flat, room, share (shares) in them or of the rights to a flat in a house under construction;

outlays on the acquisition of finishing materials;

outlays on the works connected with finishing a flat or room.

It shall be possible to accept for deduction the outlays on the completion and finishing of an acquired house or finishing of an acquired flat or room, if the acquisition of an incomplete house, flat or room (of the rights to a flat or room) without finishing or a share in them is indicated in the contract serving as a basis for such acquisition.

The total amount of property tax deduction provided for by the present Subitem may not exceed 1 000,000 roubles disregarding amounts used to repay interest on the purposive loans (credits) received by the taxpayer from credit and other organisations of the Russian Federation and actually spent by him on the new construction or on the purchase of an apartment house, flat, room or a share (shares) in them on the territory of the Russian Federation.

The taxpayer, for proving the right to property tax deduction, shall be provided with the following:

when constructing or acquiring a living house (including an incomplete one) or a share (shares) in them - the documents proving his ownership of the living house or of a share (shares) in them;

when acquiring a flat, room, a share (shares) in them or the rights to a flat or room in a house under construction - the contract of acquiring the flat, room, share (shares) in them or the rights to the flat or room in the house under construction, the certificate of the transfer of the flat, room, a share (shares) in

them to the taxpayer or the documents proving the ownership of the flat, room or a share (shares) in them.

The aforesaid property tax deduction shall be granted to the taxpayer on the basis of the taxpayer's written application and payment documents drawn up in the established procedure and confirming the fact of the taxpayer's paying monetary funds to cover the expenditures made (receipts to credit slips, bank abstracts on transfer of monetary funds from the buyer's accounts onto the vendor's account, documentary and cash vouchers, certificates on purchase of materials from natural persons, including details on the address and passport data of the vendor and other documents).

When acquiring property in common share or common joint ownership, the extent of property tax deduction computed according to the present Subitem shall be distributed between the co-owners according to their share (shares) in the ownership or to their written application (in case of acquiring an apartment house, flat, room into common joint ownership).

The property tax deduction laid down by the present Subitem shall not apply in cases when the payment of expenses to construct or to purchase an apartment house, flat, room or a share (shares) in them for the taxpayer is made to the charge of funds of employers or other persons, means of the maternal (family) capital assigned to ensuring the realisation of the additional measures of state support of families having children, and also in cases when the purchase and sale transaction of an apartment house, flat or room is performed between related natural persons according to Item 2 of Article 20 of this Code.

A taxpayer may not be granted repeated property tax deduction stipulated by the present Subitem.

If over a tax period the property tax deduction can not be used entirely, then its balance can be rolled over to the subsequent tax periods until it is exhausted.

**2.** Property tax deductions (except tax property deductions relating to transactions in securities) shall be granted on the basis of a written application of the taxpayer when the taxpayer submits his tax declaration to tax authorities upon the lapse of the tax period, if not otherwise provided for by this Article.

When tax base is being calculated in relation to transactions in securities a tax property deduction shall be granted in accordance with the procedure established by Article 214.1 of the present Code.

**3.** The property tax deduction provided for by Subitem 2 of Item 1 of this Article may be granted to the taxpayer prior to the end of the a tax period in case of his application to the employer (hereinafter referred to in this Item as the tax agent) on condition of proving the taxpayers' right to the property tax deduction by the tax body in the form endorsed by the federal executive body authorized to exercise control and supervision in respect of taxes and fees.

The taxpayer shall be entitled to the property tax deduction effected by one tax agent at his discretion. The tax agent shall be obliged to grant the property tax deduction upon receiving from the taxpayer the proof of his right to the property tax deduction issued by the tax body.

The taxpayer's right to the property tax deduction effected by the tax agent in compliance with this Item must be proved by the tax body within the time period of 30 calendar days at the most as of the date of the taxpayer's filing an application and the documents proving the right to the property tax deduction that are indicated in Subitem 2 of Item 1 of this Article.

Where the results of the tax period show that the amount of the taxpayers' incomes received from the tax agent is less than the sum of the property tax deduction estimated in compliance with Subitem 2 of Item 1 of this Article, the taxpayer shall be entitled to the property tax deduction in the procedure provided for by Item 2 of this Article.

**Article 221.** Professional Tax Deductions

When calculating the tax base according to Item 3 of Article 210 of the present Code, the following categories of taxpayers shall be entitled to professional tax deductions:

1) taxpayers listed in Item 1 of Article 227 of the present Code in the amount actually spent by them and proved by documents expenses directly involved in the generation of incomes.

In so doing, said expenses shall be accepted for deduction in the composition determined by a taxpayer independently in the procedure similar to that for determining expenses for the purposes of taxation established by the Chapter "Tax on Profits of Organisations". State duty paid in connection with a taxpayer's professional activities shall likewise pertain to the said expenses.

The amounts of personal property tax paid of taxpayers defined in the present Subitem shall be accepted for deduction if this property being an item of taxation according to Articles of the Chapter "The Personal Income Tax" (except for apartment houses, flats, summer cottages and garages) is directly used to carry out business activity.

If the taxpayers can not provide documentary evidence of expenses connected with their activity as individual businessmen, the professional tax deduction shall be made at the rate of 20 per cent of the total amount of incomes received by the individual businessman from business activity. The present provision shall not apply to natural persons engaged in business activity without the formation of legal person, but who have not registered as individual businessmen;

2) taxpayers receiving incomes from performance of works (rendering of services) under civil contracts, - in the amount of their actual expense supported by documents - the former being directly involved in the performance of these works (rendering of services);

3) taxpayers receiving awards or compensation for creating, performance or another use of works of science, literature of art, compensation to authors of discoveries, inventions and industrial models in the amount of their actual expense supported by documents.

If these expenses can not be supported by documents they shall be accepted for deduction in the following amounts:

| | Stantard rate of expenses (in per cent to amount of accrued income) |
|---|---|
| Creation of literary works, including those for theatre, cinema, variety artists, circus | 20 |
| Creation of fine arts and graphic works, photo works for publications, architecture and design works | 30 |
| Creation of sculptures, monumental and decorative paintings, works of decorative and applied arts, works of easel-painting, of theatre and cinema arts and graphical works of various techniques | 40 |
| Creation of audio-visual works (video, television and cinema films) | 30 |
| Creation of musical works: musical and scenic works, (operas, ballet performances, musical comedies), symphonic, choral, chamber works, works for brass bands, original music for cinema films, television and video films and theatre productions | 40 |
| other musical works, including those prepared for publication | 25 |
| Performance of works of literature and arts | 20 |
| Creation of scientific works and designs | 20 |
| Discoveries, inventions and creation of industrial models (to the amount of income received over the first two years of their use) | 30 |

For the purposes of the present article "taxpayer's expenses" also include the amounts of tax envisaged by the applicable tax and fee legislation in respect of the kinds of activity specified in the present article (except the tax on incomes of natural persons) accrued or paid by the taxpayer in the tax period.

When determining the tax base, the expenses confirmed by documents can not be taken into account at the same time as the expenses within the limits of the authorized norms.

The taxpayers specified in the present Article shall exercise their right to professional tax deductions upon filing an application in writing with a tax agent.

In the absence of a tax agent the taxpayers specified in the present Article shall exercise their right to professional tax deductions upon filing an application in writing with a tax body simultaneously with filing a tax return on the expiry of a tax period.

State duty paid in connection with a taxpayer's professional activities shall likewise pertain to the said expenses of his.

**Article 222.** Authorities of Legislative (Representative) Bodies of the Constituent Entities of the Russian Federation in the Establishment of Social and Property Deductions

Within the limits of social tax deductions established by Article 219 of the present Code, and property tax deductions established by Article 220 of the present Code legislative (representative) bodies of the constituent entities of the Russian Federation may establish other amounts of deductions with due account of their own region.

**Article 223.** The Date of Actual Receipt of Income

**1.** For the purposes of the present Chapter, unless otherwise stipulated by Item 2 of the present Article, the date of actual receipt of income shall be defined as the day of:

1) disbursement of income, including the transfer of the income to accounts of the taxpayer held with banks or by his instruction to accounts of third persons at the receipt of incomes in cash;

2) transfer of incomes in kind - when incomes are received in kind;

3) payment by the taxpayer of interest on received borrowed (credit) funds, on purchase of goods (works, services), on purchase of securities if incomes are received in the form of material benefit.

**2.** Upon the receipt of income in the form of remuneration for labour, the date of actual receipt by the taxpayer of such an income shall be defined as the last day of the month for which the income for performed job duties was charged to him according to the labour contract (the agreement).

Where labour relations are terminated before the expiry of a calendar month, the last working day for which a taxpayer's income was charged shall be deemed the date of actual receiving by the taxpayer of income in the form of remuneration for labour.

**Article 224.** Tax rates

**1.** The tax rate shall be established in the amount of 13 per cent, unless otherwise stipulated by the present Article.

2. The tax rate shall be established in the amount of 35 per cent concerning the following incomes:

cost of prizes and prizes received in competitions, games and other activities held with the purposes of advertising goods, works and services, in the part exceeding the amounts stated in Item 28 of Article 217 of the present Code;

amounts of interest on bank deposits, as regards the excess of the rates cited in Article 214.2 of this Code;

amounts of economic gain on interest when the taxpayers receive borrowed (credit) funds in the part exceeding the amounts specified in Item 2 of Article 212 of the present Code.

3. The tax rate shall be fixed in the amount of 30 per cent in relation to all the taxes received by natural persons who are not tax residents of the Russian Federation, except for the incomes received in the form of dividends from the participating interest in the activity of Russian organisation, in respect of which the tax rate is fixed in the amount of 15 per cent.

**4.** The tax rate shall be established in the amount of nine per cent with respect to the incomes from the share participation in the activity of organisations received in the form of dividends by the natural persons who are tax residents of the Russian Federation.

**5.** The tax rate shall be established in the amount of 9 per cent in respect of the incomes in the form of interest on bonds with mortgage cover issued prior to January 1, 2007, as well as in respect of incomes of the founders of the mortgage cover trust management gained on the basis of acquiring mortgage participation certificates issued by the mortgage cover manager prior to January 1, 2007.

**Article 225.** The Order of Calculation of Tax

**1.** When determining the tax base according to Item 3 of Article 210 of the present Code, the amount of tax shall be calculated as a percentage share of the tax base corresponding to the tax rate established by Item 1 of Article 224 of the present Code.

When determining the tax base according to Item 4 of Article 210 of the present Code, the amount of tax shall be calculated as a percentage share of the tax base according to the tax rate.

**2.** The total amount of tax represents an amount received as a result of addition of amounts of tax calculated according to Item 1 of the present Article.

**3.** The total amount of the tax shall be calculated by results of a tax period as regards all incomes of the taxpayer whose date of receipt falls within the respective tax period.

**4.** The tax shall be calculated in whole roubles. An amount of tax less than 50 copecks shall be rejected, while 50 copecks or more shall be rounded up to a whole rouble.

**Article 226.** Features of Calculation of Tax by Tax Agents. The Order and Terms of Payment of Tax by Tax Agents

**1.** Russian organizations, individual businessman, notaries engaged in private practice, solicitors/barristers that have founded solicitor's studies, as well as detached units of foreign organizations in the Russian Federation from which or as a result of the relations with which the taxpayer has received incomes indicated in Item 2 of the present Article, are obliged to calculate, to withhold from the taxpayer and to pay the tax computed according to Article 224 of the present Code with allowance for features stipulated by the present Article. The tax on lawyers' incomes shall be calculated, withheld and paid by colleges of solicitors/barristers, solicitor/barrister bureaux and lawyer's offices.

The persons specified in Paragraph One of this Item are referred to in this Chapter as tax agents.

**2.** Calculation of the amounts and payment of tax according to the present Article are made for all incomes of the taxpayer, whose source is the tax agent, except for the incomes concerning which the calculation and payment of the tax are made according to Articles 214.1, 217 and 228 of the present Code with offset of the previously withheld amounts of tax.

**3.** Tax agents shall calculate amounts of tax in progressive total from the beginning of the tax period by results of each month as regards all incomes covered by the tax rate established by Item 1 of Article 224 of the present Code accrued to the taxpayer over the period in question, with the account taken of the tax amount withheld in the preceding months of the current tax period.

Amount of the tax with reference to incomes concerning which other tax rates are applied shall be calculated by the tax agent separately for each amount of said income accrued to the taxpayer.

The tax shall be calculated without account of incomes received by the taxpayer from other tax agents and amounts withheld by other tax agents.

**4.** Tax agents are obliged to withhold the computed amount of tax directly from incomes of the taxpayer upon their actual disbursement.

The deduction at the taxpayer of the charged amount of tax shall be made by the tax agent to the charge of any funds paid by the tax agent to the taxpayer, upon the actual disbursement of aforesaid funds to the taxpayer or by his instruction to third persons. In so doing, the withheld tax can not exceed 50 per cent of the amount of disbursement.

**5.** If the computed amount of tax can not be withheld at the taxpayer within one month from the time such circumstances occurred, the tax agent is obliged to inform the tax authorities in written form at the place of his registration on his inability to withhold the tax and the arrears of the taxpayer. As the inability to withhold tax, in particular, shall be recognized cases when it is obviously known that the period during which the sum of accrued tax can be withheld, will exceed 12 months.

**6.** The tax agents are obliged to transfer the amounts of calculated and withheld tax no later the day of actual receipt in the bank of effective cash to disburse the income, and also of the income transfer day from accounts of the tax agents with the bank to accounts of the taxpayer or by his instruction to bank accounts of third persons.

In other cases, tax agents shall transfer the calculated and withheld tax no later than the day following actual receipt by the taxpayer of the income, - for incomes disbursed in cash and also the day following the actual deduction of the calculated amount of tax - for incomes received by the taxpayer in kind or in a form of financial assistance.

7. The aggregate sum of tax calculated and withheld by a tax agent from the taxpayer for which he is recognized as the source of income shall be paid at the place where the tax agent is registered with a tax body.

Tax agents, Russian organizations, specified in Item 1 of the present article, that have detached units are obliged to transfer amounts of calculated and withheld tax both at the place of their location, and at the place of each of its detached units.

The amount of the tax payable to the budget at the location of detached units shall be defined on the basis of amount of taxable income, charged and paid to workers of such detached units.

**8.** Withheld by a tax agent from incomes of natural persons concerning which he is recognized as the source of income, the aggregate amount of tax exceeding 100 roubles, shall be transferred to the budget in the order established by the present Article. If the aggregate sum of the withheld tax payable to the budget constitutes less than 100 roubles, it shall be added to the amount of tax subject to transfer to budget in the next month, but no later than December of the current year.

**9.** It is not allowed to pay tax at the expense of funds of tax agents. When concluding contracts and other deals, it is prohibited to include into such any tax clauses according to which income paying tax agents shall undertake to bear expenses connected with the payment of tax for natural persons.

**Article 227.** Features of Calculation of Amounts of Tax by Some Categories of Natural Persons. The Order and Terms of Payment of Tax, and the Order and Terms of Payment of Advance Payments by Said Persons

**1.** The calculation and payment of tax according to the present Article shall be made by the following taxpayers:

1) natural persons registered in the order established by the current legislation and engaged in business activity without the status of a legal person - on amounts of incomes received from such activities;

2) notaries engaged in private practice, solicitors/barristers that have founded solicitor's studies and other persons engaged in the order established by the current legislation in private practice - on amounts of incomes received from such activity.

**2.** Taxpayers named in Item 1 of the present Article shall independently calculate the tax payable to the appropriate budget in the order established by Article 225 of the present Code.

**3.** The total amount of tax payable to the appropriate budget shall be calculated by the taxpayer with allowance for the tax withheld by tax agents upon the disbursement to the taxpayer of the income, and also amounts of advance payments under the tax actually paid to the appropriate budget.

**4.** Losses of past years incurred by the natural person shall not reduce the tax base.

**5.** The taxpayers named in Item 1 of the present Article are obliged to present to the tax authorities at the place of their registration the appropriate tax declaration by times established by Article 229 of the present Code.

**6.** The total sum of tax payable to the appropriate budget calculated according to the tax declaration with allowance for provisions of the present Article shall be paid at the place of registration of the taxpayer no later than July 15 of the year following the lapsed tax period.

**7.** If during the year the taxpayers named in Item 1 of the present Article will obtain any incomes received from the accomplishment of business activity or from pursuit of a private practice, the taxpayers are obliged to present the tax declaration stating the amount of the anticipated income from said activity in the current tax period to the tax authorities within five days upon the completion of the month from the date of appearance of such incomes. In so doing, the sum of the anticipated income shall be determined by the taxpayer.

8. The calculation of the sum of advance payments shall be made by the tax authority. Amounts of advance payments on the current tax period shall be made by the tax authorities on the basis of the amount of anticipated income stated in the tax declaration or the amount of the actually received income from activity types stated in Item 1 of the present Article for the previous tax period with allowance for tax deductions stipulated by Articles 218 and 221 of the present Code.

**9.** Advance payments are paid by the taxpayer on the basis of the tax notices:

1) for January - June - not later than July 15 of the current year in the amount of half of the annual amount of advance payments;

2) for July - September - no later than October 15 of the current year in the amount of one quarter of the annual amount of advance payments;

3) for October - December - no later than January 15 of the next year in the amount of one quarter of the annual amount of advance payments.

**10.** In case of a significant (by more than 50 per cent) increase or reduction of income over a tax period, the taxpayer is obliged to present a new tax declaration which is to give details on the amount of the anticipated income from performance of activity indicated in Item 1 of the present Article for the current year. In this case, the tax authorities shall recalculate the amounts of advance payments for the current year as regards the outstanding deadlines of payment.

The recalculation of the amounts of advance payments is made by the tax authorities not later than within five days from receipt of the new tax declaration.

**Article 228.** Features of Calculation of Tax Concerning Certain Types of Incomes. The Order of Payment of Tax

**1.** The calculation and payment of tax according to the present Article shall be made by the following categories of taxpayers:

1) natural persons - on the basis of amounts of compensations received from natural persons and organisations who are not tax agents under concluded labour contracts and civil contacts, including the incomes under employment contracts or rent contracts of any property;

2) natural persons - proceeding from the amounts received from the sale of property belonging thereto on the right of ownership;

3) natural persons - tax residents of the Russian Federation, except for the Russian military servicemen cited in Item 3 of Article 207 of this Code who receive incomes from sources located outside the Russian Federation - on the basis of amounts of such incomes;

4) natural persons receiving other incomes, during whose receipt the tax agents have withheld no tax - on the basis of amounts of such incomes.

5) the natural persons receiving prises disbursed by the organisers of lotteries, totalizator and other risk-based gambling games (in particular, those involving the use of gambling machines), proceeding from the amounts of such prises;

6) natural persons receiving income in the form of reward paid to them as to heirs (legal successors) of authors of works of science, literature, arts, as well as authors of inventions, useful models and industrial designs;

7) natural persons receiving income in a monetary form and in kind by way of gift, except as provided by Item 18.1 of Article 217 of this Code.

**2.** The taxpayers specified in Item 1 of the present Article shall independently calculate the amounts of tax payable to the appropriate budget in the order established by Article 225 of the present Code.

The total amount of tax payable to the appropriate budget shall be calculated by the taxpayer with allowance for amounts of the tax withheld by tax agents upon disbursement of income to the taxpayer. In so doing, losses of the past years sustained by the natural person shall not reduce the tax base.

**3.** The taxpayers listed in Item 1 of the present Article, are obliged to present the appropriate tax declaration to the tax authorities at the place of their registration.

**4.** The total amount of tax payable to the appropriate budget calculated on the basis of the tax declaration with allowance for provisions of the present Article shall be paid at the place of residence of the taxpayer no later than July 15 of the year following the expired tax period.

**5.** The taxpayers who received incomes, in the course of which disbursement the tax agents did not withhold any amount of tax, shall pay the tax in two equal installments: the first - no later than 30 calendar days from the date of delivery by the tax authorities of the tax notice on the payment of tax, the second - not later than 30 calendar days after the first term of payment.

**Article 229.** The Tax Declaration

**1.** A tax declaration shall be submitted by the taxpayers named in Articles 227 and 228 of the present Code.

The tax declaration shall be submitted no later than April 30 of the year following an expired tax period.

**2.** Persons who are not obliged to submit a tax declaration shall have the right to submit such a declaration to the tax authorities at their place of residence.

**3.** When the activities specified in Article 227 of the present Code and/or the termination of the disbursements specified in Article 228 of the present Code cease to exist, up to the end of the tax period within five days from the date of termination of such activities or such disbursements, taxpayers are obliged to present a declaration on the actually received incomes in the current tax period.

If during a calendar year a foreign natural person stops an activity the incomes from which are subject to taxation according to Articles 227 and 228 of the present Code and leaves the territory of the Russian Federation, the tax declaration on incomes actually received over the period of his stay within the current tax period on the territory of the Russian Federation, should be presented by him no later than one month before his departure from the territory of the Russian Federation.

The tax which is charged in addition to the tax declarations the order of which submission is defined by the present Item shall be paid no later than 15 calendar days from the time of submission of such declaration.

**4.** In the tax declarations, the natural persons shall state all the incomes they have received over the tax period, except for the incomes specified in Item 8.1 of Article 217 of the present Code, sources of their disbursement, tax deductions, the amount of tax withheld by tax agents, and the amount of advance payments actually paid during a tax period, tax amounts payable (additionally payable) or refundable according to the results of the tax period.

**Article 230.** Enforcement of Provisions of the Present Chapter

**1.** The tax agents shall keep account of incomes natural persons received from them over a tax period on the form established by the Ministry of Finance of the Russian Federation.

**2.** The tax agents shall submit to tax authorities at the place of their registration information about incomes of the natural persons over this tax period and amounts of taxes charged and withheld over this tax period, annually, no later than April 1 of the year following a lapsed tax period on the form approved by the federal executive body authorized to exercise control and supervision in the area of taxes and fees.

Said information shall be submitted on magnetic media or via telecommunication facilities in the manner defined by the Ministry of Finance of the Russian Federation.

Tax authorities shall forward such information to tax authorities at the place of residence of natural persons.

In so doing, no information shall be reported on incomes paid to individual entrepreneurs for goods bought from them, products or performed works (services provided) if such individual entrepreneurs have presented to the tax agent documents confirming their state registration as entrepreneurs without the status of legal person and registration with the tax bodies. If the number of natural persons who have received incomes over a tax period is up to 10 persons, the tax agents can submit such information on paper.

In exceptional cases with allowance for special features of activity or features of the location of organizations, tax authorities can grant separate organizations the right to report incomes of natural persons on paper.

**3.** Tax agents shall issue to natural persons upon their request information on incomes received by the natural persons and withheld amounts of tax on the form approved by the federal executive body authorized to exercise control and supervision in the area of taxes and fees.

**Article 231.** Tax Collection and Refund Procedure

**1.** Amounts of tax unduly withheld by a tax agent from incomes of the taxpayer shall be returned by a tax agent after the taxpayer submits a corresponding application.

**2.** Amounts of tax not withheld from natural persons or partially withheld by tax agents shall be collected by such from natural persons until these persons repay in full the tax arrears in the manner stipulated by Article 45 of the present Code.

**3.** Amounts of tax not collected as a result of tax evasion by the taxpayer shall be collected for the entire time of tax evasion.

**Article 232.** Avoidance of Double Taxation

**1.** Amount of tax on incomes received outside the Russian Federation and actually paid outside the Russian Federation by a taxpayer who is a tax resident of the Russian Federation pursuant to the legislation of other states, are not accepted to offset tax payment in the Russian Federation, except as otherwise provided by an appropriate agreement (treaty) on avoidance of double taxation.

**2.** For exemption from the tax, offset, or to receive tax deductions or other tax privileges, the taxpayer should present to the tax bodies official confirmation that he is the resident of the state with which the Russian Federation has an agreement (treaty) on avoidance of double taxation and also a document on the income received and on his tax payment outside of the Russian Federation confirmed by the tax body of a respective foreign state which has been effective during the tax period (or a part thereof) in question. Confirmation can be submitted either before the payment of tax or advance payments on the tax or within one year after the end of that tax period on results of which the taxpayer applies to receive exemption from the tax, offset, tax deductions or privileges.

**Article 233.** Final Provisions

Tax benefits granted by legislative (representative) bodies of constituent entities of the Russian Federation as regards amounts of tax remitted pursuant to the legislation of the Russian Federation to their budgets up to the day of entry into force of the present Code, shall be effective during the period for which these tax benefits were granted. If upon the establishment of tax benefits the period of time was not defined during which these tax benefits can be used, such tax benefits shall terminate to operate by decision of legislative (representative) bodies of the Russian Federation.

## Chapter 24. Uniform Social Tax

**Article 234.** Abolished from January 1, 2005.

**Article 235.** Taxpayers

**1.** The following persons are deemed the taxpayers of the tax (hereinafter referred to as "taxpayers" in the present chapter):

1) persons making disbursements for the benefit of natural persons:

organisations;

individual entrepreneurs;

natural persons not recognised as individual entrepreneurs;

2) individual entrepreneurs, lawyers, notaries engaged in private practice.

**2.** If a taxpayer is simultaneously classified under several categories of taxpayers specified in Subitems 1 and 2 of Item 1 of the present article he shall accrue and pay the tax on each ground.

**Article 236.** Object of Taxation

**1.** For the taxpayers specified in Paragraphs 2 and 3 of Subitem 1 of Item 1 of Article 235 of the Present Code the object of taxation shall be the disbursements and other remunerations made by taxpayers for the benefit of natural persons under labour and civil legal contracts the subject matter of which is the performance of works, provision of services (except for the remuneration disbursed for the benefit of the persons specified by Subitem 2 of Item 1 of Article 235 of this Code) and also under copyright contracts.

For the taxpayers specified in Paragraph 4 of Subitem 1 of Item 1 of Article 235 of the present Code the object of taxation shall be the disbursements and other remuneration paid by the taxpayers for the benefit of natural persons under labour and civil legal contracts the subject matter of which is the performance of works, provision of services.

The following is not classified as an object of taxation: disbursements effected within the framework of civil legal contracts the subject matter of which is the transfer of a right of ownership or other rights in rem to property (proprietary rights) and also contracts relating to the transfer of property (rights in rem) for use.

Payments charged to the benefit of natural persons who are foreign citizens and stateless persons under labour contracts made with a Russian organisation through detached units thereof located outside the territory of the Russian Federation and remuneration charged to the benefit of natural persons who are foreign citizens and stateless persons in connection with the exercise by them of activities outside the territory of the Russian Federation within the framework of civil law contracts made by them whose subject matter is carrying out of works and rendering of services shall not be deemed the object of taxation for the taxpayers cited in Subitem 1 of Item 1 of Article 235 of this Code.

**2.** For the taxpayers specified in Subitem 2 of Item 1 of Article 235 of the present Code the object of taxation shall be incomes from entrepreneurial activity or another professional activity less the expenses relating to their production.

For taxpayers who are heads of peasant farms the actual expenses incurred by the said farms in connection with keeping thereof and proved by documents shall be excluded from incomes.

**3.** The disbursements and remunerations specified in Item 1 of the present article (irrespective of the form thereof) shall not be deemed an object of taxation if:

taxpayers that are organisations do not classify such disbursements as expenses reducing the tax base for the purpose of the tax on the profit of organisations in the current accounting (tax) period;

taxpayers that are individual entrepreneurs, notaries engaged in private practice, solicitors/barristers that have founded solicitor's studies, or natural persons do not have their tax base reduced by such disbursements for the purposes of personal income tax in the current accounting (tax) period.

**Article 237.** Tax Base

1. The tax base of the taxpayers specified in Paragraphs 2 and 3 of Subitem 1 of Item 1 of Article 235 of the present Code shall be determined as the sum of the disbursements and other remunerations specified in Item 1 of Article 236 of the present Code made by the taxpayers for the tax period for the benefit of natural persons.

When the tax base is being determined account shall be taken of any disbursements and remunerations (except for the amounts specified in Article 238 of the present Code), irrespective of the form thereof, in particular, full or partial payment for goods (works, services, rights in rem or other rights) intended for a natural person being an employee, in particular, utility services, meals, recreation, education in his interests, the payment of insurance contributions under voluntary insurance policies (except for the amounts of insurance contributions specified in Subitem 7 of Item 1 of Article 238 of the present Code).

The tax base of the taxpayers specified in Paragraph 4 of Subitem 1 of Item 1 of Article 235 of the present Code shall be determined as the sum of the disbursements specified in Paragraph 2 of Item 1 of Article 236 of the present Code for the tax period for the benefit of natural persons.

**2.** The taxpayers specified in Subitem 1 of Item 1 of Article 235 of the present Code shall determine the tax base separately for each natural person and cumulatively from the beginning of the tax period upon the expiration of every month.

**3.** The tax base of the taxpayers specified in Subitem 2 of Item 1 of Article 235 of the present Code shall be determined as the sum of incomes received by such taxpayers for the tax period both in pecuniary form and in kind from entrepreneurial or another professional activity less the expenses relating to the production thereof. In such a case the composition of the expenses accepted as deductible for taxation purposes for the given group of taxpayers shall be determined in a manner similar to that applied to determine the composition of the expenses established for payers of profit tax by relevant articles of Chapter 25 of the present Code.

**4.** When the tax base is being calculated disbursements and other remuneration in kind in the form of goods (works, services) shall be taken into account as the value of these goods (works, services) as of the date of disbursement thereof calculated on the basis of their market prices (tariffs) and in the case of state regulation of prices (tariffs) for these goods (works, services), on the basis of state regulated retail prices.

In such a case the value of the goods (works, services) shall include a relevant value-added tax amount and also a relevant excise tax amount for excisable goods.

**5.** The amount of remuneration taken into account in the tax base calculation in as much as a copyright contract is concerned shall be determined in compliance with Article 210 of the present Code with account taken of the expenses stipulated by Item 3 of Part 1 of Article 221 of the present Code.

**Article 238.** Amounts Which Are Not Taxable

**1.** The following shall not be subject to taxation:

1) state allowances paid according to the legislation of the Russian Federation, legislative acts of constituent entities of the Russian Federation, decisions of representative bodies of local self-

government, including temporary disability allowance, allowance for care of sick child, unemployment benefit, maternity and birth of child allowance;

2) all types of compensatory disbursements (within the limits of standards established according to the legislation of the Russian Federation) established by legislation of the Russian Federation, legislative acts of constituent entities of the Russian Federation, decisions of representative bodies of local self-government and involving:

reimbursement of harm caused by crippling or other damage to health;

free granting of housing and utilities, meals and foodstuffs, fuel or a relevant pecuniary reimbursement;

payment of cost and/or issue of authorized allowance in kind and also the disbursement of cash instead of such allowance;

payment of cost of meals, sports gear, equipment, sports and dress uniform received by the sportsmen and staff of physical culture and sports organizations for the training process and participation in sports competitions;

dismissal of workers, including compensations for unused holiday;

reimbursement of other expenses, including the expenses involved in the improvement of professional skills of workers;

outlays of a natural person in connection with carrying out works and rendering services under civil law contracts;

employment of workers dismissed as a result of reduction of work force, reorganization or liquidation of an organization;

performance by a natural person of his job duties (including relocation to work to another locality and reimbursement of travel and living expenses).

In case the taxpayer pays the expenses on business trips of workers both in the country and abroad, the daily allowance exempt from taxation shall be within the limits of standards established according to the legislation of the Russian Federation, and also the actually effected and documented target expenses in the travel up to destination and back, charges for airport services, the commission charges, expenses in travel to the airport or to the terminal in the places of departure, destination or changes, on conveyance, expenses in hiring housing, communication services expenses, charges for the issue (receipt) and registration of a service foreign passport, charges for granting (receipt) of visas, and also expenses in exchange of currency cash or cheques in a bank into foreign currency in cash. If no documents are presented to confirm the payment of expenses for hiring of housing, the amounts of such payment are exempted from taxation within the limits of standards established by the legislation of the Russian Federation. A similar order of taxation shall apply to disbursements effected to persons found in command of, or administrative subordination to, an organization, and also members of a board of directors or any similar body of the company coming to participate in meetings of the board of directors, the board of management or another similar body of such company;

3) the amounts of lump-sum subsistence benefit granted by the taxpayer:

to natural persons in connection with a natural disaster or other extraordinary circumstances for the purposes of reimbursing the material damages inflicted thereto or harm inflicted to their health and also to natural persons being victims of terrorist actions on the territory of the Russian Federation;

to members of the family of a deceased employee or to an employee in connection with the death of a member (members) of his/her family;

to employees (parents, adopters, trustees) upon the birth (or adoption) of a child but not more than 50 thousand roubles for each child;

4) the amount of wage and other amounts in foreign currency paid to workers, and also servicemen sent to work (to serve) abroad by taxpayers who are state organizations or institutions funded from the federal budget, within the limits established by the legislation of the Russian Federation;

5) incomes of heads of a country (farmer) household received from the production and sale of agricultural products and also from production of agricultural products, their processing and sale - during the five years after the registration year of the household.

6) incomes (except for wages of hired workers) received by members of registered in accordance with the established manner patrimonial, family communities of small ethnic groups of the North from the sale of products received as a result of pursuing their traditional types of craft;

7) the amounts of insurance premiums (contributions) for the compulsory insurance of employees accomplished by the taxpayer in the manner established by the legislation of the Russian Federation; the amounts of the taxpayer's premiums (contributions) under contracts of voluntary personal insurance for employees concluded for at least a one year term that envisage that the insureds bear the medical expenses of these insured persons; the amounts of the taxpayer's premiums (contributions) under contracts of voluntary personal insurance for employees concluded exclusively for the onset of death of the insured person and/or infliction of harm to the health of the insured person in connection with his/her exercising labour duties;

8) Abolished from January 1, 2005.

9) travel expenses of workers and members of their families to the place of their holiday and back paid by the taxpayer to the persons working and living in areas of the Far North and areas equated thereto according to the effective legislation, labour agreements (contracts) and (or) collective agreements;

10) amounts of money paid out to natural persons by electoral commissions, referendum commissions, and also from electoral funds of candidates for the office of President of the Russian Federation, candidates for deputies of the legislative (representative) governmental body of a subject of the Russian Federation, candidates for a position in another state body of a subject of the Russian Federation envisaged by the constitution, the charter of the subject of the Russian Federation and elected directly by citizens, candidates for deputies of the representative body of a municipal formation, candidates for the office of head of a municipal formation, for another office envisaged by the charter of a municipal formation and filled by direct election, the electoral funds of electoral associations, the electoral funds of regional branches of political parties not deemed electoral associations, from a referendum fund of an initiative group for a referendum of the Russian Federation, a referendum of a subject of the Russian Federation, a local referendum, an initiative canvassing group for a referendum of the Russian Federation, other groups of participants in a referendum of the Russian Federation, a local referendum - for the performance by these persons of works directly relating to the conduct of electoral campaigns or referendum campaigns;

11) cost of service dress and utility uniform issued to workers, trainees and pupils according to the legislation of the Russian Federation and also to civil servants of federal executive governmental bodies free or against partial payment and remaining in their permanent personal use;

12) cost of travel privileges granted by the legislation of the Russian Federation to certain categories of workers, trainees and pupils;

13) Abolished from January 1, 2005.

14) Abolished from January 1, 2005.

15) amounts of material aid, paid to natural persons from budgetary sources by organisations financed from the funds of budgets, not exceeding 3,000 roubles per natural person for the tax period."

**2.** Abolished from January 1, 2005.

**3.** The tax base (in the part of amounts of the tax subject to payment to the Social Insurance Fund of the Russian Federation), apart from disbursements specified in Items 1 and 2 of the present Article, shall also not include any compensations paid to the natural persons under civil contracts or author's agreements.

**Article 239.** Tax Benefits

**1.** The following shall be exempt from payment of tax:

1) the taxpayers cited in Subitem 1 of Item 1 of Article 235 of this Code: on the amounts of disbursement and other reward not exceeding 100,000 roubles per each natural person being a disabled person, Group I, II or Group III, in the tax period;

2) the following categories of taxpayers - on disbursements and other rewards not exceeding 100,000 roubles during a tax period per each individual worker:

public organizations of invalids (including those created as unions of public organizations of invalids) among which members invalids and their legal representatives constitute no less than 80 per cent, their regional and local branches;

organizations whose entire authorized capital consists of contributions of public organizations of invalids and in which the average pay roll number of invalids constitutes no less than 50 per cent and the share of wages of invalids in the wage fund constitutes no less than 25 per cent;

establishments created with the aim of achieving goals of educational, cultural, treatment and health improvement, physical culture and sports, scientific, information and other social purposes, and also for rendering legal and other help to the disabled, disabled children and their parents, the sole owners of whose assets are said public organizations of invalids.

Privileges listed under the present Subitem shall not apply to taxpayers pursuing in the production and/or sale of excisable goods, mineral raw materials, other mineral resources, and also other goods according to the list approved by the Government of the Russian Federation upon representation of all-Russian public organizations of invalids;

3) taxpayers specified in Subitem 2 of Item 1 of Article 235 of the present Code, being invalids of Group I, II or Group III in the part of incomes from their business activity and other professional activity at a rate not exceeding 100,000 roubles over a tax period;

4) Abolished from January 1, 2005.

**2.** Abolished from January 1, 2003.

**Article 240.** Tax Period and Accounting Period

The tax period shall be defined as a calendar year.

The accounting periods for the purpose of the tax shall be the first quarter, half-year and nine months of the calendar year.

**Article 241.** Tax Rates

**1.** For taxpayers indicated in Subitem 1 of Item 1 of Article 235 of this Code, except for those acting as the employers of taxpayers - organisations and individual businessmen having the status of a resident of a technical-innovation special economic zone and making payments to natural persons working on the territory of the technical-innovation special economic zone, agricultural commodity producers complying with the criteria cited in Item 2 of Article 346.2 of this Code, organisations of artistic handicraft industries and of tribal or family communities of indigenous smaller peoples of the North engaged in traditional branches of economic management, as well as taxpaying organisations engaged in the activities in the field of information technologies and paying tax at the tax rates established by Item 6 of this Article, the following tax rates shall be applied:

| Tax base for each natural person as a progressive total from the beginning of the year | Federal budget | Social Insurance Fund of the Russian Federation | Funds of obligatory insurance | | |
|---|---|---|---|---|---|
| | | | Federal Fund of Obligatory Medical Insurance | Territorial funds of obligatory medical insurance | Total |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Up to 280,000 roubles | 20.0 per cent | 2.9 per cent | 1.1 per cent | 2.0 per cent | 26.0 per cent |
| From 280,001 roubles to 600,000 roubles | 56,000 roubles + 7.9 per cent from an amount exceeding 280,000 roubles | 8,120 roubles + 1.0 per cent from an amount exceeding 280,000 roubles | 3,080 roubles + 0.6 per cent from an amount exceeding 280,000 roubles | 5,600 roubles + 0.5 per cent from an amount exceeding 280,000 roubles | 72,800 roubles + 10.0 per cent from an amount exceeding 280,000 roubles |
| Over 600,000 roubles | 81,280 roubles + 2.0 per cent from an amount exceeding 600,000 roubles | 11,320 roubles + 2.0 per cent from an amount exceeding 600,000 roubles | 5,000 roubles + 2.0 per cent from an amount exceeding 600,000 roubles | 7,200 roubles + 2.0 per cent from an amount exceeding 600,000 roubles | 104,800 roubles + 26.0 per cent from an amount exceeding 600,000 roubles. |

For taxpayers that are agricultural commodity producers, organisations of artistic handicraft industries and of tribal or family communities of indigenous smaller peoples of the North engaged in traditional branches of economic management, the following tax rates shall be applied:

| Tax base for each natural person as a progressive total from the beginning of the year | Federal budget | Social Insurance Fund of the Russian Federation | Funds of obligatory insurance | |
|---|---|---|---|---|
| | | | Federal Fund of Obligatory Medical Insurance | Territorial funds of obligatory medical insurance |
| 1 | 2 | 3 | 4 | 5 |
| Up to 280,000 roubles | 15.8 per cent | 1.9 per cent | 1.1 per cent | 1.2 per cent |
| From 280,001 roubles to 600,000 roubles | 44,240 roubles + 7.9 per cent from an amount exceeding 280,000 roubles | 5,320 roubles + 0.9 per cent from an amount exceeding 280,000 roubles | 3,080 roubles + 0.6 per cent from an amount exceeding 280,000 roubles | 3,360 roubles + 0.6 per cent from an amount exceeding 280,000 roubles |
| Over 600,000 roubles | 69,520 roubles + 2.0 per cent from an amount exceeding 600,000 roubles | 8,200 roubles + 2.0 per cent from an amount exceeding 600,000 roubles | 5,000 roubles + 2.0 per cent from an amount exceeding 600,000 roubles | 5,280 roubles + 2.0 per cent from an amount exceeding 600,000 roubles. |

For employers of taxpayers - organisations and individual businessmen having the status of a resident of a technical-innovation special economic zone and making payments to natural persons working on the territory of the technical-innovation special economic zone

| Tax base for each natural person as a progressive total from the beginning of the year | Federal budget | Total |
|---|---|---|

| | | |
|---|---|---|
| Up 280,000 roubles | 14.0 per cent | 14.0 per cent |
| From 280,001 roubles to 600,000 roubles | 39,200 roubles+ 5.6 per cent from an amount exceeding 280,000 roubles | 39,200 roubles + 5.6 per cent from an amount exceeding 280,000 roubles |
| Over 600,000 roubles | 57,120 roubles + 2.0 per cent from an amount exceeding 600,000 roubles | 57,120 roubles + 2.0 per cent from an amount exceeding 600,000 roubles. |

**2.** Abolished from January 1, 2005.

*See the text of Item 2 of Article 241*

**3.** The following tax rates shall be applied to the taxpayers indicated in Subitem 2 of Item 1 in Article 235 of the present Code, unless the contrary is provided for by Item 4 of the present Article:

| Tax base as progressive total | Federal budget | Obligatory medical insurance funds | | Total |
|---|---|---|---|---|
| | | Federal obligatory Medical Insurance Fund | Territorial obligatory medical insurance funds | |
| 1 | 2 | 3 | 4 | 5 |
| Up to 280,000 roubles | 7.3 per cent | 0.8 per cent | 1.9 per cent | 10.0 per cent |
| from 280,001 to 600,000 roubles | 20,440 roubles + 2.7 per cent of the sum exceeding 280,000 roubles | 2,240 roubles +0.5 per cent of the sum exceeding 280,000 roubles | 5,320 roubles +0.4 per cent of the sum exceeding 280,000 roubles | 28,000 roubles + 3.6 per cent of the sum exceeding 280,000 roubles |
| over 600,000 roubles | 29,800 roubles + 2.0 per cent of the sum exceeding 600,000 roubles | 3,840 roubles +2.0 per cent of the sum exceeding 600,000 roubles | 6,600 roubles | 39,520 roubles + 2.0 per cent of the sum exceeding 600,000 roubles |

**4.** Lawyers and notaries engaged in private practice, pay the tax at the following rates:

| Tax base as progressive total | Federal budget | Obligatory medical insurance funds | Total |
|---|---|---|---|
| | | Federal obligatory Medical Insurance Fund | Territorial obligatory medical insurance funds |
| 1 | 2 | 3 | 4 5 |
| Up to 280,000 roubles | 5.3 per cent of the sum | 0.8 per cent of the sum | 1.9 per cent of the sum | 8.0 per cent |
| from 280,001 roubles to 600,000 roubles | 14,840 roubles + 2.7 per cent of the sum exceeding 280,000 roubles | 2,240 roubles + 0.5 per cent of the sum exceeding 280,000 roubles | 5,320 roubles + 0.4 per cent of the sum exceeding 280,000 roubles | 22,400 roubles + 3.6 per cent of the sum exceeding 280,000 roubles |
| over 600,000 roubles | 23,480 roubles + 2.0 per cent of the sum exceeding 600,000 roubles | 3,840 roubles + 0.5 per cent of the sum exceeding 600,000 roubles | 6,600 roubles + 0.4 per cent of the sum exceeding 600,000 roubles | 33,920 roubles + 2.0 per cent of the sum exceeding 600,000 roubles |

**5.** Removed from January 1, 2002.

**6.** For taxpaying organsitions engaged in the activities in the field of information technologies, except for the taxpayers with the status of residents of a technology-innovative special economic zone, the following tax rates shall be applied:

| Tax base per each natural person in progressive total as of a year start | Federal budget | Social Insurance Fund of the Russian Federation | Obligatory medical insurance funds | |
|---|---|---|---|---|
| | | | Federal Obligatory Medical Insurance Fund | Territorial obligatory medical insurance funds |
| 1 | 2 | 3 | 4 | 5 6 |

| | | | | | |
|---|---|---|---|---|---|
| Up to 75 000 roubles | 20,0 per cent | 2,9 per cent | 1,1 per cent | 2,0 per cent | 26,0 per cent |
| from 75001 roubles to 600 000 roubles | 15 000 roubles + 7,9 per cent of the amount in excess of 75 000 roubles | 2175 roubles +10,0 per cent of the amount in excess of 75 000 roubles | 825 roubles + 0,6 per cent of the amount in excess of 75 000 roubles | 1 500 +0,5 per cent of the amount in excess of 75 000 roubles | 19 500 roubles + 72 000 roubles+2,0 per cent of the amount in excess of 600 000 roubles |
| Over 600 000 roubles | 56 475 +2,0 per cent of the amount in excess of 600 000 roubles | 7 425 roubles | 3 975 roubles | 4 125 roubles | |

**7.** As organisations engaged in the activities in the field of information technologies shall be deemed those Russian organisations which are involved in the development and sale of computer programmes and databases on material objects and in the electronic form over communication lines, regardless of the type of a contract and (or) in rendering services (carrying out works) related to development, adjustment and modification of computer programmes and databases (software and information products of computer engineering), as well as to installation, testing and maintenance of computer programmes and databases.

**8.** The organisations specified in Item 7 of this Article shall pay tax amounts at the tax rates established by Item 6 of this Article, provided that they meet the following conditions, if not otherwise established by this Item:

an organization has received the document proving its state registration as an organsiation engaged in the activities in the field of information technologies in the procedure established by the Government of the Russian Federation;

the share of income derived from the sale of copies of computer programmes, databases, the transfer of property rights to computer programmes and databases, from rendering services (carrying out works) related to development, adjustment and modification of computer programmes and databases (software and information products of computer engineering), as well as installation, testing and maintenance of the said computer programmes and databases, on the basis of the results of nine months of the year preceding the year of an organisation's transfer to paying tax amounts at the rates,

established by Item 6 of this Article, constitutes at least 90 per cent of the amount of the total organisation's incomes within the said period, in particular those received from foreign persons constituting at least 70 per cent;

an average listed number of employees within nine months of the year preceding the year of an organisation's transfer to tax payment at the tax rates, established by Item 6 of this Article, is at least 50 persons.

Newly-established organisations shall pay tax amounts at the tax rates established by Item 6 of this Article, provided that they meet the following conditions:

an organization has received the document proving its state registration as an organization, engaged in the activities in the field of information technologies, in the procedure established by the Government of the Russian Federation;

the share of income derived from the sale of copies of computer programmes, databases, the transfer of property rights to computer programmes and data bases, from rendering services (carrying out works) related to development, adjustment and modification of computer programmes and databases (software and information products of computer engineering), as well as to installation, testing and maintenance of the said computer programmes and databases, on the basis of the results of nine months of the year preceding the year of an organisation's transfer to paying tax amounts at the rates, established by Item 6 of this Article, constitutes at least 90 per cent of the amount of the total organisation's incomes within the said period, in particular those received from foreign persons constituting at least 70 per cent;

an average listed number of employees within nine months of the year preceding the year of an organisation's transfer to paying tax amounts at the tax rates established by Item 6 of this Article is at least 50 persons.

For the purposes of this Item, the amount of incomes shall be assessed on the basis of the tax registration data of an organization in compliance with Article 248 of this Code. When assessing the share of incomes received from the purchasers being foreign persons, shall be accounted the incomes of foreign persons for which the territory of the Russian Federation is not the place of operation. The place of the purchaser's operation shall be defined as the purchaser's actual place of stay on the territory of a foreign state on the basis of the organisation's state registration or, in the absence thereof, on the basis of the place specified by the organisation's constituent documents, the place of the orgnaisation's management, location of the permanent executive body or of the permanent representative office thereof, if the computer programmes and databases, services (works) and property rights, provided for by this Item, have been acquired through this permanent representative office, or of the places of residence of a natural person.

As documents that prove receiving incomes from purchasers being foreign persons shall be deemed the contract (a copy of the contract) made with a foreign person and the documents proving the fact of rendering services (carrying out works) or the customs declaration (a copy thereof) bearing notes of the Russian customs authorities in charge of releasing commodities under the customs treatment of export and of the Russian customs agency in whose area of operation the check-point, through which commodities have been exported outside the customs territory of the Russian Federation, is located.

If according to the results of a reporting (tax) period an organisation does not comply with at least one of the conditions established by this Item with respect to incomes and an average listed number of employees, as well as in the event of cancellation of its state accreditation, such organisation shall lose the right to apply the tax rates established by Item 6 of this Article.

**Article 242.** Determining the Date of Disbursements and Other Rewards (Receipt of Incomes)

The date of disbursements and other rewards or receipt of incomes shall be determined as:

the day of charging disbursements and other rewards for the benefit of the worker (the natural persons for whose benefit the disbursements are made) - for the disbursements and other rewards charged by taxpayers listed in Subitem 1 of Item 1 of Article 235 of the present Code;

the date of disbursement of a remuneration to the person for whose benefit disbursements are made: for the taxpayers specified in Paragraph 4 of Subitem 1 of Item 1 of Article 235 of the present Code.

the day of actual receipt of a given income: for incomes from entrepreneurial or another professional activity and also other incomes relating to such an activity. With this, the day of paying income by the relevant lawyers' formation, including the day when income is remitted to lawyers' bank accounts exercising their professional activities at bar associations, legal bureaus or legal aid bureaus shall be deemed the date of actual receiving of income by lawyers.

**Article 243.** Procedure for the Calculation of, Procedure and Term for the Payment of the Tax by Taxpayers Making Payments to Natural Persons

**1.** The tax amount shall be calculated and paid by a taxpayer separately to the federal budget and each fund and it shall be determined as a relevant share of the tax base in percentage points.

**2.** The tax amount subject to payment to the Social Insurance Fund of the Russian Federation shall be subject to reduction by taxpayers by the sum of expenses they incurred on their own for state social insurance purposes as envisaged by Russian law.

The tax amount (sum of tax advance payment) subject to payment to the federal budget shall be reduced by taxpayers by the sum of insurance contributions (insurance contribution advance payments) they have made for the same period in respect of compulsory pension insurance (tax deduction) within the limits of such sums calculated on the basis of insurance contribution tariffs envisaged by Federal Law No. 167-FZ of December 15, 2001 on Compulsory Pension Insurance. In such a case the sum of tax deduction shall not exceed the tax sum (tax advance payment sum) payable to the federal budget that has been accrued for the same period.

**3.** During the tax (reporting) period according to the results of each calendar month taxpayers shall calculate monthly advance tax payment amounts on the basis of the amount of disbursements and other remuneration accrued (effected, for taxpayers being natural persons) since the beginning of the tax period as of the end of a relevant calendar month and the tax rate. The sum of monthly advance tax payment shall be determined with account taken of the amounts of monthly advance payment paid earlier.

Monthly advance payments shall be effected not later than the 15th day of the next month.

According to the results of the accounting period taxpayers shall calculate the difference between the tax sum calculated on the basis of the tax base calculated cumulatively since the beginning of the tax period to the end of a relevant accounting period and the sum of monthly advance payments effected for the same period which is subject to payment within a term set for the purposes of filing a tax calculation.

If if in the accounting (tax) period the amount of applied tax deduction exceeds the amount of actually paid insurance premium for the same period such a difference shall be deemed an understatement of the tax amount payable, from the 15th day of the month following the month for which advance payments of the tax have been made.

Information on the amounts calculated and also paid advance payments, information on the amount of tax deduction the taxpayer has used and also on the amounts of insurance contributions actually paid for the same period shall be reflected by the taxpayer in a calculation filed with the tax body according to the form approved by the Ministry of Finance of the Russian Federation not later than the 20th day of the month following the accounting period.

The difference between the tax amount payable according to the results of the tax period and the tax amounts paid over the tax period shall be paid within 15 calendar days after the deadline for the filing of the tax return for the tax period or shall be accepted to offset forthcoming tax payments or refunded to the taxpayer in the manner specified in Article 78 of the present Code. If according to the results of the tax period the amount of insurance contributions actually paid for this period for compulsory pension insurance (insurance contribution advance payments for compulsory pension insurance) exceeds the amount of tax deduction applied in respect of the tax the amount of such a surplus shall be recognised as a tax amount paid in excess and it shall be refundable to the taxpayer in the manner specified in Article 78 of the present Code.

**4.** Taxpayers shall keep record of accrued disbursable amounts and other remuneration, the tax amounts relating thereto and also the amounts of tax deductions for each natural person for whose benefit disbursements were effected.

The amount of tax (advance tax payments) to be remitted to the federal budget and to the appropriate governmental off-budget funds shall be established in full roubles. The amount of tax (the amount of advance tax payments) which is less than 50 kopecks shall be rejected, while the amount of 50 kopecks and more shall be rounded to the full rouble.

**5.** Every quarter, not later than the 15th day of the month following the past quarter taxpayers shall provide information (reports) to the regional branches of the Social Insurance Fund of the Russian Federation, according to the form approved by the Social Insurance Fund of the Russian Federation, concerning the amounts:

1) of accrued tax to the Social Insurance Fund of the Russian Federation;

2) used towards the disbursement of temporary disability benefit, maternity benefit, child-care benefit payable until the child is 1.5 years-old, child-birth benefit, the benefit payable to reimburse the cost of the guaranteed list of services and social burial benefit, other types of state social insurance benefits;

3) allocated by them in the established manner to provide sanatorium and health resort services to employees and their children;

4) of expenses subject to offset;

5) payable to the Social Insurance Fund of the Russian Federation.

**6.** The payment of the tax (advance tax payments) shall be effected by separate payment instructions to the federal budget, the Social Insurance Fund of the Russian Federation, the Federal Obligatory Medical Insurance Fund of the Russian Federation and the territorial funds of obligatory medical insurance.

**7.** Taxpayers shall file a tax return according to the form approved by the Ministry of Finance of the Russian Federation not later than March 30 of the year following the past tax period. A copy of the tax return relating to the tax bearing an annotation entered by the tax body or another document confirming that the tax return has been filed with a tax body shall be filed by the taxpayer with the territorial body of the Pension Fund of the Russian Federation not later than July 1 of the year following the past tax period.

The tax bodies shall present the following to the Pension Fund of the Russian Federation: copies of taxpayers' payment instructions whereby the tax has been paid and also other information required by the Pension Fund of the Russian Federation for the pursuance of compulsory pension insurance, in particular, information classified as tax secret. The taxpayers acting as insureds in respect of compulsory pension insurance shall provide information and documents to the Pension Fund of the Russian Federation in compliance with the Federal Law on Compulsory Pension Insurance in the Russian Federation in respect of insured persons.

The bodies of the Pension Fund of the Russian Federation shall provide information to the tax bodies on natural persons' incomes from individual personal accounts opened for the purposes of individual (personal) record-keeping.

**8.** Isolated units having a separate balance sheet, settlement bank account and accruing disbursable amounts and other remunerations for the benefit of natural persons shall perform the organisation's duty of paying the tax (making advance tax payments) and also the duty of filing tax calculations and tax returns at their location, unless otherwise envisaged in the present Item.

The amount of the tax (advance tax payment amount) payable at the location of an isolated unit shall be determined on the basis of the tax base relating to such a unit.

The amount of the tax payable at the location of an organisation incorporating isolated units shall be determined as the difference between the sum total of the tax payable by the organisation as a whole and the aggregate sum of the tax payable at the location of the organisation's isolated units.

The tax declarations (computations) on the tax payers' isolated subdivisions, referred to the category of major tax payers in accordance with Article 83 of the present Code, shall be submitted to the tax body at the place of the given tax payers' recording as major tax payers.

If an organisation has detached units located outside the territory of the Russian Federation, tax calculations and tax declarations shall be presented by the organisation at its location.

**9.** If the individual businessman ceases his activity before the end of the tax period, the taxpayers shall be obliged to submit, within five days from the day of filing with the registering body the application on the termination of said activity, a tax declaration to the tax body over the time from the beginning of the tax period to the day of filing said application inclusive. The difference between the sum of tax subject to payment in accordance with the tax declaration and the sums of the tax paid by taxpayers since the beginning of the year shall be liable to payment at the latest 15 calendar days from the filing of such declaration or to repayment to the respective taxpayer in the order stipulated by Article 78 of the present Code.

**Article 244.** The Procedure for the Calculation and Payment of Tax by Taxpayers Making No Disbursements and Rewards in Favour of Natural Persons

**1.** The calculation of the sums of advance payments payable in the tax period by the taxpayers specified in Subitem 2 Item 1 Article 235 of the present Code shall be done by the tax body proceeding from the tax base of a given taxpayer for the preceding tax period and the rates specified in Item 3 Article 241 of the present Code, except as otherwise provided by Items 2 and 6 of the present article.

**2.** If taxpayers begin to pursue entrepreneurial or another professional activity after the beginning of next tax period they shall within five days after the expiration of one month after the date of commencement of the activity file a application with the tax body at the place of their registration including the indication of the would-be income for the current tax period according to the form approved by the Ministry of Finance of the Russian Federation. In such a case the amount of the would-be income (the amount of would-be expenses) connected with the production of the incomes shall be determined by the taxpayer on his own.

The calculation of advance payment amounts for the current tax period shall be done by a tax body proceeding from the amount of would- be income with the account taken of the expenses relating to the production thereof and the rates specified in Item 3 Article 241 of the present Code.

**3.** Should a significant (by over 50 per cent) increase in income occur in the tax period, a taxpayer shall (may, in the case of a significant decrease in income) file specified tax return within a one-month term after establishing this circumstance including the indication of the amounts of would-be income for the current tax period. In such a case the tax body shall review tax advance payments for the current tax period relating to forthcoming due dates within five days after the time when the specified tax return was filed. The difference received as a result of such a review shall be payable within the term set for next advance payment or shall be accepted to offset forthcoming advance payments.

**4.** Advance payments shall be effected by a taxpayer under tax notices:

1) for the months of January - June: not later than July 15 of the current year at the rate of half annual advance payment amount;

2) for the months of July - September: not later than October 15 of the current year at the rate of quarter annual advance payment amount;

3) for the months of October - December: not later than January 15 of the next year at the rate of quarter annual advance payment amount.

**5.** The calculation the tax according to the results of a tax period shall be performed by the taxpayers specified in Subitem 2 Item 1 Article 235 of the present Code, except lawyers, on their own proceeding from all incomes received in the tax period with the account taken of the expenses relating to the production of these incomes and the rates specified in Item 3 Article 241 of the present Code.

In such a case tax amount shall be calculated by a taxpayer separately for each fund and it shall be determined as a relevant percentage share of the tax base.

The difference between the advance payment amounts paid for the tax period and the tax amount payable under the tax return shall be payable not later than July 15 of the year following the tax period or shall be accepted to offset forthcoming tax payments or be refundable for the benefit of the taxpayer in accordance with the procedure provided in Article 78 of the present Code.

**6.** The calculation and payment of the tax on the incomes of lawyers, except for lawyers who have founded lawyers' offices, shall be effected by colleges of solicitors/barristers, solicitor/barrister bureaux and lawyer's offices in accordance with the procedure specified in Article 243 of the present Code without the application of the tax deduction.

Data on the calculated sums of the tax levied on the incomes of lawyers, except for lawyers who have founded lawyers' offices, over the past tax period shall be presented by the bar, offices of lawyers and legal advice offices to tax bodies before March 30 of the next year according to the form approved by the Ministry of Finance of the Russian Federation.

Lawyers who have founded lawyer's offices shall independently calculate and pay tax on the incomes derived from their professional activities, less the outlays connected with their deriving, in the procedure stipulated for taxpaying individual businessmen applying the tax rates specified in Item 4 of Article 241 of this Code.

**7.** The taxpayers specified in Subitem 2 Item 1 Article 235 of the present Code shall file a tax return not later than April 30 of the year following the past tax period.

When the tax return is being filed lawyers shall also file with the tax body a statement issued by a college of solicitors/barristers, solicitor/barrister bureau or lawyer's office stating the amounts of tax paid for them for the past tax period according to the form endorsed by the federal executive body authorised to exercise control and supervision in respect of taxes and fees.

**8.** If an individual businessman ceases his activity before the end of the tax period the taxpayers shall be obliged to present, within five days from the filing with the registering body of the application on termination of said activity, to the tax body tax declarations over the period from the beginning of the tax period to the day of filing said application, inclusive.

In the event of the termination or suspension of the status of a lawyer, termination of the authority of a notary engaged in private practice the taxpayers shall be obliged, within 12 days from the adoption of the corresponding decision by the authorised body, to submit to the tax body tax declarations over the period from the beginning of the tax period to the day of the termination or suspension of the status of a lawyer, inclusive.

The tax calculated according to the tax declaration to be submitted in keeping with the present item (with due account of the charged advance payments for the expired terms of disbursement over the current tax period) shall be paid at the latest 15 calendar days from the day of the filing of such declaration.

**Article 245.** Peculiarities of Tax Calculation and Payment by Specific Categories of Taxpayers

**1.** The taxpayers specified in Subitem 2 of Item 1 of Article 235 of the present Code shall not calculate and pay the tax in as much as it concerns the amount of the tax entered in the Social Insurance Fund of the Russian Federation.

**2.** The following bodies shall be exempted from the tax: the federal executive body authorised in the sphere of defence, the other federal executive bodies in which servicemen serve, the federal executive bodies authorised in the sphere of internal affairs, migration, the execution of penalties, the courier service, customs, control over the traffic of narcotics and psychotronic substances, the State Fire-prevention Service of the Ministry of the Russian Federation for Civil Defence, Emergency Situations and the Liquidation of Consequences of Natural Disasters, the military courts, the Judicial Department of the Supreme Court of the Russian Federation, the Military Collegium of the Supreme Court of the Russian Federation. This tax is levied on the sums of cash security, food and collateral security and other payments received by servicemen, non-commissioned officers and other ranks in the organs of internal affairs of the Russian Federation, of the State Fire-prevention Service of the Ministry of the Russian Federation for Civil Defence, Emergency Situations and the Liquidation of Consequences of Natural

Disasters, received by the employees of the peno-correctional system, the customs system of the Russian Federation and the organs of control over the traffic of narcotics and psychotronic substances, the employees who have special ranks in connection with the discharge of the duties of the military service and the service equated therewith in connection with the legislation of the Russian Federation.

**3.** The sums of the pecuniary maintenance of procurators and investigators, and also of judges of federal courts and justices of the peace in the subjects of the Russian Federation, shall not be included in the tax base for the computation of the tax liable to payment to the federal budget.

**4.** Abolished

## Chapter 25. Tax on Organisations' Profit

**Article 246.** Tax Payers

Recognised as the taxpayers of the tax on the profit of organisations (hereinafter in the present Chapter 'the taxpayers') shall be:

- Russian organisations;
- foreign organisations carrying out their activity in the Russian Federation through their permanent representations and (or) receiving incomes from sources situated in the Russian Federation.

**Article 247.** Object of Taxation

Seen as an object of taxation for the tax on the profit of organisations (hereinafter in this Chapter 'the tax') shall be profit derived by the taxpayer.

Recognised as profit for the purposes of the present Chapter shall be:

1) for Russian organisations - derived incomes, reduced by the amount of the effected expenditures which are defined in conformity with the present Chapter;

2) for foreign organisations performing an activity in the Russian Federation through permanent representations incomes derived through these permanent representations, reduced by the amount of the outlays made by these permanent representations which are defined in conformity with this Chapter;

3) for other foreign organisations - incomes derived from sources situated in the Russian Federation. The incomes of the said taxpayers shall be determined in conformity with Article 309 of the present Code.

**Article 248.** Procedure for Defining Incomes. Classification of Incomes

**1.** For the purposes of the present Chapter, to incomes shall be referred:

1) the incomes derived from the sale of commodities (works, services) and of the rights of property (hereinafter, the incomes from sale);

For the purposes of this Article goods shall be defined in compliance with Item 3 of Article 38 of this Code;

2) the extra-sale incomes.

When defining the incomes, from the latter shall be excluded the amounts of the taxes presented in conformity with this Code by the tax payer to the buyer (to the acquirer) of commodities (works, services or property rights).

The incomes shall be defined on the basis of the initial documents and other documents confirming that the taxpayer has received incomes, and of tax recording documents.

The incomes from sale shall be defined in the order established by Article 249 of the present Code, with account for the provisions of the present Chapter.

The extra-sale incomes shall be defined in the order established by Article 250 of the present Code, with account for the provisions of this Chapter.

**2.** For the purposes of the present Chapter, the property (works, services) or the rights of property shall be seen as received free of charge, if the receipt of this property (works, services) or of the rights of property is not involved in the emergence of the receiver's duty to pass on the property (rights of property) to the person who is handing them over (to perform certain work for the handing over person or to render a service to the handing over person).

**3.** Incomes of a taxpayer expressed in foreign currency shall be recorded together with the incomes expressed in roubles.

Incomes of a taxpayer expressed in conventional units shall be recorded together with the incomes expressed in roubles.

Conversion of said incomes shall be effected by a taxpayer depending on the method of recognizing incomes chosen by him in his accounting policy in compliance with Articles 271 and 273 of this Code.

For the purposes of this Chapter, the amounts shown in the composition of a taxpayer's income shall not be subject to a repeated inclusion into the composition of his incomes.

**Article 249.** Incomes from Sale

**1.** Recognised as the incomes from sale for the purposes of this Chapter shall be earnings derived from the sale of commodities (works, services) both of own manufacture and of those acquired before, as well as the earnings from the sale of property.

2. The earnings from sale shall be defined proceeding from all the receipts connected with settlements for the sold commodities (works, services) or for the rights of property expressed in the form of money and (or) in kind. Depending on the method of recognizing receipts and expenditures chosen by a taxpayer, proceeds connected with settlements for sold goods (works, services) or the rights of property shall be recognized for the purposes of this Article in compliance with Article 271 and 273 of this Code.

**3.** The specifics in defining the incomes from sale for the individual categories of the taxpayers, or the incomes from sale derived in connection with particular circumstances shall be established by the provisions of the present Chapter.

**Article 250.** Extra-Sale Incomes

For the purposes of this Chapter, recognised as extra-sale incomes shall be the incomes not mentioned in Article 249 of the present Code.

In particular, seen as the extra-sale incomes of the taxpayers shall be incomes derived:

1) from share participation in other organisations except for the income used to make payment for supplementary shares (stakes) floated among the shareholders (stakeholders) of the organisation;

2) from the positive (negative) difference of exchange rates arising when the rate of sale (purchase) of foreign currency is higher (lower) than the official exchange rate of foreign currency established by the Central Bank of Russia on the date of transfer of ownership of the foreign currency ( the specifics of defining the banks' incomes from these transactions are established by Article 290 of this Code);

3) in the form of fines, penalties and (or)other sanctions acknowledged by debtors and subject to payment by debtors on the basis of an effective court decision, as well as of the sums of compensation for losses or for damage;

4) from letting the property (including the land plots) for rent (into sub-rent), where such incomes are not determined by a taxpayer in the procedure established by Article 249 of this Code;

5) from giving over to use the rights to the results of intellectual activity and to the means of individualisation equated to them (in particular, from giving over to use the rights arising from patents for inventions, industrial samples and other kinds of intellectual property), where such incomes are not determined by a taxpayer in the procedure established by Article 249 of this Code;

6) in the form of interest received under contracts of borrowing, credit, bank account, bank deposit, as well as on securities and other debt liabilities (the specifics of defining the banks' incomes in the form of interest are established by Article 290 of the present Code);

7) in the form of the sums of replenished reserves, the outlays on whose formation were accepted in the composition of the outlays in the order and on the terms established by Articles 266, 267, 292, 294, 294.1, 300, 324 and 324.1 of the present Code;

8) in the form of the gratuitously received property (works, services) or of the rights of property, with the exception of the cases pointed out in Article 251 of the present Code.

When receiving property (works, services) free of charge, incomes shall be estimated proceeding from the market prices defined subject to the provisions of Article 40 of this Code, but no less than the residual cost determined in compliance with this Chapter, as regards depreciated property, and no less than the cost of production (acquisition), as regards other property (carried out works, rendered services). Information on the prices shall be confirmed by the taxpayer receiving the property (works, services), either in documented form or by making an independent estimate;

9) in the form of income distributed in favour of the taxpayer, if he is a member of a simple partnership, in accordance with the order envisaged by Article 278 of the present Code.

10) in the form of the income of the past years exposed in the accounting (tax) period;

11) in the form of the positive exchange rate difference arising from the revaluation of the property in the form of currency values (except for foreign-currency denominated securities) and of claims (liabilities) whose cost is expressed in foreign currency, including those on the currency accounts in banks which is performed in connection with a change in the official exchange rate of the foreign currency to the rouble of the Russian Federation fixed by the Central Bank of the Russian Federation;

For the purposes of this Chapter positive difference of exchange rates shall mean the difference of exchange rates arising in the event of revaluation of property in the form of currency values and claims shown in foreign currency, or in the event of marking down liabilities shown in foreign currency;

11.1) in the form of the sum difference a taxpayer has, when the sum of arising claims and liabilities calculated on the basis of the exchange rate of conventional monetary units, established by agreement of the parties on the date of sale (posting) of goods (works, services) and property rights, does not comply with the actually received (paid) amount in roubles;

12) in the form of fixed assets and intangible assets received free of charge in compliance with international treaties of the Russian Federation or with the laws of the Russian Federation by nuclear power plants for enhancing their safety, which are not used for production purposes;

13) in the form of the cost of received materials or other property during their pulling down or dismantling, when fixed assets are put out of operation in cases of their liquidation (with the exception of the cases envisaged by Subitem 18 of Item 1 of Article 251 of the present Code);

14) in the form of the property (monetary funds included), works and services, utilised other than in accordance with their intention, which were received in the framework of charitable activity (including charitable assistance and donations), of purpose-oriented receipts and purpose-oriented financing, with the exception of budgetary funds. With respect to the budgetary funds used other than for the target purposes, the norms of the budgetary legislation of the Russian Federation shall be applied.

The taxpayers who have received property (monetary funds included), works or services in the framework of charitable activity, or purpose-oriented incomings, or purpose-oriented financing, shall submit to the tax bodies at the place of their recording, after the end of the tax period, a report on the purpose-oriented utilisation of the received funds, which shall be compiled in accordance with the form approved by the Ministry of Finance of the Russian Federation.

15) in the form of funds intended for the enterprises and organisations incorporating especially-high radiation-hazard and nuclear-hazard production facilities and installations to maintain reserves for ensuring the safety of said production facilities and installations at all stages of their life-cycle and development in accordance with the legislation of the Russian Federation on the use of atomic energy, such funds having been used for purposes other than their intended purpose;

16) in the form of the sums by which the authorised (summed up) capital (fund) of the organisation was reduced over the accounting (tax) period, if such reduction was effected with a simultaneous refusal of return of the cost of the corresponding part of the contributions (deposits) to the organisation's shareholders (partners) (with the exception of the cases envisaged by Subitem 17 of Item 1 of Article 251 of the present Code);

17) in the form of the return from a non-profit organisation of the earlier made contributions (deposits), if such contributions (deposits) were earlier recorded in the composition of the outlays on the creation of the tax base;

18) in the form of the sums of credit indebtedness (of a liability to the creditors), which is written off in connection with an expiry of the term of legal limitation or on the other grounds, with the exception of the cases envisaged by Subitem 21 of Item 1 of Article 251 of the present Code. The provisions of this item shall not extend to the write-off by a mortgage agent of payables in the form of liabilities to holders of bonds with mortgage cover;

19) in the form of the incomes derived from transactions with the financial instruments of futures deals, taking into account the provisions of Articles 301 - 305 of this Code;

20) in the form of the cost of the surpluses of the commodity material values and other property, exposed as a result of making an inventory;

21) in the form of the cost of mass media products and books subject to exchange in the event of return or writing off of such products for the reasons provided for by Subitems 43 and 44 of Item 1 of Article 264 of this Code. The value of the products specified in the present item shall be assessed in accordance with the procedure for assessing the balance of finished products established by Article 319 of the present Code.

**Article 251.** Incomes Not Recorded When Defining the Tax Base

**1.** When defining the tax base, the following incomes shall not be taken into account:

1) in the form of the property and (or) rights of property, works or services received from the other persons as pre-payment for commodities (works, services) by the taxpayers, defining the incomes and outlays in accordance with the method of calculation;

2) in the form of property and (or) the rights of property received in the form of a pawn or of caution money as the security against liabilities;

3) in the form of property, rights of property or non-property rights assessed in cash, which are received in the form of contributions (deposits) to the authorized (pooled) capital (fund) of an organization (including income in the form of an excess of the price of placement of stocks (shares) over their nominal cost (initial amount));

3.1) in the form of amounts of value-added tax which are subject to tax deduction at the receiving organisation in compliance with Chapter 21 of this Code when contributing property, intangible assets and property rights to the authorized (pooled) capital of economic companies and partnership companies or shares to share funds of co-operatives;

4) in the form of property and (or) rights of property received within the limits of deposit (contribution) made by a partner of an economic company or partnership (by his legal successor or heir)

when he leaves (withdraws from) the economic company or partnership, or if the property of a liquidated company or partnership is distributed between its participants;

5) in the form of property, rights of property and (or) non-property rights assessed in cash which are received within the limits of deposit made by a participant in a simple partnership contract (joint activity contract) or by his legal successor, in the event of detachment of his share from the property in the joint ownership of the participants of the contract, or in the case of dividing such property;

6) in the form of the funds received as gratuitous aid (assistance) to the Russian Federation in accordance with the procedure laid down by the Federal Law on Gratuitous Aid (Assistance) to the Russian Federation and on the Introduction of Amendments and Addenda into the Individual Legislative Acts of the Russian Federation on Taxes, and on the Establishment of Privileges for Payments into the State Extra-Budgetary Funds in Connection with Rendering Gratuitous Aid (Assistance) to the Russian Federation;

7) in the form of the fixed assets and the non-material assets, received free of charge in conformity with the international treaties of the Russian Federation by the nuclear power plants for raising their safety, which have been used for production purposes;

8) in the form of the property received by the state and municipal organizations by decision of the executive power bodies of all levels;

9) in the form of the funds which have come in to a broker, agent and (or) other attorney under a commission contract, an agency agreement and (or) other similar agreement, as well as on account of compensation for the expenses borne by the broker, agent or other attorney instead of a client, principal and (or) other grantor where such expenses are not subject to inclusion into the expenses of the broker, agent and (or) other attorney under contracts made. A broker's fee, commission fee or any other similar remuneration shall not pertain to said incomes;

10) in the form of the funds and other property received under contracts of credit and borrowing (and other similar funds or other property irrespective of the form of legalizing the borrowings, including debt securities), as well as in the form of funds and other property obtained from the settlements of such borrowings;

11) in the form of the property received by a Russian organization free of charge:

- from an organization, if the authorized (pooled) capital (fund) of the receiving party consists by over 50 per cent of the deposit of the handing over organization;

- from an organization, if the authorized (pooled) capital (fund) of the handing over party consists by over 50 per cent of the deposit of the receiving organization;

- from a natural person, if the authorized (pooled) capital (fund) of the receiving party consists by over 50 per cent of the deposit (share) of this natural person.

In this case, the received property shall not be recognized as income for the purposes of taxation, if only in the course of one year, as of the date of its receipt said property (safe for monetary funds) is not handed over to third persons;

12) in the form of the funds derived in accordance with the demands of Articles 78, 79, 176 and 203 of the present Code from the budget (extra-budgetary fund);

13) in the form of the sums of guarantee contributions into special funds set up in conformity with the legislation of the Russian Federation, which are intended for reducing the risks of non-execution of liabilities under deals, which are obtained in the performance of the clearing activity or of an activity aimed at organizing trading in the securities market;

14) in the form of the property received by organizations within the framework of the purposive financing. In this case, the organizations which have received the funds of purposive financing shall be obliged to keep separate records for the incomes (expenditures) received (made) within the framework of the target financing. If no such recording is carried out by the organization which has received the funds under the purposive financing, said funds shall be regarded as those subject to taxation, as of the date of their receipt. To the funds of budgets of all levels and of extra-budgetary funds, allocated to budgetary institutions according the estimate of incomes and outlays of a budgetary institution but not used for the purpose they are intended for within a tax period or used for the purposes other that those they are intended for, there shall apply the rules of budget laws of the Russian Federation.

To the funds of purposive financing there shall be referred the property received by the taxpayer and used by him in accordance with the purpose defined by the organization (natural person) which is the source of the purposive financing or by federal laws:

- in the form of the funds from the budgets of all levels and from the state extra-budgetary funds allocated to budgetary institutions in accordance with the incomes and the outlays estimate of the budgetary institutions, to autonomous institutions in the form of subsidies and subventions;

- in the form of received grants. For the purposes of this Chapter grants shall mean monetary assets and other property, where their transfer (receipt) satisfies the following conditions:

- grants shall be provided on a non-compensation and non-repayment basis by Russian natural persons, non-commercial organisations and also by foreign and international organisations and associations according to the list of such organisations approved by the Government of the Russian

Federation for the purpose of implementing specific programmes in the area of education, arts, culture, public health (along the following guidelines: AIDS, drug-addiction, children's oncology, in particular, oncohematology, children's endocrinology, hepatitis and tuberculosis), environmental protection, protection of human and citizen's rights and freedoms envisaged by the legislation of the Russian Federation, provision of social services to low-income and socially-vulnerable categories of citizens, and also for the purpose of performing specific scientific research;

- grants shall be provided on the conditions determined by grantors with the obligatory submission of reports by grantees on the purposive use of grants;

- in the form of the investments, received when holding investment tenders (auctions) in the order established by the legislation of the Russian Federation;

- in the form of the investments received from foreign investors for financing the capital production-intended investments, under the condition that they are used within one calendar year from the moment of their receipt;

- in the form of the funds of the share partners and (or) investors accumulated on the accounts of a building organization;

- in the form of the funds received by a mutual insurance company from organizations who are members of the mutual insurance company;

- in the form of the funds, received from the Russian Fund for Fundamental Studies, from the Russian Fund of Technological Development, from the Russian Humanitarian Scientific Fund, from the Fund for Rendering Assistance to the Development of Small Businesses in the Scientific and Technological Sphere, and from the Fund for the Production of Innovations;

in the form of the funds received for the purpose of forming the Russian Technological Development Fund, as well as other branch and inter-branch funds for financing research and development works which are registered in the procedure provided for by the Federal Law "On Science and State Scientific Research Policy", and also from other funds of the support of scientific and/or scientific-and-technical activity registered in the procedure stipulated by Federal Law No. 127-FZ of August 23, 1996 on Science and the State Scientific-and-Technical Policy (hereinafter, the Federal Law on Science and the State Scientific-and-Technical Policy by the list approved by the Government of the Russian Federation;

- in the form of the funds received by enterprises and organizations, including especially dangerous radioactive and especially dangerous nuclear works and units, from the reserves intended for guaranteeing security of said works and units at all stages of their life cycle and development in conformity with the legislation of the Russian Federation on the use of nuclear power. Said incomes shall be included in the composition of the extra-sale incomes in case the grantee has actually used such funds for other than the intended purposes, or if he has not used them for the intended purpose in the course of one year after the end of the tax period in which they were received;

- as the amounts of fees for the provision of aviation navigation services for aircraft flights in the air space of the Russian Federation received by the specifically empowered body charged with civil aviation affairs;

in the form of funds received by medical organisations, engaged in medical activities in the system of obligatory medical insurance, for rendering medical services from the insurance organisations effecting obligatory medical insurance of these persons;

in the form of bank insurance contributions to the fund of the insurance of deposits in accordance with the federal law on the insurance of deposits of natural persons in the banks of the Russian Federation;

15) in the form of the cost of the shares additionally received by the shareholder organization which are distributed among the shareholders by the decision of the general meeting in proportion to the number of shares in their ownership, or in the form of the difference between the nominal cost of the new shares received instead of the original ones, and the nominal cost of the shareholder's original shares in the placement of the shares among the shareholders in cases of an augmentation of the authorized capital of a joint-stock company (without changing the share of the shareholder's participation in this joint-stock company);

16) in the form of the positive difference which has emerged as a result of revaluating precious stones in cases of a change of the price lists of the settlement prices for precious stones in the established order;

17) in the form of the sums by which in a report (tax) period an organization's authorized (pooled) capital was reduced in accordance with the demands of the legislation of the Russian Federation;

18) in the form of the cost of the materials and other property, received in dismantling and pulling down of the objects withdrawn from operation in cases of their liquidation, which shall be destroyed in conformity with Article 5 of the Convention on the Prohibition of the Development, Production, Accumulation and Application of Chemical Weapons, as Well as Their Destruction, and with Part Five of the Appendix on Checking the Convention on the Prohibition of the Development, Production, Accumulation and Application of Chemical Weapons, as Well as Their Destruction;

19) in the form of the cost of amelioration and other objects of agricultural use (including intra-economic water supply, gas and electricity supply networks) built at the expense of the budgetary funds received by an agricultural commodity producer;

20) in the form of the property and (or) the rights of property, received by organizations for the state stocks of special (radioactive) raw materials and of fissionable materials of the Russian Federation from transactions with material values from the state stocks of special (radioactive) raw materials and of fissionable materials, aimed at the replenishment and the maintenance of the stocks;

21) in the form of the sums of the taxpayer's credit indebtedness of payment of taxes and fees, penalties and fines to budgets of different levels and of payment of fees, penalties and fines to budgets of governmental off-budget funds written off and/or reduced in some other way in conformity with the legislation of the Russian Federation or by decision of the Government of the Russian Federation;

22) in the form of equipment, received on a gratuitous basis by state and municipal educational establishments, as well as by non-state educational establishments possessing licenses for the performance of educational activity, for exercising the activities stipulated by their statutes;

23) in the form of the fixed assets received by organizations included into the structure of the Russian Defence Organization for Sports and Technologies (hereinafter referred to in the present Chapter as ROSTO) (if these are handed over between two or more organizations included in the structure of this Organization), used for training citizens in the military-recorded specialities, for carrying out the military-patriotic education of youth, as well as for the development of the aviation, technological and military-applied kinds of sport in conformity with the legislation of the Russian Federation;

24) in the form of the positive difference received from revaluation of securities in accordance with the market cost;

25) in the form of the sums of the replenished reserves against devaluation of securities (with the exception of the reserves whose formation caused the expenses which under Article 300 of this Code previously decreased the tax base).

26) in the form of funds and other property which have been received by unitary enterprises from the owners of property of these enterprises or from the bodies authorized by them;

27) in the form of property (including monetary assets) and (or) property rights which have been received by a religious organization in connection with committing religious ceremonies and rituals and from the sale of religious literature and articles of religious purpose;

28) in the form of the amounts received by universal service operators from the universal service reserve in compliance with the laws of the Russian Federation on communications.

29) in the form of property, including cash, and/or property rights received by a mortgage agent in connection with his statutory activities;

30) in the form of property (works, services,) received by medical organisations engaged in medical activities in the system of obligatory medical insurance, from the insurance organisations effecting obligatory medical insurance from the reserve for financing preventive measures used in the established procedure;

31) in the form of incomes derived from investing the pension savings intended for financing the accumulative part of the labour pension received from the organisations acting as insurers under obligatory pension insurance;

32) as investment in the form of integrated improvements of rented property made by the lessee;

33) ship-owners incomes derived from operation of the ships registered in the Russian International Register of Ships. For the purposes of this Article, operation of the ships registered in the Russian International Register of Ships shall mean the use of such ships for carrying freight, passengers and their luggage, as well as for rendering services connected with the said carriage, provided that the point of departure and (or) the point of destination are located outside the territory of the Russian Federation, as well as granting of such ships on lease for rendering these services;

34) in the form of revenues of a development bank being a state corporation;

35) in the form of the sums of income from investing accumulations for the housing provision for servicemen, intended for the distribution by the nominal accumulation accounts of participants in the accumulation-mortgage system of the housing provision for servicemen.

**2.** The purpose-oriented incomes (with the exception of the target incomes in the form of excisable commodities) shall not be taken into account either, when determining the tax base. To these there shall be referred the target incomes from the budget to the budget receivers and the purpose-oriented receipts for maintaining non-profit organizations and for the performance by these non-profit organizations of their authorized activity, which have arrived gratis from other organizations and (or) from natural persons, and which said receivers have used for the intended purposes. With this, taxpayers who have received said purposive earnings shall be obliged to keep separate records of incomes (expenses) received (made) within the framework of purposive earnings.

To the above-mentioned purpose-oriented incomes for the maintenance of non-profit organizations and for the performance by the latter of their authorized activity the following shall be referred:

1) the entrance fees, membership fees, share participation contributions and donations recognized as such in conformity with the civil legislation of the Russian Federation which are paid under the laws of the Russian Federation, as well as deductions for forming the reserve in the procedure established by Article 324 of this Code intended for repair or overhaul of common property to be carried out for condominiums, housing co-operatives, fruit, fruit-and-vegetable, garage construction, housing construction to other specialized consumer cooperatives by members thereof;

1.1) targeted payments for forming the Russian Technological Development Fund, as well as other branch and inter-branch funds for financing research and development works which are registered in the procedure provided for by the Federal Law "On Science and State Scientific Research Policy";

2) the property handed over to non-profit organizations under a will by way of succession;

3) the sums of financing from the federal budget, from budgets of the subjects of the Russian Federation, from local budgets, or from the budgets of state extra-budgetary funds, allocated for the performance of the authorized activity by non-profit organizations;

4) the funds and other property received within the framework of charitable activity;

5) the joint contribution of the founders of non-state pension funds;

6) pension contributions to non-state pension funds, if these are directed to the formation of the pension reserves of the nonstate pension funds in the amount of at least 97 per cent;

6.1) pension savings, including insurance premiums under obligatory pension insurance, intended for financing the accumulative part of the labour pension in compliance with the laws of the Russian Federation;

7) receipts from the owners to the institutions they have established, used for the intended purpose;

8) the deductions of the chambers of solicitors/barristers of Russian regions for the general needs of the Federal Chamber of Solicitors/Barristers at the rates and in the manner determined by the All-Russia Congress of Solicitors/Barristers; the deductions of solicitors/barristers for the general needs of the chamber of solicitors/barristers of the relevant Russian region at the rates and in the manner determined by the annual meeting (conference) of the solicitors/barristers of the chamber of solicitors/barristers of the Russian region, and also for the maintenance of a relevant solicitors'/barristers' study, college of solicitors/barristers or solicitor/barrister bureau;

9) the funds which have come in to trade union organizations in conformity with the collective contracts (agreements) for the trade unions to hold socio-cultural and other events envisaged by their authorized activity;

10) funds used for their intended purpose which are received by the structural organizations of the Russian Defence Organization for Sports and Technologies from the federal executive body authorised in the sphere of defence and (or) from other executive power body under a general contract, as well as the target deductions from the organizations included in the structure of the Russian Defence Organization for Sports and Technologies, used in accordance with the constituent documents thereof for citizens' training in conformity with the legislation of the Russian Federation in the military-recorded specialities, for the militarypatriotic education of the youth and for the development of aviation, technological and military-applied kinds of sport.

11) property (including monetary assets) and (or) property rights which have been received by religious organizations for exercising their authorized activities.

12) the assets received by a professional association of insurers established in compliance with Federal Law No. 40-FZ of April 25, 2002 on Compulsory Insurance Against the Civil Liability of Owners of Transport Vehicles and intended for financing the compensation payments provided for by the laws of the Russian Federation on compulsory insurance against the civil liability of owners of transport vehicles for establishing funds in compliance with the requirements of international systems of compulsory insurance against civil liability of owners of transport vehicles, which the Russian Federation has joined to, as well as the assets received in compliance with the laws of the Russian Federation on compulsory insurance against civil liability of owners of transport vehicles by the said professional association of insurers in the form of reimbursement for compensation payments and expenses borne in connection with consideration of victims' claims for compensation payments.

13) monetary funds received by nonprofit organisations for the formation of a special-purpose capital which is carried out in the procedure established by the Federal Law on the Procedure for the Formation and Use of Special-Purpose Capital of Nonprofit Organisations;

14) monetary funds received by nonprofit organisations owning special-purpose capital from the managing companies carrying out trust management of the property making the special-purpose capital in accordance with the Federal Law on the Procedure for the Formation and Use of Special-Purpose Capital of Nonprofit Organisations;

15) monetary funds received by nonprofit organisations from specialised organisations managing special-purpose capital in accordance with the Federal Law on the Procedure for the Formation and Use of Special-Purpose Capital by Nonprofit Organisations;

**3.** In the event of a reorganisation of organisations when tax base assessment is carried out the calculation of incomes of the newly formed organisations as well as the organisations that are being reorganised and that have been reorganised shall not include the value of property, property rights and non-property rights having a value in terms of money and/or liabilities received (transferred) by succession in the event of reorganisation of legal entities that have been acquired (formed) by reorganised organisations before the date of completion of the reorganisation.

**Article 252.** Outlays. Grouping of the Outlays

**1.** For the purposes of this Chapter, the taxpayer shall reduce the received incomes by the sum of the outlays he has made (with the exception of the outlays indicated in Article 270 of the present Code).

Recognised as outlays shall be the justified and Documented expenditures (and in the cases envisaged by Article 265 of the present Code, also the losses), made (incurred) by the taxpayer.

Seen as justified outlays shall be the expenditures justified from an economic viewpoint whose evaluation is expressed in monetary form.

Seen as documented outlays shall be the outgoings confirmed by the documents which are formalised in conformity with the legislation of the Russian Federation or documents drawn up in compliance with the business customs prevailing in the foreign state on whose territory the expenses in question were incurred and/or documents that indirectly confirm the expenses incurred (including a customs declaration, order on a business trip, travel documents, or a report on work completed under a contract). Recognised as outlays shall be any kind of expenditures, under the condition that they are made for the performance of an activity aimed at deriving an income.

**2.** Depending on their character, as well as on the conditions necessary for the performance and on the directions of the taxpayer's activity, the outlays shall be subdivided into outlays involved in production and sale, and extra-sales outlays.

**2.1.** For the purposes of the present chapter "expenses" for newly formed or reorganised organisations means the value (balance value) of property, property rights having a value in terms of money and/or liabilities received by succession in the event of reorganisation of legal entities that were acquired (formed) by the organisations that are being reorganised before the date of completion of the reorganisation. The value of property, property rights having a value in terms of money shall be assessed according to tax record data and documents of the party that performs the transferral as of the date of transfer of title to the said property, or property rights.

Also "expenses" for newly formed and reorganised organisations means the expenses (or losses, in the cases envisaged by the present Code) envisaged by Articles 255, 260 - 268, 275, 275.1, 279, 280, 283, 304, 318 - 320 of the present chapter effected (incurred) by the organisations that are being reorganised, in the portion that has not been taken into account by them in tax base calculation. For the purposes of taxation the said expenses shall be taken into account by successor organisations in the procedure and on the terms described in the present chapter. The composition of such expenses and the assessed amount thereof shall be assessed according to the tax record data and documents of the organisations that are being reorganised, as of the date of completion of the reorganisation (the date of the entry on termination of activity of each legal entity affiliated, where reorganisation is carried out in the form of affiliation).

Additional expenses relating to the transfer (receipt) of property (property rights) in the event of reorganisation of organisations shall be taken into account for taxation purposes in the procedure established by the present chapter.

**3.** The specifics in qualifying the outlays recognised for the purposes of taxation, for the individual taxpayers' categories, or the outlays made in connection with special circumstances shall be established by the provisions of this Chapter.

**4.** If certain expenditures may be referred on equal grounds simultaneously to several groups of costs, the taxpayer shall have the right to decide on his own to which particular group he refers such outlays.

**5.** The outlays incurred by a taxpayer which are shown in foreign currency shall be accounted in the aggregate with the outlays shown in roubles.

The outlays incurred by a taxpayer which are shown in conventional units shall be accounted in the aggregate with the outlays shown in roubles.

Said outlays shall be conversed by a taxpayer depending on the method of recognizing such outlays chosen for his accounting policy for the purposes of taxation in compliance with Articles 272 and 273 of this Code.

For the purposes of this Chapter, amounts shown in the composition of taxpayers' expenditures shall not be subject to repeated inclusion in the composition thereof.

**Article 253.** Outlays Involved in Production and Sale

**1.** The outlays involved in production and sale shall incorporate:

1) the outlays connected with the manufacture (output), storage and delivery of commodities, with the performance of works and rendering services, with the acquisition and (or) sale of commodities (works, services and rights of property);

2) the outlays on maintenance and operation, repairs and technical servicing of the fixed assets and of the other property, as well as for maintaining them in good condition (in a fit-for-operation state);

3) the outlays on the development of natural resources;

4) the outlays on scientific research and on research and development works;

5) the outlays on obligatory and voluntary insurance;

6) the other outlays involved in production and (or) sale.

**2.** The outlays connected with the production and (or) with sale are subdivided into:

1) material outlays;

2) outlays on the remuneration of labour;

3) sums of imposed depreciation charges;

4) other outlays;

**3.** The specifics in determining the outlays of banks, insurance institutions, non-state pension funds, professional securities marketmakers, consumer cooperation organizations and foreign organizations shall be established subject to the provisions of Articles 291, 292, 294, 296, 297, 299, 300, 307, 308, 309 and 310 of the present Code.

**Article 254.** Material Outlays

**1.** To the material outlays are referred, in particular, the following expenditures of the taxpayer:

1) for the acquisition of raw materials and (or) of other materials utilised in the manufacture of commodities (in the performance of works or in rendering services) and (or) forming their base or comprising a necessary component in the manufacture of commodities (in the performance of works or in rendering services);

2) for the acquisition of materials utilised:

- for packing and other kinds of preparing the manufactured and (or) the sold commodities (including pre-sale preparation);

- for other production and economic needs (such as staging tests, exerting control, the maintenance and operation of the fixed assets and other similar items;

3) for the acquisition implements, appliances, instruments, apparatuses, laboratory equipment, overalls and other individual and collective means of protection envisaged by the legislation of the Russian Federation, and other property which are not depreciable property. The cost of such property shall be fully included into the composition of material expenses as it is put into operation;

4) for acquisition of completing parts subject to mounting and (or) semi-products subject to additional processing by a taxpayer;

5) for the acquisition of fuel, water and all kinds of power expended for technological needs, for working out (including by the taxpayer himself for its own production needs) all kinds of energy and for heating the buildings, as well as the outlays on the transformation and transmission of power;

6) for the acquisition of the works and services of production nature performed by the outside organisations or individual businessmen, as well as for carrying out these works (for rendering services) by the taxpayer's internal structural subdivisions.

To the works (services) of the production nature shall be referred the performance of the individual operations involved in the output (manufacture) of products, in performing works and rendering services in processing raw materials (materials), the exertion of control over the observation of the started technological processes, the technical servicing of the fixed assets and other similar works.

To the works (services) of the production nature shall also be referred the transportation services rendered by the outside organisations (individual businessmen included) and (or) by the structural subdivisions of the taxpayer himself for shipping cargoes inside the organisation, in particular the shifting of raw materials (materials), of implements, parts, ingots and other kinds of cargoes from the basic (central) store-house to the workshops (departments) and the delivery of finished products in accordance with the terms of the contracts (agreements);

7) those involved in the maintenance and utilisation of the nature protection fixed assets and other property (including outlays on the maintenance and running of the purification installations, of ash-catchers, filters and other nature-protection objects, outlays on burying ecologically dangerous waste, those on buying the services of outside organisations involved in the acceptance, storage and destruction of ecologically hazardous waste, in the purification of the discharged waters, the arrangement of sanitary protection areas in accordance with applicable state sanitary and epidemiological rules and regulations, payments for the ultimately admissible ejections (dumping) of pollutant substances into the natural environment and the other similar expenses.

**2.** The cost of the inventory items included in the material outlays shall be defined proceeding from the prices of their acquisition (without account taken of value added tax and excise taxes, except for

the cases envisaged by the present Code), including the commission fees paid to intermediary organisations, the import customs duties and collections, the outlays on transportation as well as other expenditures connected with the acquisition of inventory items.

The value of inventory items in the form of a surplus discovered in the course of stock-taking and/or assets obtained as the result of dismantling or disassembly of decommissioned fixed asset items shall be calculated as the sum of tax calculated on the income envisaged by items 13 and 20 of Part 2 of Article 250 of the present Code.

**3.** If the cost of the returnable containers accepted from the deliverer with the inventory items is included in the price of these values, from the total sum of the outlays on the acquisition thereof shall be excluded the cost of the returnable containers at the price of their probable use or sale. The cost of the non-returnable containers and packing, accepted from the deliverer with the inventory items, shall be included in the sum of the outlays on their acquisition.

The containers shall be referred to as either returnable or non-returnable in accordance with the terms of the agreement (contract) on the acquisition of the inventory items in question.

**4.** Where a taxpayer uses as raw materials, spare parts, completing parts, semi-products and other materials outlays products of his own making, as well as where a taxpayer includes in the composition of material outlays results of his own works and services, said products and results of his own works or services shall be evaluated reasoning from the evaluation of finished products (works, services) in compliance with Article 319 of this Code.

**5.** The amount of material outlays of the current month shall be decreased by the cost of the stock of inventory holdings transferred for production but not used in production as on the end of the month. Valuation of such inventory holdings should correspond to valuation thereof, when writing them off.

**6.** The sum of the material outlays shall be reduced by the cost of returnable waste. For the purposes of the present Chapter, seen as returnable waste shall be the residuals of the raw materials (materials), semi-products, heat-carriers and other kinds of material resources which have accumulated in the course of the manufacture of the commodities (of the performance of works or of rendering services) and which have partially lost the consumer properties of the original resources (their chemical or physical properties) and by force of this are utilised with higher outlays (with a lower output of products), or which are not utilised for their direct purpose.

Not referred to returnable waste shall be the residuals of the inventory items, which are handed over in accordance with the technological process to the other subdivisions as fully valuable raw materials (materials) for the output of the other kind of commodities (works, services), as well as the by-products (associated products) obtained as a result of carrying out the technological process.

Returnable waste shall be evaluated in this order:

1) at the reduced price of the original material resource (at the price of the probable utilisation), if these wastes may be used for the basic or auxiliary production but with higher outlays (with a lower output of the finished products);

2) at the price of sale, if these products are sold on the side.

**7.** For the purposes of taxation, to the material outlays shall be equated:

1) the outlays on the reclamation of the lands and on the other nature-protection measures, unless otherwise established by Article 261 of this Code;

2) the losses from the shortages and (or) spoilage during the storage and the transportation of the inventory items within the limit of the norms of natural losses, approved in the order established by the Government of the Russian Federation;

3) technological losses in the course of production and/or transportation. "Technological losses" means losses that occur in the course of production and/or transportation of goods (works, services) due to the technological features of the production cycle or/and of the process of transportation, and also by the physical and chemical characteristics of the raw materials being used;

4) the outlays involved in the preparatory mining works in the extraction of minerals, for the operational stripping works in quarries and for cutting works in the underground ore extraction mines within the boundaries of the mining plot, allotted to the ore-mining enterprises.

**8.** When determining the amount of material expenditures in writing off the raw and other materials utilised in the output (manufacture) of commodities (in the performance of works or in rendering services), in conformity with the accounting policy accepted by the given organisation for the purposes of taxation, one of the following methods for the evaluation of the said raw and other materials shall be applied:

- the method of evaluation in accordance with the prime cost of a unit of the stocks;
- the method of evaluation in accordance with average cost;
- the method of evaluation in accordance with the cost of the acquisitions which are the first chronologically (FIFO);
- the method of evaluation in accordance with the cost of the acquisitions which are the last chronologically (LIFO).

**Article 255.** Outlays on the Remuneration of Labour

In the taxpayer's outlays on the remuneration of labour shall be included any calculations for the workers in the form of money and (or) in kind, stimulating the calculations and allowances, the compensatory allowances in connection with the work regime or labour conditions, the bonuses and single-time incentive payments, the outlays involved in the maintenance of these workers stipulated by the rules of the laws of the Russian Federation and the labour agreements (contracts) and (or) in the collective agreements.

For the purposes of this Chapter, to the outlays on the remuneration of labour shall be referred, in particular:

1) the sums calculated in accordance with the tariff rates, official salaries, piece-work payment rates, or percentages of the receipts in accordance with the forms and systems of the remuneration of labour accepted in the given taxpayer;

2) the calculations of an incentive kind, including bonuses for high production results, mark-ups to the tariff rates and salaries for the professional skills, for achieving high results in the work and for the other similar indices;

3) the calculations of an incentive and (or) compensatory nature, connected with the work regime and the conditions of labour, including mark-ups to the tariff rates and salaries for the night-time work and for the multi-shift work, for combining trades, for expansion of the serviced zones, for the performance of work under difficult, dangerous and particularly dangerous conditions of labour, for overtime work and work on days off and on holidays, effected in conformity with the legislation of the Russian Federation;

4) the cost of the communal services, meals and products given over to the workers gratis in conformity with the legislation of the Russian Federation, and the cost of the living premises granted to the taxpayer's workers free of charge in conformity with the relevant procedure established by the legislation of the Russian Federation (the sums of monetary compensation for non-granting of living premises, communal and other similar services free of charge);

5) expenses towards the acquisition (manufacture) of uniforms (accessories) (in as much as it concerns the portion of value not compensated by employees) which are retained by employees for permanent personal use and which are handed out in accordance with the legislation of the Russian Federation to employees free of charge or sold thereto at discounted prices. The same procedure is applicable to keeping a record of expenses towards the acquisition or manufacture by an organisation of uniforms and footwear, which testify that employees belong to the organisation;

6) the sum of the average earnings to workers, which are preserved during the time spent in the performance of the state and (or) public duties, and in the other cases stipulated by the legislation of the Russian legislation on labour;

7) the outlays on the remuneration of labour preserved for the workers during time spent on leave, envisaged by the legislation of the Russian Federation, the actually outlays on the fares of the workers and of the dependents of the workers, to the place of their spending leave on the territory of the Russian Federation and back (including the expenditures on the payment for carrying the luggage of the workers of organisations situated in the areas of the Far North and in the localities equated to them) in accordance with the procedure envisaged by the effective legislation - for the organisations financed from the appropriate budgets and in the procedure provided for by the employer - for other organisations, an additional payment to the underaged for shorter working hours, outlays on the payment for breaks in the work of mothers for feeding their babies, as well as outlays on the remuneration of the time spent in undergoing medical examinations;

8) the monetary compensations for unused leave in compliance with the labour laws of the Russian Federation;

9) the allowances for the workers released in connection with the reorganisation or liquidation of the taxpayer, with the reduction of the labour force or of the number of workers on the taxpayer's staff;

10) the lump-sum awards for a long work record (the mark-ups for a long work record in the particular speciality) in conformity with the legislation of the Russian Federation;

11) the extra payments due to the regional regulation of the remuneration of labour, including allowances in accordance with the regional coefficients and the coefficients for work under hazardous natural-climatic conditions;

12) the extra payments for an uninterrupted record of work in the regions of the Extreme North and in the localities equated to them, in the areas of the European North and in other regions with hazardous natural-climatic conditions;

12.1) travel expenses in terms of actual amounts incurred and luggage carriage expenses on the basis of up to five tons per family in terms of actual amounts incurred but not exceeding the railway carriage tariffs envisaged for an employee of an organisation located in Extreme Northen areas and in areas qualifying as such (if there is no railway the said expenses shall be accepted in the amount of minimum air travel fare) and employee's family members in the event of travel to a new residence in

another area due to rescission of a labour contract with the employee on any ground, including in the event of the employee's death, except for dismissal for improper actions;

13) the outlays on the remuneration of labour preserved in conformity with the legislation of the Russian Federation over the time of educational leave, granted to the taxpayer's workers and also expenses towards payment for travel to the area where education/training takes place and back;

14) the outlays on the remuneration of labour for the time of compelled inactivity or for the time when lower-paid work is performed in the cases envisaged by the legislation of the Russian Federation;

15) the outlays on an additional payment up to the actual earnings in cases of the temporary loss of labour capacity established by the legislation of the Russian Federation;

16) the sums of the employers' payments (contributions) under the obligatory insurance contracts, as well as the sums of the employers' payments (contributions) under the contracts for the voluntary insurance (under contracts of non-state pension security) concluded in favour of workers with insurance organisations (with non-state pension funds) which possess the licences issued in conformity with the legislation of the Russian Federation for carrying out the corresponding kinds of activity in the Russian Federation.

In the cases of voluntary insurance (of non-state pension security), the said sums shall be referred to the outlays on the remuneration of labour under the contracts of:

life insurance, if such contracts are made for the time period of at least five years with Russian insurance organisations holding licences for the exercise of the appropriate kind of activity and within these five years insurance payments are not provided for, in particular in the form of rents and/or annuities, except for insurance payments in case of death and/or infliction of harm to the health of an insured person;

the non-state provision of pensions on condition of applying the pension scheme that provides for recording pension premiums on the personal accounts of participants of non-governmental pension funds and /or of voluntary pension insurance upon the onset for the participant and/or the insured person of the pension grounds provided for by the laws of the Russian Federation that give the right to the pension within the framework of governmental provision of pensions and (or) to the labour pension and within the period of validity of the pension grounds. With this, contracts of non-state provision of pensions must provide for paying pensions pending the exhaustion of funds on the personal account of a participant but within at least five years or for life, while contracts of voluntary pension insurance must provide for pensions' payment for life;

the voluntary personal insurance of workers, concluded for a term of no less than one year, which envisages coverage by the insurers of the insured workers' medical expenditures;

the voluntary personal insurance, providing for payments exclusively in case of death and/or infliction of harm to the health of the insured person.

The aggregate sum of the contributions (the payments) of the employers, made under the contracts of the long-term life insurance of workers, voluntary pension insurance and (or) of the non-state pension security of workers, shall be recorded for the purposes of taxation in an amount not exceeding 12 per cent from the sum of the outlays on the remuneration of labour.

In the event of amending the terms and conditions of a contract of life insurance, as well as of a contract of voluntary pension insurance and/or a contract of non-governmental pension provision in respect of some or all insured employees (participants), if as a result of such amendments the terms and conditions of the contract no longer comply with the requirements of this item, or in the event of dissolution of the said contracts in respect of some or all insured employees (participants), the employer's fees under such contracts in respect of the appropriate workers, previously included into the composition of outlays, shall be recognized as taxable as of the date of making such amendments to the terms and conditions of the said contracts and/or reduction of the term of these contracts' validity or their dissolution (except when a contract is dissolved ahead of time in connection with acts of God, that is, with emergency and unavoidable circumstances).

Contributions on the contracts of voluntary personal insurance, envisaging the insurer's coverage of the insured workers' medical expenditures, shall be included in the composition of the outlays in an amount not exceeding three per cent of the sum of the outlays on the remuneration of labour.

The fees under contracts of voluntary personal insurance providing for payments solely in case of death and/or infliction of harm to the health of the insured person shall be included into the composition of outlays in the amount of at most 15 000 roubles per year which is estimated as the ratio of the total sum of fees paid under the said contracts to the number of insured employees.

When calculating the maximum amount of payments (contributions) under this Subitem, the amount of payments (contributions) provided for by this Subitem shall not be included into the outlays on labour wages.

17) the sums calculated in the amount of one tariff rate or salary (if the work is carried out by the hour), which are envisaged by the collective agreements, for the days spent en route from the place of location of the organisation (from the gathering point) to the place of work and back, envisaged by the

work schedule by the hour, as well as for the calendar days of the workers' detainment while en route because of weather conditions;

18) the sums calculated for the performed work to the natural persons attracted for the work for the taxpayer in accordance with special agreements on the supply of the work force with state organisations;

19) In the cases provided for by the laws of the Russian Federation the sums calculated at the principal place of work to the workers, the managers or the specialists of taxpayer during their training away from work in the system of raising the qualifications or of the re-training of the personnel;

20) the outlays on the remuneration of labour of workers who are blood donors for the days of their medical examination, of the blood taking and of the rest, granted after every day after blood taking;

21) the outlays on the remuneration of labour of workers who are not on the taxpaying organisation's staff, for the fulfilment by them of works under the concluded contracts of civil-legal nature (including turnkey contracts), with the exception of the remuneration of labour under contracts of civil-legal nature concluded with individual businessmen;

22) the allowances to servicemen undergoing military service at state unitary enterprises and in the building organisations of the federal executive power bodies in which the legislation of the Russian Federation has envisaged the military service, and to the rank and file servicemen and the commanding staff of the internal affairs bodies, of the State Fire Service, stipulated by the federal laws, by the laws on the status of servicemen and on the institutions and bodies engaged in the execution of criminal punishments in the form of deprivation of freedom;

23) additional payments to invalids, stipulated by the legislation of the Russian Federation;

24) expenditure in the form of allocations to the reserve for forthcoming payment of workers' leaves and (or) to the reserve for paying annual long-service bonuses made in compliance with Article 324.1 of this Code.

25) other kinds of outlays made in the worker's favour, envisaged by the labour agreement and (or) by collective agreement.

**Article 256.** Depreciated Property

**1.** Recognised as depreciated property for the purposes of this Chapter shall be property, (if not otherwise provided for by this Chapter), the results of intellectual activity and the other objects of intellectual property belonging to the taxpayer by right of ownership and used by him for the purpose of deriving an income whose amount is amortised by imposing depreciation charges. Recognized as depreciable property there shall be the property with the term of beneficial use over 12 months and with the initial cost thereof over 20 000 roubles.

The depreciated property received by a unitary enterprise from the owner of the property of the unitary enterprise into operative management or into economic management, shall be subject to depreciation at the given unitary enterprise in accordance with the procedure established by the present Chapter.

The depreciable assets received by the investor organisation from the property owner in keeping with the legislation of the Russian Federation on investment agreements in the sphere of public services shall be subject to depreciation in this organisation during the validity term of an investment agreement in the order prescribed by the present Chapter.

Also the following is deemed "assets subject to depreciation": investments in the form of integrated improvements in fixed asset items that have been leased out, such improvements having been made by the lessee with the consent of the lessor.

Assets that are subject to depreciation and that have been received by an organisation from the owner of the assets in accordance with the legislation of the Russian Federation on investment agreements in the area of provision of utility services or by the legislation of the Russian Federation on concession agreements shall be subject to depreciation in this organisation within the effective term of the investment agreement or concession agreement in the procedure established by the present Chapter.

**2.** Not subject to depreciation shall be the land and the other nature utilisation objects (water, mineral wealth and other natural resources), and also the material production stocks, commodities, incomplete capital construction projects, securities and financial instruments of futures deals (including forward and futures contracts and option contracts).

Not subject to depreciation there shall be the following types of depreciable property:

1) the property of budgetary organizations, with the exception of the property, acquired in connection with the performance of business activity and used for the performance of such activity;

2) the property of non-profit organizations gained in the form of purposive receipts or acquired at the expense of purposive receipts and used for carrying out non-profit making activity;

3) the property acquired (created) with the use of budgetary funds. Said rule shall not apply to the property gained by a taxpayer as result of privatization;

4) the objects of outdoor improvement (the objects of forest economy, road maintenance economy, whose construction has been carried out with the use of the sources of budgetary and other similar purposive financing, specialised installations for navigational situations) and other similar objects;

5) productive livestock, buffalos, bullocks, yaks, deer and other wild animals (with the exception of draught animals);

6) acquired publications (books, booklets and other similar objects) and works of art. With this, the cost of acquired publications and other similar objects, safe for works of art, shall be included into the composition of other outlays connected with production and sale in the full amount at the moment of acquiring said objects;

7) property acquired (created) at the expense of the funds which have been received in compliance with Subitems 14, 19, 22, 23 and 30 of Item 1 of Article 251 of this Code, as well as the property mentioned in Subitems 6 and 7 of Item 1 of Article 251 of this Code;

8) acquired rights to the results of intellectual activity and other objects of intellectual property, where under the contract concerning the acquisition of said rights payment shall be made by periodical installments within the whole term of this contract's validity.

**3.** For the purposes of this Chapter the following fixed assets shall be excluded from the composition of depreciable property:

those transferred (received) under contracts for gratuitous use;

those temporary closed down by decision of the leadership of an organization for a term exceeding three months;

those being reconstructed or modernized by decision of the leadership of an organization within a term exceeding 12 months.

When re-activating an object belonging to fixed assets, the depreciation with regard to it shall be calculated in the procedure which has been effective prior to the moment of re-activation thereof and the term of beneficial use thereof shall be extended by the period of temporary closing-down the object belonging to the fixed assets.

**Article 257.** Procedure for Determining the Cost of the Depreciated Property

1. Seen as fixed assets for the purposes of the present Chapter shall be the part of the property which is applied as a labour facility for the manufacture and sale of commodities (for the performance of works and for rendering services), or for the management of the organisation with the initial cost over 20 000 roubles.

The original cost of a fixed asset shall be defined as the sum of the outlays on its acquisition (and in the event of acquiring a fixed asset by a taxpayer free of charge it shall be defined as the valuation cost of such property in compliance with Item 8 of Article 250 of this Code), its erection, manufacturing, delivery and bringing to the condition of fitness for use, except for value added tax and excise taxes, except for the cases envisaged by the present Code.

Recognized as the original cost of the property, which is the object of leasing, there shall be the sum of the leasing party's outlays on its acquisition, construction, delivery, manufacturing and bringing to the condition of fitness for use, with the exception of the sums of taxes subject to deduction and recorded in the composition of the outlays in conformity with the present Code.

The replacement value of the depreciated fixed assets, acquired (created) before the present Chapter is put into force, shall be defined as their initial cost with an account for the revaluations, performed before the date of enforcement of the present Chapter.

When defining the replacement value of the depreciated fixed assets, for the purposes of the present Chapter shall be taken into account the revaluation of the fixed assets, effected by the tax payer's decision as in the state on January 1, 2002 and reflected in the tax payer's business accounting after January 1, 2002. This revaluation shall be accepted for the purposes of taxation in an amount, not exceeding 30 per cent of the replacement value of the corresponding objects of fixed assets, reflected in the tax payer's business accounting as in the state on January 1, 2001 (with an account for the revaluation as in the state on January 1, 2001, made by the tax payer's decision and reflected in his business accounting in 2001). In this case, the size of the revaluation (of the devaluation) as in the state on January 1, 2002, reflected by the tax payer in 2002, shall not be recognized as the tax payer's income (outlays) for the purposes of taxation. In a similar order, for the purposes of taxation shall be accepted the corresponding revaluation of the sums of depreciation.

When the tax payer carries out in the subsequent reporting (tax) periods after the enforcement of the present Chapter the revaluation (devaluation) of the cost of the fixed assets objects by the market cost, the positive (negative) sum of such revaluation shall not be recognized as an income (as the outlays), taken into account for the purposes of taxation, and shall not be accepted in defining the replacement value of the depreciated property and in computing the depreciation charges, taken into account for the purposes of taxation in conformity with the present Chapter.

The residual cost of the fixed assets, introduced before the enforcement of the present Chapter, shall be defined as the difference between the replacement value of such fixed assets and the sum of depreciation, determined in the order, laid down in the fifth paragraph of the present Item.

The residual cost of the fixed assets put into operation upon entry of this Chapter into force shall be defined as a difference between their initial cost and the amount of depreciation accrued for the period of their depreciation.

When the taxpayer uses the objects of the fixed assets of his own manufacture, the original cost of such objects shall be defined as the cost of finished products calculated in compliance with Item 2 of Article 319 of this Code increased by the sum of the corresponding excise duties on the fixed assets which are excisable commodities.

2. The original cost of the fixed assets shall be changed in the cases of completing the construction and the equipment, of the reconstruction, modernisation, technical re-equipment and partial liquidation of the corresponding objects, and also on other similar grounds.

Referred to the works involved in completing the construction and equipment, and also in the reconstruction and modernisation shall be the works caused by a change in the technological or official purpose of the equipment, building, structure or other object of the depreciated fixed assets, by the increased loads and (or) by the other new properties.

For the purposes of this Chapter, to the reconstruction shall be referred the restructuring of the existing fixed assets objects in connection with the improvement of production and with the higher technical and economic indices carried out according to the project for the reconstruction of the fixed assets, aimed at an expansion of the production capacities, raising the standard and changing the range of the products.

To the technical re-equipment shall be referred a complex of measures aimed at raising the technical and economic indices of the fixed assets or of their individual parts on the basis of the introduction of advanced hardware and technology, of the mechanisation and automation of the production, of the modernisation and replacement of the outdated and physically worn out equipment with new and more productive versions.

**3.** For the purposes of the present Chapter, recognised as non-material assets shall be the results of intellectual activity and other objects of intellectual property, acquired and (or) created by the taxpayer (or the exclusive rights to them), which are used in the output of products (in the performance of works or in rendering services) or for the organisation's managerial needs in the course of a long period of time (over twelve months).

For a non-material asset to be recognised, it shall possess the capability to bring economic gain (income) to the taxpayer and properly formalised documents confirming the existence of the non-material asset itself and (or) the taxpayer's possession of the exclusive right to the results of the intellectual activity (including the patents, certificates and other protective documents, and a contract on the cession (acquisition) of the patent or trade mark).

To the non-material assets are referred in particular:

1) the exclusive right of the patent holder to an invention, an industrial sample or a useful model;

2) the exclusive right of the author and other rightholders to the use of a computer programme or of a data base;

3) the exclusive right of the author or other rightholders to the use of the topology of the integral microschemes;

4) the exclusive right to a trade mark, a service mark, to the name of the place of commodity origin and company name;

5) the patent holder's exclusive right to selection achievements;

6) the possession of know-how, a secret formula or process, or of information concerning industrial, commercial or scientific experience.

The original cost of the depreciated non-material assets is defined as the sum of the outlays on their acquisition (creation) and on bringing them up to a state in which they are fit to use, except for value-added tax and excise taxes, except for the cases envisaged by the present Code.

The cost of the non-material assets created by the organisation itself shall be defined as the sum of the actual expenditures on their creation and manufacture (including material outlays, outlays on the remuneration of labour and on the services of the outside organisations, and the patent duties connected with receiving patents and certificates), with the exception of the sums of the taxes recorded in the composition of the outlays in conformity with the present Code.

To non-material assets shall not be referred:

1) scientific-research, research and development and technological works which have produced no positive result;

2) the intellectual and business qualities of the organisation's workers, their qualifications and labour capacity.

**Article 258.** Depreciation Groups. Specifics of Including the Depreciated Property into the Composition of the Depreciation Groups

**1.** The depreciated property is divided into depreciation groups in accordance with the term of its beneficial use. Recognised as the term of beneficial use is the period in the course of which an object of the fixed assets or an object of non-material assets serves to the purposes of the taxpayer's activity. The term of beneficial use shall be defined by the taxpayer on his own as on the date of putting the given object of the depreciated property into operation in conformity with the propositions of the present Article and subject of the classification of the fixed assets endorsed by the Government of the Russian Federation.

A taxpayer shall be entitled to extend the term of beneficial use of an object of the fixed assets after the date of its putting into operation, where after the reconstruction, modernization or technical re-equipment of such object the term of beneficial use thereof has increased. With this, the term of beneficial use of fixed assets may be extended within the limits of the time period established for the depreciation group which such fixed asset was previously included in.

If the term of beneficial use of an object has not increased after the reconstruction, modernization or technical re-equipment of an object belonging to fixed assets the taxpayer, when calculating depreciation thereof, shall take into account the remaining period of its beneficial use.

Investments in the rented fixed asset items specified in Paragraph 1 of Item 1 of Article 256 of the present chapter shall be depreciated in the following procedure:

investments whose value is compensated for by the lessor to the lessee shall be depreciated by the lessor in the procedure established by the present chapter;

investments made by the lessee with the consent of the lessor of which the value is not compensated for by the lessor shall be depreciated by the lessee within the effective term of the lease on the basis of depreciation amounts calculated with account taken of the useful life assessed for rented fixed asset items in accordance with the Classification of Fixed Assets approved by the Government of the Russian Federation.

**2.** The term of beneficial use of an object of non-material assets shall be defined proceeding from the term of operation of the patent or of the certificate, and (or) from the other restrictions of the terms of use of the objects of intellectual property in conformity with the legislation of the Russian Federation or with the applicable legislation of a foreign state, and also proceeding from the term of beneficial use of non-material assets, substantiated by the corresponding treaties. The depreciation norms for the non-material assets, for which it is impossible to define the term of beneficial use of an object of non-material assets, shall be established as ten years (but shall be no longer than the term of the taxpayer's activity).

**3.** The depreciated fixed assets (property) shall be divided into the following depreciation groups:

- the first group - all the short-life property with a term of beneficial use from 1 to 2 years inclusive;
- the second group - property with a term of beneficial use of over 2 years and up to 3 years inclusive;
- the third group - property with a term of beneficial use from 3 to 5 years inclusive;
- the fourth group - property with a term of beneficial use from 5 to 7 years inclusive;
- the fifth group - property with a term of beneficial use from 7 to 10 years inclusive;
- the sixth group - property with a term of beneficial use from 10 to 15 years inclusive;
- the seventh group - property with a term of beneficial use from 15 to 20 years inclusive;
- the eighth group - property with a term of beneficial use from 20 to 25 years inclusive;
- the ninth group - property with a term of beneficial use from 25 to 30 years inclusive;
- the tenth group - property with a term of beneficial use of over 30 years.

**4.** The classification of the fixed assets, divided into the depreciation groups, shall be endorsed by the Government of the Russian Federation.

**5.** For those kinds of fixed assets which are not indicated in the depreciation groups, the term of beneficial use shall be fixed by the tax payer in conformity with the technical conditions or with the recommendations of the manufacturer organisations.

**6.** For the purposes of this Chapter, the depreciated property shall be put onto the records in accordance with their original cost, defined in conformity with Article 257 of the present Code, if not otherwise provide for by this Chapter.

**7.** Property received (handed over) into financial rent under a contract of financial rent (under a leasing contract, shall be included into the corresponding depreciation group by the party, which shall record the given property in accordance with the terms of the contract of financial rent (of the contact of leasing).

**8.** The fixed assets, the rights to which are subject to state registration in conformity with the legislation of the Russian Federation, shall be included in the composition of the corresponding depreciation group as from the moment of the documentarily confirmed fact of submitting the documents for the registration of the above-said rights.

**9.** Removed.

**10.** Removed.

**Article 259.** Methods and Procedure for Calculating the Sums of Depreciation

**1.** For the purposes of the present Chapter, the taxpayer shall calculate the depreciation using one of the following methods, while taking into account the specifics envisaged by this Chapter:

1) the linear method;

2) the non-linear method.

**1.1.** The taxpayer is entitled to include into the expenses of an accounting (tax) period expenses incurred as investment in an amount not exceeding ten per cent of the initial value of the fixed asset items (except for fixed asset items received on a non-compensation basis) and/or expenses incurred in the event of an additional construction, additional equipping, reconstructing, upgrading, technical refurbishing, or a partial liquidation of fixed asset items, the amounts thereof being assessed in accordance with Article 257 of the present Code.

2. The sum of depreciation for the purposes of taxation shall be defined by taxpayers every month, in accordance with the procedure established by the present Article. The depreciation shall be calculated separately for every object of the depreciated property.

Depreciation with regard to an object of depreciable property shall be accrued beginning from the first day of the month next following the month when this object was put into operation. Depreciation accrual on depreciable assets in the form of investments made in rented fixed asset items that are subject to depreciation in accordance with the present chapter shall be started - for the lessor - from the first day of the month following the month in which these items were commissioned but not earlier than the month in which the lessor provided compensation to the lessee for the value of these investments, and - for the lessee - from the first day of the month following the month in which these items were commissioned.

Charging depreciation with regard to an object of depreciable property shall be terminated beginning from the first day of the month next following the month when the cost of such object was completely written off or when this object was excluded from the composition of the depreciable property of a taxpayer for any reasons.

While calculating a depreciation sum the taxpayer shall not take into account the investment expenses envisaged by Item 1.1 of the present Article.

**3.** The taxpayer shall apply the linear method for the calculation of the depreciated property towards the buildings, structures and transmission appliances, included into the eighth to tenth depreciation groups, regardless of the deadline for putting these objects into operation.

The taxpayer shall have the right to apply to the rest of the fixed assets any one of the methods presented in Item 1 of this Article.

The method of calculating the depreciation selected by a taxpayer may not be changed within the entire period of calculating depreciation for an object of depreciable property.

The calculation of the depreciation with respect to an object of the depreciated property shall be effected in accordance with the depreciation norm established for the given object proceeding from its term of beneficial use.

**4.** When applying the linear method, the sum of the depreciation, calculated with respect to the object of the depreciated property for one month, shall be defined as the product of multiplying its original (replacement) cost by the depreciation norm established for the given object.

When using the linear method, the depreciation norm for every object of the depreciated property shall be defined by the formula:

$$K = [1/n] \times 100\%,$$

where K is the depreciation norm in percentages of the original (replacement) cost of the object of the depreciated property, and

n is the term of beneficial use of the given object of the depreciated property, expressed in months.

**5.** When using the non-linear method, the sum of the depreciation, calculated for one month with respect to the object of the depreciated property, shall be defined as the product of the residual cost of the object of the depreciated property, multiplied by the depreciation norm fixed for the given object.

When using the non-linear method, the depreciation norm of the object of the depreciated property shall be defined by the formula:

$$K = [2/n] \times 100\%,$$

where K is the depreciation norm in percentages of the residual cost applied towards the given object of the depreciated property, and

n is the term of beneficial use of the given object of the depreciated property, expressed in months.

Beginning with the month next to the month in which the residual cost of the object of the depreciated property reaches 20 per cent of the original (replacement) cost of this object, the depreciation for this object shall be calculated in the following order:

1) the residual cost of the object of the depreciated property shall be fixed for the purposes of calculating the depreciation as its basic cost for further calculations;

2) the sum of the depreciation being calculated for one month with respect to the given object of the depreciated property shall be defined by dividing the basic cost of the given object by the number of months left until the expiry of the term of beneficial use of the given object.

**6.** If in the course of a certain calendar month the organisation was instituted, liquidated, reorganised or transformed in any other way, so that in conformity with Article 55 of the present Code the tax period for it begins or ends before the end of the calendar month, the depreciation shall be calculated with account taken of the following specifics:

1) no depreciation shall be calculated by the liquidated organisation from the first day of the month in which the liquidation is completed, and by the reorganised organisation - from the first day of the month in which the reorganisation is completed in the established order;

2) the depreciation shall be calculated by the instituted organisation, emerging as a result of the reorganisation, as from the first day of the month next to the month in which its state registration was effected.

The provisions of this Item shall not be spread to organisationswhich change their legal organisational form.

**7.** With respect to the depreciated fixed assets used for work under the conditions of an aggressive environment and (or) of a rigid shift schedule, the taxpayer shall have the right to apply to the basic depreciation norm a special coefficient, which shall not be higher than 2. For the depreciated fixed assets which are an object of a contract of financial rent (of a contract of leasing), the taxpayer, who has a fixed asset which shall be accounted under the terms and conditions of a contract of financial rent (of a contract of leasing), shall have the right to apply to the basic depreciation norm the special coefficient, which shall not be higher than 3. The given provisions shall not be spread to the fixed assets referred to the first, second and third depreciation groups if the depreciation for the given fixed assets is calculated using the non-linear method.

The taxpayers who use the depreciated fixed assets for the performance of work under the conditions of an agressive environment and (or) of a rigid shift schedule, shall have the right to apply the special coefficient mentioned in this Chapter only when computing the depreciation with respect to the indicated fixed assets. For the purposes of this Chapter, seen as an aggressive environment shall be the aggregate of the natural and (or) artificial factors, whose impact is responsible for a higher wear and tear (ageing) of the fixed assets in the course of their operation). To the work in an aggressive environment shall also be equated the fixed assets being in direct contact with the explosion or fire-hazardous, toxic or other kind of aggressive technological environment, which may serve as a cause (source) of an emergency situation.

Taxpayers which are agricultural organizations of industrial type (battery farms, cattle-breeding complex farms, beast farms, hothouse complex farms) shall be entitled in respect of their own fixed assets to apply to the basic depreciation norm, chosen independently subject to the provisions of this Chapter, a special coefficient of 2 at most.

The taxpayers - the organisations having the status of a resident of an industrial production special economic zone or a special tourism-recreation economic zone - shall have the right to apply the special coefficient (but not higher than 2) for their internal fixed assets to the basic norm of amortisation.

With respect to depreciated fixed assets used only for carrying out scientific-and-technical activity, to the main depreciation rate the taxpayer can apply a special coefficient but not more than 3.

**8.** The taxpayers which have handed over (received) the fixed assets that are the object of a contract of leasing concluded before the present Chapter was put into operation shall have the right to calculate the depreciation for this property using the methods and the norms existing at the moment of handing over (receiving) the property, and also applying a special coefficient of not higher than 3.

**9.** For passenger cars and passenger minibuses with the original cost, respectively, of over 600,000 roubles and 800,000 roubles, the basic depreciation norm shall be applied with the special coefficient of 0.5.

The organisations which have received (transferred) the above passenger cars and passenger minibuses into leasing shall include this property in the composition of the corresponding depreciation group and shall apply the basic depreciation norm (subject to the coefficient applied by a taxpayer for such property) with a special coefficient of 0.5.

**10.** The calculation of the depreciation according to the depreciation norms which are lower than those established by the present Chapter shall be admissible by the decision of the head of the taxpaying

organisation confirmed in the accounting policy for the purposes of taxation. The reduced depreciation norms may be applied only as from the start of the tax period and throughout the entire tax period.

**11.** In the sale of the depreciated property by taxpayers who have been applying the reduced depreciation norms, the tax base shall not be recalculated by the sum of the undercalculated depreciation against the norms envisaged by the present Article for the purposes of taxation.

**12.** An organisation acquiring the used objects of the fixed assets shall have the right to determine the depreciation norm for this property, taking into account the term of its beneficial use, reduced by the number of years (months) over which the given property was operated by its previous owners.

If the term of actual use of the given fixed asset by previous owners is equal to or exceeds the term of beneficial use thereof determined on the basis of the classification of fixed assets endorsed by the Government of the Russian Federation in compliance with this Chapter, the taxpayer shall be entitled to determine independently the term of beneficial use of this fixed asset subject to the accident prevention requirements and other factors.

**13.** Excluded

**14.** An organisation that receives second-hand fixed asset items as a contribution in the charter (contributed) capital or by succession in the event of reorganisation of legal entities shall be entitled to determined their useful life as their useful-life span established by the previous owner thereof less the number of years (months) for which these items were operated by the previous owner.

**15.** Organisations engaged in the activities in the field of information technologies shall be entitled to apply the depreciation procedure established by this Article in respect of electronic computer equipment. In this case, the outlays of the said organisations on the acquisition of electronic computer equipment shall be deemed a taxpayer's material expenses in the procedure established by Subitem 3 of Item 1 of Article 254 of this Code. For the purposes of this Item, as organisations engaged in the activities in the field of information technologies shall be deemed the organisations specified by Items 7 and 8 of Article 241 of this Code.

**Article 260.** Outlays on the Repairs of Fixed Assets

**1.** The outlays on the repairs of the fixed assets, made by a tax payer, shall be considered as other outlays and shall be recognized for taxation purposes in the accounting (tax) period, in which they were effected, in the amount of actual expenses.

**2.** The provisions of the present Article shall also apply towards the outlays of the lessee of the depreciated fixed assets, if the contract (agreement) concluded between the lease-holder and the lease-giver does not stipulate the recompense of these outlays.

**3.** Taxpayers shall be entitled for ensuring the even inclusion of outlays on the repairs of fixed assets in two and more tax periods to create reserves for forthcoming repairs of fixed assets in the procedure established by Article 324 of this Code.

**Article 261.** Outlays on the Development of Natural Resources

**1.** For the purposes of the present Chapter, recognised as outlays on the development of natural resources shall be the taxpayer's expenditures on the geological studies of the earth's bowels, on prospecting for commercial minerals and on the performance of preparatory works.

To the outlays on the development of natural resources shall be referred, in particular:

- outlays made on the search for and on an assessment of the deposits of commercial minerals (including the audit of the stocks), on prospecting for commercial minerals and (or) on the hydrogeological investigations carried out on the plot of the earth's bowels in accordance with the licences or other permits of authorized bodies obtained in the established order, as well as outlays on the acquisition of the necessary geological and other kinds of information from third persons, including from state bodies;
- the outlays on preparing the territory for carrying out the mining, construction and other works in conformity with the established demands made on the safety and protection of the lands, mineral wealth and the other natural resources, and of the natural environment, including on the construction of temporary approach lines and roads for the transportation of the extracted mining rock, useful minerals and wastes, and on preparing the sites for erecting the corresponding structures and for the preservation of the fertile soil layer intended for the subsequent reclamation of the lands and for the storage of the extracted mining rock, commercial minerals and the wastes;
- the outlays on the recompense of the complex damage inflicted upon the natural resources by the land users in the process of the construction and operation of the objects, for relocation and the paying out of compensation for demolition of housing facilities during the development of the deposit/field. To these outlays shall also be referred the compensations envisaged by the contracts (agreements) with local self-government bodies and (or) with the tribal and family communes of indigenous small-numbered peoples, concluded by these land users.

**2.** The outlays on the development of natural resources made after the present Chapter is put into operation shall be included in the composition of the other outlays in conformity with the present

Chapter, if the source of their financing is not the budgetary funds and (or) the resources of the state extra-budgetary funds.

The outlays on the development of natural resources mentioned in Item 1 of the present Article shall be recorded in the order stipulated by Article 325 of the present Code. When effecting the outlays on the development of natural resources concerning several plots of the earth's bowels, the said outlays shall be recorded separately for every plot of the bowels in the part defined by the taxpayer in accordance with the accounting policy he has accepted for taxation purposes. The said outlays shall be recognised for taxation purposes as from the first day of the month next to the month in which the given works (work stages) were completed, and shall be included in the composition of the other outlays in the following procedure:

the outlays stipulated by Paragraph Three of Item 1 of this Article shall be evenly included into the composition of expenditure within 12 months;

the outlays provided for by Paragraphs Four and Five of Item 1 of this Article shall be evenly included into the composition of expenditure within five years but within no longer term than the period of operation thereof.

**3.** If outlays on the development of natural resources for the corresponding plot of the earth's bowels have proved to be futile, the said outlays shall be recognised for the purposes of taxation as from the first day of the month next to the month in which the taxpayer informed the federal body for the management of the state stocks of mineral wealth or its territorial subdivision about the termination of further geological search, geological prospecting and other kind of works on this plot because of their uselessness.

Recognised as futile shall be the geological search, geological prospecting and other works by the results of which the taxpayer has adopted the decision on stopping further works on the corresponding part of the plot of the earth's bowels because of the lack of prospect for finding deposits of commercial minerals or in connection with the impossibility or the unfeasibility of building and (or) of operating underground structures not involved in the extraction of useful minerals. The procedure stipulated by the present Item shall be applied to the outlays on the development of the natural resources referred to the part of the territory (of the water area) indicated in the corresponding licence. The taxpayer is obliged to keep a separate record on the corresponding part of the territory (of the water area).

The above outlays shall be included in the composition of the other outlays in the procedure provided for by Item 2 of this Article.

**4.** The procedure for recognising the outlays on the development of natural resources for the purposes of taxation envisaged by the present Article shall also be applied to the outlays on building (boring) prospecting wells in the oil and gas fields which have proved to be unproductive, on carrying out a complex of geological works and tests with the use of this well, and also on the subsequent liquidation of this well. Such procedure shall be applied by the taxpayer, irrespective of whether he goes on with or stops further works on the corresponding plot of the earth's bowels after the liquidation of the unproductive well, under the condition that the outlays on this well are recorded separately. The outlays made on the unproductive well shall be recognised for taxation purposes evenly in the course of twelve months, beginning with the first day of the month next to the month in which this well was liquidated in the established order as not having fulfilled its purpose.

The decision on recognising the corresponding well as unproductive shall be taken by the taxpayer once and for all, and shall not be subject to subsequent change. The taxpayer shall inform the tax body at the place of his recording of the decision adopted with respect to every well not later than the ultimate date fixed by the present Chapter for submitting the tax declaration for the reporting (tax) period into which he has actually included the outlays (part of such outlays) on the well into the composition of the other outlays.

**5.** The outlays on useless works for the development of natural resources shall not be included in the composition of outlays for the purposes of taxation, if in the course of five years before the moment when the rights to the geological study of the bowels, to the prospecting for and the extraction of useful minerals, or to some other use of the plot of the earth's bowels are granted to the taxpayer, similar kind of works have already been performed on this plot. The given provision shall not be applied if the said works were carried out on the basis of the principally different technology and (or) with respect to different useful minerals.

**6.** The outlays on the acquisition of works (services) of geological and other kinds of information from third persons, and likewise from state bodies, as well as outlays on a independent performance of the works aimed at the development of natural resources shall be recorded for the purposes of taxation in the amount of actual expenses.

**Article 262.** Outlays on Scientific Studies and (or) on Research and Development Works

**1.** The outlays involved in the creation of new or in the improvement of already existing products (commodities, works and services), in particular, outlays on inventions, as well as outlays on forming the Russian Technological Development Fund and other branch and inter-branch funds for financing scientific

studies and research and development works registered in the procedure provided for by the Federal Law on Science and State Scientific Research Policy shall be recognized as outlays on scientific studies and (or) on research and development works.

**2.** A taxpayer's outlays on scientific studies and (or) research and development works relating to the development of new products (goods, works and services) or to the improvement of those being put out, especially the outlays on inventions borne by him independently or jointly with other organizations (in the amount corresponding to his share of expenditure), as well as under the contracts in which he acts as a customer with regard to such studies or works, shall be recognized for the purposes of taxation upon the completion of these scientific studies or research and development works (upon completion of individual stages of works) and signing by the parties of an acceptance certificate in the procedure provided for by this Article.

The taxpayer shall evenly include the said outlays in the composition of the other outlays in the course of one year, under the condition that these studies and works are used in the production and (or) sale of commodities (in the performance of works or in rendering services) as from the first day of the month next to the month in which these studies (individual stages of research) were completed.

The taxpayer's outlays on scientific studies and (or) on research and development works, aimed at the creation of new or at an improvement of already applied technologies, or at the creation of new kinds of raw and other materials, which have not produced any positive result, shall also be included in the composition of other outlays evenly in the course of one year in an amount of the actually incurred expenses, in accordance with the order envisaged by the present Item.

Expenses on research and development works, (including those without a positive result) made by the tax-paying organisations registered and working on the territory of special economic zones, set up in accordance with the legislation in that reporting (tax) period in which they were made in the amount of actual costs.

**3.** The outlays of a taxpayer on scientific studies and (or) research and development works in the form of allocations to the Russian Technological Development Fund, as well as of other branch and inter-branch funds for financing scientific studies and research and development works registered in the procedure provided for by the Federal Law on Science and State Scientific Research Policy shall be recognized for the purposes of taxation within the limits of 1.5 per cent of the incomes (gross receipt) of the taxpayer.

The operation of Paragraph One of this Item shall not extend to the outlays of branch and inter-branch funds for financing research and development words in the form of allocations to the Russian Technological Development Fund.

**4.** The provisions of Item 2 of the present Article shall not extend to outlays on scientific studies or on the research and development works carried out in organisations which are engaged in scientific studies and (or) in research and development works in the capacity of performer (of the contractor or of the subcontractor). The said outlays shall be considered as made on the performance by these organisations of an activity aimed at deriving incomes.

**5.** Where as a result of expenses incurred in connection with scientific studies and (or) research and development works a taxpaying organization gains the exclusive rights to the results of the intellectual activities indicated in Item 3 of Article 257 of this Code, these rights shall be recognized as the intangible assets subject to depreciation in compliance with Item 2 of Article 258 of this Code.

**Article 263.** Outlays on the Obligatory and Voluntary Insurance of Property

**1.** The outlays on the obligatory and voluntary insurance of property embrace the insurance fees for all kinds of the obligatory insurance and for the following kinds of the voluntary insurance of property:

1) voluntary insurance of the transportation facilities (of water, air, ground and pipeline transport), including those rented, the outlays on whose maintenance are included in the outlays involved in production and sale;

2) voluntary insurance of freight;

3) voluntary insurance of the production-profiled fixed assets (including those rented), of non-material assets and of the objects of the capital construction in progress (including those rented);

4) voluntary insurance against the risks involved in the performance of the construction and mounting works;

5) voluntary insurance of the commodity-material stocks;

6) voluntary insurance of the harvest of agricultural cultures and the livestock;

7) voluntary insurance of other property which the taxpayer uses in carrying out an activity aimed at deriving an income;

8) voluntary insurance of responsibility for inflicting harm, if such insurance is a condition for the performance by the taxpayer of activity in conformity with the international liabilities of the Russian Federation or with the generally accepted international demands.

2. The outlays on the obligatory kinds of insurance (those established by the legislation of the Russian Federation) shall be included in the composition of the other outlays within the limit of the

insurance tariffs in conformity with the legislation of the Russian Federation and with the demands of the international conventions. If the given tariffs are not approved, the outlays on the obligatory insurance shall be included in the composition of the other outlays in the amount of the actual expenditures.

**3.** The outlays on the voluntary types of insurance indicated in this Article shall be included into the composition of the other outlays in the amount of the actual expenditures.

**Article 264.** Other Outlays Involved in the Production and (or) Sale

**1.** To the other outlays involved in the production and (or) in the sale, are referred the following taxpayer's outlays:

1) the amounts of taxes and fees, customs duties and fees accrued in the procedure established by the legislation of the Russian Federation, except for those listed in Article 270 of the present Code;

2) the outlays on the certification of the products and services;

3) the sums of the commission fees and other similar expenditures on the works (services), performed (rendered) by outside organisations;

4) the sums of the port and airfield fees, the outlays on the pilot's services and other similar expenses and the other similar payments;

5) the sums of paid out travelling allowances within the limit of the norms established in conformity with the legislation of the Russian Federation;

6) outlays on ensuring fire safety of a taxpayer in compliance with the laws of the Russian Federation, outlays on the maintenance of a gas rescue team, outlays on the services rendered for the protection of property, on the fire prevention services, outlays on the acquisition and of the other services of security guard activity, including services provided by non-departmental security guards under the internal affairs bodies of the Russian Federation in accordance with the legislation of the Russian Federation as well as outlays on the maintenance of the internal security service for fulfilling the functions of economic protection of the banking and economic operations, and for the protection of material values (with the exception of the outlays on the equipment and on the acquisition of weapons and other special means of defence);

7) outlays on ensuring normal labour conditions and accident prevention measures provided for by the laws of the Russian Federation, outlays on civil defence in compliance with the laws of the Russian Federation, as well as outlays on medical treatment of occupational diseases of workers engaged in jobs with harmful or dangerous working conditions, outlays connected the maintenance of premises and equipment of health units situated directly on the territory of the organization;

8) the outlays on hiring workers, including the outlays on the services of specialized organizations profiled on an engagement of the personnel;

9) the outlays on rendering services involved in the guarantee repairs and servicing, including deductions into the reserve against the forthcoming outlays on the guarantee repairs and guarantee servicing (with account of the provisions of Article 267 of the present Code);

10) rent (lease) payments for rented (accepted for lease) property (including the land plots) and also expenses towards the acquisition of property for lease. If property received under a lease contract is recorded on the books by the lessee the following shall be recognised as expenses taken into account under the present subitem:

for the lessee: rent (lease) payments less the accumulated depreciation for the property accrued in accordance with Article 259 of the present Code;

for the lessor: the expenses incurred to acquire the property that is leased out;

11) outlays on the maintenance of the company's transport facilities (motor, railway, air and other types of transport). The outlays on compensation for the use of personal passenger cars and motorbikes for making official trips within the limit of the norms established by the Government of the Russian Federation;

12) outlays on business trips, in particular, on:

- workers' fares to the place of destination of the business trip and back to the place of his permanent work;

- the hire of living premises. In this item of the outlays, subject to compensation shall also be the worker's expenses incurred in the remuneration of additional services rendered in hotels (with the exception of the fees for services rendered in bars and restaurants, in hotel rooms and payments for the use of recreational and health facilities);

- the daily or field allowances within the limit of the norms approved by the Government of the Russian Federation;

- the formalisation and issue of visas, passports, vouchers, invitations and other similar documents;

- the consular and airfield fees, fees for the right of the entry, passage and transit of motor and the other transportation facilities, for the use of sea channels and of other similar installations, and other similar payments and fees;

12.1) outlays on the delivery from the place of residence (gathering) to the place of work and back of workers employed by the organizations exercising their activities by shifts or in the field (in expeditions). Said outlays shall be provided for by collective agreements;

13) outlays on providing food allowances for sea crews, river and air vessels within the limit of the norms approved by the Government of the Russian Federation;

14) outlays on legal and informational services;

15) outlays on consulting and other such services;

16) payment to the state and (or) private notaries for notarial formalisation. This kind of outlay shall be accepted within the limit of the tariffs approved in the established order;

17) outlays on auditor services;

18) outlays on the management of the organization or of its individual subdivisions, as well as outlays on the acquisition of services related to management of organizations or individual subdivisions thereof;

19) outlays on the services involved in sending over workers (technical and managerial personnel) by outside organisations for them to take part in the production process, in the management of the production or in the fulfilment of other functions involved in the production and (or) sale;

20) outlays on the publication of business accounting reports, as well as on publishing and on the other ways of revealing other kinds of information, if the legislation of the Russian Federation has imposed upon the taxpayer the duty to actualise such publication (revealing);

21) outlays involved in the presentation of the forms and of information of the state statistical observation, if the legislation of the Russian Federation has imposed upon the taxpayer the duty to present such information;

22) representation outlays connected with holding official reception and with the servicing of representatives from other organisations taking part in negotiations aimed at establishing and maintaining cooperation, in accordance with the procedure stipulated by Item 2 of the present Article;

23) outlays on the training and retraining of personnel on the taxpayer's staff on a contractual basis in accordance with the procedure stipulated by Item 3 of the present Article;

24) outlays on stationery;

25) outlays on postal, telephone, telegraph and other similar services, outlays on the remuneration of communication services and on services rendered by computer centres and banks, including those on the services of fax and satellite communication, of e-mail and of informational systems (SWIFT, Internet and other similar systems);

26) outlays connected with the acquisition of the right to the use of computer software and of data bases under the contracts with the right holder (under licence agreements). To the said outlays shall also be referred outlays on acquisition of exclusive rights to the software at the cost of less than 10 000 roubles and those made on the renewal of computer software and of data bases;

27) the outlays on the current study (research) of the market situation, on the collection of information directly involved in the production and sale of commodities (works, services);

28) the outlays on the advertising of the put out (acquired) and (or) of the sold commodities (works, services), of the activities of the taxpayer, of trade marks and service marks, including participation in exhibitions and in the fairs, taking into account the provisions of Item 4 of the present Article;

29) the contributions, deposits and other obligatory fees paid to non-profit organisations, if the payment of such contributions, deposits and other obligatory fees is a condition for the performance of their activity by the taxpayers who are payers of such contributions, deposits or other obligatory fees;

30) contributions to international organisations and organisations that provide payment systems and electronic data transmission systems, if the payment of such contributions is an obligatory condition for the performance of their activity by the taxpayers who are payers of such contributions, or if it is a condition for the international organisation's rendering the services necessary for the performance of the said activity by the tax payer who is a payer of such contributions;

31) the outlays involved in the remuneration of services to the outside organisations for the maintenance and sale, in accordance with the procedure established by the legislation of the Russian Federation, of the objects of pledge and pawn over the time when the said objects are kept by the pawn holder after they are handed over to him by the pawn giver;

32) outlays on the maintenance of settlements for shifts of workers and temporary settlements, including all objects of housing-communal and socio-cultural purpose, of truck farms and other similar services, in the organizations exercising their activities by shifts or in the field (in expeditions). Said expenses for the purposes of taxation shall be recognized within the limits of the normative standards for maintenance of similar objects and services endorsed by bodies of local self-government at the place of the taxpayer's activities. Where such normative standards are not endorsed by bodies of local self-government, the taxpayer shall be entitled to apply the procedure for determining outlays on the maintenance of these objects effective with regard to similar objects situated on the given territory and subordinate to said bodies;

33) the deductions of the enterprises and organizations running especially dangerous radioactive and nuclear works and objects for forming the reserves for guaranteeing the security of the said works and objects at all stages of their life cycle and development in conformity with the legislation of the Russian Federation on the use of nuclear power and in accordance with the procedure established by the Government of the Russian Federation;

34) the outlays on the preparation and development of new production, workshops and aggregates;

35) the outlays of non-capital character connected with the improvement of technology, as well as of the organisation of production and management;

36) the outlays on services involved in keeping business accounting, rendered by outside organisations or the individual businessmen;

37) periodical (current) payments for the use of the rights to the results of intellectual activity and of the means of individualisation (in particular, of rights arising from the patents on the inventions, industrial samples and other forms of intellectual property);

38) the outlays effected by tax paying organisations making use of the labour of invalids in the form of funds directed towards the goals ensuring the social protection of invalids, if the invalids comprise no less than 50 per cent of the total number of such taxpayer's workforce and the share of the outlays on the remuneration of invalids' labour in the outlays on remuneration of labour is not less than 25 per cent.

In accordance with the legislation of the Russian Federation on the social protection of disabled persons the goals of social protection of disabled persons are as follows:

improving working conditions and the labour protection system for disabled persons;

job creation and preservation for disabled persons (the purchase and installation of equipment, including work arrangements for employees working at their residence);

training (including in new occupations and working techniques) and finding job opportunities for disabled persons;

manufacturing and repairing prosthetic items;

acquiring and servicing technical rehabilitation facilities (including the acquisition of guide dogs);

providing the services of sanatoria and health resorts to disabled persons and to persons who accompany Group I disabled persons and disabled children;

protecting the rights and lawful interests of disabled persons;

measures for integrating disabled persons into society (including cultural, sport and other similar events);

giving the same opportunities to disabled persons as those available to other citizens (including transport services to persons who accompany Group I disabled persons and disabled children);

acquiring printed publications of public organisations of disabled persons and distributing them among disabled persons;

acquiring video materials with captions or translation for deaf people;

contributions sent by said organisations to public organisations of disabled persons for the maintenance thereof.

When determining the total number of invalids, into the average-listed number of workers shall not be included invalids combining jobs, working on turn-key contracts and other contracts of civil-legal nature;

39) the outlays of tax paying invalids' public organisations, and of tax-paying institutions, the only owners of whose property are the public organisations of invalids in the form of the funds oriented towards the performance of the activity of the said public organisations of invalids and towards the goals pointed out in Item 38 of the present Item.

After the expiry of the tax period, the receivers of the funds intended for the exercise of activities of a public organization of invalids and for the purposes of the social protection of invalids shall submit to the corresponding tax bodies at the place of their recording a report on the purpose-oriented use of the received funds.

If these funds have not been used, from the moment when the receiver has actually used such funds, not for the purpose (violated the terms for granting these funds), such funds shall be recognised as income of the tax-payer who has received these funds.

The outlays mentioned in Subitem 38 of the present Item and in the present Subitem cannot be included in the outlays connected with the production and (or) the sale of excisable commodities, mineral raw materials, other commercial minerals and other commodities in accordance with the list compiled by the Government of the Russian Federation in agreement with the all-Russia organizations of invalids, as well as with rendering intermediary services connected with the sale of such commodities, mineral raw materials and minerals;

39.1) outlays of taxpaying organizations whose authorized (pooled) capital is completely made up of the contribution of religious organizations in the form of receipts from the sale of religious literature and articles of religious purpose, provided that these amounts are transferred for the exercise of the authorized activities of said religious organizations;

39.2) expenses toward the maintenance - in the procedure established by Article 267.1 of the present Code - of the forthcoming expenses reserves for the purpose of providing social protection to disabled persons envisaged by Subitem 38 of the present Item that have been incurred by a taxpayer that is a public organisation of disabled persons and also by a taxpayer that is an organisation that uses the labour of disabled persons, if disabled persons make up at least 50 per cent of the total number of employees of the employer, and the share of expenses towards the payroll of disabled persons in the payroll expenses make up at least 25 per cent;

40) payments for the registration of the rights to immovable property and to land, of the deals in the said objects, payments for the supply of information on the registered rights and the remuneration of the services of the authorised bodies and specialised organisations involved in the assessment of property and in compiling documents of cadastre and technical recording (inventory) of the objects of immovable property;

41) outlays under the contracts of civil-legal nature (including turn-key contracts) concluded with individual businessmen not on an organisation's staff;

42) the outlays of the agricultural organisation taxpayers on providing food for the workers engaged in agricultural works;

43) outlays on the replacement of copies of periodical printed matter in which defects have been exposed or which have lost their marketable appearance in the course of transportation and (or) sale, and which have proved to have missing parts, but not over seven per cent of the cost of the edition of the corresponding issue of the periodical printed publication;

44) losses in the form of the cost of mass media products and books which have defects or have lost their marketable appearance, or which have not been sold within the time term indicated in the present Subitem (morally outdated), and which are written off by the taxpayer engaged in the manufacture and issue of the mass media products and books, within the limit of ten per cent of the cost of the edition of the corresponding issue of the periodical publication or of the corresponding edition of books, as well as the outlays on writing off and utilisation of mass media products and books in which defects have been exposed or which have lost their marketable appearance or which have not been sold.

Recognised as outlays shall be the cost of mass media products and books which have not been sold to the following deadlines:

- as concerns the printed periodical publications before the output of the next issue of the corresponding periodical;
- as concerns books and other non-periodical printed matter - within 24 months after their issue;
- as concerns calendars (regardless of their form) before April 1 of the year to which they refer;

45) the contributions on the obligatory social insurance against accidents in production and against occupational diseases, made in conformity with the legislation of the Russian Federation;

46) the taxpayer's deductions made to provide for the supervisory activity of the specialised institutions for the purposes of exerting control over the observation by such taxpayers of the corresponding demands and terms, stipulated by the legislation of the Russian Federation, and the taxpayers' deductions into reserves created in conformity with the legislation of the Russian Federation regulating activities in the sphere of communications;

47) losses caused by spoilage;

48) outlays connected with maintenance of public catering units for servicing labour collectives (including amounts of accrued depreciation, outlays on repairing premises, outlays on lighting, heating, water and power supply, as well as on fuel for cooking) if such expenses are not taken into account in accordance with Article 275.1 of the present Code;

48.1) an employer's outlays on payment of the temporary disability allowance as a result of an illness or trauma (except for industrial accidents and professional diseases) for the first two days of an employee's disability in compliance with the laws of the Russian Federation in the part thereof that is not covered by the insurance payments made to employees by insurance organisations that possess the licences issued in compliance with the laws of the Russian Federation for exercising the appropriate type of activity under contracts made with employers for the benefit of employees in the event of their temporary disability as a result of an illness or trauma (except for industrial accidents and professional diseases) for the first two days of disability;

48.2) payments (premiums) of employers under contracts of voluntary personal insurance made with insurance organisations having the licences issued in compliance with the laws of the Russian Federation for exercising the appropriate type of activity for the benefit of employees in the event of their temporary disability as a result of an illness or trauma (except for industrial accidents and professional diseases) for the first two days of disability. The said payments (premiums) shall be included into the composition of outlays if the amount of insurance payment under such contracts does not exceed the amount of the temporary disability allowance as a result of an illness or trauma (except for industrial accidents and professional diseases) for the first two days of an employee's disability determined in compliance with the laws of the Russian Federation. With this, the total sum of these employers' payments (premiums) and the premiums indicated in Paragraph Ten of Item 16 of Article 255 of this Code

shall be included into the composition of outlays in the amount of 3 per cent of the sum of outlays on labour wages at the most;

49) the other outlays involved in the production and (or) sale.

2. To the representation outlays shall be referred the taxpayers' outlays on official receptions and (or) on servicing the representatives of other organisations, taking part in negotiations aimed at establishing and (or) at maintaining mutual cooperation, as well as the participants who have arrived to attend the meetings of the taxpayer's board of directors (of the board) or of the other management body, regardless of the place of holding such events. To the representation outlays shall be referred those made on holding official receptions (lunches, dinners or other similar events) arranged for the said persons, as well as for the officials of a taxpaying organization participating in the talks, on providing transport facilities to take these persons to the place of holding representation events and (or) meetings of the management body and back, on snack bar servicing during negotiations, and on the remuneration of the services of interpreters who are not on the tax payer's staff, to provide for translation during the representation events.

To the representation outlays shall not be referred those made on organising entertainment and recreation, prophylactic activity or the treatment of diseases.

The representation outlays shall be included in the course of the reporting (tax) period in the composition of the other outlays in an amount not exceeding four per cent of the taxpayer's outlays on the remuneration of labour over this reporting (tax) period.

**3.** To the taxpayer's outlays on personnel training and retraining carried out on the grounds of contracts with educational establishments shall be referred outlays involved in the training and retraining (including in raising the qualifications of personnel) in conformity with the contracts signed with these establishments.

The said outlays shall be included in the composition of the other outlays, if:

1) the corresponding services are rendered by Russian educational establishments which have received state accreditation (possess the corresponding licence), or by foreign educational establishments with the corresponding status;

2) training (retraining) is provided to the workers on the tax payer's staff and in the operating organisations responsible for maintaining the qualifications of workers employed at nuclear power plants - to the workers of these plants, in conformity with the legislation of the Russian Federation;

3) the programme for training (retraining) helps in raising qualifications and encourages a more efficient use of the trained or the retrained specialist in this organisation in the framework of the tax payer's activity.

Not recognised as outlays on personnel training and retraining shall be the outlays involved in organising entertainment, recreation or medical treatment, or outlays connected with the maintenance of educational establishments or with rendering them gratuitous services, with the payment for the workers' studies at higher and secondary special educational establishments for them to receive a higher or secondary special education. The said outlays shall not be accepted for the purposes of taxation.

4. For the purposes of the present Chapter, to the organisation's outlays on advertising shall be referred:

- the outlays on advertising effected through the mass media (including announcements in the press and in radio and television programmes) and the telecommunication networks;

- outlays on lit and other outdoor advertising, including the manufacture of advertisement stands and panels;

- outlays on taking part in exhibitions, fairs and displays, on the decoration of showcases, of sales exhibitions, rooms for the exposition of samples and demonstration halls, on the production of advertising booklets and catalogues containing information on goods sold, works performed, services provided, trademarks and service marks, or on an organization proper, and on the price discounts concerning the commodities which have fully or partially lost their original properties because of being put on display.

The taxpayer's outlays on the acquisition (the manufacture) of the prizes given out to the winners during the large scale advertising campaigns, as well as the taxpayer's outlays on other types of advertising not indicated in Paragraphs from Two to Four of this Item, which are carried out by him with a report (tax) period for the purposes of taxation shall be recognized in the amount not exceeding one per cent of the proceeds from sale to be defined in conformity with Article 249 of the present Code.

**Article 264.1.** Outlays on the Acquisition of the Right to the Land Plots

**1.** For the purposes of the present Chapter, as the outlays on the acquisition of the right to the land plots shall be seen those made on the acquisition of land plots from out of the lands in the state or the municipal ownership, on which there are buildings, structures and installations or which are acquired for the purposes involved in the capital construction of fixed assets objects on these land plots.

**2.** As the outlays on the acquisition of the right to the land plots shall also be recognized those made on the acquisiton of the right to conclude a contract for the lease of the land plots, under the condition that such contract of lease is actually signed.

**3.** The outlays on the acquisition of the right to the land plots, mentioned in Item 1 of the present Article, shall be included into the composition of other outlays connected with the production and (or) realization, in the following order:

1) at the tax payer's choice, the sum of the outlays on the acquisition of the right to the land plots shall be seen as the outlays of the accounting (tax) period evenly in the course of the period, which shall be defined by the tax payer on his own and which shall not be less than five years, or as the outlays of the accounting (tax) period in an amount, not exceeding thirty per cent of the tax base of the previous tax period, computed in conformity with Article 274 of the present Code, up to the complete recognition of the entire sum of the said outlays, unless otherwise envisaged in the present Article.

The procedure for recognizing the outlays on the acquisition of the right to the land plots shall be applied in conformity with the accounting policy the organizaiton has adopted for the purposes of taxation.

For the computation of the ultimate amounts of the outlays, computed in accordance with the present Article, the tax base of the previous tax period shall be defined while not taking into account the sum of the outlays of the said tax period on the acquisition of the right to the land plots.

If land plots are acquired on the terms of an instalment plan, whose time term exceeds that mentioned in the first paragraph of the present Subitem, such outlays shall be recognized as those of the accounting (tax) period evenly in the course of the time term, fixed in the contract.

2) the sum of the outlays on the acquisition of the right to the land plots shall be included into the composition of other outlays as from the moment of the documentally confirmed fact of submitting documents for the state registration of this right.

For the purposes of the present Article, as the documental confirmation of the rights shall be seen the receipt slip on the receipt by the body, carrying out the state registration of rights to immovable property and of deals with it, of documents for the state registration of the said rights.

**4.** The rules established by Item 3 of the present Article, shall also be applied with respect to the procedure for recognizing the outlays, mentioned in Item 2 of the present Article, unless otherwise stipulated in the present Item.

If the contract for the lease of the land plot is not subject to the state registration in conformity with the legislation of the Russian Federation, the outlays on the acquisition of the right to conclude such contract of lease shall be recognized as the outlays evenly in the course of the term of validity of this contract of lease.

**5.** At the realization of the land plots and of the buildings (structures, installations), situated on it, the profit (the loss) shall be defined in the following order:

1) the profit (the loss) from the realization of buildings (structures and installations), shall be accepted for taxation purposes in accordance with the procedure, estalbished in the present Chapter;

2) the profit (the loss) from an implementation of the right to the land plot shall be defined as the difference between the price of realization and the outlays not recompensed to the tax payer, involved in the acquisition of the right to this land plot. As the unrecompensed outlays is understood for the purposes of the present Article the difference between the tax payer's outlays on the acquisiton of the right to the land plot and the sum of the outlays, recorded for the purposes of taxation until the moment of the exercize of the said right in the order, established in the present Article;

3) the loss from an implementation of the right to the land plot shall be included into the composition of the tax payer's other outlays in equal parts in the course of the term, fixed in conformity with Subitem 1 of Item 3 of the present Article, and of the actual term of possession of this land plot.

**Article 265.** Extra-Sale Outlays

**1.** Into the composition of the extra-realisation outlays, not connected with production and the sale, are included the justified outlays on the performance of an activity which is not directly involved in the production and (or) in sale. To such outlays are, in particular, referred:

1) outlays on the maintenance of the property handed over under a rental contract (of leasing) (including on the depreciation of this property);

For organisations which hand over on a systematic basis for payment into temporary use and (or) into temporary possession and use their property and (or) the exclusive rights arising from the patents on inventions, on industrial samples and on other kinds of intellectual property, seen as outlays involved in the production and realisation shall be the outlays connected with this activity;

2) outlays in the form of interest on any kind of debt liabilities, including interest calculated on securities and other liabilities, issued (emitted) by the taxpayer subject to the specifics provided for by Article 269 of this Code (for banks, the specifics in defining the outlays in the form of interest shall be established in conformity with Articles 269 and 291), and also the interest payable in connection with the restructuring of a debt relating to taxes and fees in accordance with the procedure established by the Government of the Russian Federation.

Recognised as outlays shall, in this case, be interest on any kind of debt liabilities, irrespective of the character of the granted credit or loan (current and(or) investment). Recognised as outlays shall be

only the sum of interest calculated over the actual time of use of the borrowed funds (the actual time of the said securities being placed at the disposal of third persons), and of the initial income established by the issuer (lender) in the terms of issuance (issue, contract) but not above the actual amount;

3) the outlays on organizing the issue of own securities, especially on the preparation of the prospectus of the emission of securities, on the manufacture or acquisition of blank forms, on the registration of securities, outlays connected with servicing own securities, including outlays on the services for keeping a register of the owners of securities, on depository services, on the services of agents for paying interest (dividends), the outlays connected with keeping a register, providing information to share holders in compliance with the laws of the Russian Federation, and other similar outlays;

4) outlays connected with servicing the securities acquired by a taxpayer, including payment for the services related to keeping a register of the owners of securities, for depository services, outlays connected with the receipt of information in compliance with the laws of the Russian Federation, and other similar outlays;

5) outlays in the form of negative currency exchange rates arising from revaluating the property in the form of currency values (except for foreign-currency denominated securities) and claims (liabilities) whose cost is expressed in foreign currency, including on currency accounts in banks, which is carried out in connection with a change in the official exchange rate of foreign currency to the rouble of the Russian Federation, fixed by the Central Bank of the Russian Federation;

For the purposes of this Chapter, a negative currency exchange rate shall be recognized as the currency exchange rate arising in the course of discounting property in the form of currency values or claims expressed in foreign currency or in the course of revaluating liabilities expressed in foreign currency;

5.1) outlays in the form of the sum difference which a taxpayer has, when the sum of arising liabilities and claims calculated on the basis of the exchange rate of conventional monetary units established by agreement of the parties on the date of sale (posting) of goods (works, services) or property rights does not comply with the actual amount of money in roubles received;

6) outlays in the form of negative (positive) difference emerging as a result of deviations in the rate of sale (purchase) of foreign currency from the official exchange rate of the Central Bank of the Russian Federation, established on the date of the transfer of ownership of foreign currency (the specifics of determining outlays of banks on these operations shall be established by Article 291 of this Code);

7) outlays of taxpayers who apply the method of calculation, on setting up the reserves against risky debts (in conformity with the order established by Article 266 of the present Code);

8) outlays on the liquidation of fixed assets withdrawn from operation, including the amounts of depreciation which is not fully accrued in compliance with the established time period of beneficial use thereof, as well as outlays on the liquidation of incomplete construction projects and other property whose installation is not completed (outlays on dismantling, disassembling and removal of disassembled property), on guarding mineral wealth and other similar works;

9) outlays on temporary closing down and re-activating industrial capacities and objects, including expenditure on the maintenance of conserved industrial capacities and objects;

10) court outlays and arbitration fees;

11) outlays on cancelling production orders, as well as outlays on production which has not yielded any products. Outlays on canceling production orders, as well as outlays on production which has not yielded any products, shall be recognized on the basis of acts of a taxpayer endorsed by the head thereof or by a person authorized by him in the amount of direct factor costs determined in compliance with Articles 318 and 319 of this Code;

12) outlays on operations with tare, if not otherwise provided for by the provisions of Item 3 of Article 254 of this Code;

13) outlays in the form of fines, penalties and (or) other sanctions for violating the contractual or debt liabilities recognized by debtors and subject to payment by debtors on the basis of effective court decisions, as well as outlays on the recompense of inflicted damage;

14) outlays in the form of the sums of taxes referred to the delivered inventory items, works and services, if the credit indebtedness (the liabilities to the creditors) on such delivery is written off in the reporting period in conformity with Item 18 of Article 250 of the present Code;

15) outlays on the remuneration of services rendered by banks including those connected including the services connected with the sale of foreign currency when collecting tax, fee, penalty and fine in the procedure provided for by Article 46 of this Code, with the installation and operation of electronic systems of documents circulation between a bank and clients, including "client-bank" systems;

16) outlays on holding a meetings of shareholders (participants, partners), in particular, outlays connected with renting premises, with preparing and forwarding information necessary for holding such meetings, as well as other outlays directly involved in holding the meeting;

17) in the form of outlays not subject to compensation from the budget, on performing works involved in mobilisation preparations, including expenditures on maintaining the capacities and objects which are loaded (used) only partially but still necessary for the fulfilment of the mobilisation plan;

18) outlays on transactions with the financial instruments of futures deals, taking into account the provisions of Articles 301-305 of the present Code;

19) expenses in the form of deductions of the organisations incorporated in the ROSTO structure - for the purposes of accumulation and re-distribution of funds to organisations incorporated in the ROSTO structure - for the purpose of ensuring the training of citizens, in accordance with the legislation of the Russian Federation, in listed military occupations, of military-patriotic upbringing of youngsters, of development of aviation, technical and applied military sports;

19.1) expenses in the form of a bonus (discount) paid out (provided) by a seller to a buyer as a result of compliance with certain terms and conditions of a contract, including the amount of purchases;

19.2) expenses in the form of targeted deductions from lotteries effected in the amount and according to the procedure envisaged by the legislation of the Russian Federation;

20) other justified outlays.

**2.** For the purposes of the present Chapter, to the extra-sale outlays shall be equated the losses incurred by the taxpayer in the reporting (tax) period, in particular:

1) in the form of the losses of the past tax period identified in the current reporting (tax) period;

2) sums of bad debts, and where a taxpayer has decided on the creation of a reserve against doubtful debts, the sums of bad debts not covered at the expense of the reserve;

3) the losses from idle time because of internal production reasons;

4) the losses from idle time because of external reasons not compensated by the guilty persons;

5) outlays in the form of a shortage of material values in production and warehouses, as well as at trading enterprises in the absence of guilty persons, and losses from embezzlements whose culprits have not been caught. In the given cases, the fact of the absence of guilty persons shall be documentarily confirmed by an authorised state power body;

6) the losses from natural calamities, fires, accidents and other emergency situations, including the expenditures connected with the aversion or with the liquidation of the aftermath of the natural calamities and emergency situations.

7) losses in a deal of cession of the right of claim in the procedure established by Article 279 of this Code.

**Article 266.** Outlays on Setting Up Reserves Against Risky Debts

1. Recognised as a risky debt shall be any kind of indebtedness to the taxpayer that has emerged in connection with the sale of goods, performance of works, provision of services, if this indebtedness is not settled before the deadline fixed by the contract and is not secured against with a pawn, surety or bank guarantee.

A debt in respect of which the creation of a reserve against possible loan losses is provided in compliance with Article 292 of this Code, shall not be regarded as doubtful for taxpaying banks.

For taxpaying insurance companies determining receipts and expenditures by the method of calculations under insurance contracts, co-insurance contracts and reinsurance contracts in respect of which insurance reserves have been formed, a reserve against doubtful debts in respect of the debit indebtedness connected with payment of insurance premiums (fees) shall not be set up.

**2.** Recognised as risky debts (unrecoverable debts) shall be those debts to the taxpayer on which the fixed term of legal limitation has expired, and also those debts on which in conformity with the civil legislation liability is terminated, because it is impossible to fulfil it, on the grounds of an act of the state body or in the face of the organisation's liquidation.

**3.** The taxpayer shall have the right to set up reserves against doubtful debts in accordance with the procedure stipulated by the present Article. The sums of deductions into these reserves shall be included into the composition of the extra-sale outlays on the last date of the reporting (tax) period. The present provision shall not be applied towards the outlays for the formation of reserves against debts incurred in connection with the non-payment of interest, with the exception of banks. Banks shall have the right to create reserves against risky debts with respect to the indebtedness which has accumulated because of non-payment of interest on the debt liabilities and with respect to other kinds of indebtedness, with the exception of loan indebtedness and of indebtedness equated to it.

**4.** The sum of the reserve against risky debts shall be determined by the results of an inventory of the debit indebtedness, carried out on the last date of reporting (tax) period, and shall be calculated in this way:

1) as concerns risky indebtedness with a term of over 90 calendar days - in the sum of the set up reserve shall be included the full sum of indebtedness discovered on the grounds of the inventory;

2) as concerns the risky indebtedness with a term of 45 to 90 calendar days (inclusive) - in the sum of the reserve shall be included 50 per cent from the sum of the indebtedness exposed on the grounds of the inventory;

3) as concerns the risky indebtedness with a term of less than 45 days the sum of the created reserve shall not be increased.

The sum of the established reserve against risky debts shall not exceed 10 per cent of the earnings of the reporting (tax) period, defined in conformity with Article 249 of the present Code (for banks - of the sum of incomes determined in compliance with this Chapter, safe for the incomes in the form of restored reserves).

The reserve against risky debts may be used by the organisation only for coverage of the losses from hopeless debts, recognised as such in the order established by the present Article.

**5.** The sum of the reserve against high risk losses not fully used by the taxpayer in the reporting period for the coverage of losses from hopeless debts may be put off by him to the next reporting (tax) period. In this case, the sum of the reserve created again in accordance with the results of the inventory of the reserve, shall be corrected by the sum of the residual of the reserve of the previous reporting (tax) period. If the sum of the reserve created again by the results of the inventory of the reserve is less than the sum of the residual of the reserve of the previous reporting (tax) period, the difference shall be included in the composition of the taxpayer's extra-sale incomes in the report (tax) period. If the sum of the reserve created again by the results of the inventory of the reserve is larger than the sum of the residual of the previous reporting (tax) period, the difference shall be included in the extra-sale outlays in the current reporting (tax) period.

If the taxpayer adopts the decision on setting up a reserve against high risk debts, the writing off recognised as hopeless in conformity with the present Article shall be made at the expense of the sum of the created reserve. If the sum of the created reserve is less than the sum of the hopeless debts subject to writing off, the difference (loss) shall be included in the composition of the extra-sale outlays.

**Article 267.** Outlays on Setting Up a Reserve for the Guarantee Repairs and Guarantee Servicing

**1.** Taxpayers selling commodities (works) shall have the right to create reserves for forthcoming outlays on the guarantee repairs and guarantee servicing, and the deductions on the formation of such reserves shall be accepted for the purposes of taxation in accordance with the procedure stipulated by the present Article.

**2.** The taxpayer shall adopt a decision on setting up such reserves on his own and shall establish in the accounting policy for the purposes of taxation the ultimate amount of the deductions into this reserve. The reserve shall be created in this case with respect to those commodities (works), for which, in conformity with the terms of the contract concluded with the buyer, are envisaged the servicing and repairs in the course of the guarantee period.

**3.** Recognised as outlays shall be the sums of deductions into the reserve as on the date of selling the said commodities (works). The size of the established reserve shall not exceed the ultimate amount defined as the share of the taxpayer's outlays on the guarantee repairs and servicing he has actually made, in the amount of his earnings from the sale of such commodities (works) for three previous years, multiplied by the amount of proceeds from the sale of said goods (works) for the report (tax) period. Where a taxpayer has been selling goods (works) on conditions of making warranty repair and servicing for a term of less than three years, the volume of proceeds from the sale of said goods (works) for the actual period of such sale shall be taken into account, when calculating the maximum amount of such reserve.

**4.** Taxpayers who have not sold commodities (works) under a term of the guarantee repairs and servicing shall have the right to create a reserve against the guarantee repairs and servicing of commodities (works) in an amount not exceeding the expected outlays on the said expenditures. Seen as expected expenditures shall be the outlays envisaged in the plan for the fulfilment of guarantee liabilities with account taken of the guarantee term.

After the expiry of the tax period, the taxpayer shall correct the size of the established reserve, proceeding from the share of the actually effected outlays on the guarantee repairs and servicing in the volume of the earnings from the sale of the said commodities (works) for the previous period.

**5.** The sum of the reserve for warranty repair and servicing of goods (works) not fully used by the taxpayer in the reporting period for repair of the goods (works) sold on conditions of providing a warranty may be put off by him to the next reporting (tax) period. In this case, the sum of the reserve created anew for the next tax period shall be corrected by the sum of the residual of the reserve of the previous reporting (tax) period. If the sum of the new created reserve is less than the sum of the residual of the reserve of the previous reporting (tax) period, the difference shall be subject to inclusion in the composition of the taxpayer's extra-sale incomes for the current tax period.

If a taxpayer adopts the decision on setting up a reserve for warranty repair and servicing of goods (works), writing off outlays on warranty repair shall only be made at the expense of the sum of the created reserve. If the sum of the created reserve is less than the sum of the expenses on repairing made by a taxpayer, the difference shall be subject to inclusion in the composition of other outlays.

**6.** Where a taxpayer adopts a decision on termination of the sale of goods ( of carrying out works) on conditions of providing warranty repair and warranty servicing thereof, the sum of the previously

created and unused reserve shall be subject to inclusion in the composition the taxpayer's incomes upon the termination of the validity of contracts for warranty repair and warranty servicing.

**Article 267.1.** Expenses towards the Maintenance of Reserves for Future Expenses Used to Ensure the Social Protection of Disabled Persons

**1.** Taxpayers that are public organisations of disabled persons and the organisations specified in Paragraph 1 of Subitem 38 of Item 1 of Article 264 of the present Code may maintain a reserve for future expenses used to ensure the social protection of disabled persons. These reserves may be formed for a term of up to five years.

**2.** On the basis of elaborated programmes that have been approved by the taxpayer he shall at his own discretion take a decision on the maintenance of the reserve specified in Item 1 of the present Article, which is reflected in the record-keeping philosophy for taxation purposes. In this case the taxpayer's expenses incurred when said programmes are implemented shall be effected from the reserve specified in Item 1 of the present Article.

**3.** The amount of the reserve maintained shall depend on planned expenses (on a cost-estimate) for the implementation of the programmes approved by the taxpayer. The sum of deductions to this reserve shall be included in non-sales expenses as of the last date of the accounting (tax) period. In this case the maximum rate of deductions to the reserve mentioned in Item 1 of the present Article shall not exceed 30 per cent of the taxable profit received in the current period and calculated with no account taken of this reserve.

**4.** If the amount of the maintained reserve specified in Item 1 of the present Article turns out to be below the sum of actual expenses for the implementation of the programmes specified in Item 2 of the present Article the difference between the said sums shall be included in non-sales expenses.

The sum of the reserve that has not been completely spent by the taxpayer in the planned period shall be included in the taxpayer's non-sales expenses of the current accounting (tax) period.

**5.** Taxpayers maintaining reserves for future expenses used to ensure the social protection of disabled persons shall file a report with tax bodies on the use of these funds as earmarked upon the expiry of the tax period.

If the funds mentioned in Paragraph 1 of the present Item have been used for purposes other than their intended purpose they shall be included in the tax base of the tax period in which they were used for purposes other than their intended purpose.

**Article 268.** Specifics in Defining the Outlays in the Sale of Goods and/or Property Rights

**1.** When selling goods, taxpayers shall have the right to reduce the incomes from such operations by the cost of the sold goods and/or property rights, defined in the following order:

1) in the sale of the depreciated property - by the residual cost of the depreciated property, defined in conformity with Item 1 of Article 257 of the present Code;

2) in the sale of other property (with the exception of securities, of the products of one's own manufacture and of the purchased commodities) - by the cost of the acquisition (creation) of the given property;

2.1) in the event of sale of property rights (stakes, participatory shares): for the price of acquisition of the said property rights (stakes, participatory shares) and for the amount of expenses relating to the acquisition and sale thereof.

When a sale takes place of stakes or participatory shares received by stakeholders or holders of participatory shares in the event of reorganisation of organisations the price of acquisition of such stakes or participatory shares shall be deemed their value assessed in accordance with Items 4-6 of Article 277 of the present Code.

In the event of a sale of a property right which is a right to claim a debt tax base calculation shall be carried out with account taken of the provisions established by Article 279 of the present Code;

3) in the sale of the purchased commodities - by the cost of the acquisition of the given commodities, defined in conformity with the accounting policy accepted by the organisation for taxation purposes, with the use of one of the following methods for the evaluation of the purchased commodities:

- in accordance with the cost of the commodities which are the first acquired by the time of acquisition (FIFO);
- in accordance with the cost of those commodities which are the last acquired by the time of acquisition (LIFO);
- in accordance with the average cost;
- in accordance with the cost of commodity unit.

When selling the property indicated in this Article, the taxpayer shall also have the right to reduce the incomes from such operations by the sum of the outlays directly involved in such sale, in particular, by the outlays involved in the assessment, storage, handling and transportation of the sold property and/or property rights. When selling the purchased commodities, the outlays involved in their acquisition and sale shall be formed with account taken of the provisions of Article 320 of the present Code.

**2.** If the price of acquisition (creation) of property (property rights) indicated in Subitems 2 and 3 of Item 1 of this Article with account taken of the outlays involved in its sale exceeds the earnings from its sale, the difference between these values shall be recognised as the taxpayer's loss which shall be recorded for the purposes of taxation.

**3.** If the residual cost of the depreciated property mentioned in Subitem 1 of Item 1 of the present Article, with account taken of the outlays involved in its sale, exceeds the earnings from it realization, the difference between these values shall be recognised as the tax payer's loss, which is recorded for the purposes of taxation in the following order. The incurred loss shall be included in the composition of the taxpayer's other outlays in equal parts in the course of the term defined as the difference between the term of beneficial use of this property and the actual term of its use until the moment of sale.

**Article 268.1.** Specifics of Recognising Incomes and Outlays When Acquiring an Enterprise as a Property Complex

**1.** For the purposes of this chapter, the difference between the purchase price of an enterprise as a property complex and the net wealth value of the enterprise as a property complex (assets less liabilities) shall be recognized as the taxpayer's outlay (income) in the procedure established by this Article.

The amount of excess of the purchase price of an enterprise as a property complex over the net wealth value thereof should be regarded as the price makeup paid by the purchaser in expectation of future economic benefits.

The amount of excess of the net wealth value of an enterprise as a property complex over the purchase price thereof should be regarded as the price reduction granted to the purchaser in the absence of the factors of availability of stable purchasers, quality reputation, marketing and sales skills, business links, management experience, the personnel qualification level and subject to other factors.

**2.** The amount of paid price makeup (granted price reduction) when purchasing an enterprise as a property complex shall be defined as the difference between the purchase price and the net wealth value of assets of an enterprise as of a property complex determined on the basis of the transfer act.

When purchasing an enterprise as a property complex by way of privatization through an auction or a tender, the amount of the price makeup paid by the purchaser (the granted price reduction) shall be defined as the difference between the purchase price and the assessed (initial) value of the enterprise as of a property complex.

**3.** The amount of the price makeup paid by the purchaser (price reduction granted to him) shall be accounted for taxation purposes in the following way:

1) the makeup paid by the purchaser of the enterprise as of a property complex shall be recognized as an outlay evenly within five years starting from the month following the month when the state registration of the purchaser's ownership of the enterprise as of a property complex was effected;

2) the reduction granted to the purchaser of the enterprise as of a property complex shall be recognized as an income in the month when the state registration of the transfer of ownership of the enterprise as of a property complex was effected.

**4.** The loss suffered by the seller as a result of selling an enterprise as a property complex shall be recognized as an outlay accountable for taxation purposes in the procedure established by Article 283 of this Code.

**5.** For the purposes of this Article, as the purchaser's outlays on acquisition within the composition of an enterprise as of a property complex of assets and property rights shall be recognized their value determined on the basis of the transfer act.

**Article 269.** Specifics of Referring Interest on Debt Liabilities to Outlays

**1.** For the purposes of the present Chapter, seen as debt liabilities shall be credits, commodity and commercial credits, loans, bank deposits, banking accounts or other borrowings, regardless of the form of their legalisation.

Recognised as outlays shall be the interest calculated on any kind of debt liability under the condition that the amount of interest calculated by the taxpayer on the debt liability does not essentially deviate from the average level of interest collected on debt liabilities issued in the same quarter (month - for the taxpayers which have passed to the calculation of monthly advance payments reasoning from actually received profits) on comparable terms. Seen as debt liabilities issued on comparable terms shall be the debt liabilities issued in the same currency for the same time terms in comparable amounts against similar securities. When determining the average level of interest on inter-bank credits, only information on the inter-bank credits shall be taken into account. This provision shall likewise apply to interest in the form of discount which a noteholder gets as a difference between the price of repurchase (payment) of a promissory note and the price of sale thereof.

Seen as essential deviation from the amount of the computed interest on a debt liability shall be deviations by more than 20 per cent towards a rise or a reduction from an average level of interest calculated on similar debt liabilities issued in the same quarter on comparable terms.

If there are no debt obligations owed to Russian organisations issued in the same quarter on comparable terms, and also - at the taxpayer's discretion - the maximum rate of interest recognised as an expense (including interest and sum differences on obligations denominated in conventional monetary units at the exchange rate established by agreement of the parties) shall be assumed to be equal to the refinancing rate of the Central Bank of the Russian Federation increased 1.1 times, if the debt obligation is drawn up in roubles, and by 15 per cent, for debt obligations drawn up in a foreign currency.

For the purposes of the present item the "refinancing rate of the Central Bank of the Russian Federation" means the following:

for debt obligations not containing a clause on modification of interest rate over the entire effective term of the debt obligation: the refinancing rate of the Central Bank of the Russian Federation effective as of the date of fund-raising;

for all other debt obligations: the refinancing rate of the Central Bank of the Russian Federation effective as of the date when expenses in the form of interest were recognised.

**2.** If a taxpayer that is a Russian organisation has an outstanding debt relating to a debt obligation owed to a foreign organisation that, directly or indirectly, holds over 20 per cent of the charter (contributed) capital (fund) of this Russian organisation or a debt obligation owed to a Russian organisation that is deemed under the legislation of the Russian Federation an affiliated person of said foreign organisations, and also a debt obligation in respect of which such an affiliated person and/or this foreign organisation proper acts as a surety, guarantor or otherwise undertakes to secure the discharge of the Russian organisation's debt (hereinafter referred to in the present article as "controlled debt owed to a foreign organisation"), and if the amount of controlled debt owed to the foreign organisation is more than three times as high (more than 12.2 times as high, for banks and also for organisations exclusively engaged in finance lease activity) as the difference between the sum of assets and the amount of liabilities of the taxpayer that is a Russian organisation (hereinafter referred to for the purposes of the present item as "own capital") as of the last date of the accounting (tax) period the following rules shall be applicable in the calculation of the maximum rate of interest subject to inclusion in expenses, with account being taken of the provisions of Item 1 of the present Article.

A taxpayer shall be obliged on the last day of every report (tax) period to calculate the ultimate amount of interest on controlled debt, recognized as an outlay, by way of dividing the amount of interest on the controlled debt in every report (tax) period, calculated by the taxpayer, by the capitalization coefficient calculated as on the last report date of an appropriate report (tax) period.

The capitalisation coefficient shall in this case be defined by dividing the amount of the corresponding unsettled controlled indebtedness by the size of one's own capital, corresponding to the share of this foreign organisation's direct or indirect participation in the authorised (summed up) capital (the fund) of the Russian organisation, and by dividing the obtained result by three (for the banks and for the organisations engaged in the leasing activity - by twelve and a half).

For the purposes of this Item, when determining the amount of one's own capital, the sums of debt liabilities in the form of indebtedness of taxes and fees, including the current indebtedness of taxes and fees, the sums of postponements and installments and investment tax credits, shall not be taken into account.

**3.** Into the composition of the outlays shall be included interest on controlled indebtedness, calculated in conformity with Item 2 of the present Article, but no more than the actually calculated interest.

The rules laid down by Item 2 of the present Article, shall not be applied to interest on the borrowed funds if the unsettled indebtedness is not controlled.

**4.** The positive difference between accrued interest and the maximum interest accrued in accordance with the procedure established by Item 2 of the present Article shall qualify for taxation purposes as a dividend paid to a foreign organisation in respect of which there is a controlled debt and it shall be taxable in accordance with Item 3 of Article 284 of the present Code.

**Article 270.** Outlays Not Recorded for the Purposes of Taxation

When defining the tax base, the following outlays shall not be recorded:

1) those in the form of the sums of dividends calculated out by the taxpayer, and of the other sums of an income after tax profit;

2) those in the form of penalties, fines and other sanctions transferred into the budget (state extra-budgetary funds), as well as in the form of fines and other sanctions collected by the state organisations, to which the right to inflict these sanctions is granted by the legislation of the Russian Federation;

3) those in the form of a contribution into the authorised (summed up) capital, or of a contribution into a simple partnership;

4) in the form of the sum of the tax as well as the sums of the payments for above-the-norm ejections of pollutants into the environment;

5) those in the form of the outlays on the acquisition and (or) on the creation of the depreciated property and also expenses incurred in the event of additional construction, additional equipping, upgrading, technical refurbishing of fixed asset items, except for the expenses specified in Item 1.1 of Article 259 of the present Chapter;

6) those in the form of contributions for the voluntary insurance, except for the outlays indicated in Articles 255, 263 and 291 of the present Code;

7) those in the form of contributions into the non-state pension security, except for the outlays pointed out in Article 255 of the present Code;

8) in the form of interest calculated by a tax paying borrower to the creditor above the sums recognized as outlays for the purposes of taxation in conformity with Article 269 of the present Code;

9) in the form of the property (including monetary assets) transferred by a commission agent, an agent and (or) other attorney in the execution of contracts of commission, of agency contracts and of other similar contracts, as well as on account of covering the expenses made by a commission agent, an agent and (or) other attorney instead of a consignor, principal and (or) another truster under the terms and conditions of contracts made;

10) those in the form of deductions into the reserve against the devaluation of investments into securities, set up by organisations in conformity with the legislation of the Russian Federation, with the exception of the sums of deductions into the reserves against the devaluation of securities, made by professional securities market traders in conformity with Article 300 of the present Code;

11) those in the form of guarantee deposits, transferred into the special funds established in conformity with the demands of the legislation of the Russian Federation, intended for reducing the risks of the non-execution of liabilities on deals in the performance of the clearing activity or of an activity aimed at organising trading on the securities market;

12) those in the form of funds and other property handed over under contracts of credit and loan (of other similar funds or other property regardless of the form of legalization of borrowings including debt securities), as well as in the form of the sums directed towards the repayment of such borrowings;

13) those in the form of losses incurred by the objects of the servicing of production and economies, including the objects of communal housing and the socio-cultural sphere, in the part exceeding the ultimate amount defined in conformity with Article 275.1 of the present Code;

14) those in the form of property, works, services and rights of property handed over by way of prepayment by taxpayers who define the incomes and expenditures by method of computation;

15) those in the form of voluntary membership fees (including entrance fees) into public organisations, of the sums of voluntary contributions made by participants in the unions, associations and organisations (amalgamations) for the maintenance of the said unions, associations and organisations (amalgamations);

16) those in the form of the cost of gratuitously handed over property (works, services, the rights of property) and of outlays involved in such handing over;

17) those in the form of the cost of the property handed over in the framework of the purpose-oriented financing in conformity with Subitem 14 of Item 1 of Article 251 of the present Code;

18) those in the form of the negative difference formed as a result of the revaluation of precious stones when the price lists are amended in the established order;

19) those in the form of taxes presented in conformity with this Code by the taxpayer to the buyer (acquirer) of commodities (works and services, as well as rights of property), if not otherwise provided for by this Code;

20) those in the form of the funds transferred to the trade union organisations;

21) those in the form of the outlays on any kind of remuneration given to the management or to the workers besides the remunerations paid out on the grounds of labour agreements (contracts);

22) those in the form of bonuses paid out to workers at the expense of special-purpose funds or of purpose-oriented receipts;

23) those in the form of material assistance to workers (including for an initial contribution for the acquisition and (or) for the construction of housing, for the full or a partial repayment of the credit granted for the acquisition and (or) for the construction of the housing, or of interest-free or privileged loans for improvement of housing conditions, for the acquisition of domestic utensils and for the satisfaction of other social needs);

24) those for the payment of leave to workers, including to women with children, granted additionally in accordance with the terms of collective agreements (above those envisaged by the currently applicable legislation);

25) those in the form of extra payments to pensions, single-time allowances to retiring veterans of labour, the incomes (dividends, interest) on shares or the deposits of the organisation's labour collective, the compensatory allowances in connection with price rises made above the size of the indexation of the incomes by decision of the Government of the Russian Federation, compensations for the higher cost of meals in canteens, snack-bars or prophylactic locations, or providing for them at privileged prices or free of charge (with the exception of special meals for the individual worker categories in the cases envisaged

by currently applicable legislation, and with the exception of cases when free of charge or privileged meals are stipulated by labour agreements (contracts) and (or) collective agreements;

26) for the remuneration of fares for going to the place of work and back in public transport and by special routes in departmental vehicles, with the exception of the sums to be included in the composition of the outlays on the manufacture and sale of commodities (works, services) because of the technological specifics of the production, and with the exception of cases when outlays on the remuneration of fares to the place of work and back are envisaged by labour agreements (contracts) and (or) collective agreements;

27) for coverage of the price differences in the sale at privileged prices (tariffs) (below the market prices) of commodities (works, services) to workers;

28) for coverage of the price differences in the sale at privileged prices of products of auxiliary economies for organising public catering;

29) for the remuneration of vouchers for treatment or rest, of excursions or travel, of studies in sports sections, circles or clubs, of attending cultural and entertainment or physical culture (sport) events, of subscription to literature other than normative-technical and other literature used for industrial purposes literature, and of commodities for the workers' personal consumption, as well as other similar outlays made in the workers' favour; of the consignor, of the principal or other trustees;

30) those in the form of the outlay of the taxpayers - organisations for the state stock of special (radioactive) raw materials and of fissionable materials of the Russian Federation on transactions with material values of the state stock of special (radioactive) raw materials and fissionable materials involved in the replenishment and maintenance of the said stock;

31) those in the form of shares handed over by the emitting tax payer, placed between the shareholders in accordance with the decision of the general meeting of shareholders in proportion to the number of shares already in their ownership, or the difference between the nominal cost of the new shares handed over instead of the original ones, and the nominal cost of the original shares of the shareholder during the placement of shares among the shareholders in case of an augmentation of the emitter's authorised capital;

32) those in the form of property or of rights of property handed over as a pledge or a pawn;

33) those in the form of sums of taxes calculated into the budgets of different levels, if the taxpayer has earlier included such taxes in the composition of the outlays, when the tax-payer's credit indebtedness on such taxes is written off in conformity with Subitem 21 of Item 1 of Article 251 of the present Code;

34) those in the form of the purpose-oriented deductions made by the taxpayer for the purposes pointed out in Item 2 of Article 251 of the present Code;

35) those for the performance of useless works put into the development of natural resources in conformity with Item 5 of Article 261 of the present Code;

36) abrogated from January 1, 2008;

37) those in the form of the travelling allowances paid out above the norm, established by the legislation of the Russian Federation;

38) those on compensation for the use of personal cars and motorbikes on business trips, on the remuneration of daily allowances, field allowances and food rations for the crews of the sea, river and air vessels above the norms of such outlays, fixed by the Government of the Russian Federation;

39) those in the form of payment to the state and (or) to a private notary for formalisation by a notary above the tariffs approved in the established order;

40) those in the form of contributions, deposits and other obligatory payments made to non-profit organisations and international organisations, except for those pointed out in Subitems 29 and 30 of Item 1 of Article 264 of the present Code;

41) those for the replacement of copies of the periodical printed matter which contain defects, which have lost their commercial appearance or which have been found to be absent, as well as losses in the form of the cost of mass media products and books which have lost their commercial style, in which defects have been exposed and which have not been sold, except for the outlays and losses pointed out in Subitems 43 and 44 of Item 1 of Article 264 of the present Code;

42) those in the form of representation outlays in the part exceeding their amounts envisaged by Item 2 of Article 264 of the present Code;

43) those in the form of outlays envisaged by the sixth paragraph of Item 3 of Article 264 of the present Code;

44) for the acquisition (manufacture) of the prizes given to the winners in drawing such prizes when holding mass advertising campaigns, as well as outlays on other kinds of advertising which are not provided for by Paragraphs from Two to Four of Item 4 of Article 264 of this Code in excess of the ultimate norms established by Paragraph Five of Item 4 of Article 264 of this Code;

45) those in the form of deductions to the Russian Fund for Fundamental Studies, the Russian Humanitarian Scientific Fund, the Fund for Rendering Assistance to Small Businesses in the Scientific-Technological Sphere, the Federal Fund for Production Innovations, the Russian Technological

Development Fund, as well as to other branch and interbranch funds for financing scientific studies and research and development works registered in the procedure provided for by the Federal Law on Science and State Scientific Research Policy in addition to the allocations provided for by Item 3 of Article 262 of this Code;

46) the negative difference obtained from the revaluation of securities in accordance with the market cost;

47) those in the form of outlays of the founder of trust management connected with the execution of an asset management contract, where the asset management contract stipulates that the founder of trust management is not the beneficiary;

48) those in the form of outlays of religious organizations in connection with carrying out religious ceremonies and rituals, as well as in connection with the sale of religious literature and articles of religious purpose.

48.1) those in the form of the cost of property (works and services) received in compliance with Subitem 30 of Item 1 of Article 251 of this Code, as well as of the cost of property acquired (created) on the basis of the said assets, including in the course of further sale of this property;

48.2) those in the form of outlays, including the remuneration to the management company and the specialised depository, made from the funds of organisations acting as insurers under obligatory pension insurance, when investing the pension savings intended for financing the accumulative part of the labour pension;

48.3) those in the form of the amounts that are directed to organisations acting as insurers under obligatory pension insurance for replenishing the pension savings funds intended for financing the accumulative part of the labour pension and that are shown on the pension accounts of the accumulative part of the labour pension;

48.4) those in the form of labour savings for financing the accumulative part of the labor pension transferred under the laws of the Russian Federation by non-state pension funds to the Pension Fund of the Russian Federation and (or) another non-state pension fund that act as insurers under obligatory pension insurance;

48.5) outlays of ship-owners on maintenance, repair and accomplishment of other tasks connected with maintenance and operation of the ships registered in the Russian International Register of Ships;

48.6) outlays of a development bank being a state corporation;

49) the other outlays, not meeting the criteria pointed out in Item 1 of Article 252 of the present Code.

**Article 271.** Procedure for Recognising Incomes When Using the Calculation Method

**1.** For the purposes of this Chapter, the incomes shall be recognised in the reporting (tax) period in which they have taken place, irrespective of the actual incoming of monetary funds, of other property (works, services) and (or) of the rights of property (method of calculation).

**2.** As concerns incomes referring to several reporting (tax) periods and if the connection between the incomes and the outlays cannot be clearly identified or is identified only in an indirect way, these shall be distributed by the taxpayer on his own, with account taken of the principle of evenness in recognising incomes and outlays.

For long technological cycle (over one tax period) production facilities, except for case when completed works (services) are delivered in phases under the contracts concluded, income from the sale of the said works (services) shall be distributed by the taxpayer at the taxpayer's own discretion in compliance with the principle of expense formation for the said works (services).

**3.** For incomes from sale, unless otherwise envisaged by the present Chapter, recognised as the date of deriving an income shall be the day of sale of these commodities (works, services, rights of property), defined in conformity with Item 1 of Article 39 of the present Code, regardless of the actual arrival of monetary funds (other property /works, services/ and /or/ of the rights of property) in payment for them. In the sale of commodities (works, services) under a contract of commission (under an agency agreement) by the tax paying consignor (the principal), the date of receiving incomes from sale thereof shall be the date of selling the property (property rights) owned by the consignor (the principal) which is indicated in the notice of the commission agent (agent) on the sale thereof and (or) in the report of the commission agent (agent).

**4.** Recognised as the date of obtaining an income for the extra-realisation incomes shall be:

1) the date of the parties' signing an act on the transfer and acceptance of the property (of the acceptance and handing over of works or services), - as concerns the incomes:

- in the form of property (works, services) received free of charge; - other similar incomes;

2) the date of arrival of monetary funds to a taxpayers's settlement account (his cashier's office) - as regards incomes:

in the form of dividends from share participation in the activity of other organizations;

in the form of monetary assets received free of charge;

in the form of the sums of returned contributions previously paid to non-profit making organizations which were included into the composition of outlays;

in the form of other similar incomes;";

3) the date of settlements or of the taxpayer's submitting the documents in accordance with the terms of the concluded agreements - as concerns the incomes:

from leasing property;

in the form of license payments (including royalties) for the use of objects of intellectual property;

in the form of other similar incomes;

4) the date of one's recognition as a debtor or the date of entry of a court decision into legal force - as regards incomes in the form of fines, penalties and (or) other sanctions for violating the terms of contractual or debt liabilities, as well as in the form of the sums for the recompense of losses (damage);

5) the last day of the reporting (tax) period - as concerns the incomes:

- in the form of the sums of replenished reserves and other similar incomes;

- in the form of an income placed in favour of the taxpayer, if he is taking part in a simple partnership;

- incomes from the trusted management of the property;

- other similar incomes;

6) the date of exposing an income (of receiving and /or/ of revealing documents confirming the existence of the income) - as concerns the incomes of previous years;

7) the date of the transfer of ownership with regard to foreign currency and precious metals, when making transactions in foreign currency and precious metals, as well as the last date of the current month - as regards incomes in the form of positive exchange rate difference in respect of property and the claims (liabilities), whose cost is expressed in foreign currency, and positive revaluation of the cost of precious metals;

8) the date of compiling an act on the liquidation of the depreciated property formalised in accordance with the demands of business accounting - as concerns incomes in the form of materials or other kinds of property received during the liquidation of the depreciated property withdrawn from use;

9) the date when the recipient of property (including monetary assets) actually used said property (including monetary assets) not for the purpose they were intended for, or violated the terms and conditions under which they were provided - as regards the incomes in the form of property (including monetary assets) specified in Items 14 and 15 of Article 250 of this Code;

10) the date of transfer of ownership of foreign currency - as regards incomes from sale (purchase) of foreign currency.

**5.** In the sale by a financial agent of financing services against the cession of a monetary claim, as well as the sale by a new creditor who has obtained the said claim, of financial services, the date of receiving the income shall be defined as the day of the subsequent cession of the given claim or of the debtor's settlement of the given claim. In the case of the cession by the tax paying seller of the commodity (works, services) - of the right of claim to a third person, the date of deriving an income from the cession of the right of claim shall be defined as the day of the parties' signing the act on cession of the right of claim.

**6.** As concerns debt and other similar contracts (other debt liabilities including securities) concluded for a term of more than one reporting (tax) period, the income for the purposes of this Chapter shall be recognized as received and shall be included into the composition of appropriate incomes, as on the end of an appropriate report period.

In the event of termination of a contract (repayment of a debt) prior to the expiry of a report period the income shall be recognized as received and shall be included into the composition of appropriate incomes, as on the date of termination of the contract (repayment of the debt).

**7.** The sum difference shall be recognized as an income:

1) for a taxpaying seller - as on the date of paying bills receivable concerning acquired goods (works, services), property, property rights and other rights, and in the event of advance payment - as on the date of acquiring goods (works, services), property, property rights and other rights.

2) with the buyer taxpayer - as of the date of redemption of the payables for the purchased commodities (works, services), property, property or other rights, and in case of an advance payment - as of the date of purchase of the commodities (works, services), property, property or other rights.

**8.** The incomes expressed in foreign currency shall be conversed for the purposes of taxation into roubles at the official exchange rate established by the Central Bank of the Russian Federation, as on the date of recognizing the appropriate income. The claims and liabilities expressed in foreign currency and the property in the form of currency values shall be conversed into roubles at the official exchange rate established by the Central Bank of the Russian Federation, as on the date of transfer of ownership with regard to transactions in said property, termination (execution) of claims and liabilities, and (or) on the last date of a report (tax) period depending on what has happened before.

**Article 272.** Procedure for Recognising the Outlays When Using the Calculation Method

**1.** The outlays accepted for taxation purposes with account taken of the provisions of this Chapter and shall be determined subject to the provisions of Articles from 318 to 320 of this Code shall be recognised as such in the reporting (tax) period to which they refer, regardless of the time of the actual payment out of the monetary funds and (or) of other forms of their coverage.

Expenses shall be recognised in the accounting (tax) period in which these expenses occur under the terms of transactions. If the transaction does not contain such terms and the connection between incomes and expenses cannot be identified in a clear-cut way or if it can be identified indirectly then expenses shall be distributed by the taxpayer at his own discretion.

Where the terms and conditions of a contract provide for the receipt of incomes within more than one reporting period and handing over of goods (works, services) by stages is not stipulated, the outlays shall be distributed by a taxpayer independently subject to the principle of evenness in recognizing incomes and outlays.

Taxpayer's outlays which cannot be directly referred to the expenditures made on specific kinds of activity shall be distributed proportionately to the share of the corresponding income in the summary volume of all the taxpayer's incomes.

**2.** Recognised as the date of effecting material outlays shall be:

- the date of handing over raw and other materials into production - in the part of the raw and other materials falling on the put out commodities (performed works, rendered services);

- the date of the taxpayer's signing the act on the acceptance - handing over of the services (works) - as concerns the services (works) of production nature.

**3.** Depreciation shall be recognised as the outlays every month, proceeding from the sum of the computed depreciation calculated in accordance with the procedure laid down by Articles 259 and 322 of the present Code.

Expenses in the form of an investment envisaged by Item 1.1 of Article 259 of the present Code shall be deemed as indirect expenses of the same accounting (tax) period on which, according to the present Chapter, the date of commencement of depreciation (the date of change of the initial value) of the fixed assets falls in respect of which the investment was made.

**4.** The outlays on the remuneration of labour shall be recognised as the outlays every month, proceeding from the sum of the outlays on the remuneration of labour computed in conformity with Article 255 of the present Code.

**5.** The outlays on the repairs of fixed assets shall be recognised as outlays in the reporting period in which they were actually made, regardless of their remuneration with account taken of the specifics envisaged by Article 260 of the present Code.

6. The outlays on obligatory and voluntary insurance (on non-state pension security) shall be recognised as outlays in the reporting period in which the taxpayer has actually transferred (handed out from the cashier's office) the monetary funds for making insurance (pension) contributions in conformity with the terms of the agreement. If the terms of the agreement of insurance (of the non-state pension security) envisage the payment of the insurance (pension) contribution in a single-time deposit, the outlays made under the agreements signed for a term of over one reporting period shall be recognised evenly in the course of the term of operation of the agreement pro rata to the number of calendar days of the contract's effective term in the accounting period. If the terms and conditions of a contract of insurance (of non-governmental pension provision) stipulate for payment of the insurance premium (pension fee) by installments, then under contracts made for the time period exceeding one reporting period outlays on each payment shall be recognized evenly within the time period corresponding to the period of the fees' payment (a year, six months, quarter, month) in proportion to the number of calendar days of the contract's validity in the reporting period.

**7.** Recognised as the date of making the extra-realisation and other outlays shall be, unless otherwise established by Articles 261, 262, 266 and 267 of the present Code:

1) the date of calculation of the taxes (fees) - for outlays in the form of the sums of the taxes (advance payments of taxes), fees and of other obligatory payments;

2) the date of calculation in compliance with the requirements of this Chapter - as regards outlays in the form of allocations to the reserves recognized as outlays in compliance with this Chapter;

3) the date of settlements in compliance with the terms and conditions of contracts made or the date of submitting to the taxpayer the documents which serve as a basis for making settlements, or the last date of a report (tax) period - as regards the outlays:

in the form of the sums of commission fees;

in the form of payments to outside organizations for the works carried out (the services rendered) by them;

in the form of rentals (of the leasing payments) for the rented property (for that taken into leasing);

in the form of other similar outlays;

4) the date of transfer of the monetary funds from the taxpayer's settlement account (of the payment out from his cashier's office) - for outlays:

- in the form of the sums of the paid out travelling allowances;
- in the form of compensation for the use of personal cars and motorbikes in business trips;

5) the date of approval of an advance report - for outlays:

on business trips;

on the maintenance of the company's transport;

for representation outlays;

for other similar outlays;

6) the date of the transfer of ownership with regard to foreign currency and precious metals when making transactions in foreign currency and precious metals, as well as the last date of the current month - as regards outlays in the form of the negative exchange rate difference in respect of the property and claims (liabilities) which cost is expressed in foreign currency, and in the form of the negative revaluation of the cost of precious metals;

7) the date of realisation or of other kinds of withdrawal of securities - for the outlays involved in the acquisition of securities, including their cost;

8) the date of one's recognition as a debtor, or the date of entry into legal force of a court decision - as regards the outlays in the form of the sums of fines, penalties and (or) other sanctions for breach of contractual or debt liabilities, as well as in the form of the sums of recompense for losses (damage);

9) the date of transfer of ownership in respect of foreign currency - as regards the outlays on sale (purchase) of foreign currency;

10) the date of sale of stakes or participatory shares: for expenses in the form of value of acquisition of the stakes or shares.

**8.** On loan and other similar agreements (other debt liabilities including securities) concluded for a term of over one reporting period, for the purposes of this Chapter the outlays shall be recognized as effected and shall be included into the composition of the corresponding outlays, as on the end of an appropriate report period.

In the event of terminating a contract (repaying a debt liability) prior to the expiry of a report period outlays shall be recognized as effected and shall be included into the composition of appropriate outlays, as on the date of terminating the contract (repaying the debt liability).

8.1) The expenses towards the acquisition of property transferred for lease specified in Subitem 10 of Item 1 of Article 264 of the present Code shall be deemed an expense in the accounting (tax) periods in which rent (lease) payments are envisaged in accordance with contractual terms. In this case the said expenses shall be taken into account in the amount pro rata to the amount of the rent (lease) payments.

**9.** A sum difference shall be regarded as an outlay:

for a taxpaying vendor - on the date of repaying bills receivable for sold goods (works, services), property rights, and in the event of an advance payment - on the date of selling goods (works, services), property rights;

for a taxpaying purchaser - on the date of repaying bills payable for acquired goods (works, services), property, property rights and other rights, and in the event of an advance payment - on the date of acquiring goods (works, services), property, property rights or other rights.

**10.** The outlays expressed in foreign currency for the purposes of taxation shall be conversed into roubles at the official exchange rate established by the Central Bank of the Russian Federation, as on the date of recognizing an appropriate outlay. The claims and liabilities expressed in foreign currency, property in the form of currency values shall be conversed into roubles at the official exchange rate established by the Central Bank of the Russian Federation, as on the date of transfer of ownership, when making transactions in such property, of termination (execution) of a liability or claim, and (or) on the last date of the report (tax) period depending on what has happened before.

**Article 273.** Procedure for Defining the Incomes and Outlays Using the Cash Method

1. Organisations (safe for banks) shall have the right to define the date of receiving an income (of effecting an expenditure) with the use of the cash method, if over the previous four months the sum of earnings from the sale of commodities (works, services) of these organisations not taking into account value added tax, has not exceeded one million roubles in every quarter.

2. For the purposes of this Chapter, recognised as the date of deriving an income shall be the day of arrival of the funds onto the accounts in banks and (or) to the cashier's office, and of the receipt of other property (works, services) and (or) of the rights of property, as well as a repayment of a debt with regard to the taxpayer in other way (the cash method).

3. Recognised as taxpayers' outlays shall be expenditures made after they are actually paid for. For the purposes of this Chapter, seen as payment for commodities (works, services) and (or) for the rights of property shall be the termination of the reciprocal liability by tax paying acquirers of the said commodities (works, services) and of the rights of property to the seller, which are directly connected with

the delivery of these commodities (with the performance of works and with rendering services, or with the transfer of the rights of property).

The outlays shall in this case be recorded in the composition of the outlays, taking into account the following specifics:

1) the material outlays, as well as the outlays on the remuneration of labour, shall be recorded in the composition of outlays as at the moment of repaying the indebtedness by way writing off the monetary funds from the taxpayer's settlement account or as at the moment of paying these out of the cashier's office, and if the other method for the repayment of the indebtedness is applied - as at the moment of such repayment. A similar order shall be applied with respect to the payment out of interest for the use of the borrowed funds (bank credits included) and in case of remuneration of the services of third persons. The outlays on the acquisition of raw and other materials shall in this case be recorded in the composition of the outlays as soon as the given raw and other materials are written off to production;

2) depreciation shall be recorded in the composition of the outlays in the sums calculated for the reporting (tax) period. It is admissible to record only the depreciation of the depreciated property paid for by the taxpayer which is used in production. A similar order shall be applied with respect to the capitalised outlays stipulated by Articles 261 and 262 of the present Code;

3) the outlays on the payment of taxes and fees shall be recorded in the composition of the outlays in the amount of their actual payment by the taxpayer. If there is indebtedness in the payment of taxes and fees, the outlays on its settlement shall be recorded in the composition of the outlays within the limits of the actually settled indebtedness and in those reporting (tax) periods when the taxpayer has been liquidating the said indebtedness.

**4.** If a taxpayer who has switched to defining the outlays and expenditures using the cash method has exceeded in the tax period the ultimate amount of the sum of earnings from the sale of commodities (works, services) fixed by Item 1 of the present Article, he shall be obliged to switch to defining the incomes and expenditures using the method of calculation as from the start of the tax period in the course of which such excess has taken place.

If a contract for trust administration of property or a contract of simple partnership is concluded the parties thereto which recognise incomes and expenses according to the cash method shall switch over to recognition of incomes and expenses according to the accrual method from the beginning of the tax period in which the contract was concluded.

**5.** Taxpayers defining receipts and expenditures in compliance with this Article for the purposes of taxation shall not record in the composition of receipts and expenditures sum differences, where under the terms and conditions of the transaction a claim (liability) is expressed in conventional monetary units.

**Article 274.** Tax Base

**1.** Seen as the tax base for the purposes of this Chapter is the monetary expression of the profit, defined in conformity with Article 247 of the present Code, which is subject to taxation.

**2.** The tax base for the profit taxed in accordance with a rate different from that indicated in Item 1 of Article 284 of the present Code shall be defined by the taxpayer separately. The taxpayer shall keep separate records of receipts and expenditures for the transactions in respect of which in compliance with this Chapter a different procedure for accounting receipts and expenditures is stipulated than the general one.

**3.** The taxpayer's incomes and expenditures shall be recorded for the purposes of this Chapter in monetary form.

**4.** The incomes received in kind as a result of the sale of commodities (works, services) and of the rights of property (including the commodity barter operations), shall be recorded, if not otherwise provided for by this Code, proceeding from the price of the deal while taking into account the provisions of Article 40 of the present Code.

**5.** The extra-sale incomes received in kind shall be recorded when determining the tax base, proceeding from the price of the deal, with account taken of the provisions of Article 40 of the present Code, unless otherwise stipulated by this Chapter.

**6.** For the purposes of this Article, the market prices shall be defined in accordance with a procedure similar to that for defining the market prices established by the second paragraph of Item 3, as well as by Items 4-11 of Article 40 of the present Code, as at the moment of sale or of the performance of extra-sale transactions (not including value added tax and excise).

**7.** When delineating the tax base, profit subject to taxation shall be defined by the progressive total as from the start of the tax period.

**8.** If in the reporting (tax) period the taxpayer has incurred a loss, that is, a negative difference between the receipts, determined in accordance with Chapter, and the expenditures recorded for the purposes of taxation in the procedure provided for by this Chapter, in the given reporting period the tax base shall be recognized as equal to zero.

The losses incurred by the taxpayer in the reporting (tax) period shall be accepted for taxation purposes in accordance with the procedure and on the terms established by Article 283 of the present Code.

**9.** When calculating the tax base, the incomes and outlays referred to the gambling business taxable in compliance with Chapter 29 of this Code shall not be recorded in the composition of the taxpayers' incomes and expenditures.

Taxpayers who are organisations engaged in the gambling business, as well as organisations deriving incomes from an activity referred to the gambling business, shall be obliged to keep a separate record of the incomes and outlays derived from such activity.

If it is impossible to set apart the outlays of the organisations engaged in the gambling business, they shall be defined proportionately to the share of the organisation's incomes from an activity referred to the gambling business in the total income of the organisation derived from all its activities.

A similar procedure shall extend to the organizations that have passed to paying the tax on imputed earnings.

**10.** Taxpayers applying special tax regimes in conformity with the present Code shall not take into account, when calculating the tax base, the incomes and outlays referred to such regimes.

**11.** The specifics of defining the tax base for banks shall be established with account taken of the provisions of Articles 290-292 of the present Code.

**12.** The specifics in delineating the tax base for insurers shall be established while taking into account the provisions of Articles 293 and 294 of the present Code.

**13.** The specifics in determining the tax base for non-state pension funds shall be established with account taken of the provisions of Articles 295 and 296 of the present Code.

**14.** The specifics of delineating the tax base for professional securities market traders shall be established with account taken of the provisions of Articles 298 and 299 of the present Code.

**15.** The specifics of determining the tax base for transactions with securities shall be established in Article 280 with account taken of the provisions of Articles 281 and 282 of the present Code.

**16.** The specifics in defining the tax base for transactions with the financial instruments of futures deals shall be established with account taken of the provisions of Articles 301-305 of the present Code.

**Article 275.** Specifics in Defining the Tax Base on the Incomes Derived from the Share Participation in Other Organisations

The sum of tax on the incomes from the share participation in the activity of organisations (hereinafter, 'the dividends'), shall be defined with account taken of the following provisions.

**1.** If a foreign organisation is a source of the income of a taxpayer, the sum of the tax in relation to the received dividends shall be determined by the taxpayer independently, on the basis of the received dividends and the corresponding tax rate stipulated by Item 3 of Article 284 of the present Code.

Taxpayers receiving dividends from a foreign organisation, including through the permanent representation of a foreign organisation in the Russian Federation, shall have no right to reduce the sum of tax calculated in conformity with this Chapter by the sum calculated and paid up at the place of location of the source of the income, unless otherwise stipulated by an international treaty.

2. For the taxpayers not indicated in Item 3 of the present Article, for the incomes in the form of dividends, except for those indicated in Item 1 of the present Article, the tax base for the earnings received from the participating interest in other organisations shall be estimated by a tax agent with regard to the specific aspects established by the present item.

If a Russian organisation is a source of the earnings of a taxpayer, this organisation shall be recognised as a tax agent and it shall determine the tax amount with due account of the present item.

The tax amount subject to withholding from the incomes of the taxpayer who received dividends shall be calculated by the tax agent according to the following formula:

$$H = K \times \sum_{n} S \times (d - D),$$

where:

H — is the tax amount subject to withholding;

K — stands for the ratio of the sum of dividends liable to distribution in favour of the taxpayer who received dividends to the total sum of dividends subject to distribution by the tax agent;

S — stands for the tax rate fixed by Subitems 1 and 2 of Item 3 n in Article 284 or Item 4 in Article 224 of the present Code;

d — is the total sum of dividends liable to distribution by the tax agent in favour of all the taxpayers who receive dividends;

D — is the total sum of dividends received by the tax agent in the

current reporting (tax) period and in the previous reporting (tax) period (except for the dividends indicated in Subitem 1 of Item 3 in Article 284 of the present Code) by the time of the distribution of the dividends in favour of taxpayers, dividend recipients, provided that the given dividend amounts were not recorded earlier during the estimation of the tax base defined in respect of incomes received by the tax agent in the form of dividends.

If the value H is a negative magnitude, no duty of tax payment shall arise and no compensation from the budget is made.

**3.** If the Russian tax organisation pays out dividends to a foreign organisation and (or) to a natural person who is not a resident of the Russian Federation, the tax base for the tax paying receiver of the dividends in every such payment shall be defined as the sum of the paid out dividends, and the rate established by Subitem 3 of Item 3 of Article 284 or by Item 3 of Article 224 of this Code accordingly shall be applied to it.

**Article 275.1.** Specifics of Determining the Tax Base by the Taxpayers Exercising the Activities Connected with the Use of Objects Belonging to Auxiliary Works and Services

The taxpayers which include subdivisions exercising the activities connected with the use of objects belonging to auxiliary works and services shall determine the tax base for said activities apart from the tax base for other types of activities.

For the purposes of this Chapter, auxiliary works and services shall comprise truck farms, housing and communal units, socio-cultural objects, training centers and other similar units, works and services engaged in realization of goods, works, services both for their own workers and for outside persons.

Housing and communal units shall include housing stock, hotels (safe for tourist's ones), houses and hostels for visitors, exterior improvement objects, artificial constructions, basins, beach constructions and equipment, as well as gas supply, heating and electric power supply units, sections, workshops, bases, repair shops, garages, special machines and equipment, warehouses intended for maintenance and repair of housing and communal servicing units, of socio-cultural objects and of the facilities for sports and physical training.

Socio-cultural establishments shall comprise health protection facilities, cultural establishments, pre-school establishments for children, rest camps for children, sanatoriums (preventoriums), recreation departments, pensions, facilities for sports and physical training (including tracks, race tracks, stables, tennis courts, fields for playing golf and badminton, rehabilitation centers), non-productive consumer servicing units (bath houses and saunas).

Where subdivisions of a taxpayer incur losses while exercising activities connected with the use of the establishments indicated in this Article, such losses shall be recognized for the purposes of taxation, when the following conditions are met:

if the value of goods, works or services sold by a taxpayer exercising activities connected with the use of the objects indicated in this Article corresponds to the cost of similar services rendered by specialized organizations exercising similar activities connected with the use of such objects;

if the outlays on the maintenance of housing and communal units, socio-cultural establishments, as well as truck farms, and other similar units, works and services do not exceed ordinary outlays on servicing similar objects by the specialized organizations for which these activities are basic ones;

if the terms for the provision of services or performance of works by the taxpayer do not significantly differ from those for the provision of services or performance of works by specialised organisations for which this activity is a basic activity.

If at least one of said conditions is not met, a taxpayer shall be entitled to extend the losses incurred by him while exercising the activities connected with the use of units of auxiliary works and services to the term of ten years at most and to direct for the recompense thereof only the profits gained while exercising said types of activities.

The taxpayers which are town-planning organizations under the laws of the Russian Federation and which include structural subdivisions engaged in the operation of housing stock objects, as well as the objects indicated in Paragraphs Three and Four of this Article, shall be entitled to account for the purposes of taxation the actual outlays on the maintenance of said establishments. The aforementioned outlays for the purposes of taxation shall be recognized within the limits of the normative standards for the maintenance of similar units, works and services endorsed by bodies of local self-government at the location of the taxpayer. Where such normative standards are not endorsed by bodies of local self-government, taxpayers shall be entitled to apply the procedure for determining outlays on the maintenance of these establishments effective for similar objects situated on the given territory and

subordinate to said bodies. If the aforementioned establishments are situated on the territory of a municipal formation, other than the one where the directing agency is located, the normative standards endorsed by bodies of local self-government at the location of these establishments shall apply.

If a unit of the taxpayer has incurred a loss in the pursuance of an activity relating to the use of the facilities mentioned in the present article and in the territory of the municipal formation where the taxpayer is located there is no specialised organisation that carries out a similar activity relating to the use of such facilities then the following shall be accepted for taxation purposes: the expenses actually incurred towards the maintenance of said facilities within the rates approved by executive governmental bodies of the subjects of the Russian Federation in which the taxpayer is located.

In the federally-significant cities of Moscow and St. Petersburg the rates shall be approved by executive governmental bodies of these subjects of the Russian Federation.

**Article 276.** Specifics of Defining the Tax Base of Participants in an Agreement on the Trust Management of Property

**1.** The tax base of participants in an agreement on the trust management of property shall be determined:

in compliance with Item 3 of this Article, if under the terms and conditions of said agreement the founder of trust management is the beneficiary;

in compliance with Item 4 of this Article, if under the terms and conditions of said agreement the founder of trust management is not the beneficiary.

**2.** For the purposes of this Chapter, into the income of the trust manager there shall not be included the property (property rights) handed over under a contract of trust management of property. The remuneration received by a trust manager within the term of validity of an agreement on the trust management of property shall be his income from sale and shall be taxable in the established procedure. With this, the outlays connected with trust management shall be recognized as outlays of a trust manager, if the agreement on the trust management of property does not provide for the reimbursement of said outlays by the founder of trust management.

Every month the trustee shall calculate, as cumulative and accruing, the incomes and expenses relating to the trust administration of property and shall provide information to the trustor (beneficiary) on the incomes received and expenses incurred for the purpose of their being taken into account by the trustor (beneficiary) in tax base assessment in accordance with the present chapter. As for the trust administration of securities the trustee shall calculate incomes and expenses in the procedure envisaged by Article 280 of the present Code.

**3.** The incomes of the founder of trust management under a contract of trust management of property shall be included into the composition of his proceeds or extra-sale incomes depending on the type of income received.

The outlays connected with the implementation of an agreement of trust management (including property depreciation, as well as the remuneration of the trust manager) shall be recognized as expenses relating to the manufacture or as extra-sale outlays of the founder of trust management depending on the type of expense incurred.

**4.** The incomes of the beneficiary under an agreement of trust management shall be included into the composition of his extra-sale incomes and shall be taxable in the established procedure.

With this, the outlays connected with the execution of an agreement of trust management of property (safe for remuneration of the trust manager, if said agreement provides for paying the remuneration not at the expense of the decrease of the incomes gained within the framework of the execution of this agreement) shall not be taken into account by the founder of trust management while determining the tax base, but shall be taken into account for the purposes of taxation in the composition of the beneficiary's outlays.

The losses incurred by the use of property transferred under trust management within the term of validity of such agreement shall not be recognized as the losses of the founder (beneficiary) of trust management taken into account for the purposes of taxation in compliance with this Chapter, for the purposes of taxation.

**5.** In the event of termination of an agreement on trust management, the property (including the property rights) transferred under the trust management may be returned under the terms and conditions of said agreement to the founder of trust management or transferred to other person.

In the event of the return of property, the founder of trust management shall not gain incomes (incur losses), regardless of the arise of positive (negative) difference between the cost of the property transferred under trust management at the moment of entry into force of the agreement on the trust management of property and at the moment of termination thereof.

**6.** The provisions of this Article (safe for the provisions of Paragraph One of Item 2 of this Article) shall not extend to a management company or participants (founders) of an agreement on the trust management of property constituting an isolated property complex - a unit fund.

**Article 277.** Specifics in Defining the Tax Base on the Incomes Derived When Handing over Property to the Authorized (Pooled) Capital (Fund, Property of the Fund)

**1.** When placing the emitted shares (participation shares, partner's shares), the incomes and the outlays of the tax paying emitter, and the incomes and the outlays of the taxpayer acquiring such shares (participation shares, partner's shares) (hereinafter, the shareholder (participant, partner), shall be defined with account taken of the following:

1) for a taxpayer that is an issuer no profit (loss) emerges when a property item (property right) is received as payment for shares (stakes, participatory shares) floated by the taxpayer;

2) for a taxpayer that is a shareholder (stakeholder, a holder of a participatory share) no profit (loss) emerges when property (property right) is transferred as payment for share (stakes, participatory shares) floated.

With this, the cost of the acquired shares (participation shares, partner's shares) for the purposes of this Chapter shall be recognized as equal to the cost (residual cost) of the contributed property (rights of property), defined subject to the data of tax registration, as on the date of the transfer of ownership with regard to said property (property rights or non-property rights having a value in terms of money (hereinafter referred to in the present Article as "property rights")) and with the account taken of additional outlays which for the purposes of taxation shall be recognized as incurred by the transmitting side in the event of such contribution.

In this case property items (property rights) received in the form of a contribution (deposit) to the charter (contributed) capital of an organisation shall be accepted for taxation purposes at the value (balance value) of the property items (property rights) received as contribution (deposit) to the charter (contributed) capital. The value (balance value) shall be assessed according to the transferring party's data of records kept for taxation purposes as of the date of transfer of the right of ownership to said property items (property rights) with account taken of the additional expenses incurred by the transferring party when such a contribution (deposit) is made, provided these expenses are earmarked as a contribution (deposit) to the charter (contributed) capital. If the receiving party cannot provide documentary evidence of the value of the property items (property rights) or of a portion thereof then the value of these property items (property rights) or of the portion thereof shall be deemed equal to zero.

When property items (property rights) are contributed (deposited) by natural persons and by foreign organisations the value (balance value) thereof shall be deemed the documented expenses incurred towards the acquisition (creation) thereof with account taken of depreciation (accumulated depreciation) accrued for the purposes of profit (income) taxation in the state where the transferring party is a tax resident but not exceeding the market value of the property items (property rights) confirmed by an independent appraiser acting under the legislation of the said state.

The value of property items (property rights) received as a result of privatisation of state or municipal property as a contribution to the charter capitals of organisations shall be recognised for the purposes of the present chapter at the value (balance value) assessed as of the date of privatisation according to bookkeeping rules.

**2.** When an organisation is liquidated and the property of the liquidated organisation is distributed, the incomes of the tax paying shareholders (participants, partners) of the liquidated organisation shall be defined proceeding from the market price of the property (rights of property), received by them, as at the moment of the receipt of the given property minus the cost of the shares (participation shares, partner's shares), actually paid (regardless of the form of payment) for by the corresponding shareholders (participants, partners) of this organisation.

**3.** No profit (loss) recorded for taxation purposes arises with tax paying shareholders (participants, partners) in cases of the reorganisation of the organisation, regardless of the form of this reorganisation.

**4.** Where a reorganisation takes place in the form of a merger, affiliation or transformation that envisages conversion of the shares of the organisation reorganised into the shares of the emerging organisations or into the shares of the organisation to which the affiliation is made the value of the shares of emerging organisations or of the organisation to which the affiliation is made received by the shareholders of the organisation reorganised shall be deemed equal to the value of the converted shares of the organisation reorganised according to the data of the shareholder's records for taxation purposes as of the date of completion of the reorganisation (as of the date when an entry is made in the comprehensive state register of legal entities on the termination of activity of each affiliated legal entity - if the reorganisation is in the form of an affiliation).

The similar procedure is applicable in the assessment of the value of stakes (participatory shares) received as a result of an exchange of stakes (participatory shares) of an organisation reorganised.

**5.** Where a reorganisation takes place in the form of separation or division that envisages conversion or distribution of the shares of the newly emerging organisations among the shareholders of the organisation reorganised the aggregate value of the shares of each formed organisation and of the

organisation re-reorganised received by a shareholder as a result of the reorganisation shall be deemed equal to the value of the shares of the organisation reorganised that were held by the shareholder assessed according to the data of the shareholder's records for taxation purposes.

The value of the shares of each newly formed organisation and of the organisation reorganised received by a shareholder as a result of the reorganisation shall be assessed in the following procedure.

The value of shares of each newly formed organisation shall be deemed equal to the portion of value of the shares of the organisation reorganised held by the shareholder, pro rata to the ratio of the net asset value of the organisation formed to the net asset value of the organisation reorganised.

The value of the shares of the organisation reorganised (reorganised after the completion of the reorganisation) held by the shareholder shall be calculated as the difference between the value of acquisition, by the shareholder, of shares of the organisation reorganised and the value of the shares of all newly formed organisations held by this shareholder.

The value of net assets of the organisation reorganised and of the newly formed organisations shall be calculated according to the data of the separation balance sheet as of the date of approval thereof by shareholders in the established procedure.

A similar procedure shall be applicable in the assessment of value of the stakes (participatory shares) received as a result of an exchange of stakes (participatory shares) of an organisation reorganised.

Where a reorganisation takes place in the form of a separation that envisages the acquisition, by the organisation reorganised, of shares (a stake, participatory share) of the organisation separated the value of these shares (stake, participatory share) shall be deemed equal to the value of net assets of the organisation separated, as of the date of the state registration thereof.

If the value of net assets of one or several organisations formed (reorganised) with the participation of their shareholders is negative the value of acquisition of the shares of each formed (reorganised) organisations received by a shareholder as a result of the reorganisation shall be deemed equal to the portion of value of the shares of the organisation reorganised held by the shareholder pro rata to the ratio of the amount of the charter capital of each organisation formed with the participation of shareholders to the value of the charter capital of the organisation reorganised, as of the last accounting date preceding the reorganisation.

**6.** Information on the net assets of organisations (reorganised and formed) according to the data of the separation balance sheet shall be published by the organisation reorganised within 45 calendar days after the date of the decision on the reorganisation in a printed publication intended for the publication of information on state registration of legal entities and it shall also be provided to taxpayers that are shareholders (stakeholders, holders of participatory shares) of the organisations reorganised on their applications in writing.

**Article 278.** Specifics in Defining the Tax Base for Incomes Received by Participants in a Contract of Simple Partnership

**1.** For the purposes of this Chapter, the taxpayer's handing over of the property, including of the rights of property, by way of contributions of the participants in simple partnerships (hereinafter "the partnership") shall not be recognised as the sale of commodities (works, services).

**2.** If any of the participants in the partnership is a Russian organisation or natural person who is a tax resident of the Russian Federation, the incomes and the outlays of such partnership shall be recorded by the Russian participant for the purposes of taxation regardless of the fact on whom the maintenance of the partnership's affairs is imposed in accordance with the agreement.

**3.** The participant in the partnership who is recording the incomes and outlays of this partnership for the purposes of taxation shall be obliged to define in accordance with the progressive total by the results of every reporting (tax) period the profit of every participant in the partnership proportionately to the share of the corresponding participant of the partnership, established by the agreements, in the profit of a partnership received over the reporting (tax) period from the activity of all the participants in the framework of the partnership. On the sums of the due (distributed) incomes, the participant in the partnership recording the incomes and outlays shall be obliged every quarter, before the 15th day of the month next to the reporting (tax) period, to inform every participant of the partnership of the sums of incomes due (distributed) to every participant in the partnership.

**4.** The incomes received from participation in a partnership shall be included in the composition of the extra-sale incomes of tax paying participants in the partnership, and shall be subject to taxation in the order established by the present Chapter. The losses of the partnership shall not be distributed among its participants and shall not be taken into account by them in taxation.

**5.** If the agreement of a simple partnership ceases to operate, its participants, when distributing the income from the partnership's activity, shall not correct the incomes they have earlier recorded in the taxation against the incomes they have actually derived when the income from the partnership's activity was distributed.

**6.** If the agreement of a simple partnership ceases to operate and the property is returned to the participants in this agreement, the negative difference between the evaluation of the returned property and the estimate in accordance with which this property was earlier handed over under the simple partnership agreement, shall not be recognised as a loss for the purposes of taxation.

**Article 279.** Specifics in Defining the Tax Base in Cases of Cession (Transfer) of the Right of Claim

**1.** If the tax paying seller of the commodity (works, services) who calculates the incomes (outlays) using the method of calculation cedes the right of claim for a debt to a third person before the term of payment fixed in the agreement on the realisation of commodities (works, services) sets in, the negative difference between the income from the realisation of the right of claim for the debt and the cost of the realised commodity (works, services) shall be recognised as the tax payer's loss. In this case, the amount of the loss shall not exceed for the purposes of taxation the sum of interest which the taxpayer would have paid, taking into account the demands of Article 269 of the present Code on the debt liability, equal to the income from the cession of the right of claim, over the period from the date of cession to the date of payment provided for by a contract of sale of goods (works, services). The provisions of this Item shall likewise apply to a taxpaying creditor for passive debts.

**2.** If the tax paying seller of commodities (works, services) calculating the incomes (the outlays) by the method of calculation cedes the right of claim for debt to a third person after the term of payment fixed by the agreement on the sale of commodities (works, services) sets in, the negative difference between the income from the sale of the right of claim for the debt and the cost of the sold commodity (works, services) shall be recognised as a loss under the deal on the cession of the right of claim which shall be included in the composition of the tax payer's extra-sale outlays. The loss shall in this case be accepted for the purposes of taxation in the following way:

- 50 per cent of the sum of the loss shall be included in the composition of the extra-sale outlays as on the date of cession of the right of claim;
- 50 per cent of the sum of the loss shall be included in the composition of the extra-sale outlays after 45 calendar days from the day of cession of the right of claim.

The provisions of this Item shall likewise apply to a taxpaying creditor for passive debts.

**3.** If a taxpayer who has bought the right of claim for the debt subsequently realises the right of claim, the said transaction shall be considered as sale of financial services. The income (earnings) derived from the sale of financial services shall be defined as the cost of the property due to this taxpayer when he subsequently cedes the right of claim or when the corresponding liability ends. In this case, when defining the tax base, the taxpayer shall have the right to reduce the income he has derived from the sale of the right of claim by the sum of the outlays made on the acquisition of the said right of claim for the debt.

**Article 280.** Specifics in Defining the Tax Base on Transactions with Securities

**1.** The procedure for referring the objects of civil rights to securities shall be established by the civil legislation of the Russian Federation and by the applicable legislation of foreign states.

The procedure for referring securities to emission ones shall be established by the national legislation.

If transactions with securities can also be qualified as a transaction with the financial instruments of futures deals, the tax payer shall on his own choose the procedure for the taxation of such transaction.

For transactions with mortgage deeds, the tax base shall be determined in compliance with Items 1 and 3 of Article 279 of this Code.

**2.** The taxpayer's incomes from transactions involved in the sale or in some other form of the withdrawal of securities (redemption included) shall be defined proceeding from the sale price or of the other form of withdrawal of a security, as well as from the sum of the accumulated (coupon) income, paid by the purchaser to the taxpayer, and from the sum of the interest (coupon) income paid out to the taxpayer by the issuer (by the bill giver). In this case, into the taxpayer's income from the sale or from another form of the withdrawal of securities shall not be included the sums of interest (coupon) income earlier recorded in the taxation.

Incomes of a taxpayer from transactions of sale or other disposal of foreign-currency denominated securities (including, as a result of redemption) shall be assessed at the exchange rate of the Central Bank of the Russian Federation effective as of the date of transfer of the right of ownership or as of the date of redemption.

In the event of withdrawal (sale, repayment or exchange) of an investment share of a unit fund which does not circulate on the organized market, the estimated cost of the investment share determined in the procedure established by the laws of the Russian Federation on investment funds shall be recognized as the market price thereof.

The outlays made on the sale (or on another form of the withdrawal) of securities, including investment shares of a unit fund, shall be defined proceeding from the price of acquisition of the security

(including the outlays on the acquisition thereof), from the expenditures on the sale thereof , from the amount of discounts on the estimated cost of investment shares and from the sums of the accumulated interest (coupon) income paid up by the taxpayer to the seller of the security. In this case, into the outlays shall not be included the sums of the accumulated interest (coupon) income earlier recorded in taxation.

In the assessment of sales expenses (in the event of other disposal) of securities the acquisition price of a foreign-currency denominated security (including the expenses towards the acquisition thereof) shall be assessed at the exchange rate of the Central Bank of the Russian Federation effective as of the time when the security was recorded on the books. No ongoing re-valuation shall be carried out in respect of foreign-currency denominated securities.

In the event of a sale of shares received by shareholders when organisations were reorganised the acquisition price of such shares shall be deemed the value of the shares assessed in accordance with Items 4 - 6 of Article 277 of the present Chapter.

**3.** For the purposes of this Chapter, securities shall be recognised as circulated on the organised securities market only if the following conditions are simultaneously observed:

1) if they are admitted into circulation by any one of the trade organisers who has the right to do so in accordance with national legislation;

2) if information on their prices (quotations) is published in the mass media (including electronic), or if it may be supplied by the trade organiser or by another authorised person to any interested person in the course of three years after the date of the performance of transactions with the securities;

3) if the market quotation is calculated by them, when this is envisaged by the corresponding national legislation.

For the purposes of the present item "national legislation" means the legislation of the state in whose territory security circulation takes place (the conclusion of civil law transactions causing the transfer of a right of ownership to securities, including outside the organised securities market).

**4.** Seen as the market quotation of a security for the purposes of this Chapter is the average weighted price of the security in deals made in the course of a trading day through the trade organiser. If the deals with one and the same security were made through two or more trade organisers, the taxpayer shall have the right to choose the market quotation formed by one of the trade organisers, on his own. If the trade organiser does not calculate the average weighted price the average weighted price accepted for the purposes of this Chapter shall be half of the sum of the maximum and minimum price of the deals performed in the course of the trading day through this trade organiser.

Seen as interest (coupon) income shall be the part of the interest (coupon) income the payment of which is envisaged by the terms of the issue of such security, calculated in proportion to the number of calendar days which have passed from the date of issue of the security or from the date of payment of the previous coupon income to the day of making the deal (to the date of handing over the security).

5. The market price of securities for the purposes of taxation circulated on the organised securities market shall be recognised the actual price of sale or of another form of the withdrawal of securities, if this price lies in the interval between the minimum and the maximum price of the deals (price interval) with the said security, registered by the trade organizer on the securities market as on the date of carrying out the corresponding deal. Where a transaction is concluded through a trading organiser the "date of conclusion" of the transaction means the date of the public sale at which the transaction in the security was concluded. Where a security is sold outside of the organised securities market the "date of conclusion" of the transaction shall be deemed the date when all the significant terms and conditions for the transfer of the security are defined, i.e. the date of signing of the contract.

If deals with one and the same security have been carried out on the said date through two or more trade organisers on the securities market, the taxpayer shall have the right to choose on his own the trade organiser, the values of whose price interval will be used by the tax payer for the purposes of taxation.

If on the date of performing the deal there is no information on the trade organisers' price intervals, the taxpayer shall accept the price interval in the sale of these securities in accordance with the data supplied by the trade organisers on the securities market for the date of the closest auction which has taken place before the day of carrying out the corresponding deal, even if the auction on these securities was held by the trade organiser only once in the course of the last twelve months.

If the trade organiser observes the above procedure, the actual price of the sale or of another form of the withdrawal of the securities in the corresponding price interval shall be accepted for the purposes of taxation as the market price.

In the event of sale of securities circulating on the organized securities market at the price lower that the minimum price of deals on the organized securities market the minimum price of the deal shall be taken for determining the financial result.

**6.** As concerns securities which are not circulated on the organised securities market, for the purposes of taxation shall be accepted the actual price of their sale or of another form of the withdrawal of the given securities if any of the following conditions are fulfilled:

1) if the actual price of the corresponding deal lies in the price interval of a similar (identical, homogeneous) security, registered by the trade organiser on the securities market as on the date of making the deal or as on the date of the closest auction which has taken place before the performance of the corresponding deal, if an auction on these securities was held by the trade organiser even once in the course of the last twelve months;

2) if the deviation of the actual price of the corresponding deal is within the limit of 20 per cent towards a rise or fall from the average weighted price of a similar (identical, homogeneous) security calculated by the trade organiser on the securities market in conformity with the rules he has established by the results of the auction as on the date of making such deal or as on the date of the closest auction which has taken place before the day of making the corresponding deal, even if an auction on these securities was held by the trade organiser only once in the course of the past twelve months.

If there is no information on the results of an auction on similar (identical, homogeneous) securities, the actual price of the deal shall be accepted for the purposes of taxation, if the said price differs by no more than 20 per cent from the settlement price of this security, which may be defined as on the date of making a deal with the security, with account taken of the concrete terms of the performed deal, for the specifics of its circulation and for the price of the security, as well as for the other indices, information on which may serve as grounds for such calculation. For the purpose of assessing the rated price of a share the taxpayer proper or an invited appraiser shall use the appraisal methods envisaged by the legislation of the Russian Federation; one may use the refinancing rate of the Central Bank of the Russian Federation to assess the rated price of a debt obligation security. Where a taxpayer assesses the rated price of a share on his own the appraisal method used shall be recorded as part of the taxpayer's accounting concepts.

**7.** The tax paying share holder selling the shares he has received when the authorised capital of the joint-stock company was augmented, shall define the income as the difference between the sale price and the originally remunerated cost of the share, corrected with account taken of the change in the number of shares as a result of the increase of authorised capital.

**8.** The tax base on transactions with securities shall be defined by the taxpayer separately, with the exception of the tax base on the transactions with securities, which shall be defined by professional securities market traders. Taxpayers (with the exception of professional market traders carrying out dealer's activity) shall define the tax base on transactions with the securities circulated on the organised securities market, apart from the tax base on transactions with securities which are not circulated on the organised securities market.

Professional participants of the securities market (including banks) which are not engaged in dealer's activities, for the purposes of taxation shall determine in their accounting police a procedure for forming the tax base with regard to transactions in the securities circulating on the organized securities market and the tax base with regard to transactions in the securities not circulating on the organized securities market.

With this, a taxpayer shall independently choose the types of securities (both those circulating on the organized securities market and those not circulating on the securities market) in respect of which other receipts and expenditures related to operation in them, which are determined in compliance with this Chapter, shall be included in the composition of receipts and expenditures while forming the tax base.

**9.** In the event of sale or any other withdrawal of securities, a taxpayer shall independently choose one of the following methods of writing off as outlays the cost of withdrawn securities in compliance with the accounting policy accepted for the purposes of taxation:

1) in accordance with the prime cost of the acquisitions (FIFO);

2) in accordance with the last cost of the acquisitions (LIFO);

3) in accordance with the cost of one unit.

**10.** Taxpayers who have incurred a loss (losses) from transactions in securities in the previous tax period or in the previous tax periods shall have the right to reduce the tax base received on the transactions in securities in the reporting (tax) period (to put off the said losses onto the future), in the order and on the terms established by Article 283 of the present Code.

With this, losses from transactions in the securities not circulating on the organized securities market which were incurred in the previous tax period (previous tax periods) may be referred to the decrease of the tax base caused by transactions in such securities which is determined in the reporting (tax) period.

With this, losses from transactions in the securities circulating on the organized securities market incurred in the previous tax period (previous tax periods) may be referred to the decrease of the tax base caused by transactions in the sale of the given category of securities.

During a tax period the transfer for the future of the losses incurred in a appropriate reporting period as a result of transactions in the securities circulating on the organized securities market and in the securities not circulating on the organized securities market shall be effected separately for said categories of securities within the limits of the incomes gained from transactions in such securities accordingly.

The incomes derived from transactions in the securities circulated on the organised securities market cannot be reduced by the outlays or the losses from transactions in the securities not circulated on the organised securities market.

The incomes derived from transactions in the securities not circulated on the organised securities market cannot be reduced by the outlays or the losses from transactions in the securities circulated on the organised securities market.

The provisions of the Paragraphs from Two to Six of the present Item shall not be spread to the professional securities market traders engaged in dealer's activity.

**11.** The taxpayers (including banks) engaged in the dealer's activities on the securities market, when determining the tax base and transferring losses for the future in the procedure and on the conditions established by Article 283 of this Code, shall form the tax base and shall determine the amount of the losses to be transferred for the future with the account taken of all incomes (outlays) and the sums of losses resulting from business activities.

During the tax period the carry-forward of damages incurred by the aforesaid taxpayers in a specific accounting period of the current tax period may be effected within the limits of the profit amount resulting from the pursuance of entrepreneurial activity.

**Article 281.** Specifics in Defining the Tax Base for Transactions in State and Municipal Securities

When placing state securities of the Russian Federation, state securities of the subjects of the Russian Federation and municipal state securities (hereinafter referred to as state and municipal securities), the incomes declared (established) by the issuer in the form of the rate of interest on the nominal cost of said securities shall be recognized as interest yields , and as regards the securities in respect of which the rate of interest is established, the interest yields on them shall be the incomes in the form of the difference between the nominal cost of a security and the cost of its primary distribution calculated as the weighted average price, as on the date when an issue of the securities in compliance with the established procedure was recognized as distributed.

In the taxation of the deals involved in the sale or other form of the withdrawal of securities, the price of the issue and of the municipal securities shall be recorded without interest (coupon) income that is taxable at a rate other than the one envisaged by Item 1 of Article 284 of the present Code, falling on the time of the taxpayer's possession of these securities, the payment of which is envisaged by the terms of the issue of such security.

The taxation of an interest calculated over the time when the state and municipal security was kept on the taxpayer's balance, shall be effected on the terms established by this Chapter. The earnings from the state and municipal securities included in the price of the deal in whose circulation is included a part of the accumulated coupon interest shall be reduced by the income in the amount of the accumulated coupon income due for the time of the taxpayer's possession of the said security.

**Article 282.** Details of Tax Base Assessment for REPO Transactions in Securities

1. For the purposes of the present Code "REPO transaction" means two interrelated transactions concluded simultaneously for the sale and subsequent purchase of serial securities of the same issue in the same quantity as effected at prices set by the pertinent agreement (s) (hereinafter referred to as "agreement"). In the cases established by Items 6 and 7 of the present Article, given the observance of the clause whereby the rate established by the REPO transaction agreement is unchangeable, the number of securities and their selling price may be changed before the date of discharge of the second part of the REPO agreement. REPO transactions may be carried out either directly between the parties to the REPO transaction or through a trading organiser. Transactions for sale of securities shall be deemed interrelated if the seller of the securities (hereinafter referred to as "seller") in the first transaction is the buyer of the securities (hereinafter referred to as "buyer") in the second transaction, and the buyer in the first transaction is the seller in the second transaction. The first, in terms of time, transaction is deemed the first part of the REPO agreement, and the second transaction is deemed the second part of the REPO agreement, and in this case obligations arise for the parties to the second part of the REPO agreement on the condition that the first part of the REPO agreement is discharged. For the purposes of the present Code the space between the dates of discharge of the first part and the second part of the REPO agreement established by the agreement shall not exceed one year.

For the purposes of the present Article the dates of discharge of the first part and the second part of a REPO agreement are deemed the dates of discharge of obligations by the parties to the REPO transaction in the first part and the second part of the REPO agreement respectively. In this case the actual price of sale (purchase) of a security is applicable both in the first part of the REPO agreement and in the second part of the REPO agreement, irrespective of the market (rated) value of the security. For both parts of the REPO agreement selling (purchasing) prices are calculated with account taken of accumulated interest (coupon) income as of the date of performance of each part of the REPO agreement.

If, as of the date of discharge of the second part of the REPO agreement, the obligation of repurchase (sale) of securities has not been fully or partially discharged (hereinafter referred to in the present Article as "improper performance of the second part of a REPO agreement") but in this case a procedure for settling mutual claims has been completed in accordance with the requirements established by Item 5 of the present Article then the provisions established by Item 5 of the present Article shall apply. In other cases of a default on the second part of a REPO agreement the parties to the REPO agreement shall take account of expenses towards the purchase (incomes from the sale) of securities under the first part of the REPO agreement with due regard to the provisions established by Article 280 of the present Code.

When a REPO transaction is being conducted no change shall occur in the purchase price of the securities and the amount of accumulated interest (coupon) income as of the date of discharge of the first part of the REPO agreement for the purposes of taxation of incomes from the subsequent sale thereof after the acquisition of the securities under the second part of the REPO agreement. When securities are sold under the first part of the REPO agreement and under the second part of the REPO agreement no financial result is assessed for the purposes of taxation in accordance with Article 280 of the present Code.

2. For a REPO transaction the disbursements effected by the issuer in respect of the securities in the period of time between the dates of discharge of the first part of the REPO agreement and the second part of the REPO agreement may be accepted to reduce the sum of money payable by the seller under the first part of the REPO agreement during the subsequent purchase of the securities under the second part of the REPO agreement or remitted by the buyer under the first part of the REPO agreement to the seller under the first part of the REPO agreement in accordance with the agreement. In such a case, such disbursements shall not be deemed buyer's incomes under the first part of the REPO agreement and they shall be included in the seller's incomes under the first part of the REPO agreement.

Interest (coupon) income shall be taken into account in the calculation of seller's tax base under the first part of the REPO agreement in the procedure established by Articles 271, 273 and 328 of the present Code and they shall not be taken into account in tax base assessment for interest (coupon) income on the securities being the object of the REPO transaction for the buyer under the first part of the REPO agreement.

The taxation of the incomes specified in the present item shall be effected at the tax rates established by Article 284 of the present Code. As this is being done, these tax rates are applicable depending on the type of the securities (debt obligations).

The provisions of the present item shall not extend to the seller in the first part of a REPO agreement if the securities sold have been purchased in another REPO transaction.

**3.** For the purposes of the present Code for a seller in the first part of a REPO agreement the difference between the purchase price in the second part of the REPO agreement and the selling price in the first part of the REPO agreement shall be deemed:

1) expenses towards the disbursement of interest on raised funds which are included in expenses in the procedure envisaged by Articles 265, 269 and 272 of the present Code, provided this difference is positive;

2) incomes in the form of interest on a loan extended in securities which are included in incomes in accordance with Articles 250 and 271 of the present Code (in accordance with Article 290 of the present Code for banks), provided this difference is negative.

**4.** For the purposes of the present Code for a buyer in the first part of a REPO agreement the difference between the selling price in the second part of the REPO agreement and the purchasing price in the first part of the REPO agreement shall be deemed:

1) incomes in the form of interest on placed funds that are included in incomes in accordance with Articles 250 and 271 of the present Code (in accordance with Article 290 of the present Code for banks), provided this difference is positive;

2) expenses in the form of interest on a loan received in securities that are included in expenses in accordance with Articles 265, 269 and 272 of the present Code, provided this difference is negative.

5. For the purposes of the present Article the date of recognition of incomes (expenses) in a REPO transaction is the date of performance (discharge) of obligations of the parties in the second part of the REPO agreement with due regard to the details established by Items 3 and 4 of the present Article.

6. In accordance with Paragraph 3 of Item 1 of the present Article in the event of a default on the performance of the second part of a REPO agreement and of completion of the procedure for settling mutual claims established by the agreement as meeting the requirements established by the present item the tax base for the REPO transaction shall be assessed in the following manner:

the seller in the first part of the REPO agreement recognises for taxation purposes the performance of the second part of the REPO agreement and simultaneously the sale of the securities that have not been repurchased in the second part of the REPO agreement, at the market price of the security deemed the object of the REPO transaction, or if there is no market price, at the rated price of the security assessed in accordance with Item 5 or 6 of Article 280 of the present Code. When incomes

(expenses) from the sale of the securities are recognised for taxation purposes the provisions established by Article 280 of the present Code shall apply;

the buyer in the first part of the REPO agreement shall recognise for taxation purposes the performance of the second part of the REPO agreement and simultaneously the purchase of the securities that have not been sold in the second part of the REPO agreement, at the market value of the security deemed the object of the REPO transaction, or if there is no market price, at the rated price of the security assessed in accordance with Item 5 or 6 of Article 280 of the present Code.

The procedure for settling mutual claims in the event of improper performance of the second part of the REPO agreement shall have a provision for the parties' duty to complete mutual settlements of accounts under the agreement within 30 calendar days after the discharge of the second part of the REPO agreement. In this case, the said procedure may contain a provision for a right of the buyer's (seller's) in the first part of the REPO agreement to sell (purchase) within a specified term the securities that have not been delivered in the second part of the REPO agreement, with the actual proceeds from the sale (actual expenses incurred for the purchase) setting off non-discharged monetary obligations in the REPO transaction and/or a provision for a right of the buyer (seller) in the first part of the REPO agreement to refuse to deliver (accept) the securities that have not been delivered in the second part of the REPO agreement, with their market value setting off non-discharged monetary obligations in the REPO transaction.

**7.** If, during the period of time between the dates of discharge of the fist and second parts of the REPO agreement, the issuer made a coupon disbursement (a partial redemption of the face value of securities) such a disbursement - if there is a provision to this effect in the agreement - shall change the selling (purchasing) prices in the second part of the REPO agreement that is used to calculate incomes (expenses) in accordance with Items 3 and 4 of the present Article.

If the agreement does not contain a provision for setting off coupon disbursements (partial redemption of the face value of securities) in the calculation of selling (purchasing) price in the second part of the REPO agreement such disbursements shall not affect the sum of incomes (expenses) calculated in accordance with Items 3 and 4 of the present Article.

8. If an agreement contains a provision for settlements of accounts (remittance of funds and/or transfer of securities) between the parties to the REPO transaction during the period of time between the dates of discharge of the first and second parts of the REPO agreement depending on the criteria established by the terms of the agreement for variation of market prices for the securities deemed the object of the REPO transaction such disbursements - if there is a provision to this effect in the agreement - shall change the selling (purchasing) price in the second part of the REPO agreement used to calculate incomes (expenses) that are assessed in accordance with Items 3 and 4 of the present Article.

The receipt (transfer) of funds and securities by the parties to the REPO agreement depending on the criteria established by the terms of the agreement for market price variation shall not be deemed grounds for adjusting the sums of incomes (expenses) in the form of interest on placed (raised) funds in the REPO transaction that are assessed in accordance with Items 3 and 4 of the present Article.

9. For the purposes of the present Code "the opening of a short position" for a security being the object of a REPO transaction and held by the buyer in the first part of the REPO transaction" means the alienation, by the buyer, of said security, except for the sale of the security in the first part of the REPO agreement or the sale of the security in the second part of the REPO agreement within one REPO transaction.

The opening of a short position for a security takes place when the buyer in the first part of the REPO agreement does not own the securities of the same issue which, if sold sale or otherwise disposal of are not going to lead to the opening of the said short position.

For the purposes of the present Code "the closing of a short position" for a security means the discharge of the second part of a REPO transaction by the buyer in the first part of the REPO agreement with:

securities of the same issue for which a short position has been opened, such securities having been received under another REPO agreement;

the acquisition of securities of the same issue for which a short position has been opened, except for the acquisition of securities in the REPO transaction and the discharge of obligations to buy securities by the buyer in the second part of the REPO agreement.

The closing of a short position for a security shall be effected until the acquisition of the securities of the same issue into the securities portfolio of the buyer in the first part of a REPO agreement which, if subsequently (immediately) alienated, are not going to lead to the opening of a short position.

The sequence of closing short positions for securities of one issue shall be defined by the taxpayer by one of the below methods at his own discretion in accordance with the accounting concepts he has adopted for taxation purposes:

the short position that was opened first shall be closed first (FIFO);

the short position that was opened last shall be closed first (LIFO);

the sequence of short position closing is defined at the taxpayer's discretion according to the value of securities for a specific open short position (by unit value).

The closing of a short position for securities on the grounds of discharge of obligations in the second part of a REPO agreement accompanied by the opening of a short position has a priority ranking and it takes place when the taxpayer discharges his obligations in the second part of the REPO agreement.

10. The tax base for a transaction relating to the opening of a short position shall be assessed as follows.

Where a short position is opened for securities that envisage the accrual of interest (coupon) income the taxpayer that opens the short position shall accrue an interest income defined as the difference between the amount of accumulated interest (coupon) income as of the date of short position closing (including the amounts of interest income paid by the issuer between the dates of opening and closing of the short position) and the amount of accumulated interest (coupon) income as of the date of opening of the short position. Interest (coupon) income is accrued for the period of opening of the short position involving the recognition of accumulated expense amounts as of the date of closing of the short position or as of the accounting date, unless the short position was closed in the accounting period. If the interest (coupon) income is taxable at the tax rates envisaged by Item 4 of Article 284 of the present Code the said amounts of accrued interest (coupon) income shall be posted to reduce the amounts of interest (coupon) income taxable at the relevant tax rate.

Incomes received in a transaction relating to the opening of a short position shall be assessed in the procedure envisaged by Item 5 or 6 of Article 280 of the present Code. As the opening of the short position is being done, accompanied by the closing of a short position for securities in the cases envisaged by Item 9 of the present Article, incomes relating to the newly opened open position shall be assessed on the basis of the market value (at the rated value if there is no market value) of the securities and accumulated interest (coupon) income as of the date of the opening thereof. Incomes from the transaction relating to the opening of a short position shall be recognised as of the date of closing of the short position.

Expenses on a transaction relating to the closing of a short position and the expenses relating to the acquisition and sale of the securities in question shall be assessed in the procedure envisaged by Article 280 of the present Code. Where a short position is being opened accompanied by the closing of a short position for securities in the cases envisaged by Item 9 of the present Article expenses on the position being closed shall be assessed on the basis of the market value (the rated value if there is no market value) of the securities and accumulated interest (coupon) income as of the date of closing. In this case expenses shall not include the amounts of accumulated (coupon) income that have been earlier taken into account in tax base calculation. Expenses on a transaction relating to the closing of a short position shall be recognised as of the date of closing of the short position.

**Article 283.** Transfer of Losses to the Future

1. Taxpayers who have incurred a loss (losses) calculated in conformity with this Chapter in the previous tax period or in the previous tax periods shall have the right to reduce the tax base of the current tax period by the entire sum of the loss they have suffered, or by a part of this sum (to transfer the loss to the future). In this case, the tax base of the current tax period shall be defined taking into account the specifics envisaged by this Article, by Articles 264.1, 268.1, 275.1, 280 and 304 of the present Code.

**2.** Taxpayers shall have the right to transfer the loss to the future for the ten years following the tax period in which this loss was incurred.

Taxpayers shall have the right to transfer onto the current tax period the sum of the loss incurred in the previous tax period.

The loss which has not been transferred to the closest next year may in a similar order be transferred, either wholly or in part, to the closest next year of the subsequent ten years, while taking into account the provisions of the second paragraph of this Item.

The limitation established by the second paragraph in the present item shall not apply to the taxpayers - the organisations having the status of a resident of the industrial production special economic zone or a special tourism-recreation economic zone.

**3.** If the taxpayer has incurred losses in more than one tax period, such losses shall be transferred to the future in the order of priority in which they have been incurred.

**4.** Taxpayers shall be obliged to keep the documents confirming the volume of the incurred loss in the course of the entire term when he reduces the tax base of the current tax period by the sums of the earlier incurred losses.

**5.** If taxpayers stop their activity because of reorganisation, the tax paying legal successor shall have the right to reduce the tax base in the order and on the terms envisaged by this Article by the sum of the losses incurred by the organisations put under reorganisation, prior to the moment of reorganisation.

**Article 284.** Tax Rates

**1.** The tax rate shall be established in the amount of 24 per cent, except for the instances provided for by Items from 2 to 5 of this Article. In this case:

- the sum of the tax computed in accordance with the tax rate of 6.5 per cent shall be entered to the federal budget;

- the sum of the tax computed in accordance with the tax rate of 17.5 per cent, shall be entered to the budgets of the subjects of the Russian Federation.

The laws of the subjects of the Russian Federation may reduce the rate of the tax to be entered into the budgets of the subjects of the Russian Federation for individual categories of taxpayers. With this, the said tax rate may not be less than 13,5 per cent.

For organisations deemed residents of a special economic zone laws of a subjects of the Russian Federation may establish a lowered rate of the profit tax that is subject to entry in the budgets of the subjects of the Russian Federation from an activity pursued on the territory of the special economic zone, provided separate record is kept of the incomes (expenses) received (incurred) from an activity pursued on the territory of the special economic zone, and the incomes (expenses) received (incurred) in the pursuance of an activity outside of the territory of the special economic zone. In this case, the said tax rate shall not be below 13.5 per cent.

**2.** The rates of tax on the incomes of foreign organisations not connected with activity in the Russian Federation through their permanent representation, shall be established in the following amounts:

1) 20 per cent - from any kind of incomes, except for those indicated in Subitem 2 of this Item and in Items 3 and 4 of this Article subject to the provisions of Article 310 of this Code;

2) 10 per cent - from the use, maintenance or letting out (freighting) of ships, aircraft and other mobile transportation facilities or containers (including trailers and auxiliary equipment necessary for transportation) in connection with the performance of international shipments.

**3.** The following tax rates shall apply to the tax base estimated from incomes received in the form of dividends:

1) zero per cent - for incomes received by Russian organisations in the form of dividends, provided that on the day of the adoption of a decision on the payment of dividends the organisation that receives dividends possesses continuously for no less than 365 days by right of ownership no less than 50 percent deposit (stake) in the statutory (pooled) capital or fund of the organisation that pays out dividends or of the depositary receipts entitling the recipients to receive dividends in the amount that corresponds to no less than 50 per cent of the total sum of the dividends paid by the organisation and provided that the value of the acquisition and/or the reception, in accordance with the legislation of the Russian Federation, into its ownership of the deposit (stake) in the authorised (pooled) capital or fund of the organisation which pays dividends or depositary receipts giving the right to receive dividends, exceeds 500 million roubles.

If the organisation that pays out dividends is foreign, the tax rate fixed by the present subitem shall apply to the organisations whose State's permanent location is not included in the list (approved by the Ministry of Finance of the Russian Federation) of the states and the territories which grant a preferential tax treatment and/or which do not provide for the disclosure and the submission of information during financial operations (off-shore zones);

2) nine percent - for incomes received in the form of dividends from Russian and foreign organisations by Russian organisations not indicated in Subitem 1 of this Item.

3) fifteen percent - for incomes received in the form of dividends from Russian organisations by foreign organisations.

The tax shall be counted with reference to the specific features stipulated by Article 275 of the present Code.

To confirm the right to use the tax rate, fixed by Subitem 1 of the present Item, the taxpayers shall be obliged to submit to tax bodies the documents containing information abut the date (dates) of the acquisition (reception) of the right of ownership of the deposit (stake) in the authorised (pooled) capital (fund) of the organisation that pays dividends or of the depositary receipts which entitle recipients to receive dividends, and also information about the value of the acquisition (reception) of the corresponding right.

Such documents may include contracts of purchase and sale (barter) decisions on the placement of underwriting securities, contracts of reorganisation merger or incorporation, decisions on reorganisation, division, separation or transformation, liquidation (dividing) balances, assignment deeds, certificates of the state registration of an organisation, privatisation plans, decisions on the issue of securities, reports on the results of the issue of securities, issue prospectuses, judicial rulings, charters, constituent instruments (decisions on foundations) or their analogs, receipts from personal accounts in the system of keeping a register of shareholders (participants), receipts from depo accounts. They may include containing information abut dates of acquiring or receiving of the right of property of a deposit or a

stake in the authorised (pooled) capital or fund paying out the organisation's dividends or of depositary receipts giving the right to receive dividends, and also information abut the cost of acquiring (receiving) relevant rights. The said documents or their copies, if they are written out in a foreign language shall be legalised in the established order and translated into the Russian language.

**4.** The following tax rates shall apply to the tax base defined according to operations in particular types of debt liabilities:

1) 15 per cent - on income in the form of interest on government and municipal securities (except for securities indicated in Subitems 2 and 3 in the present Item, and an interest income received by Russian organisations on state and municipal securities floated outside the Russian Federation, except for an interest income received by the primary holders of the state securities of the Russian Federation they have received in exchange for state short-term non-coupon bonds in the procedure established by the Government of the Russian Federation), the terms of whose issue and trading provide for the receipt of income in the form of interest, and also on incomes in the form of interest from the bonds with mortgage cover, issued after January 1, 2007 and on incomes of the founders of the trust management of mortgage cover, which were received on the basis of the acquisition of mortgage certificates of participation, issued by the manager of mortgage cover after January 1, 2007;

2) 9 per cent - on incomes in the form of interest on municipal securities issued for a period of not less than three years, up to January 1, 2007, and also on incomes in the form of interest on the bonds with mortgage cover, issued before January 1, 2007, and also on incomes in the form of interest on the bonds with mortgage cover, issued before January 1, 2007, and on the incomes of the founders of trust management of mortgage cover, received on the basis of the acquisition of the mortgage certificates of participation, issued by the manager of mortgage cover before January 1, 2007;

3) zero per cent - on income in the form of interest on government and municipal bonds issued before January 20, 1997 inclusive, and also on income in the form of interest on the bonds of the 1999 government foreign currency funded loan issued during the novation of the bonds of the internal government foreign currency loan of series III, issued for the purpose of securing the conditions necessary for the settlement of the internal foreign currency debt of the ex-USSR and the internal and external foreign currency debt of the Russian Federation.

**5.** The profit derived by the Central Bank of the Russian Federation from the performance of an activity involved in its discharge of the functions stipulated by the Federal Law on the Central Bank of the Russian Federation (the Bank of Russia), shall be levied with tax at a tax rate of 0 (zero) per cent.

The profit derived by the Central Bank of the Russian Federation from the performance of an activity not involved in its discharge of the functions envisaged by the Federal Law on the Central Bank of the Russian Federation (the Bank of Russia), shall be levied with tax in accordance at the tax rate envisaged by Item 1 of this Article.

**6.** The sum of tax calculated in accordance with the tax rates established by Items 2-4 of this Article shall be entered into the federal budget.

**Article 285.** Tax Period and Reporting Period

**1.** Recognised as the tax period for tax shall be the calendar year.

2. Recognised as reporting periods for tax shall be the first quarter, the half-year and nine months of the calendar year.

As reporting periods for the taxpayers calculating monthly advance payments reasoning from actually gained profits shall be recognized as one month, two months, three months and so on up to the end of a calendar year.

**Article 286.** Procedure for the Calculation of Tax and Advance Payments

**1.** Tax shall be defined as the percentages part of the tax base corresponding to the tax rate, which shall be defined in conformity with Article 274 of the present Code.

2. Unless otherwise established by Items 4 and 5 of this Article, the taxpayer shall define the sum of tax by the results of the tax period on his own.

On the basis of the results of each reporting (tax) period, if not otherwise provided for by this Article, taxpayers shall calculate the sum of the advance payment reasoning from the tax rate and taxable profits calculated as a progressive total from the start of the tax period to the end of the reporting (tax) period. During a report period taxpayers shall calculate the sum of the monthly advance payment in the procedure established by this Article.

The sum of the monthly advance payment to be made in the first quarter of the current tax period shall be regarded as equal to the sum of the monthly advance payment to be paid by the taxpayer in the last quarter of the previous tax period. The sum of the monthly advance payment to be made in the second quarter of the current tax period shall be regarded as equal to one third of the sum of the advance payment calculated for the first reporting period of the current year. The sum of the monthly advance payment to be made in the third quarter of the current tax period shall be regarded as equal to one third

of the difference between the sum of the advance payment calculated on the basis of the results of half a year and the sum of the advance payment calculated on the basis of the results of the first quarter.

The sum of the monthly advance payment to be made in the fourth quarter of the current tax period shall be regarded as equal to one third of the difference between the sum of the advance payment calculated on the basis of the results of nine months and the sum of the advance payment calculated on the basis of the results of half a year.

If the sum of a monthly advance payment calculated in such a way is negative or is equal to zero said payments in the appropriate quarter shall not be made.

The taxpayers shall have the right to switch to the calculation of monthly advance payments proceeding from the actually derived profit subject to the calculation. In this case, the sums of the advance payments shall be calculated by taxpayers proceeding from the tax rate and from the actually derived profit calculated by progressive total as from the start of the tax period and to the end of the corresponding month.

With this, the sum of the advance payments subject to entry into the budget shall be defined with account taken of the earlier calculated sums of advance payments. The taxpayer shall have the right to switch to making monthly advance payments, proceeding from the actual profit, having notified to this effect the tax body not later than December 31 of the year preceding the tax period in which the transfer to this system of making advance payments is taking place. The system for making advance payments cannot be changed by the taxpayer in the course of the tax period.

**3.** Organisations whose incomes from sales defined in compliance with Article 249 of this Code have not exceeded on average three million roubles in every quarter over the preceding four quarters, as well as budgetary institutions, foreign organisations carrying out activity in the Russian Federation through their permanent representation, non-profit organisations deriving no income from the sale of commodities (works, services), the participants in simple partnerships with respect to the incomes they derive from taking part in simple partnerships, the investors in production sharing agreements in the part of incomes derived from the implementation of the said agreements and beneficiaries on the trust management agreements, shall make only quarterly advance payments by the results of the reporting period.

**4.** If the taxpayer is a foreign organisation deriving incomes from sources in the Russian Federation not connected with permanent representation in the Russian Federation, the duty to define the sum of the tax, to withhold this sum from the taxpayer's income and to transfer the tax to the budget shall be imposed upon Russian organisations or upon foreign organisations performing an activity in the Russian Federation through permanent representation (upon tax agents), which (who) shall pay out the said income to the taxpayer.

The tax agent shall define the sum of tax for every payment (transfer) of the monetary funds or for other receipt of the income.

**5.** Russian organisations paying out incomes to taxpayers in the form of dividends, as well as in the form of interest on state or municipal securities, subject to taxation in conformity with this Chapter, shall define the sum of tax separately for every one of such tax payers as applied to every payment of the said incomes:

1) if the source of the taxpayer's incomes is a Russian organisation, the duty to withhold the tax from the taxpayer's incomes and to transfer it to the budget shall be imposed upon this source of incomes.

In this case, the tax in the form of advance payments shall be withheld from the taxpayer's incomes in every payment of such income;

2) when selling the state and municipal securities whose circulation provides for the recognition as the income, gained by the seller in the form of interest, the sums of accumulated interest yields (accumulated coupon yields), the taxpaying recipient of the yields shall independently calculate and pay the tax on such yields.

Information on the kinds of securities to which the procedure established by the present Item is applied shall be brought to the taxpayers' attention by the federal executive power body authorised by the Government of the Russian Federation.

In the event of a sale (disposal) of state and municipal securities whose circulation is not subject to the provision that the amounts of accumulated interest income (accumulated coupon income) are recognised as an income received by a seller in the form of interest the taxpayer being the beneficiary of the income accrues and pays on his own the tax on such incomes taxable at the tax rate established by Item 1 of Article 284 of the present Code, except as otherwise established by the present Code.

**6.** Organizations established after the entry of this Chapter into force shall start paying monthly advance payments on the expiry of a complete quarter, as of the date of their state registration.

**Article 287.** Time Terms and Procedure for the Payment of Tax, and of Tax in the Form of Advance Payments

1. Tax subject to payment after the expiry of the tax period, shall be paid not later than the deadline fixed for submitting tax declarations for the corresponding tax period by Article 289 of the present Code.

The advance payments on the basis of the results of the reporting period shall be made not later than the deadline, fixed for submitting tax declarations for the corresponding reporting period.

The monthly advance payments subject to payment in the course of the reporting period shall be made before the deadline of the 28th of every month of this reporting period.

Taxpayers calculating their monthly advance payments in accordance with actually derived profit shall make the advance payments not later than the 28th of the month next following the month on the basis of which results the calculation of the tax is made.

The sums of monthly advance payments paid in the course of the reporting (tax) period by the results of the reporting (tax) period shall be set off when making the advance payments on the basis of the results of the report period. The advance payments on the basis of the results of the reporting period shall be set off against the payment of the tax by the results of the next reporting (tax) period.

**2.** The Russian organisation or the foreign organisation performing activity in the Russian Federation through its permanent representation (tax agents) paying out income to a foreign organisation shall with hold the sum of tax from the incomes of this foreign organisation, safe for incomes in the form of dividends and interest on state and municipal securities (in respect of which the procedure established by Item 4 of this Article shall apply), in every payment (transfer) to it of monetary funds or in another receipt of incomes by the foreign organisation, unless otherwise stipulated by the present Code.

The tax agent shall be obliged to transfer the corresponding sum of tax in the course of three days after the day of payment (transfer) of the monetary funds to the foreign organisation or of another receipt of incomes by the foreign organisation.

**3.** The specifics in the payment of tax by taxpayers having set apart subdivisions, shall be established by Article 288 of the present Code.

**4.** Tax on incomes paid out to taxpayers in the form of dividends, as well as of interest on state and municipal securities, which is withheld in the payment of the income, shall be transferred to the budget by the tax agent who has effected the payment within ten days from the day of paying out the income.

Tax on the incomes from the state and municipal securities in circulation there is a provision for recognising the amounts of accumulated interest income (accumulated coupon income) as an income received by a seller in the form of interest subject to taxation in conformity with Item 4 of Article 284 of the present Code in the receiver of incomes shall be paid to the budget by the tax paying receiver of the income in the course of ten days after the end of the relevant month of the accounting (tax) period in which the income is received on the basis of the dates deemed the dates of receipt of income in accordance with Articles 271 and 273 of the present Code.

**5.** The newly created organisations shall make advance payments for the corresponding reporting period on the condition that the earnings from sales have not exceeded one million roubles per month or three million roubles per quarter. If the above restrictions have been exceeded, beginning with the month next to the month in which such an excess has taken place, the taxpayer shall make advance payments in accordance with the order stipulated by Item 1 of this Article subject to the requirements of Item 6 of Article 286 of this Code.

**Article 288.** Specifics in the Calculation and Payment of Tax by Tax Payers Who Have Set Apart Subdivisions

**1.** Tax paying Russian organisations which have set apart subdivisions shall calculate and pay to the federal budget the sums of advance payments, as well as the sums of tax calculated by the results of the tax period at the place of their location without distributing the said sum among the set apart subdivisions.

2. The advance payments and the sums of tax subject to entry to the revenue part of the budgets of the subjects of the Russian Federation and of the budgets of the municipal entities, shall be paid by tax paying Russian organisations at the place of location of the organisation, as well as at the place of location of each of its set apart subdivisions, proceeding from the share of the profit falling on these set apart subdivisions which shall be defined as the average arithmetical value of the specific weight of an average listed number of workers (of outlays onwage payments) and of the specific weight of the residual cost of the depreciated property of this set apart subdivision, respectively, in the average listed number of workers (in outlays on wage payments) and in the residual cost of the depreciated property defined in conformity with Item 1 of Article 257 of the present Code for the taxpayer as a whole.

If the taxpayer has several detached units in the territory of one subject of the Russian Federation there is no need for profit distribution for each of such units. In this case the tax amount payable to the budget of the subject of the Russian Federation shall be calculated on the basis of the share of profit calculated from the aggregate of data of the detached units located on the territory of the subject of the

Russian Federation. While doing this, the taxpayer shall choose at his own discretion the detached unit through which tax payment is going to be made to the budget of the constituent entity of the Russian Federation, having notified of the decision taken by him before December 31 of the year preceding the tax period the tax bodies with which the taxpayer was registered for taxation purposes at the location of his detached units.

The specific weight of an average listed number of workers and the specific weight of the residual cost of depreciated property, indicated in the present Item, shall be defined reasoning from the actual indices of an average listed number of workers (of outlays on wage payments) and the residual cost of the fixed assets of said organizations and their separate subdivisions, for the accounting (tax) period.

Taxpayers shall determine on their own which of the indices shall be applied - the average listed number of workers or the sum of the outlays on wage payments. The index chosen by the taxpayer shall remain unchangeable in the course of the tax period.

Instead of the index of the average listed number of workers, tax payers with a seasonal cycle of work or with other specifics in the activity stipulating the seasonal character of attracting workers, may apply, by agreement with the tax body at the place of its location, the index of the specific weight of the outlays on the remuneration of labour, defined in conformity with Article 255 of the present Code. In this case shall be defined the specific weight of the outlays on the remuneration of labour of every set apart subdivision in the total taxpayer's outlays on the remuneration of labour.

The sum of the advance payments, as well as the sums of tax subject to entry into the revenue part of the budgets of the subjects of the Russian Federation and of the budgets of the municipal entities, shall be calculated in accordance with the tax rates operating on the territories where the organisation and its set apart subdivisions are situated.

**3.** Taxpayers shall calculate the advance payments on the tax, as well as the sums of tax to be entered to the budgets of the subjects of the Russian Federation and to the budgets of the municipal entities at the place of location of the set-apart subdivisions, on his own.

Taxpayers shall supply information on the sums of the advance payments on the tax, as well as on the sums of tax calculated by the results of the tax period, to his set apart subdivisions, as well as to the tax bodies at the place of location of the set apart subdivisions, not later than the deadline fixed by the present Article for submitting tax declarations for the corresponding reporting or tax period.

**4.** Taxpayers shall pay the sums of advance payments and the sums of tax calculated by the results of the tax period to the budgets of the subjects of the Russian Federation and to the local budgets at the place of location of the set apart subdivisions not later than the deadline fixed by Article 289 of the present Code for submitting tax declarations for the corresponding reporting or tax period.

**5.** If the taxpayer has a set apart subdivision outside the Russian Federation, the tax shall be subject to payment to the budget with account taken of the specifics established by Article 311 of the present Code.

**Article 288.1.** Specifics of Estimation and Payment of Tax on Profits of Organisations by Residents of the Special Economic Zone in the Kaliningrad Region

**1.** Residents of the Special Economic Zone in the Kaliningrad Region (hereinafter also referred to as residents) shall pay tax on profits of organizations in compliance with this Chapter, except for the instances established by this Article.

**2.** Residents shall apply the special procedure for payment of tax on profits of organizations established by this Article in respect of the profits derived from implementation of an investment project in compliance with the Federal Law on the Special Economic Zone in the Kaliningrad Region, provided that residents keep separate records of the incomes (outlays) received (made), when implementing the investment project, and of the incomes (outlays) received (made) when exercising other types of economic activities.

**3.** Where separate records of the incomes (outlays), received (made), when implementing an investment project in compliance with the Federal Law on the Special Economic Zone in the Kaliningrad Region, and the incomes (outlays) received (made), when exercising other types of economic activities, are not kept, the profits derived from implementation of this investment project shall be taxed in compliance with this Chapter starting from the quarter when keeping of such separate records is terminated.

**4.** For the purposes of this Chapter, as the tax base for tax on the profits derived from implementation of an investment project in compliance with the Federal Law on the Special Economic Zone in the Kaliningrad Region shall be deemed the profit in monetary terms derived from implementation of this investment project and assessed on the basis of data obtained as a result of keeping separate records of the incomes (outlays) received (made) in the course of implementation of this investment project and the incomes (outlays) received (made) in the course of exercising other types of economic activity, which the provisions of this Chapter apply to.

**5.** For the purposes of this Article, as incomes derived from implementation of an investment project in compliance with the federal law on the Special Economic Zone in the Kaliningrad Region shall

be deemed the incomes derived from selling commodities (carrying out works or rendering services) produced as a result of implementation of this investment project, except for production of the commodities (carrying out the works or rendering services) that are not be the aim of the investment project.

**6.** Within six calendar years as of the date of inclusion of a legal entity into the comprehensive register of residents of the Special Economic Zone in the Kaliningrad Region, tax on the profits derived from selling commodities (carrying out works or rendering services), derived from implementation of an investment project in compliance with the Federal Law on the Special Economic Zone and determined in compliance with this Chapter and the Federal Law of the Special Economic Zone in the Kaliningrad Region, shall be collected at the 0 rate in respect of tax on profits of organizations.

**7.** Within the period from the seventh to twelfth calendar year inclusive, as of the date of including a legal entity into the comprehensive register of residents of the Special Economic Zone in the Kaliningrad Region, the rate of tax on profits of organizations with respect to the tax base for tax on the profits derived from implementation of an investment project in compliance with the Federal Law on the Special Economic Zone in the Kaliningrad Region shall constitute the amount established by Item 1 of Article 284 of this Code and reduced by fifty percent. For this:

1) tax on profits of organizations with respect to the tax base for tax on the profits derived from implementation of an investment project in compliance with the Federal Law on the Special Economic Zone in the Kaliningrad Region estimated on the basis of the tax rate reduced by fifty per cent in the amount established by Paragraph Two of Item 1 of Article 284 of this Code shall be entered into the federal budget;

2) tax on profits of organizations with respect to the tax base for tax on the profits derived from implementation of an investment project in compliance with the Federal Law on the Special Economic Zone in the Kaliningrad Region estimated on the basis of the tax rate, reduced by fifty per cent, in the amount established by Paragraph Three of Item 1 of Article 284 of this Code shall be entered into the budget of the Kaliningrad Region.

**8.** If a law of the Kaliningrad Region establishes in compliance with Paragraph Four of Item 1 of Article 284 of this Code a reduced rate of tax on profits of organizations for individual categories of taxpayers, that include residents, in respect of the taxes to be entered into the budget of the Kaliningrad Region residents shall apply in the instances, provided for by this Article, this tax rate reduced by fifty per cent.

**9.** The difference between the amount of tax on profits of organizations with respect to the tax base for tax on the profit derived from implementation of an investment project in compliance with the Federal Law on the Special Economic Zone in the Kaliningrad Region, that would be computed by a resident, if he did not apply the special order of paying tax on profits of organizations, established by this Article, and the amount of tax on profits of organisations computed by a resident in compliance with this Article in respect of the profits, derived from implementation of an investment project in compliance with the Federal Law on the Special Economic Zone in the Kaliningrad Region, shall not be included into the tax base for tax on profits of organizations for residents.

**10.** In the event of removal of a resident from the Unified Register of Residents of the Special Economic Zone in the Kaliningrad Region until he obtains a certificate on the fulfilment of the conditions of the investment declaration, the resident shall be deemed to have lost the right to apply the special procedure for paying the tax on the profit of organisations established by this Article from the beginning of the quarter in which he was removed from the said Register.

In this case the resident must calculate the tax amount with respect to the profit gained from the realisation of the investment project in accordance with the Federal Law on the Special Economic Zone in the Kaliningrad Region at the tax rate established by Item 1 of Article 284 of this Code.

The calculation of the tax amount shall be made on the basis of separate accounting of the incomes (expenses) gained (borne) in the realisation of the given investment project and also the incomes (expenses) gained (borne) in the carrying out of other economic activity for the period of the application of the special procedure of taxation.

The calculated tax amount shall be payable by the resident upon the expiry of the reporting or tax period in which he was removed from the Unified Register of Residents of the Special Economic Zone in the Kaliningrad Region within the time periods established for making advance payments on the tax for the reporting period or for paying the tax for the tax period in accordance with paragraphs one and two of Item 1 of Article 287 of this Code.

In the conduct of a visiting tax check of a resident removed from the Unified Register of Residents of the Special Economic Zone in the Kaliningrad Region concerning the correctness of the calculation and fullness of payment of the tax amount with respect to profit gained from the realisation of an investment project, the restrictions established by paragraph two of Item 4 and Item 5 of Article 89 of this Code shall not be effective on condition that the decision on assigning such a check was rendered within three months from the moment of payment of the said tax amount by the resident.

**Article 289.** Tax Declaration

1. Regardless of their duty to pay tax and (or) to make advance payments on the tax, as well as of the specifics in the calculation and payment of the tax, taxpayers shall be obliged, after the expiry of every reporting and tax period, to submit to the tax bodies at the place of their location and at the place of location of every one of the set apart subdivisions, unless otherwise stipulated in the present Item, the corresponding tax declarations in the order established by the present Article.

Tax agents shall be obliged, after the expiry of every reporting (tax) period in which they effected payments to the taxpayer, to submit to the tax bodies at the place of their location the tax calculations in accordance with the procedure defined by this Article.

The tax payers, referred to the category of major tax payers in conformity with Article 83 of the present Code, shall submit tax declarations (computations) to the tax body at the place of their recording as major tax payers.

**2.** By the results of the reporting period taxpayers shall submit tax declarations made out in simplified form. Non-profit organisations with which no liabilities arise on the payment of tax shall submit the tax declaration of simplified form after the expiry of the tax period.

**3.** Taxpayers (tax agents) shall submit tax declarations (tax calculations) in 28 calendar days at latest, as of the date of the end of the corresponding tax period. The taxpayers calculating the sums of monthly advance payments on the basis of actually received profits shall submit tax declarations within the terms established for making advance payments.

**4.** The tax declarations (tax calculations) by the results of the tax period shall be submitted by taxpayers (tax agents) not later than March 28 of the year next to the expired tax period.

**5.** The organisation whose composition includes set apart subdivisions shall submit after the end of every reporting and tax period to the tax bodies at the place of its location the tax declaration for the organisation as a whole, with distribution by the set apart subdivisions.

**Article 290.** Specifics in Defining Banks' Incomes

**1.** To banks' incomes, in addition to the incomes envisaged by Articles 249 and 250 of the present Code, shall also be referred incomes from the banking activity stipulated by this Article. The incomes envisaged by Articles 249 and 250 of the present Code shall be defined with account taken of the specifics indicated in the present Article.

**2.** For the purposes of this Chapter, to the banks' incomes shall be referred, in particular, the following incomes derived from the performance of banking activity:

1) in the form of interest derived from the bank's placement on its own behalf and at its own expense of monetary funds, as well as from granting credits and loans;

2) in the form of the payment for opening and keeping the bank accounts of clients, including of correspondent banks (including foreign correspondent banks), and for making settlements on their orders, including commission and other forms of remuneration for transfers, encashment, credit letters and other transactions, for formalising and servicing payment cards and other special means intended for the performance of banking transactions, for giving out excerpts and the other documents, and for the search of assets;

3) from the encashment of monetary funds, promissory notes, payment and settlement documents and from the cash servicing of clients;

4) from carrying out transactions in foreign currency, in cash and cashless forms, among them commission fees (awards) in the transactions involved in the purchase or sale of foreign currency, including at the expense and on the orders of the client, and from operations with currency values.

To define incomes of banks from sale (purchase) transactions in foreign currency in a reporting (tax) period there shall be accepted the positive difference between the incomes determined in compliance with Item 2 of Article 250 of this Code and the outlays determined in compliance with Subitem 6 of Item 1 of Article 265 of this Code.

5) from transactions involved in the purchase and sale of noble metals and precious stones in the form of the difference between the price of sale and the cost of discounting;

6) from transactions involved in granting the bank's guarantees and sureties for third persons, envisaging execution in the monetary form;

7) in the form of the positive difference between the sum of funds received from the termination or sale (from subsequent cession) of the right of claim (including that which was earlier acquired) and the cost of discounting of the given right of claim;

8) from the depositary servicing of clients;

9) from leasing especially equipped premises or safes for keeping documents and valuables;

10) in the form of payment for the delivery and shipment of monetary funds, securities and other valuables, as well as the bank's documents (except for encashment);

11) in the form of payment for shipment and storage of noble metals and precious stones;

12) in the form of the remuneration received by the bank from exporters and importers for the discharge of the functions of currency control agents;

13) from transactions involved in the purchase and sale of collection coins in the form of the difference between the price of sale and the price of acquisition;

14) in the form of the sums the bank received from returned credits (loans), the losses from whose writing off were earlier recorded in the composition of the outlays which have reduced the tax base, or which were written off at the expense of created reserves, the deductions on whose setting up previously reduced the tax base.

15) in the form of the compensation the bank received for making the outlays on remunerating the services of outside organisations involved in the exertion of control over the correspondence of the bars of noble metals received by the bank from natural persons and legal entities, to the standards;

16) from the performance of forfeiting and factoring transactions;

17) from rendering services connected with the installation and operation of electronic systems of documents circulation between a bank and clients, including systems "client-bank";

18) in the form of commission fees (remuneration), when making transactions in currency values;

19) in the form of the positive difference resulting from the excess of positive revaluation of precious metals over negative revaluation thereof;

20) in the form of the sums of a reestablished reserve against possible losses in respect of loans where the outlays for forming it were included into the composition of outlays in the procedure and on the conditions which are established by Article 292 of this Code;

21) in the form of the sums of reestablished reserves against depreciation of securities where the outlays for forming them were included into the composition of outlays in the procedure and on the conditions which are established by Article 300 of this Code;

22) the incomes connected with banking activity.

**3.** The sums of positive revaluation of funds in foreign currency received as payment for the banks' authorised capitals and also the insurance payments received under contracts of insurance against the death or disability of a borrower of a bank, within the sum of the borrower's indebtedness in the form of borrowed (credit) funds and accrued interest repaid (forgiven) by the bank with said insurance payments shall not be included into the bank's incomes.

**Article 291.** Specifics in Defining Banks' Outlays

**1.** To banks' outlays, in addition to the outlays envisaged by Articles 254-269 of the present Code, shall also be referred those made in the performance of banking activity which are envisaged in this Article. The outlays envisaged in Articles 254-269 of the present Code shall be defined taking into account the specifics described by the present Article.

**2.** For the purposes of this Chapter, to the banks' outlays shall be referred the outlays made when carrying out banking activity, in particular the following kinds:

1) interest on:

- contracts on the banks' contribution (deposit) and on other attracted monetary funds of natural persons and legal entities (including of correspondent banks), and likewise foreign ones, including for the use of the monetary funds kept on the banks' accounts;

- own debt liabilities (on bonds, deposits and savings certificates, promissory notes, loans or other liabilities);

- inter-bank credits, including overdrafts;

- the acquired refunding credits, including those acquired on an auction basis, in the order established by the Central Bank of the Russian Federation;

- loans and contributions (deposits) in the form of noble metals.

- other liabilities of banks with regard to clients, and likewise in respect of the assets deposited by client for settlements relating to letters of credit.

Interest calculated in conformity with this Item on inter-bank credits (deposits) with a term of up to seven days (inclusive) shall be recorded when defining the tax base, not taking into account the provisions of Item 1 of Article 269 of the present Code, proceeding from the actual time term of operation of the contracts;

2) the sums of deductions into the reserve against probable losses on loans subject to reservation in the order established by Article 292 of the present Code;

3) commission fees for the services on correspondent relations, including outlays on the cash-settlement servicing of the clients, on opening for them accounts in other banks, on the payment to other banks (including foreign ones) for the cash-settlement servicing of these accounts, on the settlement services of the Central Bank of the Russian Federation, on the encashment of the monetary funds, securities, payment documents, and other similar expenditures;

4) the outlays (losses) on (from) operations in foreign currency, made (incurred) in cash and in non-cash forms, including commission fees (awards) in transactions involved in the purchase or sale of

foreign currency, including at the expense and on the orders of the client, from transactions in currency values, and the expenditures on management and on protection against currency risks.

To determine the outlays of banks on transactions of sale (purchase) of foreign currency in a reporting (tax) period there shall be accepted the negative difference between the incomes determined in compliance with Item 2 of Article 250 of this Code and the outlays determined in compliance with Subitem 6 of Item 1 of Article 256 of this Code;

5) the losses on transactions involved in the purchase and sale of noble metals and precious stones in the form of the difference between the price of sale and the cost of discounting;

6) the bank's outlays on the storage, transportation and control over the correspondence of noble metals in bars and coins to quality standards, outlays on refining noble metals, and the other outlays involved in the performance of transactions with the bars of noble metals and with coins containing noble metals;

7) outlays on the transfer of pensions and allowances, as well as the outlays on the transfer of the monetary funds without opening accounts to natural persons;

8) outlays on the manufacture and introduction of the payment and settlement means (plastic cards, travellers' cheques and other payment and settlement means);

9) sums paid for the encashment of banknotes, coins, cheques and other payment and settlement documents, as well as outlays on packing (including making complete sets of cash), shipment and (or) the delivery of valuables belonging to the credit institution or to its clients;

10) outlays on the repairs and (or) restoration of collectors' bags, sacks and other equipment connected with the encashment of money, with the transportation and the storage of valuables, as well as with the acquisition of new and replacement of old bags and sacks which have become unfit for use;

11) outlays involved in the payment of the fee for state registration of the mortgage and in the introduction of amendments and addenda to the registration entry on the mortgage, as well as in the notary's certification of the contract of mortgage;

12) outlays on renting motor transport facilities for the encashment of earnings and on transportation of banks' documents and goods;

13) outlays on renting broker's places;

14) outlays on the remuneration of services rendered by cash-settlement and by computer centres;

15) outlays connected with the performance of forfeiting and factoring transactions;

16) outlays on the guarantees, sureties and acceptances granted to the bank by other organisations;

17) commission fees (remuneration) for making transactions in currency valuables, and likewise at the expense and on behalf of clients;

18) positive difference resulting from the excess of negative revaluation of precious metals over positive one;

19) sums of allocations to the reserve against possible losses on loans indebtedness, where the outlays on forming it are accounted in the composition of outlays in the procedure and on the conditions which are established by Article 292 of this Code;

20) sums of allocations to the reserves against depreciation of securities, where the outlays for forming them are accounted in the composition of outlays in the procedure and on the conditions which are established by Article 300 of this Code;

20.1) the sums of bank insurance contributions, fixed in accordance with the federal law on the insurance deposits of natural persons in the banks of the Russian Federation;

20.2) the amounts of insurance premiums under contracts of insurance against the death or disability of a borrower of a bank under which the bank is a beneficiary, provided these expenses are compensated by borrowers;

21) other outlays involved in banking activity.

**3.** The sums of the negative revaluation of funds in foreign currency received by way of payment for the authorised capitals of credit institutions shall not be included in the bank's outlays.

**Article 292.** Outlays on Forming Banks' Reserves

**1.** For the purposes of the present Chapter, the banks shall have the right, in addition to the reserves against risky debts envisaged by Article 266 of the present Code, to set up a reserve against probable losses on loan indebtedness and on the other kinds of indebtedness equated to it (including indebtedness on inter-bank credits and deposits (hereinafter referred to as reserves against possible losses on loan indebtedness) stipulated by this Article.

The sums of deductions to the reserves against probable losses on the loans, formed in accordance with the procedure established by the Central Bank of the Russian Federation in conformity with the Federal Law on the Central Bank of the Russian Federation (the Bank of Russia), shall be recognised as outlays, while taking into account the restrictions stipulated by this Article.

When defining the tax base, not taken into account shall be outlays in the form of deductions to the reserves against possible losses on loan indebtedness set up by banks against the indebtedness referred to standard one in accordance with the procedure established by the Central Bank of Russia, as well as the reserves against possible losses on loan indebtedness, created against promissory notes, with the exception of promissory notes of third persons, discounted by banks, on which a protest against non-payment is filed.

**2.** Sums of deductions to a reserve against probable losses on loans, set up subject to the provisions of Item 1 of this Article shall be included in the composition of extra-realisation outlays in the course of the reporting (tax) period.

The amounts of reserves for probable losses on loans classified as outlays of a bank shall be used by the bank when writing off the balance sheet of a credit organisation uncollectible debts on loans in the procedure established by the Central Bank of the Russian Federation.

When a bank adopts a decision to write off the balance sheet of a credit organisation uncollectible debts on loans, charging of interest on these loan debts shall be terminated, if charging of such interest has not been terminated before in compliance with a contract.

**3.** The sums of reserves against probable losses on the loans referred to the bank's outlays and not fully used by the banks in the reporting (tax) period for coverage of the losses incurred on account of the hopeless indebtedness on loans and on the indebtedness equated to loan indebtedness may be put off to the next reporting (tax) period. In this case, the sum of the newly created reserve shall be corrected by the sum of the residual of the reserve of the previous reporting (tax) period. If the sum of the reserve newly created in the reporting (tax) period is less than the sum of the residual of the previous reporting (tax) period, the difference shall be included in the composition of the bank's extra-sale incomes on the last day of the reporting (tax) period. If the sum of the newly created reserve is larger than the sum of the residual of the previous reporting (tax) period, the difference shall be included into the extra-sale outlays of banks on the last date of a reporting (tax) period.

**Article 293.** Specifics in Defining the Incomes of Insurance Institutions (Insurers)

**1.** To the incomes of an insurance institution, in addition to the incomes stipulated in Articles 249 and 250 of the present Code, which are defined taking into account the specifics stipulated by this Article, shall also be referred the incomes derived from insurance activity.

**2.** To the incomes of insurance institutions shall be referred, for the purposes of this Chapter, the following incomes from the performance of insurance activities:

1) insurance premiums (contributions) on the contracts of insurance, co-insurance and re-insurance. The insurance premiums (contributions) on the contracts of co-insurance shall be included in the composition of the incomes of the insurer (co-insurer) only in the amount of his share in the insurance premium (contribution) fixed in the contract of co-insurance;

2) the sums of the reduction (return) of the insurance reserves formed in the previous reporting periods, taking account for changes in the share of the re-insurers in the insurance reserves;

3) remunerations and bonuses (the form of the insurer's remuneration on the part of the re-insurer) on contracts of re-insurance;

4) remunerations from the insurers on contracts of co-insurance;

5) the sums of re-insurers' compensation of the share of the insurance payments on risks handed over into re-insurance;

6) the sums of interest on the premium deposits on the risks accepted into re-insurance;

7) incomes from the exercise of the right of claim of the insurer (beneficiary) against the persons responsible for inflicted damage which has passed to the insurer in conformity with the currently operating legislation;

8) the sums received in the form of sanctions for non-fulfilment of the terms of insurance contracts recognized by a debtor voluntary or on the basis of the court decision;

9) remunerations for rendering the services of an insurance agent or broker;

10) remunerations received by the insurer for rendering the services of a surveyor (for examination of the property accepted into insurance and for the issue of conclusions on the evaluation of the insurance risk) and of those of an average commissioner (for identifying the reasons for, the character and the amount of the losses in case an insurance accident takes place);

11) the sums of insurance premiums (fees) under contracts of reinsurance partially returned in the event of their early termination;

12) other incomes derived in the performance of insurance activity.

**Article 294.** Specifics in Defining the Outlays of Insurance Institutions (Insurers)

**1.** In addition to the outlays envisaged by Articles 254-269 of the present Code, to the outlays of an insurance institution shall also be referred those made in the performance of insurance activity which are envisaged by this Article. The outlays envisaged by Articles 254-269 of the present Code shall be defined taking account of the specifics envisaged by the present Article.

**2.** For the purposes of this Chapter, to the outlays of insurance institutions shall be referred the following outlays made in the performance of insurance activity:

1) the sums of deductions to the insurance reserves (taking into account changes in the share of re-insurers in the insurance reserves) formed on the grounds of the legislation on insurance in the order approved by the Ministry of Finance of the Russian Federation;

1.1) the amounts of allocations to the reserve of guarantees and the reserve of current compensation payments formed in compliance with the laws of the Russian Federation on obligatory insurance against civil liability of owners of transport vehicles in the amount established in compliance with the structure of insurance tariffs;

1.2) the amounts of allocations to the reserves (funds) established in compliance with the requirements of international systems of compulsory insurance against civil liability of owners of transport vehicles which the Russian Federation has joined to;

2) insurance payments on contracts of insurance, co-insurance and re-insurance. For the purposes of this Chapter, to insurance payments shall be referred payments of rent, annuities, pensions and other payments envisaged by the terms of the contract of insurance;

3) the sums of insurance premiums (contributions) on the risks handed over into re-insurance. The provisions of the present Subitem shall be applied to the re-insurance contracts concluded by Russian insurance institutions with Russian and foreign re-insurers and brokers;

4) remunerations and bonuses out under the contract of re-insurance;

5) the sums of interest on the premium deposits on the risks handed over into re-insurance;

6) remunerations to the co-insurer on contracts of co-insurance;

7) the return of part of the insurance premiums (contributions), as well as of the redemption sums under a contract of insurance, co-insurance and re-insurance in the cases stipulated by legislation and (or) the terms of the contract;

8) remunerations for rendering services of an insurance agent and (or) insurance broker;

9) outlays involved in the payment to organisations or to individual natural persons for services involved in the insurance activity which they have rendered, including:

- for actuaries' services;

- for medical examination when concluding life and health insurance contracts, if payment for such medical examinations is to be effected by the insurer in accordance with the contracts;

- for detective services carried out by organisations which have licences for performing the said activity involved in establishing the justification of the insurance payments;

- for the services of specialists (including those of experts, surveyors, average commissioners and lawyers), invited to make an evaluation of the insurance risk, to determine the insurance cost of the property and the sum of the insurance payment to estimate the consequences of the insured accidents and to regulate the insurance payments;

- for services involved in manufacturing insurance certificates (policies), strict accounting forms, receipt slips and other such documents;

- for the services of organisations involved in carrying out the workers' written orders, involved in the transfer of insurance contributions from wages by way of non-cash settlements;

- for the services of public health institutions and of other organisations connected with the issue of references, statistical data, conclusions and other similar documents;

- for collector's services;

10) other outlays directly involved in insurance activity.

**Article 294.1.** Specifics of Assessing Receipts and Expenditures of Insurance Organisations Engaged in Obligatory Medical Insurance

**1.** To receipts of insurance organisations engaged in obligatory medical insurance, in addition to the receipts provided for by Articles 249 and 250 of this Code, shall likewise pertain the funds remitted by territorial obligatory medical insurance funds.

**2.** To receipts of insurance organisations engaged in obligatory medical insurance, in addition to the receipts provided for by Articles from 254 to 269 of this Code, shall likewise pertain the outlays borne by the said organisations, when exercising insurance activities within the framework of obligatory medical insurance, including the sums allocated to insurance reserves (reserve for paying for medical services, spare reserve, reserve for financing preventive measures).

**Article 295.** Specifics in Determining the Incomes of Non-State Pension Funds

**1.** The incomes of non-state pension funds shall be assessed separately as concerns the incomes derived from the placement of the pension reserves, the incomes derived from investing pension savings and those derived from the constituent activities of the said funds.

**2.** To the incomes derived from the placement of the pension reserves of the non-state pension funds in addition to the incomes envisaged by Articles 249 and 250 of the present Code, shall be referred, in particular, the incomes from the placement of the pension reserves funds into securities, from making

investments and other deposits stipulated by legislation on non-state pension funds which shall be defined in accordance with the procedure established by the present Code for the corresponding kinds of incomes.

For the purposes of taxation, income derived from the placement of pension reserves shall be defined as the positive difference between the income received from the placement of pension reserves and the income calculated proceeding from the refunding rate of the Central Bank of the Russian Federation and from the sum of the placed reserve, while taking into account the actual placement, except for the income placed onto joint pension accounts, and on the basis of the results of a tax period.

**3.** To the incomes derived from the funds' constituent activities shall be referred, in particular, in addition to the incomes stipulated by Articles 249 and 250 of the present Code:

- deductions from income derived from the placement of the pension reserves directed towards the formation of the property intended for providing for the fund's constituent activity, which are made in conformity with legislation on non-state pension funds;
- incomes from the placement of property intended for providing for the constituent activities of the funds into securities, and also from making investments and other deposits which shall be defined in accordance with the procedure established by the present Code for the corresponding kinds of incomes;
- deductions from the income derived from investing the pension savings intended for financing the accumulative part of the labour pension that are directed for forming the property intended for ensuring the constituent activities of a non-state pension fund and are made in compliance with the laws of the Russian Federation on non-state pension funds;
- a part of the amount of a pension premium directed on the basis of a contract of non-state provision of pensions in compliance with the pension rules of a fund for forming the property intended for ensuring the authorised activities and for covering administrative expenses in compliance with the laws of the Russian Federation on non-state pension funds.

**Article 296.** Specifics in Defining the Outlays of Non-State Pension Funds

**1.** For non-state pension funds shall be separately assessed the incomes involved in deriving income from the placement of pension reserves, the incomes involved in deriving income from investing pension savings and the outlays involved in providing for the constituent activities of these funds.

**2.** To the outlays involved in deriving income from the placement of the pension reserves of the non-state pension funds, in addition to the incomes indicated in Articles 254-269 of the present Code (taking into account the restrictions envisaged by the legislation of the Russian Federation on non-state pension security) shall be referred:

1) outlays involved in deriving income from the placement of the pension reserves, including the remunerations to the management company, the depositary and professional securities market traders;

2) obligatory expenditures involved in storage, maintenance in the working order and evaluation in conformity with the legislation of the Russian Federation of the property into which pension reserves are placed;

3) deductions for the formation of the property intended for providing for the performance of these funds' constituent activities in conformity with the legislation of the Russian Federation, recorded in the composition of the outlays.

4) deductions for forming the insurance reserve to be made in compliance with the laws of the Russian Federation on non-state pensions funds and in the procedure established by the Government of the Russian Federation till the amount of the insurance reserve established by the board of the fund for non-state provision of pensions, but at the most 50 per cent of the amount of reserves for covering pension liabilities, is reached.

**3.** To the outlays involved in providing for the constituent activity of the non-state pension funds, in addition to the outlays indicated in Articles 254-269 of the present Code (taking account of the restrictions stipulated by the legislation of the Russian Federation on non-state pension security) shall be referred:

1) remunerations for rendering services involved in concluding contracts of non-state pension provision and contracts of obligatory pension insurance in compliance with the laws of the Russian Federation on non-state pension funds;

2) payments for actuaries' services;

3) payment for services involved in manufacturing pension certificates (policies), strict accounting forms, receipt slips and other such documents;

3.1) remuneration for the services related to administration of pension accounts in compliance with the laws of the Russian Federation on non-state pension funds;

4) other outlays directly connected with the activities involved in non-state pension security.

**4.** To the outlays connected with deriving income from investing pension savings intended for financing the accumulative part of the labour pension, except for the expenses indicated in Articles from 254 to 269 of this Code (subject to the restrictions provided for by the laws of the Russian Federation on non-state provision of pensions) shall pertain:

1) the outlays connected with deriving income from investing pensions savings intended for financing the accumulative part of the labor pension, including the remuneration paid to the management company, specialised depository and other professional participants of the securities market;

2) the obligatory outlays connected with the storage, keeping in the working order and appraisal in compliance with the laws of the Russian Federation of the property which pension savings are invested into;

3) deductions from the income derived from investing the pension savings intended for forming the accumulative part of the labour pension that are directed for forming the property intended for ensuring the constituent activity of the fund and that are made in compliance with the laws of the Russian Federation on non-state pension funds.

**Article 297.** Abolished from January 1, 2005.

**Article 298.** Specifics in Defining the Incomes of Professional Securities Market Traders

To the incomes of taxpayers who are recognised in conformity with the legislation of the Russian Federation on the securities market as professional securities market traders (hereinafter 'professional securities market traders') shall also be referred, in addition to the incomes stipulated by Articles 249 and 250 of the present Code, incomes derived in the performance of professional activity on the securities market.

To such incomes, in particular, shall be referred:

1) incomes from rendering intermediary and other services on the securities market;

2) part of the income arising from the use of clients' funds before the moment of return thereof to the clients in conformity with the contractual terms;

3) incomes from rendering services involved in the storage of securities certificates and (or) in recording the rights to securities;

4) incomes from rendering depositary services, including the services involved in the supply of information on securities and on keeping a deposit account;

5) incomes from rendering services involved in keeping a register of the owners of securities;

6) incomes from rendering services directly facilitating the conclusion of civil-legal deals in securities by third persons;

7) incomes from rendering consulting services on the securities market;

8) incomes in the form of sums of replenished reserves against the devaluation of securities which were earlier accepted as outlays in accordance with Article 300 of the present Code;

9) other incomes derived by professional securities market traders from their professional activities.

**Article 299.** Specifics in Defining the Outlays of Professional Securities Market Traders

To the outlays of professional securities market traders, in addition to those pointed out in Articles 254-269 of the present Code (taking account for restrictions stipulated by the legislation of the Russian Federation on securities) shall be referred, in particular:

1) outlays in the form of contributions to trade organisers and other organisations (including those made in conformity with the legislation of the Russian Federation to non-profit organisations) possessing the corresponding licence;

2) outlays made on the maintenance and servicing of trading places of different regimes arising in connection with the performance of professional activity;

3) outlays on carrying out an expert examination of the authenticity of the submitted documents, including the forms (certificates) of the securities;

4) outlays involved in revealing information on the activity of professional securities market traders;

5) outlays on creating and bringing up to a proper sum reserves against the devaluation of securities in keeping with Article 300 of the present Code;

6) outlays on participation in the meetings of shareholders held by the issuers of securities or on their orders;

7) other outlays directly involved in the activity of professional securities market traders.

**Article 300.** Outlays Made on Creating Reserves Against Devaluation of Securities by Professional Securities Market Traders Engaged in Dealer's Activity

Professional securities market traders shall be recognised as performing dealer's activity, if the dealer's activity is stipulated by the corresponding licence issued in the established order to the participant on the securities market.

The professional securities market traders engaged in dealer's activity, shall have the right to refer to the outlays for taxation purposes deductions to the reserves against the devaluation of securities, if such taxpayers define the incomes and outlays using the method of calculation. In this case, the sums

of the replenished reserves against the devaluation of securities, the deductions on whose creation (correction) were earlier taken into account when delineating the tax base, shall be recognised as an income of the said taxpayers.

The said reserves against the devaluation of securities shall be created (corrected) as in the state at the end of the reporting (tax) period, in the amount of an excess of the prices of acquisition of emission securities circulated on the organised securities market over their market quotation (the design amount of the reserve). Into the price of acquisition of the security for the purposes of this Chapter shall also be included the outlays on its acquisition.

The reserves shall be created (corrected) with respect to every issue of securities satisfying the above-said demands, irrespective of the change in the cost of the securities of other issues.

In the sale or in another form of withdrawal of the securities with respect to which the reserve was earlier set up, the deductions on whose creation (correction) were earlier taken into account when delineating the tax base, the sum of such reserve shall be included in the tax payer's incomes as on the date of sale or of withdrawal of the security in any other form.

If after the end of the reporting (tax) period the sum of the reserve, taking account of the market quotations of the securities as at the end of this period, proves to be insufficient, the taxpayer shall increase the sum of the reserve in the above order, and the deductions for the augmentation of the reserve shall be recorded in the composition of the outlays for the purposes of taxation. If at the end of the reporting (tax) period the sum of the earlier set up reserve taking account of the replenished sums exceeds the design sum, the reserve shall be reduced by the taxpayer (restored) down to the design size with an inclusion of the sum of such restoration into the incomes.

The reserves against the devaluation of securities shall be created in the currency of the Russian Federation, regardless of the currency of the face value of the security. For the securities nominated in foreign currency, the price of acquisition and the market quotation shall be recalculated into roubles in accordance with the official exchange rate of the Central Bank of the Russian Federation as on the date of the creation (correction) of the reserve.

**Article 301.** Futures Deals. Specifics in Taxation

**1.** For the purposes of this Chapter, seen as the financial instruments of futures deals (of deals with a postponement of the execution) shall be agreements between the participants of futures deals (the parties to a deal) delineating their rights and liabilities with respect to basic assets, including futures, option and forward contracts, as well as agreement of participants of futures deals which do not provide the supply of the basic asset but determine a procedure for mutual settlements between parties to a deal in future depending on the change of the price or other quantitative indicator of the basic asset as compared to the value of said indicator which is determined (or a procedure for determining it is established) by the parties, when making the deal.

Seen as the basic asset of the financial instruments of futures deals shall be the object of the futures deal (including the foreign currency, securities and other property and the rights of property, interest rates, credit resources, price indices or those of the interest rates, and the other financial instruments of futures deals).

Interpreted as participants in futures deals shall be Organisations performing transactions with the financial instruments of futures deals.

**2.** Considered as the exercise of the rights and duties on a transaction with the financial instruments of futures deals shall be the execution of the financial instrument of futures deals by way of either the delivery of the basic assets, or of making the final mutual settlement on the financial instrument of futures deals, or by way of the performance by the participant in the futures deal of an operation opposite to the earlier performed transaction with the financial instrument of futures deals. For transactions with the financial instruments of futures deals aimed at the purchase of a basic asset, recognised as a transaction of the opposite direction shall be a transaction aimed at the sale of the basic asset, and for a transaction aimed at the sale of the basic asset - a transaction aimed at the purchase of the basic asset. The taxation of transactions involved in the delivery of the basic asset shall in this case be effected in accordance with the order envisaged by Articles 301-305 of the present Code.

The taxpayer shall have the right to qualify the deal on his own, recognising it as a transaction with the financial instrument of futures deals or as a deal on the delivery of the object of the deal with the postponement of the execution. The criteria for referring the deals, providing for the delivery of the subject of a deal (safe for hedging), to the category of operations with financial instruments of futures deals should be determined by a taxpayer in his accounting policy for the purposes of taxation.

Seen as the date of completing a transaction with the financial instrument of futures deals shall be the date of the exercise of the rights and liabilities on the transaction with the financial instrument of futures deals.

**3.** For the purposes of this Chapter, the financial instruments of futures deals shall be subdivided into financial instruments of futures deals circulated on the organised market, and the financial

instruments of future deals not circulated on the organised market. The financial instruments of futures deals shall be recognised as circulated on the organised market if the following conditions are observed:

1) the procedure for their conclusion, circulation and execution shall be established by the trade organiser endowed with this right in conformity with the legislation of the Russian Federation or with the legislation of foreign states;

2) information on the prices of the financial instruments of futures deals shall be published in the mass media (including electronic), or may be supplied by the trade organiser or by another authorised person to any interested person in the course of three years after the date of making a transaction with the financial instrument of a futures deal.

**4.** For the purposes of this Chapter, seen as the variation margin shall be the sum of monetary funds calculated by the trade organiser and paid up (received) by the participants in futures deals in conformity with the rules laid down by the trade organisers.

**5.** For the purposes of this Chapter, seen as hedging operations shall be transactions with the financial instruments of futures deals performed for the purposes of compensation for probable losses which may arise as a result of an unfavourable change in the price or in some other index of the object of hedging; in this case, seen as the object of hedging shall be the assets and (or) liabilities, as well as the flows of money connected with the said assets and (or) liabilities, or with the expected deals.

To confirm the justification of referring transactions with the financial instruments of futures deals to hedging operations, the tax payer shall submit the calculation confirming that the performance of the given transactions leads to a reduction of probable losses (of an under-receipt of the profit) on the deals with the object of hedging.

The procedure for recording hedging operations shall be defined for the purposes of taxation in this Chapter.

**6.** When making by a taxpaying participant of futures deals operations within the framework of the forward contracts providing for the delivery to a foreign organization of a basic asset under the customs treatment of export, the tax bases shall be determined subject to the provisions of Article 40 of this Code.

**Article 302.** Specifics in the Formation of the Tax Payer's Incomes and Outlays on Transactions with the Financial Instruments of Futures Deals Circulated on the Organised Market

**1.** For the purposes of this Chapter, recognised as the taxpayer's incomes from transactions with the financial instruments of futures deals circulated on the organised market which are received in the tax (reporting) period, shall be:

1) the sum of the variation margin due to receipt by the taxpayer in the course of the reporting (tax) period;

2) the other sums due to receipt in the course of the reporting (tax) period from transactions with the financial instruments of futures deals circulated on the organised market, including by way of settlements on transactions with the financial instruments of futures deals envisaging the delivery of the basic asset.

**2.** For the purposes of this Chapter, recognised as the taxpayer's outlays on the financial instruments of futures deals circulated on the organised market which were made in the tax (reporting) period shall be:

1) the sum of the variation margin subject to payment by the tax payer in the course of the tax (reporting) period;

2) the other sums subject to payment in the course of the tax (reporting) period on transactions with the financial instruments of futures deals circulated on the organised market, as well as the cost of the basic asset handed over under the deals envisaging the delivery of the basic asset;

3) the other outlays involved in carrying out operations with the financial instruments of futures deals circulated on the organised market.

**Article 303.** Specifics in the Formation of the Tax Payer's Incomes and Outlays on Operations with the Financial Instruments of Futures Deals Not Circulated on the Organised Market

**1.** For the purposes of this Chapter, recognised as the taxpayer's incomes from transactions with the financial instruments of futures deals not circulated on the organised market shall be:

1) the sums of monetary funds due to receipt in the reporting (tax) period by one of the participants in the transaction with the financial instrument of a futures deal when it is executed (completed), or those calculated for the reporting period, calculated depending on the change in the price or in another quantitative index characterising the basic asset, for the period from the date of performance of the transaction with the financial instrument of futures deals until the date of completing the operation with the financial instrument of futures deals, or for the reporting period;

2) the other sums due to receipt in the course of the tax (reporting) period on transactions with the financial instruments of futures deals not circulated on the organised market, including by way of settlements on transactions with the financial instruments of futures deals envisaging the delivery of the basic asset.

**2.** Recognised as outlays on transactions with the financial instruments of futures deals not circulated on the organised market which were made in the tax (reporting) period shall be:

1) the sums of monetary funds subject to payment in the reporting (tax) period by one of the participants in the transaction with the financial instrument of a futures deal if it is executed (completed), or those computed for the reporting period, calculated depending on the change in the price or in another quantitative index characterising the basic asset, for the period from the date of performing the operation with the financial instrument of futures deals until the date of completing the operation with the financial instrument of futures deals, or for the reporting period;

2) other sums subject to payment in the course of the tax (reporting) period on transactions with the financial instruments of futures deals not circulated on the organised market, as well as the cost of the basic asset handed over in the deals envisaging the delivery of the basic asset;

3) other outlays involved in performing transactions with the financial instruments of futures deals.

**Article 304.** Specifics in Defining the Tax Base on Operations with the Financial Instruments of Futures Deals

**1.** The tax base on transactions with the financial instruments of futures deals circulated on the organised market, and the tax base of transactions with the financial instruments of futures deals not circulated on the organised market shall be computed separately.

**2.** The tax base on transactions with the financial instruments of futures deals circulated on the organised market shall be defined as the difference between the sums of the incomes from the said deals with all the basic asset due to receipt for the reporting (tax) period, and the sums of the outlays on the said deals with all the basic assets for the reporting (tax) period. The negative difference shall be recognised, respectively, as the loss from such operations.

The loss from transactions with the financial instruments of futures deals circulated on the organised market shall reduce the tax base calculated in conformity with Article 274 of the present Code.

**3.** The tax base on transactions with the financial instruments of futures deals not circulated on the organised market shall be defined as the difference between the incomes from the said operations with all the basic assets and the outlays on the said transactions with all the basic assets for the reporting (tax) period. The negative difference shall be, respectively, recognised as the losses from such transactions.

The loss from operations with the financial instruments of futures deals not circulated on the organised market, shall not reduce the tax base defined in conformity with Article 274 of the present Code (with the exception of the cases mentioned in Item 5 of this Article).

**4.** The losses on transactions with the financial instruments of futures deals not circulated on the organised market may be referred to the reduction of the tax base, which is formed on transactions with the financial instruments of futures deals not circulated on the organised market, in the subsequent tax periods, in the order established in this Chapter (with the exception of the cases envisaged by Item 5 of this Article).

**5.** Under the condition that the hedging operations are formalised taking account of the demands of Item 5 of Article 301 of the present Code, the incomes on such transactions with the financial instruments of futures deals shall increase, and the outlays shall reduce the tax base on other operations with the object of hedging.

The banks shall have the right to refer to the reduction of the tax base, defined in conformity with Article 274 of the present Code, the losses from transactions with the financial instruments of futures deals not circulated on the organised market, the basic asset of which is foreign currency and which are executed by the delivery of the basic asset.

**6.** When delineating the tax base on transactions with the financial instruments of futures deals, the provisions of Items 2-13 of Article 40 of the present Code may be applied only in the cases stipulated by this Chapter.

**Article 305.** Specifics in the Evaluation of Operations with the Financial Instruments of Futures Deals for the Purposes of Taxation

**1.** With respect to the financial instruments of futures deals circulated on the organised market, the actual price of the deal shall be recognised for taxation purposes as the market price, if the actual price of the deal lies in the interval between the minimum and the maximum price of deals (in the price interval) with the said instrument, registered by the trade organiser as on the date of making the deal.

If the deals on one and the same financial instrument of futures deals were performed through two or more trade organisers, the participant in the futures deals shall have the right to choose on his own the trade organiser who has registered the price interval which will be used for recognising the actual price of the deal as the market price for the purposes of taxation.

If the trade organiser has no information on the price interval as on the date of concluding the corresponding deal, for the said purposes the data of the trade organiser on the price interval as on the

date of the closest auction which was held before the day of making the corresponding deal shall be used.

**2.** With respect to the financial instruments of futures deals not circulated on the organised market, for the purposes of taxation the actual price of the deal shall be recognised as the market price if any of the following conditions are noted:

1) the price of the corresponding deal lies in the price interval of a similar (homogeneous) financial instrument of futures deals, registered by the trade organiser on the date of making such deal or on the date of the closest auction held before the said date;

2) the price of the corresponding deal lies within the scope of 20 per cent towards a rise or fall from an average weighted price of a similar (homogeneous) financial instrument of a futures deal, calculated by the trade organiser in conformity with the rules he has established by the results of the auction as on the date of concluding such deal, or by the results of the closest auction held before the said date.

If there is no information on the results of the auction on similar (homogeneous) financial instruments of futures deals, the actual price of the deal shall be recognised for the purposes of taxation as the market price, if the actual price of the deal differs by no more than 20 per cent from the settlement price of this financial instrument of futures deals, which in its turn may be defined as on the date of making the futures deal, taking into account the concrete terms of the concluded futures deal, the specifics of the circulation and the price of the basic asset, the level of the interest rates on the monetary funds in the corresponding currency and other indices, information about which can serve as grounds for such computation.

**Article 306.** Specifics in the Taxation of Foreign Organisations. Permanent Representation of a Foreign Organisation

**1.** The provisions of Articles 306-309 of the present Code shall establish the specifics in the calculation of tax by foreign organisations engaged in business activity on the territory of the Russian Federation, if such activity leads to the creation of a permanent representation of the foreign organisation, and the specifics in the calculation of tax by foreign organisations which are not involved in an activity through a permanent representation in the Russian Federation, while deriving an income from sources in the Russian Federation.

**2.** Seen as the permanent representation of a foreign organisation in the Russian Federation for the purposes of this Chapter shall be an affiliate, representation, department or bureau, an office, agency or any other set-apart subdivision or other place of activity of this organisation (hereinafter 'the department'), through which the organisation regularly performs its business activity on the territory of the Russian Federation, involved in:

- the use of mineral wealth and (or) the use of other natural resources;
- the performance of the contract-envisaged works aimed at the construction, installation, assembly, mounting, adjusting, servicing and running of equipment, including entertainment slot-machines;
- selling commodities from store-houses situated on the territory of the Russian Federation which are owned or rented by this organisation;
- the performance of other works, rendering services and carrying out other kinds of activity, with the exception of that stipulated by Item 4 of this Article.

3. The permanent representation of a foreign organisation shall be seen as set up from the start of the regular performance of business activity through its department. However, the activity involved in organising such department does not of itself establish a permanent representation. The permanent representation shall stop its existence from the moment of termination of the business activity of the foreign organisation through this department.

In the case of the use of the mineral wealth or of utilising other kinds of natural resources, the permanent representation of a foreign organisation shall be seen as set up since the earliest of the following dates: the date of coming into force of the licence (the permit) certifying the right of this organisation to the performance of the corresponding activity, or the date of the actual start of such activity. If the foreign organisation performs works or renders services to another person who possesses this licence (permit), or if it comes out as a general contractor for the person possessing such licence (permit) in resolving the questions involved in the formation and the termination of the existence of the permanent representation of this foreign organisation shall be applied a procedure similar to that established by Items 2-4 of Article 308 of the present Code.

4. The fact of performance by the foreign organisation on the territory of the Russian Federation of an activity of preparatory or auxiliary character in the absence of any sign of a permanent representation stipulated by Item 2 of this Article, cannot be considered as leading to the formation of a permanent representation. Referred to a preparatory or an auxiliary activity shall be, in particular:

1) the use of structures exclusively for the purposes of the storage, demonstration and (or) delivery of commodities belonging to this foreign organisation before the start of such delivery;

2) keeping stock of commodities belonging to this foreign organisation exclusively for the purposes of their storage, demonstration and (or) delivery before the start of such delivery;

3) maintaining a permanent place of activity exclusively for the purposes of purchasing commodities by this foreign organisation;

4) maintaining a permanent place of activity exclusively for the collection, processing and (or) dissemination of information for bookkeeping, for marketing or advertising, or for studying the market of commodities (works, services) sold by the foreign organisation, if such activity is not the principal (regular) activity of this organisation;

5) keeping a permanent place of activity exclusively for the purposes of signing contracts on behalf of this organisation, if the signing of contracts takes place in conformity with the detailed written instructions from the foreign organisation.

5. The fact of the foreign organisation's possession of securities and of participation shares in the capital of Russian organisations, as well as of other property on the territory of the Russian Federation in the absence of any sign of a permanent representation envisaged by Item 2 of this Article, is not in itself considered for such foreign organisation as leading to the creation of a permanent representation in the Russian Federation.

6. The fact of conclusion by the foreign organisation of an agreement of simple partnership or some other agreement presupposing a joint activity of its parties (participants), performed wholly or in part on the territory of the Russian Federation, cannot in itself be considered for the given organisation as leading to the establishment of a permanent representation in the Russian Federation.

7. The fact of the supply by the foreign organisation of the personnel for work on the territory of the Russian Federation in another organisation in the absence of the signs of a permanent representation, stipulated by Item 2 of this Article, cannot be considered as leading to the creation of a permanent representation of the foreign organisation which has supplied the personnel, if such personnel act exclusively on behalf of and in the interest of the organisation to which it was directed.

8. A foreign organization's performance of transactions involved in the import to the Russian Federation or in the export from the Russian Federation of commodities, including in the framework of foreign trade contracts, in the absence of the signs of a permanent representation envisaged by Item 2 of this Article, cannot be considered as leading to the formation of a permanent representation of this organisation in the Russian Federation.

9. The foreign organisation shall be seen as having a permanent representation if this organization delivers from the territory of the Russian Federation the commodities in its possession being a result of processing on the customs territory or under customs control and also if this organisation performs an activity satisfying the signs envisaged by Item 2 of this Article, through a person who, on the grounds of contractual relations with this foreign organisation, represents its interests in the Russian Federation, acts on the territory of the Russian Federation on behalf of this foreign organisation, possesses and regularly exercises the powers for concluding contracts or for coordinating their essential terms on behalf of the given organisation, thus creating the legal consequences for the given foreign organisation (a dependent agent).

The foreign organisation shall not be seen as having a permanent representation if it performs an activity on the territory of the Russian Federation through a broker, a commission agent, a professional Russian securities market trader or through any other person acting in the framework of his principal (regular) activity.

**10.** The fact that the person performing activity on the territory of the Russian Federation is reciprocally dependent on the foreign organisation shall not be considered as leading to the formation of a permanent representation of this foreign organisation in the Russian Federation in the absence of the signs of a dependent agent envisaged by Item 9 of this Article.

**Article 307.** Specifics in the Taxation of Foreign Organisations Performing an Activity Through a Permanent Representation in the Russian Federation

**1.** Recognised as the object of taxation for foreign organisations which perform an activity in the Russian Federation through a permanent representation shall be:

- the income derived by the foreign organisation as a result of the performance of an activity on the territory of the Russian Federation through its permanent representation, reduced by the amount of the outlays made by this permanent representation which shall be defined taking account of the provisions of Item 4 of this Article;

- the incomes of the foreign organisation from the possession, use and (or) disposal of the property of the permanent representation of this organisation in the Russian Federation minus the outlays involved in deriving such incomes;

- the other incomes from the sources in the Russian Federation pointed out in Item 1 of Article 309 of the present Code, referred to the permanent representation.

**2.** The tax base shall be delineated as the monetary expression of the object of taxation, established by Item 1 of this Article.

When delineating the tax base of a foreign non-profit organisation, the provisions of Item 2 of Article 251 of the present Code shall be taken into account.

3. If the foreign organisation performs on the territory of the Russian Federation an activity of a preparatory and (or) an auxiliary character in the interest of third persons which is leading to the formation of a permanent representation, and if with respect to such an activity no receipt of any remuneration is envisaged, the tax base shall be defined in the amount of 20 per cent from the sum of the outlays of this permanent representation involved in such activity.

4. If the foreign organisation has on the territory of the Russian Federation more than one department, the activity through which is leading to the establishment of a permanent representation, the tax base and the sum of the tax shall be calculated separately for every department.

If the foreign organisation performs through such departments an activity in the framework of a single technological process, or in other similar cases in agreement with the federal executive body authorized to exercise control and supervision in the area of taxes and fees, such organisation shall have the right to calculate taxable profit connected with its activity through a department on the territory of the Russian Federation, as a whole by the group of such departments (including for all the departments), under the condition that all the departments included in this group apply the same accounting policy for the purposes of taxation. In this case, the foreign organisation shall determine on its own which of the departments shall keep the tax records and submit the tax declarations at the place of location of every department. The sum of tax on the profit subject to payment to the budget in this case shall be distributed between the departments in the general order envisaged by Article 288 of the present Code. The cost of the fixed assets and of the non-material assets, or an average-listed number of the workers (the fund for the remuneration of the workers' labour) not involved in the activity of the foreign organisation on the territory of the Russian Federation through the permanent representation shall not be recorded.

**5.** Foreign organisations performing an activity in the Russian Federation through a permanent representation shall apply the provisions envisaged by Articles 280, 283 of the present Code.

**6.** Foreign organisations performing an activity in the Russian Federation through a permanent representation shall pay tax according to the rates established by Item 1 of Article 284 of the present Code, with the exception of the incomes listed in Subitems 1 and 2 and in the second paragraph of Subitem 3 of Item 1 of Article 309 or the present Code. The said incomes referred to the permanent representation shall be levied with tax apart from the other incomes, in accordance with the rates established by Subitem 2 of Item 3 and by Item 4 of Article 284 of the present Code.

7. When into the sum of the foreign organisation's profit are included the incomes from which, in conformity with Article 309 of the present Code, tax has been in fact withheld and transferred to the budget system of the Russian Federation onto the appropriate Federal Treasury account, the sum of the tax subject to payment by this organisation shall be reduced by the sum of the withheld tax. If the sum of the tax withheld in the reporting period exceeds the sum of the tax for this period, the sum of tax paid in excess shall be subject to return, or shall be offset against the future tax payments of this organisation in the procedure provided for by Article 78 of this Code.

**8.** Foreign organisations performing an activity in the Russian Federation through a permanent representation shall pay the advance payments and tax in the order stipulated by Articles 286 and 287 of the present Code.

Foreign organisations performing an activity in the Russian Federation shall submit the tax declaration by the results of the tax (reporting) period, as well as the annual report on activity in the Russian Federation in compliance with the form endorsed by the Ministry of Finance of the Russian Federation, through the permanent representation to the tax body at the place of location of the permanent representation of this organisation in the order and within the time terms established by Article 289 of the present Code.

If the activity of the permanent representation of the foreign organisation in the Russian Federation is stopped before the end of the tax period, the tax declaration for the last reporting period shall be submitted by the foreign organisation in the course of one month from the day of termination of the activity of this department.

**Article 308.** Specifics in the Taxation of Foreign Organisations if the Activity Is Performed on a Construction Site

1. For the purposes of this Chapter, interpreted as construction sites of foreign organisations on the territory of the Russian Federation shall be:

1) the place of building new, as well as of reconstruction, expansion, technical re-equipment and (or) repairs of the existing objects of immovable property (with the exception of air and sea vessels, inland navigation ships and space objects);

2) the place of building and (or) assembly, repairs, reconstruction, expansion and (or) technical re-equipment of structures, including floating and boring installations, as well as machinery and equipment, whose normal functioning requires a rigid mounting on the foundation or fastening to the construction elements of the buildings, structures or floating facilities.

**2.** When identifying the term of existence of the construction site for the purposes of calculating tax, and also of putting the foreign organisation onto the records with the tax bodies, works and other operations whose duration falls into this term, shall embrace all the kinds of preparatory, building and (or) mounting works, including those involved in building approach lines, communications, electric cables, drainage and other objects of the infrastructure, with the exception of the objects of infrastructure initially developed for other purposes not connected with the given construction site.

If a foreign organisation, while being a general contractor, gives orders for the performance of a part of the contractual works to other persons (subcontractors), the period of time spent by the subcontractors on carrying out the works shall be seen as the time thus expended by the general contractor himself. This provision shall not be applied with respect to the period of works which the subcontractor performs under direct contracts with the customer (the builder) and which are not included in the volume of works entrusted to the general contractor, with the exception of those cases when these persons and the general contractor are reciprocally dependent persons in conformity with Article 20 of the present Code.

If the subcontractor is a foreign organisation, his activity on this construction site shall also be considered as creating a permanent representation of the subcontractor organisation.

The given provision shall be applied to Subcontractor organisations whose activity comprises in total not less than 30 calendar days, under the condition that the general contractor has a permanent representation.

**3.** For the purposes of taxation, seen as the beginning of the existence of the construction site shall be the earliest of the following dates: the date of signing an act on handing over the site to the contractor (an act on admitting the subcontractor's personnel to the performance of his part of the total volume of works), or the date of the actual start of the works.

Seen as the end of the existence of the construction site shall be the date of the customer's (builder's) signing an acceptance act on the object or on the complex of works envisaged by the contract. Seen as the end of the subcontractor's works shall be the date of signing the act on the acceptance of works by the general contractor. If the acceptance act was not formalised or if the works have in fact ended after signing such act, the construction site shall be seen as having stopped its existence (the subcontractor's works shall be seen as completed) on the date of the actual end of the preparatory, building or mounting works included in the volume of works of the corresponding person on the given construction site.

4. The construction site shall not stop its existence if the works on it are stopped only for a time, except for cases of the conservation of the construction object for a term of over 90 calendar days by the decision of the federal executive power bodies, of the corresponding state power bodies of the subjects of the Russian Federation, or of the local self-government bodies adopted within the scope of their competence, or as a result of an impact of force majeur circumstances.

If the works on the construction object are continued or resumed after an interval in the works when the act mentioned in Item 3 of this Article, is signed, the term of performance of the continued or resumed works and of the interval between the works shall be added to the total term of the existence of the construction site only if:

1) the territory (water area) of the resumed works is the territory of the earlier stopped works or that closely adjoining it;

2) the continued or resumed works on the object are entrusted to a person who has earlier performed the works on this construction site, of if the new and the former contractors are reciprocally dependent persons. If the continuation or the resumption of the works is connected with the construction or mounting of a new object on the same construction site or with an extension of the earlier completed object, the term of performance of such continued or resumed works and of the interval between the works shall also be added to the total term of existence of the construction site.

In all other cases, including the performance of repairs, reconstruction or technical re-equipment of an object which was earlier handed over to the customer (builder), the term of performance of the continued or resumed works and the interval between the works shall not be added to the total term of existence of the construction site, started with the works on the earlier commissioned object.

**5.** The construction or mounting of such objects as roads, viaducts and channels, or as the laying down of communications in the course of whose performance the geographical place of their location changes, shall be considered as an activity performed on one construction site.

**Article 309.** Specifics in the Taxation of Foreign Organisations Not Performing an Activity Through a Permanent Representation in the Russian Federation but Deriving Incomes from the Sources in the Russian Federation

1. The following kinds of incomes received by foreign organisations, which are not connected with its business activity in the Russian Federation, shall be referred as the foreign organisation's incomes derived from the sources in the Russian Federation and shall be subject to levying with tax to be withheld from the source of the payment from the incomes:

1) the dividends paid out to foreign organisations who are shareholders (partners) of Russian organisations;

2) the incomes received as a result of the distribution in favour of foreign organisations of the profit or of the property of organisations, of other persons or of their associations, including in cases of their liquidation (taking account for the provisions of Items 1 and 2 of Article 43 of the present Code);

3) the interest income from any kind of debt liabilities, including bonds with the right of participation in the profits and convertible bonds, including:

- the incomes received from the state and municipal emission securities, the terms of whose issue and circulation envisage the receipt of incomes in the form of interest;

- the incomes on other debt liabilities of Russian organisations not pointed out in the second paragraph of the present Sub-item.

4) the incomes from the use in the Russian Federation of the rights to the objects of intellectual activity. To such incomes, in particular, shall be referred any kinds of payments received by way of compensation for the use or for granting the right to the use of any author's copyright to the works of literature, art or science, including cinema films and films or recordings for television or radio broadcasting programmes, for the use (for granting the right to use) of any patents, trade marks, drafts or models, of plans, of secret formulas or processes, or for the use (for granting the right to use) of information concerning industrial, commercial or scientific experiences;

5) the incomes from sale of stocks (partner shares in the capital) of Russian organisations over 50 per cent of whose assets consists of immovable property situated on the territory of the Russian Federation, as well as of the financial instruments derivative from such stocks (partner shares). With this, the incomes from the sale on foreign exchanges (through foreign trade organisers) of the securities or of the financial instruments derivative from them which are circulated on these exchanges shall not be recognised as incomes from sources in the Russian Federation;

6) the incomes from the sale of immovable property situated on the territory of the Russian Federation;

7) incomes from letting out or subletting property used on the territory of the Russian Federation, including the incomes from leasing operations and from letting out or subletting sea-going ships and aircraft or transport facilities, as well as containers used in international shipments. With this, incomes from the leasing operations connected with acquisition and use of the subject of leasing by the recipient of lease shall be calculated reasoning from the total amount of leasing payment less the reimbursement of the cost of the lease property (when it is granted out on lease) to the grantor of lease;

8) incomes from international shipments (including demurrages and other payments arising from carriage). For the purposes of the present article the term "demurrage" is used in the meaning established by the Code of Merchant Navigation of the Russian Federation.

Seen as international shipments shall be any kinds of shipments effected by a sea-going ship, river boat or air vessel, by a motor transport vehicle or by rail transport, with the exception of cases when the shipment is effected exclusively between the points situated outside of the Russian Federation;

9) the fines and penalties for violating contractual obligations by Russian persons, state bodies and (or) the executive bodies of local self-government;

10) other similar incomes.

2. Incomes received by foreign organisations from the sale of commodities, of the other property save indicated in Subitems 5 and 6 of Item 1 of this Article, as well as of property rights from the performance of works and rendering services on the territory of the Russian Federation, which do not lead to the formation of a permanent representation in the Russian Federation, shall not be subject to taxation in conformity with Article 306 of the present Code.

The re-insurance premiums and bonuses paid out to the foreign partner shall not be recognised as incomes from sources in the Russian Federation.

**3.** The incomes listed in Item 1 of this Article shall be seen as the object of levying with tax, irrespective of the form in which such incomes are received, in particular, of whether they are received in kind, by the settlement of the liabilities of this organisation, in the form of remitting its debt or of offsetting the claims to this organisation.

**4.** When delineating the tax base on the incomes pointed out in Subitems 5 and 6 of Item 1 of this Article, from the sum of such incomes may be deducted the outlays in accordance with the procedure envisaged by Articles 268, 280 of the present Code.

The said outlays of the foreign organisation shall be taken into account when defining the tax base, if by the date of payment out of these incomes at the disposal of the tax agent withholding the tax from such incomes in conformity with this Article, there is documented data on such incomes submitted by this foreign organisation.

**5.** The tax base for the incomes of foreign organisations subject to taxation in conformity with this Article, and the sum of tax withheld from such incomes shall be computed in the currency in which the foreign organisation received such incomes. The outlays made in a different currency shall be computed

in the same currency in which the income was received, in accordance with the official exchange rate (cross-rate) of the Central Bank of the Russian Federation as on the date of making such outlays.

**6.** If the founder or the beneficiary under a contract of trust management is a foreign organisation having no permanent representation in the Russian Federation, while the trusted manager is a Russian organisation or a foreign organisation performing its activity through a permanent representation in the Russian Federation, the tax from the incomes of such founder or of such beneficiary obtained in the framework of the trust management, shall be withheld and transferred to the budget by the trust manager.

**Article 310.** Specifics in the Calculation and Payment of Tax on the Incomes Derived by a Foreign Organisation from Sources in the Russian Federation Withheld by the Tax Agent

1. Tax on the incomes received by a foreign organisation from sources in the Russian Federation shall be calculated and withheld by the Russian organisation or by the foreign organisation performing an activity in the Russian Federation through a permanent representation which pay out the income to the foreign organization in every payment of the incomes indicated in Item 1 of Article 309 of this Code with the exception of the cases envisaged by Item 2 of the present Article, in the currency of the payment of the income.

Tax from the kinds of incomes indicated in Subitem 1 of Item 1 of Article 309 of the present Code shall be calculated in accordance with the rate envisaged by Subitem 2 of Item 3 of Article 284 of the present Code.

Tax from the kinds of incomes indicated in the second paragraph of Subitem 3 of Item 1 of Article 309 of the present Code shall be calculated in accordance with the rate envisaged by Item 4 of Article 284 of the present Code.

The tax from the kinds of incomes indicated in Subitem 2, Paragraph Three of Subitem 3 and in Subitems 4 and 7 (insomuch as they relate to letting and subletting property used on the territory of the Russian Federation, including that used in leasing operations), 9 and 10 of Item 1 of Article 309 of the present Code shall be calculated in accordance with the rates envisaged by Subitem 1 of Item 2 of Article 284 of the present Code.

The tax from the kinds of incomes listed in Subitems 7 (insomuch as it relates to the incomes from letting and subletting of sea-going ships, aircraft and other movable transport means or containers used in international carriage) and 8 of Item 1 of Article 309 of the present Code shall be calculated in accordance with the rate envisaged by Subitem 2 of Item 2 of Article 284 of the present Code.

The tax from the kinds of incomes indicated in Subitems 5 and 6 of Item 1 of Article 309 of the present Code shall be calculated taking account of the provisions of Item 2 and 4 of the said Article, in accordance with the rates envisaged by Item 1 of Article 284 of the present Code. If the outlays mentioned in Item 4 of Article 309 of the present Code are not recognised as outlays for the purposes of taxation, the tax from such incomes shall be computed according to the rates envisaged by Subitem 1 of Item 2 of Article 284 of the present Code.

The sum of tax withheld from the incomes of foreign organisations in conformity with this Item shall be transferred by the tax agent to the federal budget simultaneously with the payment out of the income, either in the currency of the payment out of this income, or in the currency of the Russian Federation, in accordance with the official exchange rate of the Central Bank of the Russian Federation as on the date of the transfer of the tax.

If the tax is paid out to the foreign organisation in kind or in another non-monetary form, including in the form of making mutual offsets, or if the sum of the tax subject to withholding exceeds the sum of the foreign organisation's income received in monetary form, the tax agent shall be obliged to transfer the tax into the budget in the computed sum, having reduced in the proper order the income of the foreign organisation received in non-monetary form.

2. The calculation and withholding of the sum of tax from incomes paid out to foreign organisations shall be effected by the tax agent on all the kinds of incomes pointed out in Item 1 of Article 309 of the present Code, in all cases when such incomes are paid out, with the exception of the cases when:

1) the tax agent is notified by the receiver of the income that the paid out income refers to the permanent representation of the receiver of the income in the Russian Federation and that at the disposal of the tax agent is the copy of the certificate certified by a notary on the receiver of the income being put onto the records in the tax bodies, formalised not earlier than in the preceding tax period;

2) with respect to the income paid out to the foreign organisation, Article 284 of the present Code envisages the tax rate of 0 per cent;

3) incomes are paid out and received from production sharing agreements if the legislation of the Russian Federation on taxes and fees envisages relief of such incomes from withholding the tax in the Russian Federation as they are transferred to foreign organisations;

4) incomes are paid out which in conformity with international treaties (agreements) are not levied with tax in the Russian Federation, under the condition that the foreign organisation presents to the tax agent the confirmation, envisaged by Item 1 of Article 312 of the present Code. In this case, the payment

of the incomes by Russian banks on transactions with foreign banks does not require confirmation of the fact of the permanent place of location of the foreign bank in the state with which an international treaty (agreement) is signed regulating the questions of taxation, if such place of location is confirmed by information supplied in generally accessible information hand-books.

**3.** In the event of paying out by the tax agent to a foreign organization of the incomes which are taxable under international treaties (agreements) in the Russian Federation at reduced rates, the calculation and withholding of the tax from incomes shall be effected by a tax agent at appropriate reduced rates, provided that a foreign organization presents to the tax agent the confirmations stipulated by Item 1 of Article 312 of this Code. With this, in the event of paying out by Russian banks of incomes from operations with foreign banks, the confirmation of the fact of a foreign bank's permanent location in a state, with which an international treaty (agreement) regulating taxation matters is made, shall not be necessary, if such location is confirmed by the data from international reference-books open to general use.

**4.** The tax agent shall submit by the results of the reporting (tax) period, within the time terms fixed for the presentation of the tax settlements by Article 289 of the present Code, information on the sums of incomes paid out to foreign organisations and of taxes withheld for the previous reporting (tax) period to the tax body at the place of its location in accordance with the form established by the federal executive body authorized to exercise control and supervision in the area of taxes and fees.

**Article 311.** Elimination of Double Taxation

**1.** The incomes received by the Russian organisation from sources outside the Russian Federation shall be taken into account when delineating its tax base. The said incomes shall be recorded in full volume taking account of the outlays made both in the Russian Federation beyond its boundaries.

**2.** In delineating the tax base, the outlays made by the Russian organisation in connection with the receipt of incomes from sources outside the Russian Federation shall be deducted in the order and in the amount established by this Chapter.

**3.** The sums of tax paid out in conformity with the legislation of foreign states by the Russian Federation, shall be set off when this organisation pays tax in the Russian Federation. The sum of the set off sums of the taxes paid outside the Russian Federation cannot exceed the sum of the tax subject to payment by this organisation in the Russian Federation.

The offsetting is effected under the condition that the tax payer submits the document confirming the payment (withholding) of the tax outside the Russian Federation: for the taxes paid by the organisation itself - those certified by the tax body of the corresponding foreign state, and for taxes withheld in conformity with the legislation of foreign states or with an international agreement by the tax agents - the confirmation by the tax agent.

The confirmation indicated in this Item shall be valid within the tax period in which it was submitted to the tax agent.

**4.** If there are detached units located outside the territory of the Russian Federation, tax shall be paid (advance tax payments shall be made), as well as tax calculations and tax declarations shall be submitted by the organsaition at its location.

**Article 312.** Special Provisions

**1.** When applying provisions of international treaties of the Russian Federation, the foreign organisation shall submit to the tax agent, paying out the income, confirmation of the fact that the foreign organisation has a permanent place of location in the state with which the Russian Federation has signed an international treaty (agreement), regulating the questions of taxation which shall be certified by a competent body of the corresponding foreign state. Where the given confirmation is in a foreign language, its translation into Russian shall be likewise submitted to the tax agent.

When the foreign organisation having the right to the receipt of income submits the confirmation mentioned in Item 1 of this Article to the tax agent, paying out the income before the date of the payment out of the income with respect to which a privileged regime of taxation is envisaged by the international treaty of the Russian Federation, with respect to such income is applied relief from withholding the tax from the source of payment, or the tax from the source of the payment is withheld at a reduced rate.

2. Return of excessively withheld tax on incomes paid out earlier to foreign organisations with respect to which international treaties of the Russian Federation, regulating the questions of taxation, envisage a special taxation regime, shall be effected under the condition that the following documents are submitted:

- an application for the return of the withheld tax, made out in accordance with the form established by the federal executive body authorized to exercise control and supervision in the area of taxes and fees;

- a confirmation of the fact that at the moment of the payment out of the income this foreign organisation had its permanent place of location in a state with which the Russian Federation has

concluded an international treaty (agreement) regulating the questions of taxation which shall be certified by the competent body of the corresponding foreign state;

- the copies of the agreement (or of another document), in conformity with which income is paid out to the foreign legal entity, and the copies of the payment documents confirming the transfer of the sums of the tax, subject to return, to the budget system of the Russian Federation onto the appropriate Federal Treasury account.

If the above documents are compiled in a foreign language, the tax body shall have the right to demand that their translation into Russian also be submitted. No notary's certification of the contracts, payment documents or their translation into Russian shall be required. And no other documents, except for the above-listed, shall be demanded.

The application for the return of the sum of taxes earlier withheld in the Russian Federation, as well as the other documents listed in this Item, shall be submitted by the foreign receiver of the income to the tax body at the place of the tax agent's being put onto records within three years from the moment of the end of the tax period in which the tax was paid out.

Return of tax earlier levied (and paid up) shall be effected by the tax body at the place of registration of the tax agent in the currency of the Russian Federation after submitting the application and the other documents mentioned in this Item in the procedure provided for by Article 78 of this Code.

**Article 313.** Tax Records. General Provisions

The taxpayers shall calculate the tax base by the results of every reporting (tax) period on the grounds of the data of the tax records.

Tax recording shall be seen as the system for summing up information for defining the tax base for tax on the grounds of the data from the basic documents grouped in accordance with the procedure stipulated by the present Code.

Where in bookkeeping registers there is not enough information for determining the tax base in compliance with the requirements of this Chapter, the taxpayer shall be entitled to enter independently additional requisite elements to bookkeeping registers applied, thus forming taxation registers, or to keep independent taxation registers.

Tax recording shall be effected for the purpose of accumulating complete and authentic information on the procedure for recording for the purposes of taxation the economic operations performed by the taxpayer in the course of the reporting (tax) period, as well as for supplying with information the internal and external users for exerting control over the correctness of the calculation, over the fullness and timeliness of the calculation and over the payment of tax into the budget.

The system of tax recording shall be organised by the taxpayer on his own, proceeding from the principle of the successive application of the norms and rules of tax recording, that is, it shall be applied consecutively from one tax period to another. The procedure for keeping the tax records shall be established by the taxpayer in the accounting policy for the purposes of taxation to be approved by the corresponding Order (Direction) of the manager. The tax and other bodies shall not be empowered to establish for taxpayers obligatory forms of tax accounting documents.

The taxpayer shall change the procedure for recording individual economic operations and (or) objects for the purposes of taxation in cases of changes in legislation or of the applied methods for recording. Decisions on any changes in the accounting policy for the purposes of taxation in the event of changing applied methods for recording shall be taken as of the start of a new tax period, and in the event of changes in the legislation on taxes and fees it shall be done no earlier than from the moment of entry into force of changed rules of said legislation.

If the taxpayer has begun to perform any new kinds of activity, he shall also be obliged to define and to reflect in the accounting policy for the purposes of taxation the principles and the procedure for reflecting these kinds of activity for taxation purposes.

The data of tax recording shall reflect the procedure for the formation of the sum of the incomes and outlays, the way of determining the share of the outlays recorded for the purposes of taxation in the current tax (reporting) period, the sum of the residual of the outlays (losses) which shall be referred to the outlays in the next tax periods, the order of accumulation of the sums of the set up reserves, as well as the sum of indebtedness by settlements with the budget on the tax.

Seen as confirmation of the data of the tax records shall be:

**1.** the basic accounting documents (including a reference note from the accountant);

**2.** the analytical tax recording registers;

**3.** the calculation of the tax base.

The forms of analytical tax recording registers for determining the tax base which are the documents for the tax recording shall contain the following requisites:

- the name of the register;
- the period (the date) of compilation;
- the operation's measuring indices in kind (if this is possible) and in the monetary expression;
- the names of the economic operations;

- the signature (deciphering of the signature) of the person responsible for compiling the said registers.

The content of the data of the tax recording (including the data from the basic documents) shall be seen as a tax secret. The persons who have access to the information contained in the data of the tax records shall be obliged to keep tax secrets. They shall be held responsible for divulging it in conformity with the effective legislation.

**Article 314.** Analytical Tax Recording Registers

Analytical registers of tax records shall be seen as consolidated forms for the systematisation of the data of tax recording for the reporting (tax) period, grouped in accordance with the demands of this Chapter, without distribution (reflection) by business accounting accounts.

The data of the tax records shall be seen as the data which is recorded in the development tables, the accountant's reference notes and other taxpayer's documents which arrange information on the objects of taxation into groups.

The formation of the tax recording data presupposes continuity in reflecting in chronological order the objects of recording for the purposes of taxation (including operations whose results are recorded in several reporting periods or are transferred to several years).

Analytical accounting of the data of tax recording shall be organised by the taxpayer so that it shall reveal the procedure of the formation of the tax base.

Analytical tax recording registers are intended for the systematisation and accumulation of information contained in the basic documents accepted for recording, and of the analytical data of the tax records for reflecting them in the calculation of the tax base.

The tax recording registers shall be kept in accordance with special forms on paper carriers, in electronic form and (or) on any machine-readable carriers.

The forms of the tax recording registers and the way of reflecting in them the analytical data of the tax records and of the data of the basic documents shall be elaborated by the taxpayer on his own and shall be established in the Appendices on the organisation's accounting policy for the purposes of taxation.

The correctness of reflecting the economic operations in the tax recording registers shall be guaranteed by the persons who have compiled and signed them.

During the storage of the tax recording registers their protection from unsanctioned corrections shall be ensured.

The correction of mistakes in the tax recording register shall be justified and confirmed with the signature of the responsible person who has made the correction, with an indication of the date and with the substantiation of the effected correction.

**Article 315.** Procedure for Making the Calculation of the Tax Base

The tax base for the reporting (tax) period shall be calculated by the taxpayer on his own in conformity with the norms established by the present Chapter, proceeding from the data of the tax records, by progressive total from the year's start.

The calculation of the tax base shall contain the following data:

**1.** The period for which the tax base is defined (from the start of the tax period by progressive total).

**2.** The sum of the incomes from sales received in the reporting (tax) period, including:

1) the earnings from the sale of commodities (works, services) of self production, as well as the earnings from sale of property and of rights of property, with the exception of the earnings mentioned in Subitems 2 - 7 of this Item;

2) the earnings from the sale of securities not circulated on the organised market;

3) the earnings from the sale of securities circulated on the organized market;

4) the earnings from the sale of purchased commodities;

5) abolished from January 1, 2006;

6) the earnings from the sale of basic assets;

7) the earnings from the sale of commodities (works, services) of servicing production and economies.

**3.** The sum of the outlays made over the reporting (tax) period, minus the sum of the incomes from sale, including:

1) the outlays on the output and sale of commodities (works, services) of self manufacture, as well as the outlays made on the sale of the property and of the rights of property, with the exception of the outlays mentioned in Subitems 2 - 6 of this Item.

The total sum of the outlays shall be reduced by the sums of the residuals of the production in progress, of the residuals of products in the store-house and of products shipped but not sold as at the end of the reporting (tax) period, identified in conformity with Article 319 of the present Code;

2) the outlays made in the sale of securities not circulated on the organised market;

3) the outlays on the sale of securities circulated on the organized market;

4) the outlays made on the sale of the purchased commodities;

5) the outlays connected with the sale of fixed assets;

6) the outlays made by the servicing productions and economies as they sold commodities (works, services).

**4.** The profit (loss) from sales, including:

1) the profit from the sale of home-produced commodities (works, services), as well as the profit (loss) from the sale of property and of the rights of property, with the exception of the profit (loss) pointed out in Subitems 2, 3, 4 and 5 of this Item;

2) the profit (loss) from the sale of securities not circulated on the organised market;

3) the profit (loss) from the sale of securities circulated at the organized market;

4) the profit (loss) from the sale of the purchased commodities;

5) the profit (loss) from the sale of fixed assets;

6) the profit (loss) from the sale of the servicing productions and economies.

**5.** The sum of extra-sale incomes including:

1) incomes from operations with the financial instruments of futures deals circulated on the organized market;

2) incomes from operations with the financial instruments of futures deals not circulated on the organized market.

**6.** The sum of extra-sale outlays, especially:

1) outlays on operations with the financial instruments of futures deals circulated on the organized market;

2) outlays on operations with the financial instruments of futures deals not circulated on the organized market.

**7.** The profit (loss) from extra-sales operations.

**8.** The total tax base for the reporting (tax) period.

**9.** To define the sum of the profit subject to taxation, from the tax base shall be excluded the sum of the loss subject to being put off in the order envisaged by Article 283 of the present Code.

**Article 316.** Procedure for the Tax Recording of the Incomes from Sales

The incomes from sales shall be defined by the kind of activity, if for the given kind of activity is envisaged other taxation procedure, is applied a different tax rate or is envisaged the order of recording profits and losses, received (incurred) from the given kind of activity differing from the general order.

The sum of receipts from sales shall be defined in conformity with Article 249 of the present Code, taking account for the provisions of Article 251 of the present Code as on the date of recognising the incomes and outlays in accordance with the method for recognising the incomes and the outlays selected by the taxpayer for the purposes of taxation.

If the price of the sold commodity (works, services) or of the right of property is expressed in the currency of a foreign state, the sum of the earnings from the sale shall be recalculated into roubles as on the date of sale.

If the price of the sold commodities (works, services) and property rights is expressed in conventional units, the sum of earnings from the sale thereof shall be recalculated into roubles at the rate established by the Central Bank of the Russian Federation as on the date of the sale. With this, arising sum differences shall be included into the composition of extra-sale incomes (outlays) depending on the difference which arises.

If the sale is effected through a commission agent, the tax paying consignor shall define the sum of the earnings from the realisation as on the date of sale on the grounds of the notice from the commission agent on the realisation of the property (of the rights of property) belonging to the consignor. The commission agent shall be obliged to notify the consignor of the date of sale of the property belonging to him, in the course of three days as from the moment of the end of the reporting period in which such sale has taken place.

If the settlements in the sale are carried out on the terms of granting the commodity credit, the sum of the earnings shall also be defined as on the date of sale and shall include the sum of interest levied for the period from the moment of the shipment to the moment of the transfer of the right of property to the commodities.

An interest levied for the use of the commodity credit as from the moment of the transfer of the right of property to the commodities until the moment of the complete settlement on the liabilities shall be included into the composition of the extra-sales outlays.

For long technological cycle (over one tax period) production facilities, except for case when completed works (services) are delivered in phases under the contracts concluded, income from the sale of the said works (services) shall be distributed by the taxpayer at the taxpayer's own discretion with due regard to the principle of even income recognition on the basis of record data. In this case the principles

and methods applied to distribute income from sales shall be approved by the taxpayer in accounting policy for taxation purposes.

**Article 317.** Procedure for Tax Recording of Individual Kinds of Extra-Sales Incomes

When defining the extra-sales incomes in the form of fines, penalties or other sanctions imposed for violating contractual liabilities, as well as of the sums of recompense for the inflicted losses or damages, the taxpayers defining incomes using the method of calculation, shall reflect the due sums in conformity with the terms of the contract. If the terms of the contract do not establish the amount of penalty sanctions or a recompense for the losses, no liability arises with the taxpayer for calculating the extra-realisation incomes from these kinds of incomes. And if the debt is exacted by court decision, the liability involved in the calculation of this extra-sales income arises with the taxpayer on the grounds of a court decision, which has entered into legal force.

**Article 318.** Procedure for Defining the Sum of the Outlays on Production and Sale

1. If the taxpayer defines the incomes and the outlays by method of calculation, the outlays on the production and on sale shall be defined taking account for the provisions of this Article.

For the purposes of this Chapter, the outlays on the production and sales made in the course of the reporting (tax) period shall be subdivided into:

1) direct;

2) indirect.

To direct outlays may be in particular classified as:

the material expenses determined in compliance with Subitems 1 and 4 of Item 1 of Article 254 of this Code;

the outlays on paying labour wages to the personnel participating in the production of commodities, carrying out works and rendering services, as well as the sums of the uniform social tax and expenses towards compulsory pension insurance used to finance the insurance and accumulated portions of the labour pension which are accrued on said amounts of outlays on paying labour wages;

the sums of accrued depreciation of the fixed assets used in the production of commodities, works and services.

To indirect outlays there shall pertain all other sums of outlays, safe for the extra-sale outlays determined in compliance with Article 265 of this Code and made by a taxpayer within a report (tax) period.

A taxpayer shall define at his discretion in his accounting concepts for taxation purposes a list of the direct expenses relating to the manufacture of goods (performance of works, provision of services).

2. The sum of indirect outlays on production and sales effected in the reporting (tax) period, shall be in full volume referred to the outlays of the current report (tax) period subject to the requirements provided for by this Code. A similar procedure shall apply to include non-sales expenses in the expenses of the current period.

Direct expenses are classified as expenses of the current accounting (tax) period following the progress of the sales of the products, works, services in whose cost they are taken into account under Article 319 of the present Code.

Taxpayers providing services are entitled to post the sum of direct expenses incurred in the accounting (tax) period in full to reduce incomes from the manufacture and sales of this accounting (tax) period without distribution over the balance of work-in-progress.

**3.** Where in respect of individual outlays limitations with regard to the amount of outlays accepted for the purposes of taxation are stipulated under this Chapter, the base for calculating the ultimate amount of such outlays shall be determined in progressive total, as of the start of a tax period. With this, as regards the outlays of a taxpayer connected with voluntary insurance (retirement insurance) of his workers, the term of a contract's validity in a tax period, starting from the date of entry of such contract into force, shall be taken into account, when determining the ultimate amount of the outlays.

**Article 319.** Procedure for Estimating the Residuals of Incomplete Production and of Those of Finished and Shipped Products

**1.** For the purposes of this Chapter, interpreted as incomplete production (hereinafter referred to as the NZP) shall be those which have not gone through all the processing (finishing) operations stipulated by the technological process. Into the incomplete production shall be included products finished but not completely accepted by the customer, as well as works and services finished but not accepted by the customer. To the incomplete production shall also be referred the residuals of the non-fulfilled orders of the productions and the residuals of semi-finished products of domestic manufacture. The materials and semi-finished products still in production shall be referred to work in progress only if they have already been processed.

The residuals of incomplete production as at the end of the current month shall be estimated by the taxpayer on the grounds of the data of the basic accounting documents on the movement and on the

residuals (in quantitative terms) of raw, materials and finished products in workshops (works and other industrial subdivisions of a taxpayer) and the data of the tax records on the sum of direct outlays made in the current month.

A taxpayer shall define at his discretion the procedure for distributing direct expenses to work-in-progress and the products (works, services) manufactured (performed, provided) in the current month with account taken of the correspondence of the expenses incurred to the products (works, services) manufactured (performed, provided).

The said procedure for distributing direct expenses (the assessment of the value of work-in-progress) is established by the taxpayer in his accounting concepts for taxation purposes and it shall be implemented for at least two tax periods.

If direct expenses are not attributable to a specific production process used to manufacture a given type of product (work, service) the taxpayer shall designate a specific mechanism in his accounting concepts for taxation purposes to distribute the said expenses using economically-substantiated indicators.

The sum of the residuals of the incomplete production as at the end of the current month shall be included into the composition of the direct outlays in the next month. When the tax period comes to an end, the sum of the residuals of the incomplete production as at the end of the tax period shall be included in the composition of the next tax period in the order and on the terms stipulated in this Article.

**2.** The residuals of finished products left in warehouses as on the end of the current month shall be assessed by the taxpayer on the grounds of the data of basic accounting documents on the movement and residuals of finished products left in warehouses (in quantitative terms), as well as of the sum of direct outlays made in the current month, reduced by the sum of direct outlays related to the residuals of NZP. The assessment of the residuals of finished products in warehouses shall be determined by a taxpayer as a difference between the amount of direct outlays falling at the residuals of finished products as on the start of the current month increased by the amount of the direct outlays falling at the output in the current month (less the amount of the direct outlays falling at the residuals of NZP), and the amount of the direct outlays falling at the products shipped within the current month.

**3.** The residuals of the shipped but not sold products as on the end of the current month shall be assessed by a taxpayer on the basis of the data on the shipment (in quantitative terms) and the amount of the direct outlays made in the current month decreased by the amount of the direct outlays related to the residuals of NZP and the residuals of finished products in warehouses. The assessment of the residuals of shipped, but not sold products as on the end of the current month shall be determined by a taxpayer as a difference between the amount of the direct outlays falling at the residuals of shipped but not sold finished products as on the start of the current month increased by the amount of the direct outlays falling at the products shipped in the current month (less the amount of the directs outlays falling at the residuals of finished products in warehouses), and the amount of the direct outlays falling at the products sold in the current month.

**Article 320.** Procedure for Assessing Expenses in Trading Transactions

Taxpayers pursuing wholesale, small-scale wholesale and retail activities shall assess sales expenses (hereinafter referred to in the present article as "distribution costs" with due regard to the below details.

During the current month distribution costs are assessed in accordance with the present chapter. As this is being done, distribution cost amounts shall in particular include the expenses of the taxpayer being a buyer of goods incurred to deliver these goods, warehouse expenses and other current month expenses relating to the acquisition, unless they are taken into account in the value of the goods purchased and the selling of these goods. The following is not included in distribution costs: the cost of purchase of goods at the price set by contractual terms. In this case the taxpayer has a right to recognise the cost of acquisition of goods including the expenses relating to the acquisition thereof. The said cost of the goods shall be taken into account when they are sold in accordance with Subitem 3 of Item 1 of Article 268 of the present Code. The cost of acquisition of goods that have been shipped but have not been sold as of the end of the month shall not be included by the taxpayer in the expenses relating to the production and sales until the time when they are sold. The procedure for recognising the cost of acquisition of goods shall be defined by the taxpayer in his accounting concepts for taxation purposes and shall be implemented for at least two tax periods.

Current month expenses are classified as direct and indirect. Direct expenses include the cost of acquisition of goods sold in a given accounting (tax) period and the amounts spent towards the delivery (transport expenses) of purchased goods to a warehouse of the taxpayer buying the goods, unless such expenses were included in the purchase price of the goods. All other expenses, except for non-sales expenses assessed in accordance with Article 265 of the present Code, that have been incurred in the current month shall be deemed indirect expenses and they shall reduce sales incomes of the current month. The sum of direct expenses deemed the balance of unsold goods shall be assessed by the average percentage indicator as of the beginning of the month as follows:

1) assessment shall be made of the sum of direct expenses attributable to the balance of unsold goods as of the beginning of the month and incurred in the current month;

2) assessment shall be made of the cost of acquisition of the goods sold in the current month and the cost of acquisition of the balance of unsold goods as of the end of the month;

3) calculation shall be made of an average percentage indicator as the ratio of the sum of direct expenses (Item 1 of the present part) to the value of the goods (Item 2 of the present part);

4) assessment shall be made of the direct expense sum attributable to the balance of unsold goods as the average percentage indicator multiplied by the value of the balance of goods as of the end of the month.

**Article 321.** Specifics in Keeping the Tax Records by Organisations Set Up in Conformity with the Federal Laws Regulating the Activity of These Organisations

Organisations set up in conformity with federal laws (the Central Bank of the Russian Federation and the Deposit Insurance Agency), regulating the activity of these organisations, shall keep separate records on the incomes and outlays received (made) in the performance of an activity involved in the discharge of the functions envisaged by legislation, as well as of the incomes and outlays received (made) in the performance of other kinds of commercial activity.

When carrying out the tax recording of commercial activities, such organisations shall apply the general norms of this Chapter, regulating the order of delineating the incomes and the outlays, as well as the special norms (specifics) envisaged for the individual taxpayer categories, or the norms stipulated for particular circumstances. A non-profit organisation applies the given norms if it performs such kinds of activity in conformity with federal laws.

If such non-profit organisations make obligatory uncompensated outlays in conformity with the demands of the legislation of the Russian Federation, such outlays shall be recognised as outlays of this organisation, subtracting the incomes from its commercial activity.

**Article 321.1.** Specifics in Keeping Tax Records by Budgetary Institutions

**1.** The tax payers - budgetary institutions, financed from the budgets of all levels, from the state extra-budgetary funds allocated in accordance with an estimate of the incomes and the outlays of the budgetary institution or deriving incomes in the form of payment for medical services rendered to citizens within the framework of a territorial programme of obligatory medical insurance, as well as deriving income from other sources, shall be obliged, for the purposes of taxation, to keep a separate recording of the incomes (the outlays), received (made) within the framework of the goal-oriented financing at the expense of other sources.

For the purposes of this Chapter, recognized as the other sources - the incomes from the commercial activity - shall be the incomes of budgetary institutions, received from legal and natural persons on transactions, involved in the realization of commodities, works and services, and of the property rights, as well as the extra-realization incomes.

The tax base of budgetary institutions shall be defined as the difference between the sum of an income, derived from the realization of commodities, from the performed works and rendered services, as well as the sum of extra-realization incomes (not taking into account the value added tax, the excise duty for excisable commodities), and the sum of the actually made outlays, involved in the performance of the commercial activity.

Transactions, involved in the computation of incomes from the commercial activity and of the outlays connected with the performance of this activity, shall be reflected on the tax records in accordance with the procedure, established in the present Chapter.

The sum of an excess of the incomes from the commercial activity over the outlays cannot be directed before the computation of the tax towards coverage of the outlays, envisaged at the expense of the funds of the goal-oriented financing, allocated in accordance with an estimate of the incomes and the outlays of the budgetary institution.

**2.** In the composition of the incomes and the outlays of budgetary institutions, included into the tax base, shall not be taken into account the incomes, received in the form of the funds of the goal-oriented financing and of the goal-oriented receipts for the maintenance of budgetary institutions and for the performance of the statutory activity, financed at the expense of the above-said incomes, or the outlays, made at the expense of these funds.

An analytical recording of the incomes and the outlays on the funds of the goal-oriented financing and the goal-oriented receipts shall be kept on every kind of the receipts, with an account for the demands of the present Chapter.

**3.** If in the estimates of the incomes and the outlays of the budgetary institution is envisaged financing of the outlays on the remuneration for the public utilities and for the communications services, as well as for the transportation expenses, involved in servicing the administrative-managerial personnel, expenses for all types of fixed asset repair at the expense of two sources, for the purposes of taxation the acceptance of such outlays for the reduction of the incomes, derived from the business activity, and of the

funds of the goal-oriented financing shall be effected in proportion to the volume of the funds, derived from the business activity, in the total sum of the incomes (including the funds of the goal-oriented financing). If in the cost-estimates of a budget-funded institution there is no provision for financing expenses towards payment for utility services, communications services (except for mobile communications) and the repair of fixed asset items acquired (created) with funds provided from the budget the said expenses shall be taken into account in the calculation of the tax base for entrepreneurial activity, provided the operation of the fixed asset items is connected to the pursuance of this entrepreneurial activity. In this case, for the above-said purposes in the total sum of the incomes shall not be taken into account the extra-realization incomes (the incomes, derived in the form of the bank's interest on the funds, kept on the settlement and on the deposit accounts or received from letting out the property, the differences in the exchange rates, and the other incomes).

**4.** For the purposes of the present Chapter when a tax base is assessed the following shall be deemed "expenses relating to the pursuance of a commercial activity" in addition to the expenses incurred for the purposes of pursuance of an entrepreneurial activity:

1) the depreciation amounts accrued on assets that have been acquired with funds received from this activity and which are used to pursue this activity. In this case, for fixed asset items acquired before January 1, 2002 the balance value is calculated as the difference between the initial value of the fixed asset item and the sum of depreciation accrued according to the accounting rules over the period of operation of the item

2) expenses towards the repair of fixed asset items whose operation is connected with the pursuance of a non-commercial and/or commercial activity and which have been acquired (created) with funds from the budget, unless the financing of these expenses is envisaged by a cost-estimate of the budget-supported institution or unless the financing is not provided from budget funds.

**5.** In the budgetary institutions (regardless of whether such institutions possess settlement or other accounts), engaged in commercial activity, business accounting shall be kept by centralized accountant's offices in conformity with the provisions of the present Chapter.

Tax declarations shall be submitted by the centralized accountant's offices to the tax bodies at the place of location of each budgetary institution in accordance with the procedure, established by the present Code.

**Article 322.** Specifics in Organising the Tax Recording of Depreciated Property

**1.** As regards the fixed assets put into operation prior to entry into force of this Chapter, the term of their beneficial use shall be established by a taxpayer independently, as on January 1, 2002, subject to the classification of fixed assets defined by the Government of the Russian Federation and the terms of beneficial use thereof according to depreciation groups established by Article 258 of this Code.

Regardless of the method of charging depreciation on the property put into operation prior to entry of this Chapter into force which is selected by a taxpayer, the depreciation shall be charged reasoning from the residual cost of said property.

The amount of the depreciation on said property charged for one month shall be determined as:

1) the product of the residual cost and the depreciation rate (calculated reasoning from the term of beneficial use thereof left) established by a taxpayer for said property in compliance with Item 5 of Article 259 of this Code - when using the non-linear method of charging depreciation;

2) the product of the residual cost determined as on January 1, 2002 and the rate of depreciation (calculated reasoning from the term of beneficial use thereof left) established by a taxpayer for said property in compliance with Item 4 of Article 259 of this Code - when using the linear method of charging depreciation.

The depreciable fixed assets, whose actual term of use (actual term of depreciation) is longer as the term of beneficial use of said depreciable fixed assets established in compliance with the requirements of Article 258 of this Article, shall be singled out by a taxpayer as on January 1, 2002 into a separate depreciation group of depreciable property with regard to the assessment on the basis of the residual cost which is subject to inclusion into the composition of the outlays for the purposes of taxation evenly within the term determined by the taxpayer independently but no less than seven years as of the date of entry of this Chapter into force.

**2.** No depreciation shall be charged on fixed assets handed over by the taxpayer into gratuitous use, beginning with the first day of the month next to that month in which the said handing over took place.

A similar order shall be applied with respect to the fixed assets which are handed over by the decision of the organisation's management into conservation for over three months, and also with respect to the fixed assets which have been put by the decision of the organisation's management under reconstruction and modernisation for over twelve months.

After the end of the contract of gratuitous use and of the return of the fixed assets to the taxpayer (as well as after the reactivation or completing the reconstruction), the depreciation shall be charged in the order defined by the present Chapter of the Code, beginning with the first day of the month next to the

month in which the fixed assets were returned to the taxpayer and the reconstruction or the reactivation of the fixed asset was completed.

**3.** As the original cost of intangible assets which were not in business accounting records in the composition of intangible assets as on January 1, 2002, but under this Chapter pertain to intangible assets, shall be recognized the amount of outlays determined as a difference between the amount of outlays on their acquisition (creation) and bringing them to the condition, when they are fit for use, and the amount of the outlays which earlier decreased the tax base of the taxpayer in the procedure effective prior to entry of this Chapter into force.

**Article 323.** Specifics in Keeping the Tax Records of Operations with Depreciable Property

The taxpayer shall determine the profit (loss) from the sale or retirement of the depreciated property on the grounds of analytical accounting on every object as on the date of recognising the income (outlays).

The incomes and the outlays on the depreciated property shall be recorded by the object.

Analytical accounting shall contain information on:

- the original cost of the depreciated property sold (retired) in the reporting (tax) period;
- the changes in the original cost of such fixed assets as their construction or equipment is completed as they are reconstructed or partially liquidated;
- the time terms for the beneficial use of the fixed assets accepted by the organisation;
- the methods for the calculation and the sum of the depreciation charged on the depreciated fixed assets for the period from the date of the start of charging the depreciation until the end of the month when such property is sold (retired);
- the price of sale of the depreciated property, proceeding from the terms of the purchase and sale contract;
- the date of acquisition and the date of sale (retirement) of the property;
- the date of putting property into operation, the date of exclusion from the composition of depreciable property for the reasons provided for by Item 3 of Article 256 of this Code, the date of re-activating property, the date of termination of a contract on the gratuitous use, the date of completing reconstruction works, the date of modernization;

the outlays incurred by a taxpayer which are connected with the sale (retirement) of depreciable property, especially the outlays provided for by Subitem 8 of Item 1 of Article 265 of this Code, as well as the outlays on the storage, servicing and transportation of sold (retired) property;

A taxpayer shall determine the profit (loss) from the sale of depreciable property in compliance with Item 3 of Article 268 of this Code, as on the date of making the transaction.

In analytical accounting as on the date of sale of the depreciated property shall be fixed the sum of the profit (loss) on the said operation, which shall be taken into account for the purposes of defining the tax base, in the following order:

The profit derived by a taxpayer shall be subject to the inclusion in the composition of the tax base in the reporting period in which the sale of the property took place.

The losses of a taxpayer shall be shown in the analytical accounting as other outlays of the taxpayer in compliance with the procedure established by Article 268 of this Code.

The analytical accounting should contain information on the denominations of the objects in respect of which there are amounts of such outlays, on the number of months within which such outlays may be included into the composition of other outlays connected with production and sale, and the amount of outlays falling at each month. The term shall be determined in months and shall be calculated in the form of a difference between the number of months of the term of beneficial use of this property and the number of the months of operation of property prior to the moment of sale thereof, including the month when the property was sold.

**Article 324.** Procedure for Keeping Tax Records on the Outlays on Repairs of Fixed Assets

**1.** As regards the analytical accounting, a taxpayer shall form the amount of outlays on repairs of fixed assets subject to the grouping of all outlays made, including the cost of spare parts and disposables used for repairing, the outlays on labour wages of the workers engaged in repairing, and other outlays connected with carrying out said repairing by own means , as well as subject to the outlays on paying the works carried out by outside forces.

**2.** A taxpayer forming a reserve for forthcoming outlays on repair shall calculate allocations to such reserve reasoning from the aggregate cost of fixed assets calculated in compliance with the procedure established by this Item and from the normative standards of allocations endorsed by the taxpayer independently in the accounting policy thereof for the purposes of taxation.

The aggregate cost of fixed assets shall be determined as the sum of the original cost of all depreciable fixed assets put into operation as on the start of the tax period where the reserve of forthcoming outlays on the repair of fixed assets is formed. For calculating the aggregate cost of the

depreciable fixed assets put into operation prior to entry into force of this Chapter, the replacement cost determined in compliance with Item 1 of Article 257 of this Code shall be accepted.

When determining normative standards of allocations to the reserve of forthcoming outlays on the repair of fixed assets, a taxpayer shall be bound to determine the ultimate amount of allocations to the reserve of forthcoming outlays on the repair of fixed assets reasoning from the periodicity of repairing an object belonging to fixed assets, the frequency of changing elements of fixed assets (especially the units, parts and structures thereof) and the estimated cost of said repair. With this, the ultimate sum of the reserve for forthcoming outlays on said repair may not exceed the average value of actual outlays on the repair formed within the last three years. Where a taxpayer accumulates assets for especially complex and expensive types of major repair of fixed assets within more than one tax period, the ultimate amount of allocations to the reserve of forthcoming outlays on the repair of fixed assets may be increased by the amount of allocations to financing said repair falling at an appropriate tax period in compliance with a schedule of carrying out said types of repair on conditions that in the previous tax periods the aforesaid or similar repair works have not been conducted.

The allocations to the reserve of forthcoming outlays on the repair of fixed assets within a tax period shall be written off as outlays in equal portions on the last date of an appropriate report (tax) period.

Where a taxpayer forms the reserve for forthcoming outlays on the repair of fixed assets, the amount of actually made expenses on the conduct of the repair shall be written off at the expense of the funds of said reserve.

Where the amount of actually made outlays on the repair of fixed assets within a report (tax) period exceeds the amount of the reserve formed for forthcoming outlays on repair of fixed assets, the remainder of the outlays for the purposes of taxation shall be included into the composition of other outlays, as on the date of the end of the tax period.

If at the end of a tax period the remainder of the reserve funds for forthcoming outlays on the repair of fixed assets exceeds the amount of the outlays on the repair of fixed assets actually made in the current tax period, the sum of such excess as on the last date of the current tax period for the purposes of taxation shall be included into the composition of a taxpayer's outlays.

Where in compliance with the accounting policy for the purposes of taxation and on the basis of a schedule of conducting a major repair of fixed assets a taxpayer accumulates assets for financing said repair within more than one tax period, at the end of the current tax period the remainder of such assets shall not be subject to inclusion into the composition of the outlays for the purposes of taxation.

**3.** If a taxpayer exercises the types of activities in respect of which the tax base with regard the tax is calculated separately in compliance with Article 274, then the analytical accounting of outlays on the repair of fixed assets for the purposes of taxation shall be effected according to types of production and types of activities.

**Article 324.1.** Procedure for Accounting Outlays on Forming the Reserve for Forthcoming Outlays on Payment of Leaves and the Reserve for Payment of Bonuses for Long Service

**1.** A taxpayer who has decided on the even accounting of forthcoming outlays on payment of workers' leaves for the purposes of taxation, shall be obliged to show in the accounting policy for the purposes of taxation the way of making the reserve accepted by him and to determine the ultimate amount of allocations and the monthly per cent rate of allocations to said reserve.

For that, a taxpayer shall be obliged to draw up a special calculation (estimate) to show the way of calculating the rate of monthly allocations to said reserve reasoning from the data on the supposed annual amount of outlays on payment of leaves, including the amount of the uniform social tax on these outlays. With this, the per cent rate of allocations to said reserve shall be determined as the ratio of the supposed annual amount of outlays on payment of leaves to the supposed annual amount of outlays on labour wages.

**2.** The outlays on forming the reserve for forthcoming outlays on payment of leaves shall be entered to the accounts for recording outlays on labour wages of appropriate categories of workers.

**3.** A taxpayer shall be obliged to carry out the inventory of said reserve at the end of a tax period.

The underused amounts of said reserve, as on the last date of the current tax period, shall be subject to obligatory inclusion into the tax base of the current tax period.

Where the funds of actually calculated reserve confirmed by the inventory on the last date of a tax period are not sufficient, the taxpayer shall be obliged, as on the 31st of December of the year when the reserve was formed, to include into the outlays the amount of actual outlays on paying leaves and the accordingly the sum of the uniform social tax in respect of which said reserve has not been earlier formed.

**4.** The reserve for forthcoming outlays on paying workers' leaves should be specified reasoning from the number of unused vacation days, the average daily amount of outlays on labour wages of workers (subject to the established methods of calculating average wages) and the obligatory deduction of the uniform social tax.

Where on the basis of the results of an inventory of forthcoming outlays on leaves' payment the amount of the estimated reserve in respect of unused vacation days determined on the basis of the average daily amount of outlays on labour wages and the number of days of an unused leave as of the end of a year exceeds the actual balance of the unused reserve as of the end of the year, the excessive amount shall be subject to inclusion into the composition of outlays on labour wages. Where on the basis of the results of an inventory of forthcoming outlays on leaves' payment the amount of the estimated reserve in respect of unused vacation days determined on the basis of the average daily amount of outlays on labour wages and the number of days of an unused leave as of the end of a year is less than the actual balance of the unused reserve as of the end of the year, the negative difference shall be subject to inclusion into the composition of off-sale revenues.

**5.** Where in the course of specifying the accounting policy for the next tax period a taxpayer deems it unreasonable to form a reserve for forthcoming outlays on paying leaves, the amount of the remainder of said reserve exposed as a result of an inventory, as on the 31st of December of the year when it was formed, shall be included in the composition of extra-sale outlays of the current tax period for the purposes of taxation.

**6.** A taxpayer shall make allocations to the reserve for forthcoming outlays on paying yearly bonuses for long service and for the results of work during the past year in a similar procedure.

**Article 325.** Procedure for Keeping Tax Records on the Development of Natural Resources

**1.** Taxpayers who have adopted the decision on the acquisition of licences for the right to use mineral wealth shall separately reflect in the analytical registers of tax records the outlays made for the purposes of acquiring the licences. The outlays connected with the acquisition of each concrete licence shall be recorded separately.

To the outlays made on the acquisition of licences shall be, in particular, referred:

- outlays involved in the preliminary estimate of the deposit;
- outlays connected with carrying out audits of deposit stocks;
- outlays on the development of the technical and economic substantiation (of other similar works) and on projects for developing the deposit;
- outlays on the acquisition of geological and other information;
- outlays on the payment for participation in the tender.

If by the results of the tender the taxpayer concludes a licence agreement for the right to use mineral wealth (receives the licence), the outlays made by the taxpayer in connection with the procedure for taking part in the tender shall form the cost of the licence agreement (the licence), which shall be recorded by the taxpayer in the composition of non-material assets. The depreciation of the given non-material asset shall in this case be charged in the order established by Articles 256-259 of the present Code.

If by the results of the tender the taxpayer does not conclude a licence agreement for the right to use mineral wealth (does not receive the licence), the taxpayer's outlays connected with the procedure of participation in the tender shall be included in the composition of other outlays from the first day of the month next to the month of holding the tender, evenly in the course of five years. If after making preliminary outlays aimed at the acquisition of licences the taxpayer adopts the decision on the refusal from taking part in the tender or on the inexpediency of acquiring the licence, the said outlays shall also be included in the composition of the other outlays from the first day of the month next to that month in which the taxpayer adopted the said decision, evenly in the course of five years. The said decision shall be formalised with the corresponding Order (Direction) of a manager.

In a similar order shall be recorded the outlays made for the acquisition of licences for the right to use mineral wealth, if the said licences are issued to the taxpayer without holding a tender.

**2.** The outlays on the development of natural resources mentioned in Item 1 of Article 261 of the present Code shall be reflected in the analytical registers of tax records apart on every plot of the earth bowels (deposits) or on the plot of the territory (water area) reflected in the taxpayer's licence agreement (in the licence for the right to use mineral wealth).

Depending on the particular kind of outlays, they shall be grouped as:

- general outlays on the developed plot (deposit) as a whole;
- outlays related to the individual parts of the territory of the developed plot;
- outlays related to the particular object created in the course of developing the plot.

To the general outlays shall be referred, in particular:

- outlays on the search for and estimation of the deposits of useful minerals (including the audit of the stocks), on prospecting for commercial minerals and (or) on hydro-geological studies carried out on the plot of the earth's bowels in accordance with licences (permits) granted in the established order, as well as outlays on the acquisition of necessary geological and other information from third persons, including from state bodies;

Seen as outlays referred to the individual parts of the territory of the developed plot shall be outlays identified on the grounds of basic accounting documents, in particular:

- those on preparing the territory for the performance of mining, building and other works in conformity with the established demands for safety and protection of the land, the earth's bowels and other natural resources;

- the other outlays effected in connection with the development of the part of the plot area.

The sum of the general outlays shall be recorded on every part of the area of the developed plot (deposit) in the share defined proceeding from the ratio of the sum of the outlays related to the individual parts of the area of the developed plot to the total sum of the outlays made on the development of the given plot (deposit).

To the outlays related to the particular object created in the course of development of the plot shall be referred those directly involved in building structures which may be subsequently recognised, on the grounds of the taxpayer's decision, as constantly operated fixed assets objects.

**3.** When carrying out geological-search work and geological prospecting work aimed at finding useful minerals, the sum of the outlays made by the taxpayer shall be defined on the grounds of the acts on the works performed under agreements with the contractors and on the grounds of the expenditures actually made by the taxpayer referred to the outlays on the development of natural resources in conformity with the provisions of this Article.

The taxpayer shall organise the tax recording of the said outlays on every contract and on every object connected with the development of natural resources.

The analytical registers of tax records shall contain information on completing the works in the context of every contract involved in the said works on every particular plot of the earth's bowels.

After the works under an agreement with the contractor are completed, outlays made under the given agreement shall be included in the composition of the other outlays as from the first day of the month in which the last act on the performed works was signed with the contractor on the given agreement. The effected outlays shall be included in equal parts in the composition of other outlays within the time terms envisaged by Article 261 of the present Code.

The current outlays on the maintenance of the objects connected with the development of natural resources (including those on wage payments, the maintenance and running of temporary structures and other such expenses), as well as the outlays on bringing to an end the prospecting of the deposit or of the sections thereof which are within the limits of allotment of land or mining lease of an organization shall be included in the full sum in the composition of outlays of the reporting (tax) period in which they were made. To the outlays on bringing to an end the prospecting shall also be referred those involved in the performance of works aimed at completing the prospecting of deposits which are already put into operation and are industrially developed.

The said order of recording concerns the outlays on all geological-search and geological prospecting work, including the outlays made on those works which have been recognised as useless and unpromising, or the continuation of which has been recognised as inexpedient.

If the developed plot (the part of the area of the developed plot) is recognised by the taxpayer as unpromising, or if the continuation of its development is recognised as inexpedient, the sums of the outlays made by the taxpayer on the development of the given plot shall be included in the composition of the other outlays in the general order laid down in Article 261 of the present Code.

**4.** If the taxpayer's outlays made in the composition of outlays on the development of natural resources are directly connected with building the objects which subsequently, by the taxpayer's decision, may be turned into permanently operated fixed assets objects (including wells), these outlays shall be recorded in the analytical registers of tax records by every erected object of fixed assets. The said fixed assets objects shall be depreciated in conformity with the order established by this Chapter.

The outlays on building temporary structures (including temporary approach lines and roads; sites and installations for the storage of the fertile soil layer, of extracted rock and of waste; the temporary structures for accommodating members of the geological prospecting parties, and other similar objects) shall be included in the composition of the other outlays as from the first day of the month next to the month in which the works for their construction were completed on the grounds of the acts on the performed works.

**5.** If a certain well has proved (been recognised) as unproductive, the taxpayer's outlays on the liquidation of such well shall also be included in the composition of the outlays recorded on the given object in the tax records in conformity with the procedure established by Article 261 of the present Code. The total sum of the outlays reflected in the tax records on the given object shall be included in the composition of the other outlays in conformity with the order envisaged by this Article.

**Article 326.** Procedure for Keeping Tax Records on Futures Deals Using the Method of Calculation

The taxpayer shall define the tax base for operations with the financial instruments of futures deals on the grounds of data from the tax recording registers.

The data of the tax recording registers shall reflect the procedure for the formation of the sum of the incomes (outlays) on futures deals recorded for the purposes of taxation.

The data of the tax recording registers shall contain in the monetary expression the sums of the taxpayer's claims (liabilities) with respect to the counterpart in accordance with the terms of the concluded contracts:

- on deals envisaging the purchase and sale of basic assets;

- on deals envisaging the execution of liabilities by making mutual settlements and (or) by concluding a reciprocal deal - the change of the sums of such claims and liabilities from the date of concluding the deals and until the date of settlements and (or) of the date of execution of the deal which is the first in time.

The claims (liabilities) may be expressed either in roubles or in foreign currency. The claims (liabilities) in foreign currency shall be revaluated in connection with a change in the official exchange rates of foreign currencies to the Russian rouble. The claims (liabilities) on future deals envisaging the purchase or sale of a basic asset shall be re-valued in keeping with a change in the market price of the basic asset.

The taxpayer shall reflect in analytical accounting as on the date of concluding a deal the sum of the claims arisen (liabilities) to the counterparts, proceeding from the terms of the deal and from the claims (liabilities) with respect to the basic asset (including with respect to commodities, monetary funds, noble metals, securities and the index of the prices or rates).

The tax base shall be defined by the taxpayer as on the date of execution of the futures deal. For the deals of a durable character the tax base shall be defined by the taxpayer also as on the date of the end of the reporting (tax) period.

With this, the incomes (outlays) related to the forward deals stipulating the purchase and sale of a basic asset (safe for currency values) shall be accounted by a taxpayer as on the date of transfer of ownership of the basic asset in compliance with the terms and conditions of the deal.

If the terms of the deal envisage the performance of interim settlements in the face of a change in the value assessment of the claims (liabilities) in connection with a fall (rise) in the official exchange rates of foreign currencies to the Russian rouble, or in the market (exchange) price of commodities, the taxpayer shall define the incomes (outlays) for every date of making such settlements in accordance with the terms of the deal.

If the rouble equivalent of the claims (liabilities) in foreign currency grows (falls) due to a change in the official exchange rates of foreign currencies to the Russian rouble or with an increase (a decrease) in the claims (liabilities) in connection with a change in the market quotations of the basic asset, the sum of positive (negative) differences or of the growth (reduction) of claims (liabilities) formed over the period from the date of making the deal (from the date of the end of the previous reporting /tax/ period) and until the date of the execution of the deal (of the end of the reporting /tax/ period) shall be included into the composition of the incomes (outlays) forming the tax base for operations with the financial instruments of futures deals.

When the deadline for the execution of a future deal with the financial instruments of futures deals arrives, the taxpayer shall assess the claims and the liabilities as on the date of execution in conformity with the terms of its conclusion, and shall define the sum of incomes (liabilities) taking account of the sums of the incomes and outlays recorded earlier for the purposes of taxation in the composition of the incomes and of outlays.

When performing futures deals envisaging the purchase or sale of foreign currency, of noble metals or of securities nominated in foreign currency, the taxpayer shall define, as on the date of the execution of the deal, the incomes (outlays) taking account of the exchange rate differences identified as the difference between the exchange rate of the execution of the deal and the exchange rate of currencies and official prices of noble metals fixed by the Central Bank of the Russian Federation as on the date of the execution of the deal.

The taxpayer shall set apart for separate tax recording operations with the financial instruments of futures deals concluded for the purpose of compensation for probable losses which could arise as a result of an unfavourable change in the price or other index of the basic asset (of the object of hedging).

The taxpayer shall make a calculation on every hedging operation separately; it shall contain the following data:

- a description of the hedging operation, including the name of the object of hedging, the types of insured risks (price, currency, credit, interest and similar risks), the planned actions with respect to the object of hedging (purchase, sale and other actions), financial instruments of futures deals planned for use, and the terms for the execution of the deal;

- the date of the start of a hedging operation, the date of its end, and (or) its duration, as well as the interim terms of the settlement;

- the volume, date and price of the deal (deals) with the object of hedging;

- the volume, date and price of the deal (deals) with the financial instruments of futures deals;

- information on outlays on the performance of the given operation.

Analytical accounting shall be kept separately on deals made with the financial instruments of futures deals circulated on the organised market, and on deals with the financial instruments of futures deals not circulated on the organised market, as well as on deals made with the aim of hedging.

**Article 327.** Procedure for Organising Tax Recording on Futures Deals Using the Cash Method

Taxpayers applying the cash method for defining the incomes and outlays shall organise tax recording in conformity with the principles described in this Chapter. The incomes and outlays on operations with the financial instruments of futures deals shall be calculated by the tax payers, who apply the cash method for defining the incomes and the outlays as on the date of the actual arrival (transfer) of the monetary funds.

**Article 328.** Procedure for Keeping Tax records on Incomes (Outlays) in the Form of Interest Received on Contracts of Loan, Credit, Bank Account and Bank Deposit, as Well as of Interest on Securities and Other Debt Liabilities

1. A taxpayer on the basis of the analytical accounting of extra-sale incomes shall interpret the incomes (outlays) in the form of interest on securities, on contracts of credit and loan, of bank account and of bank deposit and (or) on the otherwise formalized debt liabilities.

In the analytical accounting a taxpayer shall be independently show the incomes (outlays) in the sum of interest due to him in accordance with the terms and conditions of said contracts (and in compliance with the terms of issue with regard to securities, on the bills - by the terms for the issue or for the transfer (for the sale)) separately on every kind of debt liabilities subject to Article 269 of this Code.

The amount of incomes (outlays) in the form of interest on debt liabilities shall be included into the records of analytical accounting proceeding from the profitability established for every kind of debt liabilities and from the term of validity of such debt liability in the reporting period, as on the date of recognizing the incomes (outlays) determined in compliance with the provisions of Articles from 271 to 273 of this Code.

**2.** Interest paid by a bank under a contract of bank account shall be included by a taxpayer in the tax base on the grounds of an excerpt on the movement of the taxpayer's monetary funds on the bank account thereof, if not otherwise provided for by this Chapter. Where a contract of servicing bank account does not provide for making settlements with regard to payment of bank services when conducting each settlement cash operation, the date of the receipt of income by the taxpayer who has passed over to the recognition, accounting and determination of incomes (outlays) by using the method of calculation shall be deemed the last date of the reporting month.

**3.** interest under contracts of credit, loan and other similar contracts and other debt liabilities (including securities) shall be accounted, as on the date of recognizing the income (outlay) in compliance with this Chapter.

**4.** Interest received (subject to receipt) by a taxpayer for letting use of monetary assets shall be accounted in the composition of the incomes (outlays) subject to inclusion into the tax base on the basis of an abstract on the movement of the taxpayer's monetary assets of the taxpayer on a banking account thereof, if not otherwise provided for by this Article.

A taxpayer determining his incomes (outlays) by using the method of calculation shall determine the amount of income (outlay) received (paid) or subject to the receipt (payment) in the reporting period in the form of interest under the terms and conditions of a contract proceeding from the profitability established for each type of debt liabilities and the validity of such debt liability in the reporting period subject to the provisions of this Item. A taxpayer shall be obliged to show in the analytical accounting on the basis of certificates of the person in charge of keeping records of incomes (outlays) with regard to debt liabilities the amount of interest due to be received (paid) as on the end of a month in the composition of incomes (outlays).

In the event of early liquidation of a debt liability, interest shall be determined proceeding from the interest rate established by the terms and conditions of a contract subject to the provisions of Article 269 of this Code and the actual time period of using borrowed assets.

A procedure for recognizing incomes (outlays) in the form of interest established by this Article with regard to any kind of debt liabilities shall be likewise applied by the organizations for which operations with such debt liabilities are recognized as sale operations in compliance with their authorized activities.

**5.** As regards state and municipal securities, income in the form of interest thereon shall be determined in compliance with Articles 271 and 273 of this Code and may be recognized on the date of their sale on the basis of a contract of purchase and sale, or on the date of paying the interest on the basis of a bank abstract, or on the last date of the reporting period in compliance with the provisions of this Chapter. Interest shall be subject to showing in the tax records on the basis of a certificate of the person in charge of calculating profit from operations with securities.

Where a taxpayer determines incomes and outlays by using the cash method, interest shall be deemed received on the date of arrival of the monetary funds. A ground for including such amounts into

the composition of the incomes received in the form of interest shall be a bank abstract concerning the movement of monetary assets on bank accounts.

Where a taxpayer, while determining incomes and outlays, applies the method of calculation, the amount of interest on state and municipal securities received by a taxpayer (due to a taxpayer) shall be recognized as an income on the date of sale of a security, or on the date of paying such interest (repayment of coupon) in compliance with the terms of the issue, or on the last date of the reporting period in compliance with the provisions of this Chapter.

Where an accumulated coupon interest is included into the sale price of state and municipal securities, a taxpayer shall independently determine on the date of sale of such securities the amount of income in the form of interest on the basis of a contact of purchase and sale subject to the provisions of Items 6 and 7 of this Article.

**6.** When making transactions with state and municipal securities which are sold under the condition that the price of deal in them includes the accumulated coupon income (income in the form of interest), a taxpayer who has passed over to the determination of incomes (outlays) by using the cash method, shall calculate income as a difference between the amount of accumulated coupon income received from the purchaser and the amount of accumulated coupon income paid to the seller. If during the time period between the date of sale of a security and the date of acquisition thereof in compliance with the terms and conditions of the issue payments in the form of interest were made, then the date of paying interest while redeeming the coupon shall be recognized as the date of receiving the income. With this, the income shall be determined as a difference between the amount of interest paid when redeeming the coupon and the amount of accumulated coupon income paid to the seller. When selling the security the interest on which, included into the composition of incomes in the procedure provided for by this Paragraph, was paid by the issuer thereof while the security was in the possession of a taxpayer, the amount received from the purchaser of such security shall be recognized as interest.

**7.** A taxpayer who determines incomes and outlays by using the method of calculation and who makes transactions in state and municipal securities, the accumulated interest (coupon) income on which is included into the price of deal when selling them, shall determine incomes in the from of interest subject to the following provisions. If prior to the expiry of a reporting (tax) period a security is not sold, the taxpayer shall be obliged on the last date of the reporting (tax) period to determine the amount of income in the form of interest falling at this period as a result of calculation.

With this, as income for the reporting (tax) period in the form of interest there shall be recognized the difference between the amount of accumulated interest (coupon) income, calculated as on the end of a reporting (tax) period in compliance with the terms and conditions of the issue, and the amount of accumulated interest (coupon) income calculated as on the end of the previous tax period, if after the end of the previous tax period the issuer has not paid the interest (has not redeemed coupons).

If the issuer paid out interest (redeemed coupons) during the current reporting (tax) period, then, in addition to the income in the form of interest calculated and accounted while making such payments (redemption) in compliance with Paragraph Four of this Item, the income in the form interest shall be taken as equal to the amount of accumulated interest (coupon) income calculated as on the end of said reporting (tax) period.

When paying interest (redeeming coupons) for the first time within a report (tax) period, the income in the form of interest shall be calculated as a difference between the amount of the interest being paid (of the coupon being redeemed) and the amount of accumulated interest (coupon) income calculated as on the end of the previous tax period . When making subsequent payments of interest (redeeming coupons) during a report (tax) period, income in the form of interest shall be taken as equal to the amount of paid out interest (of the redeemed coupon).

If said security was acquired during the current tax period, the calculation of income in the form of interest shall be effected in compliance with the provisions of Paragraphs from One to Four, where the amount of accumulated interest (coupon) income calculated as on the end of the previous tax period shall be replaced while making the calculations by the amount of the accumulated interest (coupon) income paid by the taxpayer to the seller of the security.

When selling said security, the income in the form of interest shall be calculated in compliance with the provisions of Subitems from 1 to 4 of this Item, where the amount of accumulated interest (coupon) income calculated as on the end the reporting (tax) period shall be replaced while making calculations by the amount of accumulated interest (coupon) calculated as on the date of sale.

**Article 329.** Procedure for Keeping Tax Records in the Sale of Securities

Recognised as an income from operations with securities shall be the earnings from the sale of securities in conformity with the terms of the contract of sale.

Incomes and outlays on operations with securities shall be recognized in compliance with the procedure established by Articles 271 or Article 273 of this Code depending on the procedure for recognition of incomes and outlays applied by a taxpayer.

When selling securities, the price of acquiring sold securities calculated subject to the method for recording securities established by a taxpayer (FIFO, LIFO or on the basis of the price of one unit) shall be recognized as an outlay.

If into the price of sale of state and municipal securities circulated on the organised securities market is included a part of the accumulated coupon income, the sum of the income and of the outlays on such securities shall be calculated without the accumulated coupon income.

The profit (loss) from the sale of securities in selling the securities circulated on the organised securities market, as well as of those not circulated on the organised securities market, shall be reflected in separate tax recording.

Interest income on state and municipal securities, in respect of which the deduction of a part of accumulated interest income from the price of a deal is stipulated, shall be determined as on the date of sale thereof on the basis of a contract of purchase and sale subject to the provisions of Article 328 of this Code and shall be shown in tax records on the basis of a certificate of the person in charge of calculating profit (income) from transactions in securities.

**Article 330.** Specifics in Keeping Tax Records on the Incomes and Outlays of Insurance Institutions

Taxpaying insurance institutions shall keep tax records on the incomes (outlays) derived (made) on contracts of insurance, co-insurance and re-insurance, on concluded contracts and on kinds of insurance.

The taxpayer's revenues in the form of the total amount of the insurance fee to be received shall be recognized as of the date of the rise of the taxpayer's liability towards an insured person under the contract made which results from the terms and conditions of contracts of insurance, coinsurance and reinsurance, regardless of the procedure for paying the insurance fee cited in the appropriate contract (except for contracts of life insurance and of pension insurance). Under contracts of life insurance and of pension insurance income in the form of a part of the insurance fee shall be recognised at the time when the taxpayer obtained the right to receive a regular insurance fee in compliance with the terms and conditions of the said contracts.

A taxpayer in the procedure and on the conditions which are established by the legislation of the Russian Federation shall form insurance reserves. Taxpayers shall show changes in the amounts of insurance reserves for each type of insurance.

Insurance payments under a contract subject to making under the terms and conditions of said contract shall be included into the composition of outlays as on the date of arising a taxpayer's liability to pay out insurance money in favor of the insurant or insured persons (when insuring liability - in favor of the beneficiary) with regard to an insured accident which has actually occurred, shown as an absolute sum of money which should be calculated in compliance with the laws of the Russian Federation and rules of insurance. Income (outlay) in the form of reimbursement for a share of insurance payments shall be recognized on the date of arising a re-insurer's liability to make payment to re-insurant in connection with an insured accident which has actually occurred shown as an absolute sun of money in compliance with the terns and conditions of the contract of re-insurance.

The amounts of reimbursement due to a taxpayer as result of answering actions of recourse or acknowledged by guilty persons shall be regarded as an income:

on the date of entry of a court decision into legal force;

on the date of assuming by a guilty person the liability in writing to compensate for caused damage.

With this, the share of said amounts subject to reimbursement to reinsurers by re-insurants shall be included into the incomes (outlays) of the re-insurant and re-insurer accordingly at the moment established for said taxpayers in compliance with this Article.

The taxpayer shall keep records of insurance premiums (fees) under contracts of co-insurance insomuch as they fall at the share of the taxpayer in compliance with the terms and conditions of these contracts.

The income of a taxpayer effecting obligatory medical insurance in the form of the assets received from territorial funds of obligatory medical insurance shall be recognised as of the date of remittance of the said assets fixed by the contract of financing in the amount determined on the basis of the procedure for financing specified in such contract.

**Article 331.** Specifics in Keeping Tax Records of the Bank's Incomes and Outlays

Tax paying banks shall keep the tax records of the incomes and outlays received (made) in performing banking activity on the grounds of reflecting the operations and the deals in analytical accounting in conformity with the procedure for recognising the incomes and the outlays laid down in this Chapter.

Analytical accounting of the incomes and outlays received (made) in the form of interest on debt liabilities shall be kept in accordance with the order envisaged by Article 328 of the present Code.

The incomes and outlays on the economic and other operations, related to future reporting periods on which in the current reporting period advance payments were made shall be recorded in the sum of the funds to be referred to outlays at the beginning of the reporting period which they concern. Analytical accounting of the incomes and outlays on economic operations shall be kept in the context of every contract reflecting the date and the sum of the received (issued) advance payment, as well as the period in the course of which the said sum shall be referred to the incomes and outlays.

The commission fees for services rendered on correspondent relations, paid by the taxpayer, and the outlays on cash-settlement servicing, on opening accounts in other banks and on other similar operations shall be referred to the outlays as on the date of performing the operation, if in conformity with the contract are envisaged settlements on each particular operation, or as on the last date of the reporting (tax) period. The taxpayer shall keep records on the incomes involved in the performance of operations for the clients' cash-settlement servicing in a similar order for correspondent relations and other similar operations.

The sum of the positive (negative) differences arising from revaluating the cost of discounting noble metals in case it is changed shall be included in the composition of incomes in the form of the sum of the balance of an excess of the positive revaluation over the negative, and into the composition of the outlays in the form of the sum of the balance of an excess of the negative revaluation over the positive, as on the last date of the reporting (tax) period. In the sale of noble metals, seen as income shall be the positive difference between the price of sale and the cost of discounting of such noble metals as on the date of their sale, and as outlays - the negative difference. Seen as the cost of discounting of noble metals shall be their purchase cost taking account of the revaluation carried out in the course of the time when such metals are at the disposal of the taxpayer, in conformity with the requirements of the Central Bank of the Russian Federation.

When recording operations with the financial instruments of futures deals whose basic assets are foreign currency and noble metals, the claims and liabilities shall be defined taking account of the revaluation of the cost of the basic asset in connection with the growth (fall) of the exchange rate of foreign currencies to the Russian rouble and of the prices on noble metals established by the Central Bank of the Russian Federation.

In the deals involved in the purchase and sale operations with precious stones, the taxpayer shall reflect in the tax records the qualitative and the value (the mass and the price) characteristics of the acquired and sold precious stones. The revaluation of the purchase cost of precious stones up to the price list prices shall not be recognised as taxpayer's income (outlays). If the sold precious stones are withdrawn, the income (loss) shall be defined in the form of the difference between the price of sale and the cost of discounting. Seen as the cost of discounting shall be the price of acquisition of precious stones.

Analytical accounting shall be kept on every purchase and sale contract on precious stones. In analytical accounting shall be reflected the dates of performance of purchase and sale operations, the purchase price and the sales price, as well as the quantitative and qualitative characteristics of the precious stones.

**Article 332.** Specifics in Keeping Tax Records on the Incomes and Outlays in the Execution of Contracts on Trust Management of Property

Tax paying organisations which manage property under the terms of a contract on trust management shall be obliged to keep separate analytical accounting on the incomes and outlays connected with the execution of contracts of trust management, and on the incomes received in remuneration for trust management - in the context of every contract on the trust management.

Analytical accounting shall supply information which makes it possible to identify the founder of the contract on trust management and the beneficiary, the date of entry into force and the date of termination of a contract on trust management, the cost and the composition of property received into trust management, and the procedure and the deadlines for making settlements on the trust management. When making deals with the property received into trust management, the incomes and outlays shall be reflected in accordance with the rules for the formation of the incomes and the outlays established by this Chapter.

The incomes of the founder of the management and of the trust manager under a contract on the trust management shall be formed in every reporting (tax) period, irrespective of whether making settlements in the course of the term of validity of the contract on the trust management is or is not envisaged by such contract.

The sum of remuneration to the trust manager shall be recognised as the outlays on the contract on the trust management; it reduces the sum of the income derived from operations with the property handed over to trust management. If the third person - the beneficiary - is envisaged as the beneficiary under a contract on the trusted management, the outlays (losses) (safe for remuneration) in the execution of the contract on trust management shall not reduce the incomes received by the founder of the contract on the trust management on other grounds.

When the depreciated property is returned to the founder of the contract on the trust management, such property shall be included in the same depreciation group, and the depreciation shall be charged by the same rates and in the same order as before the start of the contract on the trust management. The depreciation charged for the whole period of use of such property before the date of its return to the founder of the contract on the trust management shall be taken into account when defining the residual cost of such property. If the beneficiary is a third person, the outlays (losses) from the reduction in the cost of such property when it is returned shall not be accepted for the reduction of the founder's tax base.

**Article 333.** Specifics in Keeping Tax Records on the Incomes and Outlays in REPO Deals with Securities

The analytical accounting of the purchase and sale deals with securities with an obligatory redemption in the second part of REPO operations shall be kept in the analytical registers of tax records especially assigned for this purpose, in the context of every contract, for monetary funds in foreign currency - in the double estimate: in foreign currency and in roubles.

The cost of discounting of the securities subject to redemption in the execution of the second part of the contracts on the purchase and sale of securities with reverse redemption, shall be effected by tax payers who are sellers of securities in execution of the first part of the contracts on the purchase and sale of securities with reverse redemption.

Sellers of securities in the reverse part of REPO operations shall record the securities from the date of their acquisition in conformity with the first part of REPO operations until the time of their sale (of their redemption by the first participant in the deal).

In the accounting shall be reflected the date of sale and the cost of the sold securities, subject to redemption in the execution of the second part of agreements on the purchase and sale of securities with reverse redemption, the date of redemption and the cost of the securities redeemed in execution of the second part of agreements on the purchase deals.

The rise (fall) in the cost of such securities in connection with the growth (reduction) of the official exchange rates of foreign currencies to the Russian rouble shall not be recognised as income (outlay) on a REPO operation, and such change in the redemption price of the securities shall be taken into account by the taxpayer as extra-sales incomes (outlays).

Similar liabilities on recording the said operation shall be imposed upon taxpayers who are buyers in the execution of the first part of agreements on the deals on the purchase and sale of securities with reverse redemption.

## Chapter 25.1. Fees for the Use of Fauna Objects and for the Use of Aquatic Biological Resource Objects

**Article 333.1.** Payers of the Fees

**1.** Payers of the fee for the use of fauna objects, except for the fauna objects classified as aquatic biological resource objects (hereinafter referred to as "payers") shall be deemed organisations and natural persons, in particular, individual entrepreneurs which obtain in the established procedure a licence (permit) for the use of fauna objects in the territory of the Russian Federation.

**2.** Payers of the fee for the use of aquatic biological resource objects (hereinafter referred to as "payers") shall be deemed organisations and natural persons, in particular, individual entrepreneurs which obtain in the established procedure a permit for the extraction (catch) of aquatic biological resource in the inland waters, the territorial sea, on the continental shelf of the Russian Federation and in the exclusive economic zone of the Russian Federation and also in the Azov, Caspian, Barents Seas and in the area of the Archipelago of Spitsbergen.

**Article 333.2.** The Objects of Assessment

**1.** Below are the objects of assessment:

the fauna objects in compliance with the list established by Item 1 of Article 333.3 of the present Code which are withdrawn from their habitat under a licence (permit) for the use of fauna objects issued in compliance with the legislation of the Russian Federation;

the aquatic biological resource object in compliance with the list established by Items 4 and 5 of Article 333.3 of the present Code which are withdrawn from their habitat under the permit for the extraction (catch) of water biological resources issued in compliance with the legislation of the Russian Federation.

**2.** For the purposes of the present chapter the fauna objects and aquatic biological resource objects used by representatives of indigenous small-numbered peoples of the North, Siberia and Far East of the Russian Federation (according to a list approved by the Government of the Russian Federation) to meet their personal needs and persons who are not classified as indigenous small-numbered peoples but

who permanently reside at the places of their traditional residence and traditional economic activity and for whom hunting and fishing are means of subsistence. Such a right shall extend only to the quantity (volume) of fauna objects and aquatic biological resource objects recovered for the purpose of meeting personal needs at the places of traditional residence and traditional economic activity of this category of payers. Limits on the use of fauna objects and limits and quotas on the catch (recovery) of aquatic biological resource objects for the purpose of meeting personal needs shall be established by the executive governmental bodies of Russian regions by agreement with empowered federal executive governmental bodies.

**Article 333.3.** Fee Rates

**1.** The rates of the fee for each fauna object shall be set as follows, except as otherwise established by Items 2 and 3 of the present article:

| Fauna Object | Fee rate in roubles (per animal) |
|---|---|
| Musk ox, hybrid European bison with bison or livestock | 15,000 |
| Bear (except for Kamchatka populations and white-breasted bear) | 3,000 |
| European brown bear (Kamchatka populations), white-breasted bear | 6,000 |
| Red deer, elk | 1,500 |
| Axis deer, fallow deer, bighorn sheep, Siberian ibex, chamois, tur, mouflon | 600 |
| Roe, boar, kastura, lynx, glutton | 450 |
| Reindeer, saiga | 300 |
| Sable, otter | 120 |
| Badger, marten, marmot, beaver | 60 |
| Yellow-throated marten | 100 |
| Common raccoon | 30 |
| Steppe cat, jungle cat | 100 |
| Mink | 30 |
| Wood grouse, Siberian capercailly | 100 |
| Caucasian snow-cock | 100 |
| Sand grouse | 30 |
| Pheasant, black grouse, water rail, little crake, tiny crake, crake, Siberian ruddy crake, moor-hen | 20 |

**2.** When young (aged up to one year) wild hoofed mammals are withdrawn the rates of the fee for use of fauna objects shall be set at 50 per cent of the rates established by Item 1 of the present article.

**3.** The rates of the fee for each fauna object specified in Item 1 of the present article shall be set at 0 roubles if these fauna objects are used for the purpose of:

protecting public health, eliminating a threat to human life, preventing disease of agricultural and domestic animals, regulating the species composition of fauna objects, preventing a damage to the

economy, fauna and its habitat, and also reproducing fauna objects as carried out on a permission of an empowered executive governmental body;

studying stocks and performing an industrial expert examination, and also for scientific purposes in keeping with the legislation of the Russian Federation.

**4.** The rates of collection for every object of water biological resources, with the exception of sea mammals, shall be established in the following amounts, unless otherwise stipulated in Item 6 of the present Article:

| Name of the object of water biological resources | Collection rate in roubles (for one ton) |
|---|---|
| Far Eastern Basin (the inland sea waters, territorial sea, the exclusive economic zone of the Russian Federation and the continental shelf of the Russian Federation in the Chuckchee Sea, the East Siberian Sea and the Bering Sea, in the Sea of Okhotsk, in the Sea of Japan and in the Pacific Ocean) | |
| Pollock of the Sea of Okhotsk | 3 500 |
| Pollock of the other catching areas | 2 000 |
| Cod | 3 000 |
| Herring of the Bering Sea | 400 |
| Herring of the Sea of Okhotsk in the spring-summer catching period | 400 |
| Herring of the other catching areas and catching periods | 200 |
| Halibut | 3 500 |
| Greenling | 750 |
| Sea perch | 1 500 |
| Sablefish | 1 500 |
| Tuna | 600 |
| Smelt | 200 |
| Pacific saury | 150 |
| Char loach | 200 |
| Humpback salmon | 3 500 |
| Dog-salmon | 4 000 |
| Amur autumn keta | 3 000 |
| Silver salmon | 4 000 |
| Chinook salmon | 6 000 |
| Blueback salmon | 20 000 |
| Sima | 6 000 |
| Thornyhead | 200 |
| Sturgeon* | |
| Flounder, navaga, capelin, anchovy, eelpouts, marline spikes, Arctic cod, long -fin codling, gobies, dog-fish species, gerbile, sharks, skates, mullets and others | 10 |
| Red king crab of the Kamchatka Western Coast | 35 000 |
| Red king crab of the northern part of the Sea of Okhotsk | 35 000 |
| Red king crab of the other catching areas | 35 000 |
| Blue crab | 35 000 |
| Golden king crab | 20 000 |
| Bairdi tanner crab of the Sea of Okhotsk | 35 000 |
| Bairdi tanner crab of the other catching areas | 13 000 |
| Opilio snow crab | 35 000 |
| Triangle tanner crab | 8 000 |
| Red snow crab | 8 000 |
| Red vermillion crab | 200 |
| Grooved tanner crab | 200 |
| Scarlet king crab | 200 |
| Spiny king crab of the South Kuriles area | 25 000 |
| Spiny king crab of the other catching areas | 13 000 |
| Horsehair rectangular crab of the South Sakhalin and the Aniva Bay zone of the Sea of Okhotsk and of the south-western sector of the Sea of Japan | 20 000 |

| | |
|---|---|
| Horsehair rectangular crab of the other catching areas | 9 000 |
| Humpy pink shrimp | 200 |
| Northern shrimp | 3 000 |
| Northern shrimp of the Bering Sea | 200 |
| Grass shrimp | 2 600 |
| Coonstriped shrimp | 5 000 |
| Other shrimp species | 200 |
| Squid | 500 |
| Primorye Subzone squid | 200 |
| Octopuses | 1 000 |
| Whelk | 12 000 |
| Scallop | 9 000 |
| Other molluscs (mussel, surf clam, Asian clam and others) | 20 |
| Sea cucumber | 30 000 |
| Cucumaria | 300 |
| Gray sea urchin | 6 000 |
| Black sea urchin | 2 600 |
| Other sea urchin species (yellow, polyacanthus, green, etc.) | 6 000 |
| Algae | 10 |
| Other water biological resources | 200 |
| Northern Basin (the White Sea, inland sea waters, territorial sea, the exclusive economic zone of the Russian Federation and the continental shelf of the Russian Federation in the Laptev Sea, the Kara Sea and the Barents Sea, and in the Spitsbergen Isle area | |
| Cod | 5 000 |
| Haddock | 3 500 |
| Atlantic salmon (salmon) | 7 500 |
| Humpback salmon | 200 |
| Herring | 400 |
| Herring, the Czech-Pechora and the White Sea species | 100 |
| Flounder | 200 |
| Black halibut | 7 000 |
| Sea perch | 1500 |
| Sea pollock | 50 |
| Whitefish species | 1 800 |
| European whitefish, smelt, navaga, catfish species | 200 |
| Arctic cod, capelin, lumpfish, European gerbile, star-skate, Polar shark, cusk and others | 20 |
| Red king crab | 30 000 |
| Northern shrimp | 3 000 |
| Sculptured shrimp | 2 000 |
| Other shrimp species (Euphasiides) | 20 |
| Scallop | 9 000 |
| Other mollusks | 20 |
| Green sea urchin | 3 000 |
| Cucumaria | 300 |
| Algae | 10 |
| Baltic Basin (the inland sea waters and the territorial sea, the exclusive economic zone of the Russian Federation and the continental shelf of the Russian Federation in the Baltic Sea and in the Gulf of Danzig, in the Courland Gulf and in the Gulf of Finland | |
| Sprats (herring) | 20 |
| Sprats (anchovy) | 20 |
| Atlantic salmon (Baltic salmon) | 7 500 |
| Cod | 2 500 |
| Siberian whitefish | 1 500 |
| Turbo-flounder | 400 |
| Flounder of the other species | 50 |
| Eel | 10 000 |
| Lamprey | 7 000 |
| Pike perch | 1 500 |
| Vimba (zarthe) | 1 800 |

| | |
|---|---|
| Perch | 400 |
| European whitefish, bream, pike, burbot, sicklebacks, roach, smelt, ruff, sparling, sicklefish, redeye, silver bream and others Caspian Basin (the areas of the Caspian Sea, in which the Russian Federation exercises jurisdiction with respect to fishing) | 20 |
| Sprats (anchovy-like, big-eyed, ordinary) | 20 |
| Herring (Dolgino, Caspian clupeid herring, big-eyed clupeid, anadromous black-back) | 20 |
| Various big fish species, accompanying the main catch (mullet, silverside, bream, wild carp, fresh-water catfish, silver bream, pike and others, with the exception of pike perch and of kutum) | 150 |
| Pike perch | 1 000 |
| Kutum | 1 000 |
| Caspian roach | 200 |
| Sturgeon* | |
| Redeye, marline, perch, crucian carp and other fresh-water species in the main catch | 20 |
| Azov and Black Sea Basin (the inland sea waters and territorial sea, the exclusive economic zone of the Russian Federation in the Black Sea and the areas of the Sea of Azov with the Taganrog Bay, where the Russian Federation exercises jurisdiction with respect to fishing) | |
| Pike perch | 1 000 |
| Flounder-brill | 2 000 |
| Mullet of all species | 1 000 |
| Bream | 150 |
| Roach | 150 |
| Black Sea khamsa (anchovy) | 20 |
| Sardelle | 20 |
| Sprats (anchovy) | 20 |
| Vimba (zarthe) | 1 800 |
| Goatfish | 1 800 |
| Herring | 450 |
| Pilengas | 450 |
| Sturgeon* | |
| Skate, sicklefish, dog-shark, jack mackerel, silverside, gobies, blood scam, whiting and others | 10 |
| Other water biological resources (mollusks, algae) | 10 |
| Inland water objects (the rivers, water reservoirs and lakes) | |
| Sturgeon* | |
| Atlantic salmon (Baltic salmon, salmon), Chinook salmon, autumn Amur dog-salmon, silver salmon, Siberian white salmon, salmon trout, blueback salmon, eel | 5 000 |
| Dog-salmon, sima, brown trout | 3 000 |
| Baikal white grayling, whitefish, muksun | 2 100 |
| Siberian char, Dolly Varden trout, char loach, lake char, trout of all kinds, lenok, whitefish, omul, Siberian whitefish, pelyad, barbel, black-back, vimba (zarthe), cyprinid, grayling, Chalcaburnus (a species of the carp family), kutum, fresh-water catfish, lamprey | 1 200 |
| White amur, cyprinid, silver carp, fresh-water catfish of the Volga River | 150 |
| Various big fish species (except pike perch) | 150 |
| Pike perch | 1 000 |
| Ripus, roach, Caspian roach, European whitefish | 80 |
| Brime fish | 2 000 |
| Gammarid | 1 000 |
| Crayfish species | 1 000 |
| Other objects of water biological resources | 20 |

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***** The payment shall be collected if the catching is permitted.

**5.** The collection rates for every object of water bilogical resources - a sea mammal, shall be established in the following amount, unless otherwise stipulated in Item 6 of the present Article:

| Name of the object of water biological resources | Collection rate in roubles (for one ton) |
|---|---|
| Falcated teal and other whales (with the exception of white whale) | 30 000 |
| White whale | 7 000 |
| Pacific walrus | 1 500 |
| Fur seal | 10 |
| Ringed seal (akiba) | 10 |
| Ribbon seal | 10 |
| Sea hare (bearded seal) | 10 |
| Ordinary seal (larga) | 10 |
| Greenland seal | 10 |
| Caspian seal | 10 |
| Baikal seal | 10 |

**6.** The rates of the fee for each aquatic biological resource object specified in Items 4 and 5 of the present article shall be set at 0 roubles in cases when such aquatic biological resource objects are used for the purpose of:

protecting public health, eliminating a threat to human life, preventing disease of agricultural and domestic animals, regulating the species composition of aquatic biological resource objects, preventing a damage to the economy, fauna and its habitat, and also reproducing aquatic biological resource objects as carried out on a permission of an empowered executive governmental body;

studying stocks and performing an industrial expert examination, and also for scientific purposes in keeping with the legislation of the Russian Federation.

**7.** The rates of collection for every object of water biological resources, mentioned in Items 4 and 5 of the present Article, for the town- and settlement-forming Russian fishing economic organisations, included into the list that shall be approved by the Government of the Russian Federation, as well as for the Russian fishing economic organisations, including fishing artels (collective farms), shall be established in the amount of 15 per cent of the collection rates, envisaged in Items 4 and 5 of the present Article.

For the purposes of the present Article, as the town -forming and settlement-forming fishing economic organisations are recognised those, the number of whose workers comprises not less than 25 per cent of the number of population in the corresponding populated centre, which run the fishing vessels, belonging to them by the right of ownership, which are registered as legal entities in conformity with the legislation of the Russian Federation and whose volume of the realised fish products or of the extracted (caught) objects of water biological resources comprises in the value expression over 70 per cent of the total volume of products, realised by them.

For the purposes of the present Chapter, as fishing economic organisations shall be recognised organisations, extracting (catching) water biological resources and (or) carrying out their primary and subsequent (industrial) processing (including at the rented fixed assets) and realising these products under the condition that in the total income from the realisation of commodities (works, services) of such organisations the share of the income derived from realising the extracted (caught) objects of water biological resources or of the put out fish products comprises not less than 70 per cent.

**Article 333.4.** Procedure for Calculating the Fees

**1.** The amount of fee for the use of fauna objects shall be assessed in respect of each fauna object specified in Items 1 - 3 of Article 333.3 of the present Code as the quantity of fauna objects times the fee rate established for the specific fauna object.

**2.** The amount of fee for the use of aquatic biological resource objects shall be assessed in respect of each aquatic biological resource object specified in Items 4 - 7 of Article 333.3 of the present Code as the quantity of aquatic biological resource objects times the fee rate established for the specific aquatic biological resource object on the date when the term of the permit's validity begins.

**Article 333.5.** Procedure and Term for the Payment of the Fees. Procedure for Entering the Fees

**1.** The payers specified in Item 1 of Article 333.1 of the present Code shall pay the amount of fee for the use of fauna objects when they obtain a licence (permit) for the use of fauna objects.

**2.** The payers specified in Items 2 of Article 333.1 of the present Code shall pay the amount of fee for the use of aquatic biological resource objects as a one-off and regular contributions.

The amount of the one-off contribution shall be assessed as a share of calculated fee amount equal to ten per cent.

The one-off contribution shall be paid when the permit for the extraction (catch) of aquatic biological resources is being obtained.

The outstanding amount of fee calculated as the difference between the calculated fee amount and the amount of the one-off contribution shall be payable in regular equal instalments during the whole effective term of the permit for the extraction (catch) of aquatic biological resources every month not later than the 20th day of the month.

**3.** Payment of the fee amounts for using fauna objects shall be made by payers at the location of the body that has issued the licence (permit) for using the fauna objects.

Payment of fee amounts for using aquatic biological resource objects shall be made:

by payers being natural persons, except for individual businessmen, - at the location of the body that has issued the permit for the extraction (catch) of the aquatic biological resources;

by payer being organisations and individual businessmen - at the place of their registration.

**4.** The amounts of fees for the use of aquatic biological resource objects shall be entered in accounts of the Federal Treasury bodies for the purpose of being later distributed in compliance with the budget legislation of the Russian Federation.

**Article 333.6.** Procedure for Licensors to Provide Information

**1.** Not later than the 5th day of every month the bodies charged with the issuance in the established procedure of licences (permits) for the use of fauna objects and permit for the extraction (catch) of of aquatic biological resources shall provide the tax bodies at the place where they have been placed on record with information on the licences (permits) issued, the amount of fee payable on every licence (permit) and also information on fee due dates.

**2.** The forms in which information is provided by the bodies charged with the issuance in the established procedure of licences (permits) shall be approved by the federal executive body authorized to exercise control and supervision in the area of taxes and fees.

**Article 333.7.** Procedure for Organisations and Individual Entrepreneurs to Provide Information. The Setoff or Refund of Fee Amounts Relating to Unrealised Licences (Permits)

**1.** The organisations and individual entrepreneurs using fauna objects under a licence (permit) for the use of fauna objects shall, within ten days after the date of receipt of such a licence (permit), provide information to the tax bodies at the location of the body that has issued the said licence (permit), on the obtained licences (permits) for the use of fauna objects, the fee amounts payable and the fee amounts that have been actually paid.

Upon the expiry of the effective term of the licence (permit) for the use of fauna objects organisations and individual entrepreneurs shall be entitled to apply to the tax body at the location of the body, that has issued the said licence (permit), for a setoff or refund of the fee amounts relating to the unrealised licences (permits) for the use of fauna object which have been issued by an empowered body.

The setoff or refund of fee amounts relating to unrealised licences (permits) for the use of fauna objects shall be effected in the procedure established by Chapter 12 of the present Code, provided the documents of which a list is approved by the federal tax body have been filed.

**2.** The organisations and individual entrepreneurs using aquatic biological resource objects under a permit for the extraction (catch) of aquatic biological resources shall provide information within ten days after the receipt of such permit to the tax bodies where they have been put on record on the obtained permits for the extraction (catch) of aquatic biological resources, the fee amounts payable as a one-off payment and as regular payments.

**3.** The information indicated in Items 1 and 2 of the present article shall be provided by the organisations and individual entrepreneurs using fauna objects and using aquatic biological resource objects in accordance with the forms approved by the federal executive body authorized to exercise control and supervision in the area of taxes and fees.

## Chapter 25.2. The Water Tax

**Article 333.8.** The Payers of the Tax

**1.** Taxpayers for the purposes of the water tax (hereinafter referred to as "taxpayers") are the organisations and natural persons which do a special and/or extraordinary use water use under the legislation of the Russian Federation.

**2.** The following are not deemed taxpayers: organisations and natural persons using water under contracts for the use of water or decisions on provision of bodies of water for use concluded and adopted respectively after the entry into force of the Water Code of the Russian Federation.

**Article 333.9.** The Objects of Taxation

**1.** Except as otherwise envisaged by Item 2 of the present article, the objects of taxation for the purposes of the water tax (hereinafter referred to as "tax") are the following types of use of bodies of water (hereinafter referred to as "types of water use"):

1) water intake from bodies of water;

2) the use of areas of bodies of water, except for timber rafting by means of rafting and bag boom towing;

3) the use of bodies of water without water intake for the purposes of hydraulic power production;

4) the use of bodies of water for the purpose of timber rafting by means of rafting and bag boom towing.

**2.** The following shall not be deemed objects of taxation:

1) the intake of water from underground bodies of water as containing mineral resources and/or natural medical treatment resources and also thermal waters;

2) the intake of water from bodies of water for the purposes of fire safety and also elimination of natural disasters and the aftermath of accidents;

3) the intake of water from bodies of water for sanitary, ecological and navigation drawdowns;

4) the intake of water by sea vessels, inland waterway and mixed (sea-river) vessels from bodies of water for the purposes of operating technological equipment;

5) the intake of water from bodies of water and the use of area of bodies of water for fishing and aquatic biological resource reproduction;

6) the use of area of bodies of water for navigation, in particular, of small-size floating craft and also for one-off landing (take-off) of aircraft;

7) the use of area of bodies of water for deployment and moorage of floating craft, deployment of communication facilities, buildings, structures, plants and equipment for the purpose of pursuing activities having to do with protection of waters and aquatic biological resources, environmental protection against a harmful effects of waters, and also the pursuance of such activities at bodies of water;

8) the use of area of bodies of water for state monitoring of bodies of water and other natural resources and also for geodetic, topographic, hydrographical as well as prospecting and survey works;

9) the use of area of bodies of water for the placing and building of hydraulic engineering structures for the purposes of hydraulic power production, amelioration, fishery, water-transport, water-supply and sewerage;

10) the use of area of bodies of water for the purposes of organised recreation by the organisations intended exclusively for maintaining and taking care of disabled persons, veterans and children;

11) the use of bodies of water for dredging and other works relating to the operation of navigable waterways and hydraulic engineering structures;

12) the special use of bodies of water for the needs of national defence and state security;

13) the intake of water from bodies of water for agriculturalpurpose land irrigation (in particular, grasslands, pastures) , watering fruit and vegetable gardening as well as dacha land plots, the land plots of citizens' personal auxiliary farms, for watering cattle and poultry and catering for them owned by agricultural organisations and citizens;

14) the intake of water from underground bodies of water with mining an sewer-drainage waters;

15) the use of area of bodies of water for fishing and hunting.

**Article 333.10.** The Tax Base

**1.** For each type of water use deemed an object of taxation under Article 333.9 of the present Code the taxpayer shall assess a tax base separately for each body of water.

If a body of water is subject to various tax rates the tax base shall be assessed by the taxpayer as applicable to each tax rate.

**2.** For a water intake the tax base shall be assessed as the volume of water taken out of the body of water over the tax period.

The volume of water taken out of the body of water shall be calculated according to the water meter readings recorded in the primary water use log-book.

If there are no water meters the volume of water taken shall be assessed on the basis of the duration of operation and the capacity of the technical facilities. If water intake volume cannot be

assessed on the basis of operating time and technical facility capacity the volume of water taken shall be assessed on the basis of established water consumption rates.

**3.** In the event of use of area of bodies of water, except for timber rafting by means of rafting and bag boom towing, the tax base shall be assessed as the area of the water space given.

The area of the water space given shall be determined according to the data of the water use licence (contract on water use) and if there is no such data in the licence (contract), according to the materials of a relevant technical and design documentation.

**4.** When bodies of water are used without water intake for the purposes of hydraulic power production the tax base shall be assessed as the quantity of electrical energy produced over the tax period.

**5.** When bodies of water are used for the purposes of timber rafting by means of rafting and bag boom towing the tax base shall be assessed as the volume of timber floated by means of rafting and bag boom towing over the tax period in terms of thousands of cubic metres times the distance of the rafting in terms of kilometres divided by 100.

**Article 333.11.** The Tax Period

The tax period is the quarter.

**Article 333.12.** Tax Rates

**1.** Tax rates shall be established by the basin of a river, lake, sea and by the economic area as follows:

1) when water is taken from:

surface and underground bodies of water within the set quarterly (annual) water use limits:

| Economic District | River, Lake Basin | Tax Rate Roubles/1,000 Cu.M of Water Taken | |
|---|---|---|---|
| | | from a Surface Body of Water | from an Underground Body of Water |
| 1 | 2 | 3 | 4 |
| Northern | Volga | 300 | 384 |
| | Neva | 264 | 348 |
| | Pechora | 246 | 300 |
| | Northern Dvina | 258 | 312 |
| | Other rivers & lakes | 306 | 378 |
| Northwestern | Volga | 294 | 390 |
| | Western Dvina | 288 | 366 |
| | Neva | 258 | 342 |
| | Other rivers & lakes | 282 | 372 |
| Central | Volga | 276 | 342 |
| | Don | 294 | 384 |
| | Western Dvina | 306 | 354 |
| | Neva | 252 | 306 |
| | Other rivers & lakes | 264 | 336 |
| Volga-Vyatka | Volga | 282 | 336 |
| | Northern Dvina | 252 | 312 |
| | Other rivers & lakes | 270 | 330 |
| Central-Chernozem | Dneper | 258 | 318 |
| | Don | 336 | 402 |
| | Volga | 282 | 354 |
| | Other rivers & lakes | 258 | 318 |
| Povolzhski | Volga | 294 | 348 |
| | Don | 360 | 420 |
| | Other rivers & lakes | 264 | 342 |
| Northern Caucasus | Don | 390 | 486 |
| | Kuban | 480 | 570 |
| | Samur | 480 | 576 |

| | | | |
|---|---|---|---|
| | Sulak | 456 | 540 |
| | Terek | 468 | 558 |
| | Other rivers & lakes | 540 | 654 |
| Urals | Volga | 294 | 444 |
| | Ob | 282 | 456 |
| | Ural | 354 | 534 |
| | Other rivers & lakes | 306 | 390 |
| Western | Ob | 270 | 330 |
| Siberian | Other rivers & lakes | 276 | 342 |
| Eastern | Amur | 276 | 330 |
| Siberian | Yenisey | 246 | 306 |
| | Lena | 252 | 306 |
| | Ob | 264 | 348 |
| | Lake Baikal & its basin | 576 | 678 |
| | Other rivers & lakes | 282 | 342 |
| Far Eastern | Amur | 264 | 342 |
| | Lena | 288 | 342 |
| | Other rivers & lakes | 252 | 306 |
| Kaliningrad | Neman | 276 | 324 |
| Region | Other rivers & lakes | 288 | 336; |

the territorial sea of the Russian Federation and the inland sea waters within the established quarterly (annual) water use limits:

| Sea | Tax Rate Roubles/1,000 Cu. M of Sea Water |
|---|---|
| Baltic | 8.28 |
| White | 8.40 |
| Barents | 6.36 |
| Azov | 14.88 |
| Black | 14.8 |
| Caspian | 11.52 |
| Kara | 4.80 |
| Laptev | 4.68 |
| Eastern Siberian | 4.44 |
| Chukotka | 4.32 |
| Bering | 5.28 |
| Pacific Ocean (within the limits of the territorial sea of the Russian Federation) | 5.64 |
| Okhotsk | 7.68 |
| Japan | 8.04; |

2) in the event of use of the area of:
surface bodies of water, except for timber rafting by means of rafting and bag boom towing:

| Economic District | Tax Rate (Thousand Roubles per Year) per Sq. Km of Used Area |
|---|---|
| 1 | 2 |
| Northern | 32.16 |
| Northwestern | 33.96 |
| Central | 30.84 |
| Volga-Vyatka | 29.04 |
| Central-Chernozem | 30.12 |
| Povolzhski | 30.48 |
| Northern Caucasian | 34.44 |
| Urals | 32.04 |
| Western Siberian | 30.24 |

| | |
|---|---|
| Eastern Siberian | 28.20 |
| Far Eastern | 31.32 |
| Kaliningrad Region | 30.84; |

the territorial sea of the Russian Federation and inland sea waters:

| Sea | Tax Rate (Thousand Roubles per Year) per Sq. Km of Used Area |
|---|---|
| 1 | 2 |
| Baltic | 33.84 |
| White | 27.72 |
| Barents | 30,72 |
| Azov | 44.88 |
| Black | 49.80 |
| Caspian | 42.24 |
| Kara | 15.72 |
| Laptev | 15.12 |
| Eastern Siberian | 15.00 |
| Chukotka | 14.04 |
| Bering | 26.16 |
| Pacific Ocean (within the limits of the territorial sea of the Russian Federation) | 29,28 |
| Okhotsk | 35.28 |
| Japan | 38.52; |

3) in the event of use of bodies of water without water intake for the purposes of hydraulic power production:

| River, Lake, Sea Basin | Tax Rate Roubles/1,000 kW-Hour Electric Energy |
|---|---|
| 1 | 2 |
| Neva | 8.76 |
| Neman | 8.76 |
| The rivers of basins of Ladoga and Onega Lakes and Lake Ilmen | 9.00 |
| Other rivers of Baltic Sea basin | 8.88 |
| Northern Dvina | 8.76 |
| Other rivers of White Sea basin | 9.00 |
| The rivers of Barents Sea basin | 8.76 |
| Amur | 9.24 |
| Volga | 9.84 |
| Don | 9.72 |
| Yenisey | 13.70 |
| Kuban | 8.88 |
| Lena | 13.50 |
| Ob | 12.30 |
| Sulak | 7.20 |
| Terek | 8.40 |
| Ural | 8.52 |
| The basin of Lake Baikal and Angara River | 13.20 |
| The rivers of Eastern Siberian Sea | 8.52 |
| The rivers of Chukotka and Bering Seas | 10.44 |
| Other rivers and lakes | 4.80 |

4) in the event of use of bodies of water for the purposes of timber rafting by means of rafting and bag boom towing:

| River, Lake, Sea Basin | Tax Rate Roubles/1,000 Cu. M of Timber in Rafting & Bag Boom Towing per 100 Km of Rafting |
|---|---|
| 1 | 2 |
| Neva | 1,656.0 |
| The rivers of basins of Ladoga and Onega Lakes and Ilmen Lake | 1,705.2 |
| Other lakes of Baltic Sea basin | 1,522.8 |
| Northern Dvina | 1,650.0 |
| Other rivers of White Sea basin | 1,454.4 |
| Pechora | 1,554.0 |
| Amur | 1,476.0 |
| Volga | 1,636.8 |
| Yenisey | 1,585.2 |
| Lena | 1,646.4 |
| Ob | 1,576.8 |
| The other rivers and lakes where timber is rafted and towed by means of bag booms | 1,183.2 |

**2.** When water is taken in excess of the established quarterly (annual) water use limits tax rates in as much as this excess is concerned shall be set at five times the tax rates established by Item 1 of the present article. If the taxpayer lacks approved quarterly limits, such limits shall be set by means of calculation as one quarter of the approved annual limit.

**3.** The rate of water tax in the case of water intake from bodies of water for the purposes of water supply to the general public shall be set at the rate of 70 roubles per 1,000 cubic metres of water taken out of the body of water.

**Article 333.13.** Tax Calculation Procedure

**1.** The taxpayer shall calculate tax amount on his own.

**2.** The tax amount according to the results of each tax period shall be calculated as the tax base times the tax rate corresponding thereto.

**3.** The sum total of the tax is the sum produced by adding up tax amounts calculated under Item 2 of the present article on all types of water use.

**Article 333.14.** Tax Payment Procedure and Term

**1.** The sum total of the tax calculated in keeping with Item 3 of Article 333.13 of the present Code shall be paid at the place where the object of taxation is located.

**2.** The tax shall be paid within the term ending on the 20th day of the month following the past tax period.

**Article 333.15.** The Tax Return

**1.** The tax return shall be filed by the taxpayer with the tax body at the place where the object of taxation is located, within the term set for the payment of the tax.

In this case the tax payers, referred to the category of major tax payers in conformity with Article 83 of the present Code, shall submit tax declarations (computations) to the tax body at the place of their recording as major tax payers.

**2.** Taxpayers being foreign person shall also file a copy of the tax return with the tax body at the location of the licensor which has issued the water use licence, within the term set for the payment of the tax.

## Chapter 25.3. State Duty

**Article 333.16.** State Duty

**1.** State duty shall mean the fee recoverable from the persons specified in Article 333.17 of this Code when they apply to state bodies, local self-government bodies, other bodies and (or) officials, that are authorized under the legislative acts of the Russian Federation, legislative acts of the subjects of the Russian Federation and normative legal acts of local self-government bodies, to commit in respect of

these persons the legally relevant actions provided for by this Chapter, except for the actions committed by consular offices of the Russian Federation.

For the purposes of this Chapter, the issuance of documents (of copies and duplicates thereof) shall be equated with legally relevant actions.

**2.** The bodies and officials specified in Item 1 of this Article, except for consular offices of the Russian Federation, shall not be entitled to recover payments other than state duty for committing legally relevant actions provided for by this Chapter.

**Article 333.17.** Payers of State Duty

**1.** As payers of the state duty (hereinafter referred to in this Chapter as payers) shall be deemed:

1) organisations;

2) natural persons.

**2.** The persons indicated in Item 1 of this Article shall be deemed taxpayers, if they:

1) apply for the carrying out of the legally relevant actions provided for by this Chapter;

2) act as respondents in courts of law, arbitration courts or in cases tried by justices of the peace and if the court does not render a decision in their favour and the claimant is relieved of paying state duty in compliance with this Chapter.

**Article 333.18.** Procedure for, and Time of, Paying State Duty

**1.** Payers shall pay state duty within the following time periods, if not otherwise established by this Chapter:

1) when applying to the Constitutional Court of the Russian Federation, to courts of law, arbitration courts or to justices of the peace - prior to filing an inquiry, petition, application, statement of claim or complaint (including appeals, cassational appeals and supervisory appeals);

2) the payers indicated in Subitem 2 of Item 2 of Article 333.17 of this Code - within 10 days as of the date of entry of the court decision into legal force;

3) when applying for the commission of notarial actions - prior to committing notarial actions;

4) when applying for the issuance of documents (copies or duplicates thereof) - prior to issuing the documents (copies or duplicates thereof);

5) when applying for an apostille - prior to placing the apostil;

5.1) when applying for a yearly confirmation of a ship's registration in the Russian International Register of Ships - at the latest on March 31 of the year following the year of the ship's registration in the said register or the last year when such confirmation was effected;

6) when applying for the carrying out of other legally relevant actions, except for the legally relevant actions indicated in Subitems 1 - 5.1 of this Item - prior to filing applications and (or) other documents for the carrying out of such actions or prior to filing the appropriate documents.

2. State duty shall be paid by the payer, if not otherwise established by this Chapter.

Where several payers that are not entitled to the benefits established by this Chapter have concurrently applied for the carrying out of a legally relevant action, state duty shall be paid by the payers in equal shares.

If one person (several persons) from among those applying for the carrying out of a legally relevant action is (are) relieved of paying state duty in compliance with this Chapter, the rate of state duty shall be decreased in proportion to the number of persons relieved of paying it in compliance with this Chapter. With this, the remaining part of the amount of state duty shall be paid by the person (persons) that is (are) not relieved of paying state duty in compliance with this Chapter.

The specifics of paying state duty depending on the type of legally relevant action being committed, the category of taxpayers or on any other circumstances is established by Articles 333.20, 333.22, 333.25, 333.27, 333.29, 333.32 and 333.34 of this Code.

**3.** State duty shall be paid at the place of committal of a legally-significant action in cash or by way of cashless settlements.

The fact of a payer's payment of state duty by way of cashless settlements shall be proved by a payment order bearing the a bank's note on execution thereof.

The fact of a payer's payment of state duty in cash shall be proved either by the receipt of the established form issued to the taxpayer by the bank or by the receipt issued to the taxpayer by the official or by the cash-desk of the agency in which the payment thereof was made.

**4.** Foreign organisations, foreign citizens and stateless persons shall pay the state duty in the procedure and in the amount as established by this Chapter for organisations and natural persons accordingly.

**Article 333.19.** Rates of State Duty in Respect of Cases Tried by Courts of Law and Justices of the Peace

**1.** In respect of cases tried by courts of law and justices of the peace, state duty shall be paid at the following rates:

1) when filing a statement of claim of a material nature, subject to appraisal with the amount of the claim:

up to 10 000 roubles - 4 per cent of the amount of the claim but at least 200 roubles;

from 10 101 roubles to 50 000 roubles - 400 roubles plus 3 per cent of the amount in excess of 10 000 roubles;

from 50 001 to 100 000 roubles - 1 600 roubles plus 2 per cent of the amount in excess of 50 000 roubles;

from 100 001 roubles to 500 000 roubles - 2 600 roubles plus 1 per cent of the amount exceeding 100 000 roubles;

over 500 000 roubles - 6 600 roubles plus 0.5 per cent of the amount exceeding 500 000 roubles but 20 000 roubles at the most;

2) when filing an application for issuing a court order - 50 per cent of the rate of state duty recovered in case of filing a statement of claim of a material nature;

3) when filing a statement of claim of a material nature which is not subject to appraisal, as well as the statement of claim of a non-material nature:

for natural persons - 100 roubles;

for organisations - 2 000 roubles;

4) when filing a supervisory appeal - 50 per cent of the rate of state duty recovered in case of filing a statement of claim of a non-material nature;

5) when filing a statement of claim for divorce - 200 roubles;

6) when filing an application for disputing (in full or in part) normative legal acts of state power bodies, local self-government bodies or officials:

for natural persons - 100 roubles;

for organisations - 2 000 roubles;

7) when filing an application for disputing a decision or action (omission to act) of state power bodies, local self-government bodies, officials, civil servants or local self-government employees that have violated the rights or freedoms of citizens or organisations - 100 roubles;

8) when filing an application in respect of cases tried in special proceedings - 100 roubles;

9) when filing an appeal or cassational appeal - 50 per cent of the rate of state duty payable in case of filing a statement of claim of a non-material nature;

10) when filing an application for a repeated issuance of copies of decisions, sentences, court orders, court rulings, decisions of the presidium of a court of the supervisory instance, copies of other documents of a case-file that can be issued by a court, as well as when filing an application for issuing duplicates of executive documents - 2 roubles for each page of a document, but at least 20 roubles;

11) when filing an application for the issuance of writs of execution concerning enforcement of decisions of an arbitral tribunal - 1 000 roubles;

12) when filing an application for securing a claim under consideration of an arbitral tribunal - 100 roubles;

13) when filing an application for the reversal of a decision of an arbitral tribunal - 1 000 roubles;

14) when filing an application concerning cases on recovering alimony - 100 roubles. If the court decides on recovering alimony both for the maintenance of children and the claimant, the rate of the state duty shall be twice as much.

**2.** The provisions of this Article shall apply subject to the provisions of Article 333.20 of this Code.

**Article 333.20.** Specifics of Paying State Duty When Applying to Courts of Law and to Justices of the Peace

**1.** In respect of cases tried by courts of law and justices of the peace, state duty shall be paid subject to the following specifics:

1) when filing statements of claim containing claims of both material and non-material nature, there shall be concurrently paid state duty established for statements of claim of material nature and state duty established for statements of claim of non-material nature;

2) the amount of the claim serving as the basis for estimating the state duty shall be determined by the claimant, and in the instances established by the laws it shall be done by a judge subject to the rules established by the civil procedure laws of the Russian Federation;

3) when filing statements of claim for division of property that is in common ownership, as well as when filing statements of claim for allotment of a share of the said property or for recognising the right to a share in property, the rate of state duty shall be estimated in the following procedure:

if a dispute in respect of allowing the claimant's (claimants') ownership of this property has not been previously settled by a court - in compliance with Subitem 1 of Item 1 of Article 333.19 of this Code;

if a court has previously decided on allowing the claimant's (claimants') ownership of the said property - in compliance with Subitem 3 of Item 1 of Article 333.19 of this Code;

4) in the event of making a counter claim, as well as applications for third persons' joining the case who advance independent claims in respect of the point at issue, state duty shall be paid in compliance with the provisions of Article 333.19 of this Code;

5) in the event of replacing in compliance with a court ruling a drop-out party by the legal successor thereof (in the event of the death of a natural person, reorganisation of an establishment, cession, assignment of a debt and in other instances when liable persons are replaced), state duty shall be paid by such legal successor if it is not paid by the replaced party;

6) in the event of a judge's singling out one or several claims from the joined claimant's claims for consideration thereof in a separate court proceeding, state duty paid when making the statement of claim shall not be re-counted and returned. In respect of the cases singled out for consideration in a separate court proceeding, state duty shall not be repeatedly paid;

7) if a cassational appeal is filed by co-partners and third persons taking the same side in proceedings as the person filing the cassational appeal, the state duty shall not be payable.

8) where the claimant is relieved of paying state duty in compliance with this Chapter, the state duty shall be paid by the respondent (if he is not relieved of paying the state duty) in proportion to the amount of the stated claims satisfied by the court;

9) where it is difficult to determine the amount of a claim at the time of filing it, the rate of the state duty shall be preliminarily established by a judge with the subsequent additional payment of the deficient amount of state duty on the basis of the amount of the claim determined by the court when resolving the case within the time period established by Subitem 2 of Item 1 of Article 333.18 of this Code;

10) where the claimant increases the amount of his claims, the deficient sum of the state duty shall be additionally paid in compliance with the increased amount of the claim within the time period established by Subitem 2 of Item 1 of Article 333.18 of this Code. In the event of the claimant's decreasing the amount of his claims, the sum of the state duty paid in excess shall be returned in the procedure provided for by Article 333.40 of this Code. The rate of the state duty shall be determined in a similar way, if the court, due to the circumstances of the case, exceeds the limits of the claims made by the claimant;

11) when filing statements of claim for heirs' obtaining on demand the share of property due to them, state duty shall be paid in the same procedure as that established for filing statements of claim of material nature not subject to appraisal, if the dispute concerning the recognition of ownership of this property has been previously settled by the court;

12) when filing statements of claim for divorce accompanied by the simultaneous division of the property jointly acquired by spouses, the state duty shall be paid at the rate established both for statements of claim for divorce and for statements of claim of a material nature;

13) in the event of the refusal to accept a statement of claim or an application for issuing a court order, state duty paid when filing the claim or the application for issuing the court order shall be entered on account of the payable state duty;

14) in the event of filing a supervisory appeal, the state duty shall be only paid when filing the supervisory appeal in the cases that have not been appealed against by the payer in the cassational procedure.

2. Courts of law or justices of the peace shall be entitled, proceeding from the property status of the payer, to decrease the amount of the payable state duty in respect of the cases tried by the said courts or justices of the peace or to postpone its payment (to allow to pay it by installments) in the procedure provided for by Article 333.41 of this Code.

**3.** The provisions of this Article shall apply subject to the provisions of Articles 333.35 and 333.36 of this Code.

**Article 333.21.** Rates of State Duty in Respect of Cases Tried by Arbitration Courts

**1.** In respect of the cases tried by arbitration courts state duty shall be paid at the following rates:

1) when filing a statement of claim of material nature subject to appraisal with the amount of claim:

up to 50 000 roubles - 4 per cent of the amount of the claim but at least 500 roubles;

from 50 001 roubles to 100 000 roubles - 2 000 roubles plus 3 per cent of the amount in excess of 50 000 roubles;

from 100 001 to 500 000 roubles - 3 500 roubles plus 2 per cent of the amount in excess of 100 000 roubles;

from 500 001 roubles to 1 000 000 roubles - 11 500 roubles plus 1 per cent of the amount in excess of 500 000 roubles;

over 1 000 000 roubles - 16 500 roubles plus 0.5 per cent of the amount in excess 1 000 000 roubles but 100 000 roubles at the most;

2) when filing the statement of claim in respect of disputes that rise when making, changing or dissolving contracts, as well as in respect of the disputes concerning the invalidation of transactions - 2 000 roubles;

3) when filing an application for declaring a normative legal act invalid, for declaring a non-normative act invalid and for declaring decisions and actions (omission to act) of state bodies, local self-government bodies, other bodies and officials invalid:

for natural persons - 100 roubles;

for organisations - 2 000 roubles;

4) when filing other statements of claim of non-material nature, including an application for allowing a right, the application for awarding the discharge of a duty in kind - 2 000 roubles;

5) when filing an application for declaring the debtor insolvent (bankrupt) - 2 000 roubles;

6) when filing an application for establishing legally relevant facts - 1 000 roubles;

7) when filing an application for the third persons' joining the case who advance independent claims in respect of the point at issue:

in respect of disputes of a material nature, if the claim is not subject to appraisal, as well as in respect of disputes of non-material nature - at the rate of the state duty payable when filing the statement of claim of non-material nature;

in respect of disputes of material nature - at the rate of the state duty payable on the basis of the amount disputed by a third person;

8) when filing an application for issuance of writs of execution in respect of the enforcement of a decision of an arbitral tribunal - 1 000 roubles;

9) when filing an application for securing a claim - 1 000 roubles;

10) when filing an application for the reversal of a decision of an arbitral tribunal - 1 000 roubles;

11) when filing an application for allowing and enforcing the decision of a foreign court or of a foreign arbitral decision - 1 000 roubles;

12) when filing an appeal and (or) a cassational, supervisory appeal against decisions and (or) awards of an arbitration court, as well as against a court ruling concerning the termination of proceedings in respect of a case, or shelving a statement of claim, or the issuance of writs of execution in respect of the enforcement of decisions of an arbitral tribunal, or the refusal to issue writs of execution - 50 per cent of the rate of the state duty payable when filing the statement of claim of non-material nature;

13) when filing an application for repeated issuance of copies of court decisions and rulings, copies of other documents of a case-file issued by an arbitration court, as well as when filing an application for issuance of the duplicate of a writ of execution (including copies of records of a court session) - 2 roubles per page of a document but at least 20 roubles.

**2.** The provisions of this Article shall apply subject to the provisions of Article 333.22 of this Code.

**Article 333.22.** Specifics of Paying State Duty When Applying to Arbitration Courts

**1.** In respect of the cases tried by arbitration courts state duty shall be paid subject to the following specifics:

1) when filing statements of claim that contain claims of both a material and non-material nature, there shall be simultaneously paid state duty established for statements of claim of a material nature and state duty established for statements of claim of a non-material nature;

2) the amount of claim shall be established by the claimant or, in the event of an incorrect showing of the amount of the claim, by an arbitration court. The amount of the claim shall include the sums of forfeits (fines and penalties) and interest indicated in the statement of claim;

3) if the claimant increases the amount of his claims, the deficient sum of the state duty shall be additionally paid in compliance with the amount of the claim within the time period established by Subitem 2 of Item 1 of Article 333.18 of this Code. If the claimant decreases the amount of his claims, the sum of the state duty paid in excess shall be returned in the procedure provided for by Article 333.40 of this Code. The rate of the state duty shall be determined in a similar procedure if the court due to the circumstances of the case oversteps the limits of the claims stated by the claimant. The amount of the claim consisting of several independent claims shall be determined on the basis of the sum of all the claims.

4) where the claimant is relieved of paying state duty in compliance with this Chapter, state duty shall be paid by the respondent (if the latter is not relieved of paying state duty) in proportion to the amount of the claims satisfied by an arbitration court;

5) when filing an application for the return (reimbursement) of monetary funds from the budget, state duty shall be paid on the basis of the disputable sum of money in the amount established by Subitem 1 of Item 1 of Article 333.21 of this Code;

6) when filing applications for the review of judicial acts by way of exercising supervisory powers on condition that the judicial acts have not been appealed with the cassational instance.

2. Arbitration courts shall be entitled, proceeding from the property status of a payer, to decrease the amount of the state duty payable with respect to the cases tried by the said courts or to postpone its payment (to allow to pay it by installments) in the procedure provided for by Article 333.41 of this Code.

**3.** The provisions of this Article shall apply subject to the provisions of Articles 333.35 and 333.37 of this Code.

**Article 333.23.** Rates of State duty with Respect to Cases Tried by the Constitutional Court of the Russian Federation and by Constitutional (Charter) Courts of the Subjects of the Russian Federation

**1.** With respect to cases tried by the Constitutional Court of the Russian Federation, state duty shall be paid at the following rates:

1) when directing thereto an inquiry or petition - 4 500 roubles;

2) when directing thereto an appeal by an organisation - 4 500 roubles;

3) when directing thereto an appeal by a natural person - 300 roubles.

**2.** With respect to the cases tried by constitutional (charter) courts of the subjects of the Russian Federation state duty shall be paid at the following rates:

1) when an organisation applies - 3 000 roubles;

2) when a natural person applies - 200 roubles.

**3.** The Constitutional Court of the Russian Federation and constitutional (charter) courts of the subjects of the Russian Federation shall be entitled, proceeding from the payer's property status, to decrease the rate of the state duty payable with respect to the cases tried by said courts or to postpone its payment (to allow to pay it by installments) in the procedure provided for by Article 333.41 of this Code.

**4.** The provisions of this Article shall apply subject to the provisions of Article 333.35 of this Code.

**Article 333.24.** Rates of State Duty for Committing Notarial Actions

**1.** For committing notarial actions by notaries of state notary's offices and (or) by officials of executive bodies and of local selfgovernment bodies authorised in compliance with legislative acts of the Russian Federation and (or) legislative acts of the subjects of the Russian Federation to commit notarial actions, state duty shall be paid at the following rates:

1) for certifying powers of attorney intended for committing transactions (a transaction) that require(s) legalization in notarial form in compliance with the laws of the Russian Federation - 200 roubles;

2) for certifying other powers of attorney that require legalization in notarial form in compliance with the laws of the Russian Federation - 200 roubles;

3) for certifying letters of attorney issued by way of transferring a power of attorney in the instances when such certification is obligatory in compliance with the laws of the Russian Federation - 200 roubles;

4) for certifying mortgage contracts, if this requirement is established by the laws of the Russian Federation:

for certifying mortgage contracts with respect to living quarters for securing the return of a credit (loan) granted for acquisition or construction of a dwelling house or a flat - 200 roubles;

for certifying mortgage contracts with respect to other immovable property, except for sea vessels and aircraft, as well as inland navigation ships - 0.3 per cent of the amount of a contract but 3 000 roubles at the most;

for certifying mortgage contracts with respect to sea vessels and aircraft, as well as inland navigation ships - 0.3 per cent of the amount of the contract but 30 000 roubles at the most;

5) for certifying other contracts whose subject must be evaluated, if such certification is obligatory in compliance with the laws of the Russian Federation - 0.5 per cent of the amount of the contract but at least 300 roubles and 20 000 roubles at the most;

6) for certifying transactions whose subject is not to be evaluated and which under the laws of the Russian Federation must be certified by a notary - 500 roubles;

7) for certifying contracts of cession concerning a mortgage contract in respect of living quarters, as well as a contract of credit or a contract of loan secured by the mortgage of living quarters - 300 roubles;

8) for certifying constituent documents (copies of constituent documents) of organisations - 500 roubles;

9) for certifying an agreement on paying alimony - 250 roubles;

10 ) for certifying an agreement of marriage - 500 roubles;

11) for certifying contracts of surety - 0.5 per cent of the amount for which an obligation is assumed but at least 200 roubles and 20 000 roubles at the most;

12) for certifying agreements on changing or dissolving a contract attested by a notary - 200 roubles;

13) for certifying wills, for accepting a sealed will - 100 roubles;

14) for opening an envelope with a sealed will and pronouncing the sealed will - 300 roubles;

15) for certifying letters of attorney with respect to the right of using, and (or) disposing of, property, except for the property provided for by Subitem 16 of this Item:

for children, including adopted ones, for a spouse, parents, full brothers and sisters - 100 roubles;

for other natural persons - 500 roubles;

16) for certifying letters of attorney with respect to the right of using, and (or) disposing of, motor vehicles:

for children, including adopted ones, to a spouse, parents, full brothers and sisters - 250 roubles;

to other natural persons - 400 roubles;

17) for making a captain's protest - 30 000 roubles;

18) for certifying the correctness of translation of a document from one language into another one - 100 roubles per page of the document's translation;

19) for making an execution inscription - 0.5 per cent of the amount to be recovered but 20 000 roubles at the most;

20) for depositing amounts of money or securities, if such depositing is obligatory in compliance with the laws of the Russian Federation - 0.5 per cent of the deposited amount of money but at least 20 roubles and 20 000 roubles at the most;

21) for certifying the authenticity of a signature, where such certification is obligatory in compliance with the laws of the Russian Federation:

entered in documents and applications, except for bank cards and applications for registration of legal entities - 100 roubles;

entered to bank cards and applications for registration of legal entities (from each person and to each document) - 200 roubles;

22) for issuing the certificate of the right to succession at law and by testament:

for children, including adopted ones, for a spouse, parents, full brothers and sisters of the testator - 0.3 per cent of the cost of the property to be inherited but 100 000 roubles at the most;

for other heirs - 0.6 per cent of the cost of the property to be inherited but 1 000 000 roubles at the most;

23) for taking measures aimed at inheritance protection - 600 roubles;

24) for making the protest of a bill in connection with non-payment, non-acceptance and failure to date the acceptance thereof and for certifying non-payment of a cheque - 1 per cent of the non-paid amount but 20 000 roubles at the most;

25) for issuing duplicates of the documents kept in case-files of state notary's offices and of executive bodies - 100 roubles;

26) for committing other notarial actions for which the laws of the Russian Federation provide for obligatory notarial form - 100 roubles.

**2.** The provisions of this Article shall apply subject to the provisions of Article 333.25 of this Code.

**Article 333.25.** Specifics of Paying State Duty When Applying for the Carrying out of Notarial Actions

**1.** The state duty for committing notarial actions shall be paid subject to the following specifics:

1) for notarial actions committed outside the premises of a state notary's office, executive bodies or local self-government bodies, state duty shall be paid in the amount half as much again;

2) for certifying a power of attorney issued with respect to several persons, state duty shall be paid only once;

3) where there are several heirs (in particular, heirs at law, by testament or heirs entitled to an obligatory share in the inheritance), state duty shall be paid by each heir;

4) for issuing a certificate of the right to succession on the basis of a court decision for declaring a previously issued certificate of the right to succession invalid, state duty shall be paid in the procedure and in the amount established by this Chapter. With this, the amount of state duty paid for the previously issued certificate shall be subject to return in the procedure established by Article 333.40 of this Code. On the basis of a payers' application the state duty paid for a previously issued certificate shall be subject to setting off on account of the state duty payable for the issue of a new certificate within one year as of the date of entry into legal force of the appropriate court decision. The issue shall be settled in the same way when repeatedly certifying contracts declared invalid by a court;

5) when one calculates the amount of state duty for authentication of contracts subject to appraisal one shall take the amount of the contract specified by the parties but not below the amount determined in accordance with Subitems 7 - 10 of the present Item. When one calculates the amount of state duty for the issuance of inheritance certificates one shall take the estate value determined in keeping with Subitems 7 - 10 of the present Item.

At the discretion of the payer a document may be filed for the purposes of state duty calculation containing an indication of the stocktaking, market, land-registry or another (nominal) value of property that is issued by the organisations (bodies) or appraisers (experts) specified in Subitems 7 - 10 of the present Item. Notaries and the officials who commit notarial actions are neither entitled to assess the type of value of a property item (appraisal method) for the purposes of state duty calculation nor demand that the payer show a document confirming a given type of value of a property item (appraisal method).

If several documents are submitted which are issued by the organisations (bodies) or appraisers (experts) specified in Subitems 7 - 10 of the present Item and which contain an indication of different

values for a property item one shall take -- for the purposes of state duty calculation - the least of these values of the property item;

6) the cost of the property to be inherited shall be appraised on the basis of the cost of the property to be inherited (of the rate of the Central Bank of the Russian Federation in respect of foreign currency and securities in foreign currency) as of the date of the commencement of the inheritance;

7) the cost of transport vehicles may be determined both by the organisations carrying out the appraisal transport vehicles and by legal expert institutions of a justice body;

8) the cost of immovable property except for land plots, may be assessed both by organisations carrying out the appraisal of immovable property and by the organisations (bodies) engaged in the registration of immovable property units at the location thereof;

9) the cost of land plots may be assessed both by organisations carrying out the appraisal of land plots and by the federal executive body authorized in respect of the cadastre of immovable property units and by territorial subdivisions thereof;

10) the cost of the property that is not provided for by Subitems from 7 to 9 of this Item shall be assessed by professional appraisers;

11) the cost of an inherited patent shall be assessed on the basis of all the sums of the state duty paid as of the date of the testator's death or of patenting an invention, production piece or utility model. The cost of inherited rights to the obtainment of a patent shall be determined in the same procedure;

12) the cost of inherited material rights shall be assessed on the basis of the cost of the property (of the rate of the Central Bank of the Russian Federation in respect of foreign currency or securities in foreign currency) to which the material rights are transferred as of the date of the inheritance commencement;

13) the inherited property located outside the Russian Federation or the inherited material rights to it shall be assessed on the basis of the amount indicated in the evaluative document drawn up abroad by officials of the authorized bodies and applicable in the territory of the Russian Federation in compliance with the laws of the Russian Federation.

**2.** The provisions of this Article shall apply subject to the provisions of Articles 333.35 and 333.38 of this Code.

**Article 333.26.** Rates of State Duty for the State Registration of Civil Status Acts and Other Legally Relevant Actions Committed by Civil Registration Bodies and by Other Authorised Bodies

**1.** For the state registration of civil status acts and other legally relevant actions committed by civil registration bodies and other authorised bodies, state duty shall be paid at the following rates:

1) for the state registration of marriage, including the issuance of a certificate - 200 roubles;

2) for the state registration of divorce, including the issuance of a certificate:

in the presence of the mutual consent of the spouses who do not have common children - 200 roubles to be paid by each of the spouses;

in the event of divorcing judicially - 200 roubles to be paid by each of the spouses;

when divorcing on the basis of an application of one of the spouses, if one of the spouses is declared by a court missing, incapable or sentenced to imprisonment for committing a crime for a term of over three years - 100 roubles;

3) for the state registration of paternity, including the issuance of a paternity certificate - 100 roubles

4) for the state registration of a name change, inclusive surname, first name and/or patronymic, including the issuance of a name change certificate - 500 roubles;

5) for making corrections and amendments in civil registration records, including the issuance of a certificate - 200 roubles;

6) for a repeat issue of a certificate of state registration of civil status acts - 100 roubles;

7) for issuing to natural persons certificates from the archives of civil registration bodies and other authorised bodies - 50 roubles.

**2.** The provisions of this Article shall apply subject to the provisions of Article 333.27 of this Code.

**Article 333.27.** Specifics of Paying State Duty for the State Registration of Civil Status Acts and Other Legally Relevant Actions Committed by Civil Registration Bodies and by Other Authorised Bodies

**1.** When effecting the state registration of civil status acts or committing the actions specified in Article 333.26 of this Code, state duty shall be paid subject to the following specifics:

1) when making corrections and (or) amendments in civil registration records on the basis of an opinion of the civil registration body, the state duty shall be paid in the amount established by Subitem 5 of Item 1 of Article 333.26 of this Code, regardless of the number civil registration records where corrections and (or) amendments are made and the number of issued certificates;

2) for issuing certificates of the state registration of civil status acts in connection with a name change, state duty shall be paid in the amount established by Subitem 6 of Item 1 of Article 333.26 of this Code for every certificate.

**2.** For issuing a certificate of state registration of a civil status act, the state duty shall not be payable if the appropriate civil registration record is restored on the basis of a court decision.

**3.** The provisions of this Article shall apply subject to the provisions of Articles 333.35 and 333.39 of this Code.

**Article 333.28.** Rates of State Duty for Committing Actions Connected with Acquisition of Russian Citizenship and Abandonment of Russian Citizenship, as Well as in Connection with Entry to the Russian Federation and Exit from the Russian Federation

**1.** For committing actions connected with the acquisition of Russian citizenship or abandonment of Russian citizenship, as well as in connection with entry to the Russian Federation and exit from the Russian Federation, state duty shall be paid at the following rates:

1) for issuing a passport of a Russian Federation citizen for exit from the Russian Federation and entry to the Russian Federation certifying the identity of the Russian Federation citizen outside the Russian Federation and in the territory of the Russian Federation in the instances provided for by law - 400 roubles;

1.1) for the issuance of an electronic-data chip passport serving as a personal identification document of citizen of the Russian Federation outside of the Russian Federation: 1,000 roubles;

2) for issuing a passport certifying the identity of the Russian Federation citizen outside the Russian Federation to the Russian Federation citizen at the age of up to 14 years - 200 roubles;

2.1) for the issuance of an electronic-data chip passport serving as a personal identification document of citizen of the Russian Federation outside of the Russian Federation to a citizen of the Russian Federation below the age of 14: 500 roubles;

3) for introducing amendments into the passport certifying the identity of the Russian Federation citizen outside the territory of the Russian Federation - 50 roubles;

4) for issuing a travelling document for a refugee or extending the validity of said document - 100 roubles;

5) for issuing or extending the duration of a visa for exit from the Russian Federation to a foreign citizen or to a stateless person permanently residing in the Russian Federation - 300 roubles;

6) for issuing or extending the duration of the visa to a foreign citizen or a stateless person temporarily residing in the Russian Federation for:

entry to the Russian Federation - 300 roubles;

exit from the Russian Federation and subsequent entry to the Russian Federation - 300 roubles;

multiple crossing of the State Border of the Russian Federation - 400 roubles;

7) for issuing an invitation to enter the Russian Federation to foreign citizens and stateless persons - 200 roubles for each invited person;

8) for making amendments in a drawn up invitation for a foreign citizen or a stateless person to enter the Russian Federation - 100 roubles;

9) for introducing amendments into a previously issued document for entering the Russian Federation or exiting from the Russian Federation - 50 per cent of the amount of the state duty paid for the issue of the appropriate document;

10) for issuing or extending the validity of a residence permit for a foreign citizen or a stateless person - 1 000 roubles;

10.1) for the registration of a foreign citizen in the Russian Federation at the place of residence or place of sojourn: 1 rouble per day of stay in the territory of the Russian Federation but not exceeding 200 roubles;

11) for issuing to a foreign citizen or stateless person a permit for temporary residence in the Russian Federation, as well as for extending the validity of such permit - 400 roubles;

12) for issuing a permit to involve and use foreign workers - 3 000 roubles for every foreign worker involved;

13) for issuing a working permit to a foreign citizen or stateless person - 1 000 roubles;

14) for considering an application for granting Russian citizenship, for acquisition, restoration or abandonment of Russian citizenship, applications for determining citizenship, including the issuance of relevant documents - 1 000 roubles;

15) for issuing documents necessary for awarding and (or) payment of the labour pension and (or) the pension within the framework of the state pension provision in compliance with the pension laws of the Russian Federation - 10 roubles for each such document.

**2.** The provisions of this Article shall apply subject to the provisions of Article 333.29 of this Code.

**Article 333.29.** Specifics of Paying State Duty for Committing Actions Connected with Acquisition of Russian Citizenship or Abandonment of Russian Citizenship, as Well as with Entry to the Russian Federation and Exit from the Russian Federation

For committing the actions specified in Article 333.28 of this Code, state duty shall be payable subject to the following specifics:

1) abolished from January 1, 2005;

2) when granting Russian citizenship to natural persons who have had citizenship of the USSR, or who have resided or reside in the states, that formed part of the USSR but have not acquired the citizenship of these states and have become stateless persons as a result of it, state duty shall not be paid. If the natural person in his/her Russian Federation citizenship (Russian Federation citizenship reinstatement) application is at the same time asking for Russian Federation citizenship (for reinstatement of Russian Federation citizenship) for his/her minor children, wards the state duty is payable at the rate defined by Subitem 14 of Item 1 of Article 333.28 of the present Code for a single application;

3) when Russian Federation citizenship is granted to orphan children and to children left without parental care no state duty shall be paid.

4) for the issuance to a citizen of the Russian Federation whose place of residence is the Kaliningrad Region of the document stipulated by Subitems 1 - 2.1 of Item 1 of Article 333.28 of this Code, the state duty shall not be paid.

**Article 333.30.** Rates of State Duty for Carrying out by the Auhorised Federal Executive Body Actions Aimed at the Official Registration of a Computer Programme, Database or Integrated-Circuit Layout

When applying to the authorised federal executive body for its carrying out actions aimed at the official registration of a computer programme, database or integrated-circuit layout, state duty shall be payable at the following rates:

1) for considering an application for the official registration of a computer programme, database or integrated-circuit layout (hereinafter referred to in this Article as an application for registration):

of an organisation - 720 roubles;

of a natural person - 270 roubles;

2) for entering in the Register of Computer Programmes, the Register of Databases, the Register of Integrated-Circuit Layout, data on the official registration of a computer programme, database or integrated circuit layout:

for the application of an organisation - 270 roubles;

for the application of a natural person - 135 roubles;

3) for issuing a certificate on the official registration of a computer programme, database or integrated-circuit layout (hereinafter referred to in this Article as a registration certificate) - 180 roubles;

4) for introducing amendments, corrections and more precise definitions (hereinafter referred to as amendments) on the initiative of an applicant to the materials of the application for registration prior to publication of the appropriate data in an official bulletin - 180 roubles;

5) for issuing a registration certificate connected with entering, on the applicant's initiative, amendments to the materials of the application:

for an organisation - 360 roubles;

for a natural person - 180 roubles;

6) for registering a contract on the complete transfer of exclusive (material) rights to a computer programme, database or integrated circuit layout - 675 roubles;

7) for registering a contract of the partial transfer of exclusive (material) rights to a computer programme, database or integrated circuit layout - 450 roubles.

**Article 333.31.** Rates of State Duty for Committing Actions by Authorised Governmental Institutions When Exercising Federal Assay Supervision

**1.** For committing actions by authorised governmental institutions when exercising federal assay supervision, the state duty shall be payable at the rates established by the Government of the Russian Federation within the following limits (depending on the types of actions to be committed);

1) for testing and hallmarking jewelry and other manufactured consumer articles made of precious metals:

gold manufactured articles - up to 60 roubles per unit;

silver manufactured articles - up to 150 roubles per unit;

for platinum articles - up to 60 roubles per unit;

for palladium articles - up to 60 roubles per unit;

2) for an expert examination of jewelry and other manufactured consumer articles made of precious metals, an expert examination and a gemmological expert examination of precious stones, except for the instances provided for by Subitems 3 and 4 of this Item - up to 1700 roubles per unit;

3) for an expert examination of precious metals, precious and jobbing stones, as well as insets in manufactured articles made of different materials carried out by authorised governmental institutions for museums - up to 25 roubles per unit;

4) for the actions indicated in Subitems 2 and 3 of this Item committed on demand of law enforcement bodies - up to 120 roubles per unit;

5) for analyzing materials containing precious metals - up to 700 roubles for analyzing one element;

6) for carrying our different works - up to 300 roubles per unit of measurement.

**2.** For the purpose of this Article, as different works shall be deemed:

1) registration of nameplates of manufacturers of jewelry and other manufactured consumer articles made of precious metals;

2) producing electrode nameplates for makers of jewelry and other consumer manufactured articles made of precious metals;

3) making stamps on nameplates upon jewelry and other consumer manufactured articles by electric sparking for manufacturers of jewelry and other consumer manufactured articles made of precious metals;

4) destroying stamps of false hallmarks and nameplates on jewelry and other consumer manufactured articles;

5) producing assay reagents;

6) storing valuables beyond the established time period.

**3.** The provisions of this Article shall apply subject to the provisions of Article 333.32 of this Code.

**Article 333.32.** Specifics of Paying State Duty for Committing Actions by Authorised Governmental Institutions When Exercising Federal Assay Supervision

**1.** The state duty for committing the actions specified in Article 333.31 of this Code shall be paid:

1) prior to the issuance of articles - when presenting jewelry and other consumer manufactured articles for testing and hallmarking;

2) prior to issuing the results of an expert examination - when presenting different objects, articles, materials and stones for an expert examination.

When carrying out an expert examination in the territories of museums and an expert examination of various stones on demand of law enforcement bodies, state duty shall be paid after carrying out an expert examination and drawing up relevant documents but prior to issuing the results of the expert examination.

**2.** For testing, hall-marking or carrying out an expert examination, for effecting the analysis within shorter time periods as stipulated by administrative documents of the Russian State Assay Office, if desired by the organisation or the person for which these actions are to be committed, the state duty shall be collected at rates increased by:

1) in the event of giving out hallmarked articles within 24 hours as of the time of accepting them - by 200 per cent;

2) in the event of giving out hallmarked articles within 48 hours as of the time of accepting them - by 100 per cent;

3) in the event of issuing the results of an expert examination or the results of analysis within 24 hours as of the time of accepting articles - by 200 per cent.

**3.** Depending on the specifics of presented for assaying and marking jewellery and other personal-use articles, the rate of state duty shall be increased:

1) in the event of presenting articles with fixed stones (insets), except for articles presented after repair - by 100 per cent;

2) in the event of presenting articles whose component parts (elements) are made of different alloys of precious metals - by 100 per cent. With this, the rate of state duty shall be established on the basis of precious metal of the main part of the article which the principal state hallmark is to be affixed to;

3) when presenting articles in individual packing or with labels (tags, seals and the like), whose handling requires additional time - by 150 per cent.

**4.** In the event of hall-marking articles with the use of combined tools (nameplate and state hall-mark) the rate of the state duty shall be increased by 50 per cent.

**5.** During an expert examination of non-transportable (dilapidated or large-dimension) articles and also during an expert examination of other articles on the premises of a museum on a customer's request the state duty rate shall be increased by 25 per cent.

**6.** The state duty rate increase envisaged by Items 2 - 5 of the present article shall be calculated on the basis of the state duty rate established in keeping with Article 333.31 of the present Code.

**7.** The state duty for the storage of valuables beyond the established term shall be charged starting from the 15th calendar day after the expiry of the term set for work completion.

**8.** When one calculates the amount of state duty for the making of assay chemical agents one shall not take into account the value of the precious metals spent for the making thereof.

**Article 333.33.** Rate of State Duty for State Registration, as Well as for Committing Other Legally Relevant Actions

**1.** State duty shall be paid at the following rates:

1) for the state registration of a legal entity, except for the state registration of liquidation of legal entities and (or) the state registration of political parties and regional branches of political parties - 2 000 roubles;

2) for the state registration of a political party, as well as of each regional branch of a political party - 1 000 roubles;

3) for the state registration of amendments to be introduced into the constituent documents of a legal entity, as well as for the state registration of liquidation of a legal entity, except for the instances when a legal entity is liquidated by way of bankruptcy proceedings - 20 per cent of the rate of the state duty established by Subitem 1 of this Item;

4) for accrediting branches of foreign orgnanisations established in the territory of the Russian Federation - 60 000 roubles for each branch;

5) for the state registration of commercial concession (subconcession) contracts) - 1 000 roubles for each contract;

6) for the state registration of amendments to be introduced into commercial concession (sub-concession) contracts - 20 per cent of the rate of the state duty paid for registration of relevant contracts;

7) abolished;

8) for the state registration of a natural person as an individual businessman - 400 roubles;

8.1) for the state registration of termination by a natural person of his/her activity as an individual entrepreneur: 20 per cent of the state duty rate established by Subitem 8 of the present Item;

9) for a repeated issuance of a certificate of state registration of a natural person as an individual entrepreneur or a certificate of state registration of a legal entity: 20 per cent of the state duty rate paid for the state registration;

10) for the state registration of mass media whose products are predominantly intended for dissemination all over the territory of the Russian Federation and beyond its boundaries, over the territories of several subjects of the Russian Federation:

of a periodical - 2 000 roubles;

of a news agency - 2 400 roubles;

of a radio channel, TV channel, video channel, news-reel channel or other mass medium - 3 000 roubles;

11) for the state registration of a mass medium whose products are predominantly intended for dissemination over the territory of a subject of the Russian Federation, region, town, other inhabited locality, urban district or microdistrict:

of a periodical - 1 000 roubles;

of a news agency - 1 200 roubles;

of a radio channel, TV channel, video channel, news-reel channel or other mass medium - 1 500 roubles;

12) for issuing the duplicate of the certificate of state registration of a mass medium - 20 per cent of the rate of the state duty paid for registration thereof;

13) for introducing amendments into the certificate of state registration of a mass medium - 20 per cent of the rate of the state duty paid for registration thereof;

14) for the state registration of medicines - 2 000 roubles;

15) for registration of a foreign citizen or a stateless person, residing in the territory of the Russian Federation, with regard to residence permits - 100 roubles;

16) for issuing and exchanging the passport of a Russian Federation citizen - 150 roubles;

17) for the repeated issuance of a passport of the Russian Federation citizen - 150 roubles;

18) for the state registration of a contract of pledging transport vehicles - 0.1 per cent of the amount of the contract but no more that 1 000 roubles;

19) for the state registration of rights to an enterprise as a property complex, of a contract of alienation of an enterprise as a property complex, as well as of limiting (charging) rights to an enterprise as a property complex - 0.1 per cent of the cost of the property, of property and other rights forming part of an enterprise as a property complex but no more than 30 000 roubles;

20) for the state registration of rights, limitations (charging) of rights to immovable property, contracts of immovable property alienation, except for the legally relevant actions provided for by Subitems 19, 20.1, 20.2, 22-24 and 52 of this Item:

for natural persons - 500 roubles;

for organisations - 7 500 roubles;

for federal governmental bodies, governmental bodies of subjects of the Russian Federation, local self-government bodies - 100 roubles;

20.1) for the state registration of a share of a right of common ownership to a common immovable property item in a block of apartments: 50 roubles;

20.2) for the state registration of a natural person's ownership of a land plot intended for individual subsidiary farming, a country cottage, small plot farming, gardening, individual construction of a house or garage, or of the immovable property item created or being created on such land plot - 100 roubles;

21) for amending records of the Comprehensive State Register of Rights to Immovable Property and Transactions Therewith, except for the legally relevant actions provided for by Subitem 25 of this Item:

for natural persons - 100 roubles;

for organisations - 300 roubles;

for federal governmental bodies, governmental bodies of subjects of the Russian Federation, local self-government bodies - 50 roubles;

22) for state registration:

of a mortgage contract, and also of making an entry in the Comprehensive State Register of Rights to Immovable Property and Transactions Therewith, on a mortgage as charging of rights to the immovable property:

for natural persons - 500 roubles;

for organisations - 2 000 roubles;

of an agreement on changing or dissolving a mortgage contract, including making appropriate amendments in the records of the Comprehensive State Register of Rights to Immovable Property and Transactions Therewith:

for natural persons - 100 roubles;

for organisations - 300 roubles.

Where a mortgage contract or a contract including a mortgage agreement that secures the discharge of a commitment, except for a contract entailing the rise of mortgage on the basis of law, is made by a natural person and a legal entity, state duty for the legally relevant actions provided for by this Subitem shall be recovered at the rate established for natural persons;

23) for state registration:

of a change of the pawnbroker resulting from cession in respect of basic mortgage-secured commitment or in respect of a mortgage contract,

including the transaction of assigning the right of claim, and also making an entry in the Comprehensive State Register of Rights to Immovable Property and Transactions Therewith on the mortgage effected when changing the pawnbroker - 500 roubles;

of a change of the mortgage deed owner, including the transaction of assigning the right of claim, and also making an entry in the Comprehensive State Register of Rights to Immovable Property and Transactions Therewith on the mortgage effected when changing the owner of the mortgage deed - 100 roubles;

24) for the state registration of servitude: in the interests of natural persons - 500 roubles;

in the interests of organisations - 2 000 roubles;

25) for introducing amendments and additions into a mortgage registration entry - 100 roubles;

26) for a repeated issuance to right owners of the certificate of the state registration of rights to immovable property (instead of lost or worn out ones, in connection with making an entry in the Comprehensive State Register of Rights to Immovable Property and Transactions Therewith on the right of making amendments, and also with a correction in this entry of a technical mistake, except for mistakes made through the fault of the body engaged in the state registration of rights to immovable property and transactions with it):

to natural persons - 100 roubles;

to organisations - 300 roubles;

to federal governmental bodies, governmental bodies of subjects of the Russian Federation, local self-government bodies - 50 roubles;

27) for the right of exporting:

cultural valuables created more than 50 years ago - 10 per cent of the cost of exportable cultural valuables;

cultural valuables created 50 years ago and later than that - 5 per cent of the cost of exportable cultural valuables;

paleontological articles for collecting - 10 per cent of the cost of exportable cultural valuables;

mineralogical articles for collecting - 5 per cent of the cost of exportable cultural valuables;

28) for the right of temporary exportation of cultural valuables - 0.01 per cent of the insurance value of temporary exportable cultural valuables;

29) for the state registration of transport vehicles and committing other registration actions connected with:

issuing state registration plates for transport vehicles, except for motor vehicles, trails, tractors, self-propelled road construction machines and other self-propelled machines - 400 rubles;

issuing the state registration plates for motor vehicles, trails, tractors, self-propelled road construction machines and other self-propelled machines - 200 roubles;

issuing the technical certificate of a transport vehicle - 100 roubles;

issuing the certificate of the state registration of a transport vehicle - 100 roubles;

30) for amending a previously issued technical certificate of a transport vehicle - 20 roubles;

31) for issuing or extending the validity of a technical inspection certificate of a transport vehicle - 100 roubles;

31.1) for the issuance of a certificate of clearance of a vehicle for the carriage of hazardous cargoes: 100 roubles;

32) for issuing transit number plates for transport vehicles:

metal ones for motor transport vehicles - 400 roubles;

metal ones for tractors, self-propelled road construction machines and other self-propelled machines - 200 roubles;

metal ones for motor cycles and trailers - 200 roubles;

paper ones - 50 roubles;

33) for issuing a certificate for a disengaged numbered assembly - 50 roubles;

34) for issuing the distinguishing sign of an international traffic participant - 30 roubles;

35) for issuing the coupon that proves passing the state technical inspection of a transport vehicle - 30 roubles;

36) for issuing a driving license, the licence of the tractor's driver-operator (driver), and also when replacing a lost or worn-out one:

made of expendables on a paper basis - 100 roubles;

made of expendables on a plastic basis - 200 roubles;

37) for issuing a temporary permit to drive transport vehicles, and also when replacing a lost or worn out one - 60 roubles;

38) for issuing to a natural person the certificate proving his/her receipt of a driving licence, the licence of the tractor's driver-operator (driver), or a temporary permit to drive transport vehicles - 30 roubles;

39) for considering the application and issuing the certificate of conformity of a transport vehicle's design to the traffic safety requirements - 50 roubles;

39.1) for issuing to educational establishments certificates proving the compliance of the equipment and of the implementation of the training process with the requirements for consideration by the appropriate agencies of the question of their accreditation and for issuing to the said establishments licences for training tractor's drives and operators of self-propelled machines - 500 roubles;

40) for arranging qualification examinations as regards the right to drive transport vehicles:

the theoretical one - 60 roubles;

the practical one - 100 roubles;

41) for entering an apostil - 300 roubles for each document;

42) for legalization of documents - 100 roubles for each document;

43) for discovery of documents - 100 roubles for each document;

44) for committing by an authorised body actions connected with the state registration of emissive securities' issues (additional issues):

for considering an application for state registration of an issue (additional issue) of emissive securities - 1 000 roubles;

for considering an application for registration of the report on the results of an issue (additional issue) of emissive securities - 1 000 roubles;

for considering an application for registration of securities' prospectus (if the state registration of an issue (additional issue) of emissive securities is not accompanied by registration of their prospectus) - 1 000 roubles;

for considering the application for the state registration of an issue (additional issue) of securities and for registration of the report on the results of an issue (additional issue) of securities, if such registration was concurrently effected - 1 000 roubles;

for the state registration of an issue (additional issue) of emissive securities placed by way of subscription - 0.2 per cent of the nominal amount of an issue (additional issue) but 100 000 roubles at the most;

for the state registration of an issue (additional issue) of emissive securities placed by ways other than subscription - 10 000 roubles;

for the state registration of the report on the results of an issue (additional issue) of emissive securities, except for the instance of registering such report concurrently with the state registration of the issue (additional issue) of emissive securities - 10 000 roubles;

for registering the securities prospectus (if the state registration of the issue (additional issue) of emissive securities was not accompanied by registration of their prospectus) - 10 000 roubles;

45) for issuing a copy of the registered decision on an issue (additional issue) of emissive securities or a copy of the registered prospectus of securities, or a copy of the registered report on the results of an issue (additional issue) of emissive securities - 2 000 roubles;

46) for committing actions connected with the issuance of permits:

for considering the application for issuing a permit for placement and (or) circulation of emissive securities of Russian issuers outside the Russian Federation, and also by way of placing under foreign laws the securities of foreign issuers certifying rights in respect of emissive securities of Russian issuers - 1 000 roubles;

for issuing a permit for placement and (or) circulation of emissive securities of Russian issuers outside the Russian Federation, and also by way of placing under foreign laws the securities of foreign issuers certifying the rights in respect of emissive securities of Russian issuers - 10 000 roubles;

for considering an application for issuing a permit proving the status of a self-regulated organisation of professional participants of the securities' market, of a self-regulated organisation of management companies of joint-stock investment funds, unit investment funds and non-governmental pension funds - 1 000 roubles;

for issuing the permit proving the status of a self-regulated organisation of professional participants of the securities' market, of a self-regulated organisation of management companies of joint-stock investment funds, unit investment funds and non-governmental pension funds - 10 000 roubles;

47) for committing registration actions connected with unit investment funds:

for considering an application for registering the rules of trust management of a unit investment fund - 1 000 roubles;

for registering rules of trust management of a unit investment fund - 10 000 roubles;

for considering an application for registration of amendments and additions to be made in the rules of trust management of a unit investment fund - 500 roubles;

for registering amendments and additions to be made in the rules of trust management of a unit investment fund - 1 000 roubles;

48) for committing registration actions connected with exercising activities in the securities market:

for considering an application for registering amendments and additions to be made in the documents of trade promoters in the securities market, an application for registering amendments and additions to be introduced into the documents of stock exchanges, an application for registering amendments and additions to be made in the rules of exercising clearing activity - 1 000 roubles;

for considering amendments and additions to be made in the documents of trade promoters in the securities market, registration of amendments and additions to be introduced into the documents of stock exchanges, registration of amendments and additions to be introduced into the rules of exercising clearing activity - 10 000 roubles;

for considering an application for registration of amendments and additions to be made in the regulations of a specialized depository of a joint-stock investment fund, unit investment fund and non-governmental pension fund, an application for registering amendments and additions to be made in the rules of keeping the register of investment shares' owners of unit investment funds - 500 roubles;

for registering amendments and additions to be made in the regulations of a specialized depository of a joint-stock investment fund, unit investment fund and non-governmental pension fund, registration of amendments and additions to be made in the rules of keeping the register of investment shares' owners of unit investment funds - 1 000 roubles;

49) for granting a licence for exercising professional activities in the securities market:

for granting a licence for exercising the activity of trade promotion as a stock exchange, the license for exercising clearing activity, the license of a stock exchange - 100 000 roubles for each license;

for granting a licence for exercising the activity of keeping the register of securities' owners, a licence for exercising the activity of managing investment funds, unit investment funds and non-governmental pension funds, a licence for exercising the activity of a specialized depository of investment funds, unit investments funds and non-governmental pension funds - 10 000 roubles for each license;

50) for the state registration in the State Ship's Register, ship book or bareboat charter register:

of sea ships - 3 000 roubles;

of inland water ships - 1 000 roubles;

of mixed navigation (river - sea) ships - 1 500 roubles;

of recreation vessels, including sail vessels, with capacity of up to 12 passengers irrespective of the main engine power rating and tonnage used for navigation purposes - 500 roubles;

of launches featuring main engines with power rating under 55 kW, motorboats with outboard-engines with power rating exceeding 10 h.p., jet ski craft, non-self propelled vessels with tonnage under 80 tons - 200 roubles;

of motorboats with outboard engines with power rating of up to 10 h.p., rowing boats, canoe, inflatable non-engine powered craft - 50 roubles;

51) for the state registration of amendments to be introduced into the State Ship's Register, ship book or bareboat charter book:

of sea ships - 600 roubles;

of inland water ships - 200 roubles;

of mixed navigation (river-sea) ships - 300 roubles;

of small-sized vessels - 50 roubles;

52) for issuing a certificate of ownership of:

of a sea ship - 3 000 roubles;

of an inland water ship - 1 000 roubles;

of a mixed navigation (river-sea) ship - 1 500 roubles;

of small-sized vessel - 200 roubles;

53) for issuing a certificate of the right of navigation under the National Flag of the Russian Federation:

for sea ships - 3 000 roubles;

for inland water ships - 1 000 roubles;

for mixed navigation (river-sea) ships - 1 500 roubles;

54) for the issuance of a ship's letter for a small-sized vessel - 200 roubles;

for the issuance of a ship's letter for a small-sized vessel - 50 roubles;

55) for granting a licence to a ship's broadcasting station - 1 000 roubles;

56) for issuing a ship sanitary certificate of the right of sailing - 400 roubles;

57) for the right to use the denomination "Russia"', "Russian Federation" and words and word combinations built on the basis of them in the names of legal entities - 10 000 roubles;

58) for the following actions committed by authorised bodies when effecting certification, where such attestation is provided for by the laws of the Russian Federation:

for issuing a testimonial, certificate or other document proving qualifications - 400 roubles;

for amending the testimonial, certificate or other document proving qualifications in connection with changing a surname, first name or patronymic - 100 roubles;

for issuing a duplicate of the testimonial, certificate or other document proving qualifications in connection with the loss thereof - 400 roubles;

for extending the validity of (renewing) the testimonial, certificate or other document proving qualifications in the instances provided for by law - 200 roubles;

59) for issuing a permit for transfrontier movement of dangerous waste - 10 per cent of the amount of the contract of transfrontier movement of dangerous waste but at least 100 000 roubles;

60) for issuing permits for exportation from the territory of the Russian Federation, as well as importation into the territory of the Russian Federation of the types of animals and plants, their parts and derivatives that come within the operation of the Convention on International Trade in the Types of Natural Flora and Fauna under Threat of Extinction - 1 000 roubles;

61) for the state registration of aircraft in the State Register of Civil Aircraft of the Russian Federation:

of I class aircraft - 2 000 roubles;

of II and III class aircraft - 1 500 roubles;

of IV class aircraft - 1 000 roubles;

62) for state registration in the appropriate state registers:

of A, B and C-class civil airdrome - 40 000 roubles;

of D, E and F-class civil airdrome - 20 000 roubles;

of an airport - 5 000 roubles;

63) for extending the validity of a certificate of state registration and fitness for use of airports and civil airdromes - 50 per cent of the state duty paid for the state registration thereof;

64) for registering high and low intensity lighting systems, as well as for extending the validity of the certificate of fitness for use of said lighting equipment:

with high intensity lights - 5 000 roubles;

with low intensity lights - 700 roubles;

65) for making amendments in the state registers indicated in Subitems 61 and 62 of this Item, as well as in the certificate of fitness for use indicated in Subitem 64 of this Item - 20 per cent of the rate of the state duty paid for the state registration thereof;

66) for the state registration of basic manufacturing equipment for making ethyl alcohol and (or) alcohol products - 5,000 roubles per unit of basic technological equipment;

67) for the state registration of a new food product, material, article: 1,500 roubles;

68) for the state registration of a separate type of product potentially hazardous for the human being as well as a type of product that is brought into the territory of the Russian Federation for the first time: 1,500 roubles;

68.1) for amending certificates of the state registration that is envisaged by Subitems 66 - 68 of the present Item: 20 per cent of the tax duty rate paid for the state registration;

68.2) for the issuance of a copy of certificates of the state registration envisaged by Subitems 66 - 68 of the present item in connection with the loss thereof: 500 roubles;

69) for the consideration of the petition envisaged by the antimonopoly legislation: 10,000 roubles;

70) for issuing a distribution certificate in respect of films and video films - 1 000 roubles;

71) for the following actions of authorised bodies connected with licensing, except for the actions connected with the production and circulation of ethyl alcohol, of alcohol and alcohol-containing products, with licensing the activity of rendering communication services, and also except for the actions indicated in Subitems 49, 55 and from 72 to 74 of this Item:

consideration of an application for granting a licence - 300 roubles;

granting a licence - 1 000 roubles;

re-drawing up the document proving the presence of a licence - 100 roubles;

72) for the following actions of authorised bodies connected with the arrangement and maintenance of totalizators and gambling establishments:

for considering applications for granting a licence - 300 roubles;

for granting a licence - 3 000 roubles;

for re-drawing up the document proving the presence of a licence - 1 000 roubles;

73) for granting the license for making banking transactions when establishing a bank - 0.1 per cent of the declared authorised capital of the bank to be established but 40 000 roubles at the most;

74) for granting a long-term licence for using animal kingdom units referred to hunting objects, for granting a licence (permit) to use units of water biological resources:

to organisations - 200 roubles;

to natural persons - 100 roubles;

75) for the state registration of the denominations of ethyl alcohol and alcohol-containing solutions made of non-edible raw materials, of ethyl alcohol made of edible raw materials, of alcohol and alcohol-containing foodstaffs and other alcohol-containing products, of alcohol-containing perfume and cosmetic products (means) - 1 000 roubles;

76) for the state registration of medical purpose articles and medical equipment made in the Russian Federation - 1 500 roubles;

77) for the state registration of pesticides and agricultural chemicals, of potentially dangerous chemical and biological substances - 1 500 roubles;

78) for issuing a conformity certificate - 1000 roubles;

79) Abolished;

80) for issuing a permit for the installation of an advertising construction - 1 500 roubles;

81) for a communication operator's receiving a numeration resource:

for one telephone number from the numeration plan of the seventh zone of the world numeration for general use telephone communication, except for the provision of numeration from the codes of access to electric communication services - 10 roubles;

for one identification code of mobile radio-telephone communications and mobile radio-communication for the numeration resource of identification codes of communication networks, their elements and terminal equipment - 1 000 000 roubles;

for one number of the codes of access to electric communication services from the numeration plan of the seventh zone telephone communication network of the world numeration for the general use communication system - 10 000 roubles;

for one number from the numeration plan of a fixed network of the uniform electric communication system of the Russian Federation - 10 roubles;

for one long-haul routing index of telegraph network units - 10 000 roubles;

for one identification code of data network - 10 000 roubles;

for one identification code for key components and terminal equipment from the code numbering resource of the signalling network OKS No. 7 for stationary telephone communication, roving radiotelephone communication, roving radio communication and roving satellite raid communication in the international indicator: 100,000 roubles;

for one identification code for key components and terminal equipment from the code numbering resource of stations of the signalling network OKS No. 7 for stationary telephone communication, roving radiotelephone communication, roving radio communication and roving satellite raid communication in the inter-city indicator: 10,000 roubles;

for one identification code for key components and terminal equipment from the code numbering resource of stations of the signalling network OKS No. 7 for stationary telephone communication, roving radiotelephone communication, roving radio communication and roving satellite raid communication in a local indicator: 10,000 roubles;

82) for registering the declaration of compliance with the requirements of communication means and communication services - 1 000 roubles;

83) for ships' registration in the Russian International Register of Ships:

when the gross tonnage of a ship is from 80 gross tonnage units to 3 000 gross tonnage units inclusive - 26 000 roubles plus 4,7 roubles for each gross tonnage unit;

when the gross tonnage of a ship is from over 3 000 gross tonnage units to 8 000 gross tonnage units inclusive - 27 000 roubles plus 4,4 roubles for each gross tonnage unit;

when the gross tonnage of a ship is from over 8 000 gross tonnage units to 20 000 gross tonnage units inclusive - 48 000 roubles plus 2,5 roubles for each gross tonnage unit;

when the gross tonnage of a ship is over 20 000 gross tonnage units - 67 000 roubles plus 1,6 roubles for each gross tonnage unit;

84) for yearly confirmation of a ship's registration in the Russian International Register of Ships:

when the gross tonnage of a ship is from 80 gross tonnage units to 8 000 gross tonnage units inclusive - 7 000 roubles plus 11,2 roubles for each gross tonnage unit;

when the gross tonnage of a ship is from over 8 000 gross tonnage units to 20 000 gross tonnage units inclusive - 52 000 roubles plus 7,1 roubles for each gross tonnage unit;

when the gross tonnage of a ship is from over 20 000 gross tonnage units to 45 000 gross tonnage units inclusive - 102 000 roubles plus 4,6 roubles for each gross tonnage unit;

when the gross tonnage of a ship is over 45 000 gross tonnage units - 130 000 roubles plus 4 roubles for each gross tonnage unit.

85) in consideration of actions undertaken by duly authorized bodies connected with issuance of licenses to conduct the activities associated with organization of and carrying on gambling at book-maker's offices and totalizators:

review of application for a license - Rbl. 300;

issuing of a license - Rbl. 3000;

re-execution of a license - Rbl. 1000.

86) for issuance of a special permit to travel over a motor road of a transport vehicle carrying the following (except for a transport vehicle engaged in international motor carriage):

hazardous cargo - 400 roubles;

heavy-weight and/or large-size cargo - 500 roubles.

**2.** The provisions of this Article shall apply subject to the provisions of Article 333.34 of this Code.

**Article 333.34.** The Specifics of Paying the State Duty for the State Registration of an Issue of Securities, of Mass Media, for the Right to Exportation (Temporary Exportation) of Cultural Valuables, for the Right to Use the Denominations "Russia", "the Russian Federation", Words and Word Combinations Derived from Them in the Denominations of Legal Entities, for Receiving a Numeration Resource

**1.** Abrogated.

**2.** For estimating the state duty for the right of exportation (temporary exportation) of cultural valuables shall be taken the market value of the cultural valuables shown in the application of the person petitioning for exportation thereof. Where the state power body in charge of issuing the certificate of the right to export cultural valuables evaluates the cost of cultural valuables differently, a higher price shall be taken for estimating the state duty for the right of exportation (temporary exportation) of the cultural valuables.

The state duty for the right of exportation (temporary exportation) of cultural valuables shall be paid subject to the price of all cultural valuables concurrently exportable by a single person.

In the event of exportation (temporary exportation) of cultural valuables by persons who have presented to the Russian Federation cultural valuables in respect of which it has been decided to enter them in state protective lists or registers, the price of exportable cultural valuables, when estimating the rate of the state duty for the right of exportation (temporary exportation) of cultural valuables, shall be decreased by the price of the gifted cultural valuables.

**3.** The state duty for the state registration of mass media shall be paid subject to the following specifics:

1) when registering advertising mass media, the rate of the state duty for an appropriate mass medium shall be five times as much;

2) for registering mass media of an erotic nature the rate of the state duty for the appropriate mass medium shall be 10 times as much;

3) for registering mass media specialized in making products for children, teenagers and disabled persons, as well as of mass media of educational and cultural purpose the rate of the state duty for the appropriate mass medium shall be reduced to a fifth part thereof.

**4.** Mass media shall be defined as those of an advertising and erotic nature, as those specialised in making products for children, teenagers and disabled persons, as well as those of an educational and cultural nature in compliance with the laws of the Russian Federation.

**5.** The state duty for the right of using the denominations "Russia", "Russia Federation", words and word combinations derived from them in the names of legal entities shall be paid when effecting state registration of a newly-established legal entity or the state registration of the appropriate amendments of the constituent documents of a legal entity.

**6.** The state duty for receiving a numeration resource shall be paid subject to the following specifics:

1) in the event of changing the numeration the state duty for receiving the numeration resource shall not be payable. In the event of a complete or partial withdrawal of the numeration resource provided to a communication operator the state duty paid by it shall not be returned;

2) when reorganizing an organisation in the form of a merger, joining, transformation or redrawing up the right-proclaiming documents in respect of the numeration resource provided to it, the state duty for the previously provided numeration resource shall not be payable;

3) when reorganising an organisation in the form of separation or detachment and redrawing the right-proclaiming documents in respect of the provided numeration resource, the state duty for the previously provided numeration resource shall not be payable.

**Article 333.35.** Privileges for Some Categories of Natural Persons and Organisations

**1.** There shall be relieved of paying the state duty established by this Chapter:

1) federal state power bodies, governmental extra-budgetary funds of the Russian Federation, budgetary institutions and organisations fully financed from the federal budget, the editorial offices of the mass media, except for mass media of an advertising or erotic nature, all-Russia pubic associations, religious associations and political parties - for the right of using the denominations "Russia", "Russian Federation", words and word combinations derived from them in the names of said organisations and associations;

2) courts of general jurisdiction, arbitration courts and justices of the peace - when directing (filing) inquiries to the Constitutional Court of the Russian Federation;

3) courts of general jurisdiction, arbitration courts and justices of the peace, state power bodies of a subject of the Russian Federation - when directing (filing) applications with constitutional (charter) courts of the subjects of the Russian Federation;

4) a federal executive body, an executive body of a subject of the Russian Federation or a local self-government body - when the state registration of issues (additional issues) of state and municipal securities is effected;

5) the Central Bank of the Russian Federation - when the state registration of issues (additional issues) of the emissive securities that are issued for the purpose of implementing the uniform state monetary and credit policy in compliance with the laws of the Russian Federation is effected;

6) organizations - when the state registration of issues (additional issues) of emissive securities that are issued by them for the purpose of restructuring their indebtedness in respect of budgets of all levels (within the term of validity of an agreement on restructuring such indebtedness) is effected, if such securities are transferred and (or) charged in favour of the authorised executive body on the basis of an agreement on repaying the arrears of payments to budgets of all levels;

7) organisations - when the state registration of issues (additional issues) of emissive securities put into circulation in case of an increase of the authorized capital by the amount of reappraisal of basic assets by decision of the Government of the Russian Federation is effected;

8) state and municipal museums, archives, libraries and other state and municipal depositories of cultural values - for the right of temporary exportation of the cultural values that are kept by them on a permanent basis;

9) natural persons - authors of cultural valuables - for the right of exportation (temporary exportation) by them of cultural valuables;

10) state power bodies, local self-government bodies - for placing the apostille, as well as for the state registration of organisations and for the state registration of amendments made to the constituent documents of organisations, for the state registration of liquidation of organisations;

11) natural persons - Heroes of the Soviet Union, Heroes of the Russian Federation and Full Knights of the Order of Glory - in respect of cases tried by courts of general jurisdiction, justices of the peace, by the Constitutional Court of the Russian Federation, when applying to the agencies and (or) to the officials engaged in the commission of notarial actions and to the bodies engaged in the state registration of civil status acts;

12) natural persons - participants and invalids of the Great Patriotic War - in respect of cases tried by courts of general jurisdiction, justices of the peace, by the Constitutional Court of the Russian Federation, when applying to the agencies and (or) to the officials engaged in the commission of notarial actions and to the bodies engaged in the state registration of civil status acts;

13) a natural person - a citizen of the Russian Federation who is the only author of a computer programme, database or of an integrated-circuit diagram and the right owner in respect of it applying for

the registration certificate issued in his name, if such natural person is a veteran of the Great Patriotic War - for committing actions provided for by Items from 4 to 7 of Article 333.30 of this Code;

14) a natural person - a citizen of the Russian Federation who is the only author of a computer programme, database, integrated-circuit diagram and the right owner in respect of it applying for the registration certificate issued in his name, if such natural person is disabled, or a pupil (inmate) of an educational institution (regardless of its property form) - for committing the actions provided for by Items from 4 to 7 of Article 333.30 of this Code.

The privilege provided for by this Subitem shall be likewise granted to the composite authors, or right owners where each member of it is disabled, or is a participant of the Great Patriotic War, or an invalid of the Great Patriotic War.

15) natural persons deemed low-income persons under the Housing Code of the Russian Federation: for the committal of the actions envisaged by Subitem 20 of Item 1 of Article 333.33 of the present Code except for the state registration of limitations (encumbrances) on rights to immovable property items.

**2.** The ground for granting privileges to the natural persons enumerated in Subitems 11 and 12 of Item 1 of this Article shall be the identification card of the established type.

The privileges provided for by Subitems 13 and 14 of Item 1 of this Article shall be granted on the petition of the author (authors). The ground for granting a privilege shall be copies of the appropriate documents: the identification card of a veteran of the Great Patriotic War (war participant), a certificate of the medico-social expert examination and a document issued by an educational institution. The petition for granting the said privileges shall be filed instead of the document proving payment of the state duty, if the privilege is the exemption of paying it, or together with the said document.

A document issued in the established procedure shall be deemed the ground for granting the privilege envisaged by Subitem 15 of Item 1 of the present Article.

**3.** The state duty shall not be payable in the following instances:

1) for issuing an invitation for a foreign citizen or a stateless person to enter the Russian Federation for the purpose of studying at a state or municipal educational institution;

2) for extending the validity of a permit for temporary stay in the Russian Federation issued to a foreign citizen or a stateless person coming to the Russian Federation for the purpose of exercising charitable activities or due to the circumstances connected with the necessity of urgent treatment, serious illness or with the death of a close relative;

3) for exportation of cultural valuables obtained on demand from the unlawful ownership of someone else and returned to the owner thereof;

4) for the state registration of the rights of the Russian Federation, of a subject of the Russian Federation, or of a municipal formation to state or municipal immovable property that is not assigned to state and municipal enterprises and institutions and form part of the national treasury of the Russian Federation and the treasury of a subject of the Russian Federation respectively;

4.1) for the state registration of a right of operative management of an immovable property deemed to be under state or municipal ownership;

5) for the state registration of immovable property arrests;

6) for the state registration of a mortgage rising on the basis of law;

7) for the state registration of an agreement changing the contents of a mortgage deed, including the introduction of appropriate amendments in the Comprehensive State Register of Rights to Immovable Property and Transactions Therewith;

8) for the state registration of the right to an immovable property unit that had risen prior to putting into operation Federal Law No. 122-FZ of July 21, 1997 on the State Registration of Rights to Immovable Property and Transactions with It, when the state registration of the lapse of this right or of a transaction of alienating the immovable property unit is effected. In other instances provided for by Item 2 of Article 6 of the said Federal Law the state duty for the state registration of the right to an immovable property unit that had risen prior to putting into operation of the said Federal Law shall be recovered in the amount equal to half the state duty established by this Chapter for the state registration of rights to immovable property.

9) for the issuance of a Russian Federation citizen's passport to orphan children and children left without parental care;

10) for the performance of actions relevant in law stipulated by Item 3 of Article 12 of the Federal Law on the Organisation and Conduct of the Twenty Second Olympic Winter Games and the Eleventh Paralympic Winter Games of 2014 in the City of Sochi, the Development of the City of Sochi As a Mountain-Climate Health Resort and Amending Certain Legislative Acts of the Russian Federation.

**Article 333.36.** Privileges When Applying to Courts of General Jurisdiction, as Well as to Justices of the Peace

**1.** There shall be relieved of paying the state duty in respect of cases tried by courts of general jurisdiction, as well as by justices of the peace:

1) plaintiffs - when instituting actions for the recovery of wages (salary) and other claims arising from labour relations, as well as when instituting actions for recovery of allowances;

2) plaintiffs - when instituting actions for the recovery of alimony;

3) plaintiffs - when instituting actions for the repair of damages caused by mutilation or other damage to health, as well as by the death of the breadwinner;

4) plaintiffs - when instituting actions for the repair of material and (or) moral damages caused by a crime;

5) organisations and natural persons - for issuing to them documents in connection with criminal cases and cases on the recovery of alimony;

6) the parties - when filing appeals and cassational appeals in respect of divorce actions;

7) organisations and natural persons - when filing with court:

applications for postponement (spreading) of decisions' execution, for changing the way of, or the procedure for, executing decisions, for turning back the execution of a decision, restoration of missed terms, review of a court's decision or ruling in view of newly discovered facts, review of a default judgement by the court that has rendered it;

complaints against the actions of a bailiff, as well as complaints against decisions in respect of cases on administrative offences issued by authorised bodies;

private appeals against court rulings, including those on the security of a claim or on replacing one type of security by another, on termination or suspension of a case, on the refusal to add or reduce the amount of a fine imposed by court;

8) natural persons - when filing cassational appeals in respect of criminal cases where the validity of recovering material damages caused by a crime is disputed;

9) prosecutors - on the application for the protection of rights, freedoms and legitimate interests of citizens, of an indefinite circle of persons or interests of the Russian Federation, of the subjects of the Russian Federation or municipal formations;

10) plaintiffs - when initiating actions for the repair of material and (or) moral damage resulting from criminal prosecution, and also as regards the restoration of rights and freedoms;

11) rehabilitated persons and persons recognized as victims of political repression - when they apply in connection with issues related to the application of the legislation on rehabilitation of victims of political repression, except for disputes between these persons and heirs thereof;

12) forced migrants and refugees - when filing complaints against the refusal to register petitions for recognising them as forced migrants and refugees;

13) the authorised federal executive body in charge of control (supervision) in the field of protection of consumer rights (territorial agencies thereof), as well as other federal executive body exercising the functions of control and supervision in the field of protection of consumers' rights and safety of goods (works and services) (territorial agencies thereof), local self-government bodies, public societies of consumers (their associations and unions) - in respect of claims raised in the interests of a consumer, a group of consumers, an indefinite circle of consumers;

14) natural persons - when filing an application with court for adopting a child;

15) plaintiffs - when cases on the protection of legitimate interests of a child are tried;

16) the Plenipotentiary in the Field of Human Rights in the Russian Federation - when filing an application for verifying an effective decision, sentence, ruling or decision of a court or decision of a judge;

17) plaintiffs - in respect of non-material actions connected with the protection of rights and legitimate interests of disabled persons;

18) applicants in respect of cases on forced hospitalization of a citizen in psychiatric in-patient clinics and (or) on forced psychiatric medical examination;

19) state bodies, local self-government bodies and other bodies applying to courts of law, as well as to justices of the peace in the instances provided for by law for the protection of state and public interests.

**2.** There shall be relieved of paying the state duty in respect of the cases tried by courts of law, as well as by justices of the peace, subject to the provisions of Item 3 of this Article:

1) public associations of disabled persons acting as plaintiffs and defendants;

2) plaintiffs - invalids of the I and II groups;

3) veterans of the Great Patriotic War, veterans of combat operations, military service veterans applying for the protection of rights established by the legislation on veterans;

4) plaintiffs - in respect of the actions connected with violations of consumer rights;

5) plaintiffs - pensioners who receive pensions granted in the procedure established by the pension legislation of the Russian Federation - in respect of material claims against the Pension Fund of the Russian Federation, non-governmental pension funds or federal executive bodies providing pensions to the persons who have carried out military service.

**3.** When filing with courts of general jurisdiction, as well as with justices of the peace, statements of material claim and (or) statements of claim containing both material and non-material claims, the

payers indicated in Item 2 of this Article shall be relieved of paying the state duty, if the cost of a claim does not exceed 1 000 000 roubles. Where the cost of a claim exceeds 1 000 000 roubles, the said payers shall pay the state duty in the amount estimated in compliance with Subitem 1 of Item 1 of Article 333.19 of this Code and reduced by the amount of the state duty payable when the cost of the claim is equal to 1 000 000 roubles.

**Article 333.37.** Privileges When Appling to Arbitration Courts

**1.** There shall be relieved of paying the state duty in respect of the cases tried by arbitration courts:

1) prosecutors, state bodies, local self-government bodies and other bodies applying to arbitration courts in instances provided for by law for the protection of state and (or) public interests;

2) claimants in respect of claims connected with violations of rights and legitimate interests of a child.

**2.** There shall be relieved of paying the state duty in respect of the cases tried by arbitration courts subject to the provisions of Item 3 of this Article;

1) public associations of invalids acting as claimants and respondents;

2) claimants - invalids of the I and II groups.

**3.** When filing with arbitration courts statements of material claim and (or) statements of claim containing both material and non-material claims, the payers indicated in Item 2 of this Article shall be relieved of paying the state duty if the cost of claim does not exceed 1 000 000 roubles. If the cost of claim exceeds 1 000 000 roubles, the said taxpayers shall pay the state duty in the amount estimated in compliance with Subitem 1 of Item 1 of Article 333.21 of this Code and decreased by the amount of the state duty payable when the cost of the claim is equal to 1 000 000 roubles.

**Article 333.38.** Privileges When Applying for the Commission of Notarial Actions

There shall be relieved of paying the state duty for the commission of notarial actions:

1) state power bodies and local self-government bodies when they apply for the commission of notarial actions in the instances provided for by law;

2) invalids of groups I and II by 50 per cent in respect of all types of notarial actions;

3) natural persons - for certifying testaments under which some property is bequeathed to the benefit of the Russian Federation, subjects of the Russian Federation and (or) municipal formations;

4) public associations of disabled persons - in respect of all types of notarial actions;

5) natural persons - for issuing a certificate of the right to inheritance in case of inheriting:

of a dwelling house, as well as of the land plot where the dwelling house is located, of a flat or room or a share of the said immovable property item, if these persons resided together with the testator on the date of the testator's decease and continue to reside in this house (in this flat or room) after the decease thereof;

the property of persons who have perished in connection with their discharge of state or public duties or in connection with their discharge of the duty of a citizen of the Russian Federation related to saving a human life, protection of governmental property, law and order, as well as the property of persons who have become victims of political repression. There shall likewise pertain to deceased persons those who have died prior to the expiry of one year as a result of a wound (contusion) or illness caused by the aforementioned circumstances;

deposits made with banks, monetary funds kept on bank accounts of natural persons, insurance payments under contracts of personal and property insurance, amounts of wages, of copyright and amounts of author's fee provided for by the laws of the Russian Federation on intellectual property and pensions.

The heirs that have not come of age by the date of inheritance commencement, as well as persons with mental disorders who are placed under guardianship in the procedure determined by the laws shall be relieved of paying the state duty upon receiving the certificate of the right to inheritance in all instances, regardless of the type of property to be inherited;

6) heirs of the employees who have been insured at the expense of organisations in case of death and have perished as a result of an accident at the working place (the place of service) - for issuing the certificate of the right to inheritance proving the right of inheriting insurance payments;

7) financial and tax bodies - for issuing thereto the certificates of the right to inheritance of the Russian Federation, of the subjects of the Russian Federation or municipal formations;

8) boarding schools - for making execution inscriptions for recovering from parents arrears of payment for keeping their children in such schools;

9) special teaching and educational institutions for children with deviant (socially dangerous) behavior of the federal executive body authorised in the area of education - for making execution inscriptions for recovering from parents arrears of payments for keeping their children in such institutions;

10) military units, organisations of the Armed Forces of the Russian Federation, and of other troops - for making executive inscriptions for recovering arrears for the purpose of repairing damage;

11) persons who have been wounded while defending the USSR, the Russian Federation and discharging official duties in the Armed Forces of the USSR and the Armed Forces of the Russian Federation - for proving the accuracy of copies of the documents that are necessary for granting privileges;

12) the natural persons recognised in the established order as needy on the improvement of housing conditions - for the certification of transactions of acquiring living accommodation, fully or partially paid from the payments made from the federal budget resources, the budgets of the constituents of the Russian Federation and the local budgets;

13) heirs of internal affairs officers, of military servicemen of internal affairs troops of the federal executive body authorised in the area of internal affairs and of military servicemen of the Russian Federation insured by way of obligatory state personal insurance who have perished in connection with discharging their official duties or who have deceased prior to the expiry of one year as of the date of their discharge as a result of a wound (contusion) or illness suffered within the period of their carrying out service - for issuing certificates of the right to inheritance proving the right to inherit insurance payments under obligatory state personal insurance.

14) natural persons: for the certification of a power of attorney for the receipt of pensions and allowances.

**Article 333.39.** Privileges When Effecting the State Registration of Civil Status Acts

There shall be relieved of paying the state duty for the state registration of civil status acts:

1) natural persons:

for issuing certificates in case of correcting and (or) amending acts of birth in connection with the adoption of a child;

for correcting and (or) amending civil status acts and for issuing certificates in connection with errors made when effecting the state registration of civil status acts through the fault of employees engaged in the state registration of civil status acts;

for issuing certificates of registration of civil status acts for their presentation to authorised bodies in respect of awarding or re-estimating pensions and (or) allowances;

for issuing death certificates when correcting and changing acts of death of persons who have been unreasonably subject to repression and rehabilitated afterwards on the basis of the law on the rehabilitation of victims of political repression, as well as for issuing repeated death certificates in respect of persons of this category;

for issuing notices on the absence of legal status acts for restoring missing civil status acts in the established procedure;

for the state registration of birth, death, including the issuance of certificates;

residing outside of the Russian Federation, including the issuance of statements and documents from archives;

2) administrative bodies of education, custody and guardianship and commissions for affairs of minors and for the protection of their rights - for issuing repeatedly birth certificates for children who are orphans or who are without parents' custody, as well as for issuing repeatedly death certificates in respect of their parents, for amending entries of acts of civil status drawn up for orphan children and for children left without parental care, and for their deceased parents, including the issuance of certificates.

**Article 333.40.** Grounds and Procedure for Returning or Setting-Off the State Duty

**1.** The state duty paid shall be subject to a return in whole or in part in the event of:

1) paying the state duty at the rate higher than that established by this Chapter;

2) return of the application, complaint or other address or a court's refusal to accept them, or refusal to commit notarial actions by the bodies or officials authorized to do it. If the state duty is not returned, its amount shall be entered into the account of paying the state duty when repeatedly bringing the suit, if a three-year term has not expired since the date of rendering the previous decision and the initial document concerning payment of the state duty is attached to the suit;

3) termination proceedings in respect of a case or shelving an application by a court of general jurisdiction or arbitration court.

When making an amicable agreement prior to rendering a decision by an arbitration court, 50 per cent of the amount of the state duty paid by the plaintiff shall be returnable to him/her. This provision shall not apply, if an amicable agreement was made in the course of executing a judicial act of an arbitration court.

The state duty paid in the event of the defendant's voluntary satisfaction of the plaintiff's claims after the latter's application to an arbitration court and issuing the ruling on taking over the statement of claim, as well as when endorsing an amicable agreement by a court of general jurisdiction, shall not be returned;

4) the refusal of the persons who have paid the state duty to commit legally relevant actions before applying to the authorized body (the official) engaged in the commission of this legally relevant action;

5) the refusal to issue the passport of the Russian Federation citizen for exit from the Russian Federation and entry to the Russian Federation certifying in the instances provided for by the laws the identity of the Russian Federation citizen outside the Russian Federation and in the territory of the Russian Federation or the refugee's traveling document.

**2.** Not subject to return shall be the state duty paid for the state registration of marriage, change of the name, the introduction of corrections and (or) amendments in civil status acts, if afterwards the state registration of the appropriate civil status act is not effected or corrections and amendments into civil status acts are not introduced.

3. An application for refund of a state duty amount paid (collected) in excess shall be filed by the payer of the state duty amount with a body (official) empowered to commit the legallysignificant actions for which state duty has been paid (collected).

The application for refund of a state duty amount paid (collected) in excess shall be filed together with original payment documents of the sate duty amount is subject to refund in full or copies of the said payment documents if it is subject to refund only in part.

A decision on refund to a payer of a state duty amount paid (collected) in excess shall be taken by the body (official) committing the actions for which the state duty amount has been paid (collected).

The refund of a state duty amount paid (collected) in excess shall be effected by a federal treasury body.

An application for refund of a state duty amount paid (collected) in excess for cases heard by a court or by a justice of the peace shall be filed by the payer of the state duty amount with the tax body at the place where the court where the case was heard is located.

The application for refund of a state duty amount paid (collected) in excess for cases heard by a general jurisdiction court, an arbitration court, the Constitutional Court of the Russian Federation, and the constitutional (charter) court of a subject of the Russian Federation, a justice of the peace shall be filed together with the decisions, rulings and statements of the courts concerning the circumstances deemed the ground for the refund, in full or in part, of the state duty amount paid (collected) in excess, and the original payment documents if the state duty amount is subject to refund in full, or copies of the payment documents if it is subject to partial refund only.

An application for refund of a state duty amount paid (collected) in excess may be filed within three years after the payment of the said amount.

The refund of a state duty amount paid (collected) in excess shall be effected within one month after the filing of the refund application.

**4.** The state duty for the state registration of rights, limitation (charging) of rights to immovable property and transactions with it, in the event of denial of the state registration, shall not be subject to return.

In the event of termination of the state registration of a right, limitation (charging) of a right to immovable property or a transaction with it on the basis of the appropriate applications of the parties to the contract, half of the paid state duty shall be returned.

5. Abrogated from January 1, 2007.

6. A payer of the state duty shall be entitled to the set-off of the state duty paid (recovered) in excess on account of the amount of state duty payable for committing a similar action.

The said set-off shall be effected on the application of a payer presented to the authorised body (official) where he/she has applied for committing a legally relevant action. The application for setting off the amount of state duty paid (recovered) in excess may be filed within three years as of the date of rendering the appropriate court decision on the return of the state duty from the budget or of the date of paying this amount to the budget. The following shall be attached to the application for setting off the amount of state duty paid (recovered) in excess: decisions, rulings and certificates of courts, bodies or officials exercising actions for which the state duty is to be paid, on the circumstances serving as a basis for the complete return of the state duty, as well as payment orders or receipts bearing the authentic note of a bank proving the return of the state duty.

**7.** The return or set-off of the state duty paid (recovered) in excess shall be carried out in the procedure established by Chapter 12 of this Code.

**Article 333.41.** Specifics of Allowing to Postpone Payment of the State Duty or to Pay It by Installments

**1.** The payment of state duty shall be postponed or it shall be allowed to pay it in installments on the application of the person concerned within the term established by Item 1 of Article 64 of the present Code.

**2.** Interest shall not be accrued on the amount of the state duty, whose payment is allowed to be postponed or to be made in installments for the whole time period for which the postponement of payment or payment in installments is allowed.

**Article 333.42.** Ensuring Observance of Provisions of this Article

Tax bodies shall verify the correctness of charging and paying the state duty at the state notary's offices, civil registration offices and other bodies and organisations exercising in respect of payers actions for which the state duty is recoverable under this Article.

The bodies and officials indicated in Item 1 of Article 333.16 of this Code shall submit to the customs bodies information about the performance of legally significant actions in the procedure established by the Ministry of Finance of the Russian Federation.

## Chapter 26. The Mineral Resource Recovery Tax

**Article 334.** Taxpayers

Taxpayers of the mineral resource recovery tax (hereinafter in the present chapter referred to as "taxpayers") shall be deemed organisations and individual entrepreneurs recognised as users of subsoil under Russian law.

**Article 335.** Registration as a Taxpayer of the Mineral Resource Recovery Tax

**1.** Taxpayers shall be registered as taxpayers of the mineral resources recovery tax (hereinafter referred to as "the tax") at the location of the tract of sub-soil granted to the taxpayer for use under Russian law, except as otherwise required under Item 2 of the present Article within 30 calendar days as of the moment of state registration of a license (permit) for using a tract of sub-soil. With this, for the purposes of this Chapter, as the location of the tract of sub-soil granted to a taxpayer for use there shall be recognized the territory of the subject (subjects) of the Russian Federation where the tract of sub-soil is situated.

**2.** Taxpayers performing mineral resource recovery on the continental shelf of the Russian Federation, in the exclusion economic zone of the Russian Federation and also outside of the territory of the Russian Federation if the recovery is being pursued on territories under the jurisdiction of the Russian Federation (or rented from foreign states or used under an international treaty) in a tract of sub-soil granted to the taxpayer for use shall be subject to registration as taxpayers of the tax at the place of an organization or at the place of residence of a natural person location.

**3.** The specifics of the tax registration of taxpayers as payers of a tax shall be determined by the Ministry of Finance of the Russian Federation.

**Article 336.** Tax Basis

**1.** Taxation basis for the purposes of the mineral resources recovery tax (hereinafter in the present Chapter referred to as "the tax") shall be as follows, except as otherwise required by Item 2 of the present article:

1) mineral resources recovered from sub-soil on the territory of the Russian Federation in a sub-soil tract granted to a taxpayer for use under Russian law;

2) mineral resources extracted from recovery production waste (lost rock) if such an extraction is subject to a separate licensing under the Russian legislation on sub-soil;

3) mineral resources recovered from sub-soil outside of the territory of the Russian Federation if the recovery is done on territories under the jurisdiction of the Russian Federation (and also rented from foreign states or used under an international treaty) in a tract of sub-soil granted to a taxpayer for use.

**2.** For the purposes of the present chapter the following shall not be deemed a tax basis:

1) generally-spread mineral resources recovered by an individual entrepreneur and used by him directly for his personal consumption;

2) mineralogical, paleontological and other geological collection items recovered (collected);

3) mineral resources recovered from sub-soil in the case of formation, use, re-construction and repair of specially-protected geological objects having scientific, cultural, aesthetic, sanitary rehabilitation or another public significance. The procedure for the recognition of geological objects as specially-protected geological objects having scientific, cultural, aesthetic, sanitary-rehabilitation or another public significance shall be established by the Government of the Russian Federation;

4) mineral resources extracted from a mining/recovery processing facility's or mining/recovery-related processing facilities own dump or waste (lost rock) if they were generally taxable before when recovered.

5) drainage underground water not included into the state balance sheet of mineral resources extracted when developing mineral deposits or when constructing and operating underground structures.

**Article 337.** Recovered Mineral Resources

1. For the purposes of the present chapter the mineral resources specified in Item 1 Article 336 of the present Code shall be called recovered mineral resources. Here the "mineral resource" shall mean an output of mineral resource industry and of quarrying (if not otherwise provided for by Item 3 of this Article) contained in a mineral raw material (rock, fluid and another blend) actually recovered (extracted) from sub-soil (waste, lost rock), the former being in compliance with a state standard of the Russian Federation, an industrial standard, regional standard, international standard in terms of its quality or in the absence of such standards in respect of a specific recovered mineral resource, in compliance with an organisation's (enterprise's) standard (specifications).

The products received as a result of further processing (dressing, technological process) of a mineral which are products of manufacturing industry may not be deemed a mineral.

2. Below are the types of mineral resources:

1) anthracite, coal, bituminous coal, lignite and combustible shale;

2) peat;

3) hydrocarbon raw material:

water-free, salt-free and stabilized oil;

gas condensate from all types of hydrocarbon raw material deposits that has undergone the recovery preparation technology in accordance with the technical design for developing the deposit before it was dispatched for processing. For the purposes of the present article the "processing of gas condensate" means the separation of helium, sulphur and other components and admixtures, if any, the production of a stable condensate, a broad fraction of light hydrocarbons and of the products of processing thereof;";

combustible natural gas (solute gas or the mixture of solute gas and casing-head gas) from all types of hydrocarbon raw material deposits extracted from oil wells (hereinafter referred to as accompanying gas);

combustable natural gas from all types of hydrocarbon raw material deposits, save for accompanying gas);

4) commodity ores:

of ferrous metals (iron, manganese, chromium);

non-ferrous metals (aluminium, copper, nickel, cobalt, lead, zinc, tin, tungsten, molybdenum, antimony, mercury, magnesium and other nonferrous metals which are not stipulated in other groupings);

rare metals forming their own deposits (titanium, zirconium, niobium, rare earth, strontium, lithium, beryllium, vanadium, germanium, caesium, scandium, selenium, zirconium, tantalum, bismuth, rhenium, rubidium);

multi-component complex ores;

5) useful components of a multi-component complex ore extracted from it, in the case of their being sent within an organization for further processing (dressing, technological process).

6) mining chemical non-metal raw materials (apatite-nephelinic and phosphorite ores, potassium, magnesium and rock salts, boron ores, sodium sulphate, natural sulphur and sulphur in gas, iron pyrite and complex ore deposits, barite, asbestos, iodine, bromine, fluorspar, earth dyes (mineral pigments), carbonaceous rock and other types of non-metal mineral resources for chemical and mineral fertiliser industry);

7) mining non-metal raw materials (abrasive rocks, vein quartz (except special-purity quartz and piezo-optical raw materials), quartzite, carbonaceous rock for metallurgy, quartz-feldspar and siliceous raw materials, glass sands, natural graphite, talcum (steatite), magnesite, talcummagnesite, pyrophyllite, mica-muscovite, mica-phlogopite, vermiculite, refractory clay for the production of drilling slurries and sorbents, other mineral resources not included in other groups);

8) bituminous rocks (safe for those indicated in Subitem 3 of this Item);

9) rare metal raw materials (trace elements) (in particular, indium, cadmium, tellurium, thallium, gallium) and also other recovered mineral resources being associated components in the ores of other mineral resources;

10) non-metal raw materials basically used in the building industry (gypsum, anhydrite, natural chalk, dolomite, limestone fusion agents, limestone, calcareous rock for the manufacture of lime and cement, natural building sand, pebbles, gravels, sand and gravel blends, building stone, siding stone, marl, clay, other non-metal mineral resources used in the building industry);

11) quality products of piezo-optical raw materials, special-purity quartz raw materials and fine gem raw materials (topaz, nephrite, jadeite, rhodonite lazurite, amethyst, turquoise, agate, jasper and others);

12) natural diamonds, other precious stones from bedrock, gravel and man-made deposits, in particular, rough, graded and classified stones (natural diamonds, ruby, emerald, sapphire, alexandrite, amber);

13) concentrated and other semi-products containing precious metals (gold, silver, platinum, palladium, iridium, rhodium, ruthenium, osmium) obtained at the recovery of precious stones, i.e. the recovery of precious metals from bedrock (ore), gravel and man-made deposits;

14) natural salt and pure sodium chloride;

15) underground waters containing mineral resources (industrial water) and/or natural medical treatment resources (mineral water), as well as thermal water;

16) raw stuff of radioactive metals (in particular, uranium and thorium).

**3.** As a mineral resource there shall be likewise deemed the products being the results of developing a deposit which are received mineral raw material by means of processing technologies which are special types of recovery works (in particular, underground gasification and leaching, dredging and hydraulic excavation in gravel deposits, hydraulicking) and also the processes classified in compliance with mineral licenses as special type of recovery works (in particular, mineral resource recovery from overburden or ore dressing tailings, oil-spill collection by means of special-purpose machines).

**Article 338.** Tax Base

**1.** The taxpayer shall be responsible for determining his tax base in respect of every recovered mineral resource (in particular, useful components extracted from sub-soil in association with the recovery of a main mineral resource).

**2.** The tax base shall be determined as the value of recovered mineral resources, except for dry, desalinized and stabilized oil, accompanying gas and combustible natural gas from all types of hydrocarbon raw material deposits. The value of recovered mineral resources shall be determined in compliance with Article 340 of the present Code.

The tax base, when extracting dry, desalinized and stabilized oil, accompanying gas and combustible natural gas, from all types of hydrocarbon raw material deposits, shall be determined as the quantity of extracted minerals in kind.

**3.** The quantity of recovered mineral resources shall be determined in compliance with Article 339 of the present Code.

**4.** A tax base shall be determined separately for each recovered mineral resource defined under Article 337 of the present Code.

**5.** In respect of the recovered mineral resources for which different tax rates are established or the tax rate is calculated subject to a coefficient, the tax base shall be determined as applied to each tax rate.

**Article 339.** Procedure for Determining the Quantity of a Recovered Mineral Resource

**1.** The taxpayer shall be responsible for determining the quantity of a recovered mineral resource. Depending on the recovered mineral resource its quantity shall be determined in weight or volume units.

**2.** The quantity of a recovered mineral resource shall be determined directly (through the application of metering means and devices) or indirectly (by means of calculations, by the data on the content of recovered mineral resource in a mineral raw material (waste, lost rock) extracted from sub-soil, except as otherwise required by the present Article. If its is impossible by a direct method an indirect method shall be applied.

The method applied by the taxpayer to determine the quantity of a recovered mineral resource shall be subject to approval within the accounting philosophy of the taxpayer for taxation purposes and it shall be applied by the taxpayer during the whole period of recovery of the mineral resource. The mineral resource quantity assessment method approved by the taxpayer may be changed only if changes are introduced in the technical design of mineral deposit mining in connection with changes in the applied technology of recovering mineral resources.

**3.** Here, if the taxpayer applies a direct mineral resource quantity assessment method the quantity of a recovered mineral resource shall be determined with account taken of actual loss of the mineral resource.

As the actual loss of a mineral there shall be recognized the difference between the estimated quantity of the mineral by which the mineral reserve is decreased and the quantity of the actually recovered mineral determined on the completion of the full technological cycle of the mineral recovery. The actual losses of a mineral shall be accounted when determining the quantity of the recovered mineral in the tax period, in which the measurement thereof was made, in the amount determined on the basis of the results of the measurements made.

**4.** When precious metals are extracted from bedrock (ore), gravel and man-made deposits the quantity of a recovered mineral resource shall be determined according to the data from the recovery compulsory records kept under the legislation of the Russian Federation on precious metals and precious stones.

Precious metal nuggets not intended for processing shall be recomineral resource mentioned in Paragraph 1 of the present Item. Furthermore, a tax base shall be determined separately in respect of such nuggets.

**5.** When precious stones are extracted from bedrock, gravel and manmade deposits the quantity of a recovered mineral resource shall be determined after the primary grading, primary classification and primary valuation of rough stones. Here, unique precious stones shall be recorded separately and a tax base shall be determined separately in respect of such stones.

**6.** The quantity of a recovered mineral defined in compliance with Article 337 of this Code as useful components contained in recovered multi-component complex ore shall be determined as the quantity of the ore component in chemically pure form.

**7.** When determining the quantity of a mineral recovered in a tax period, there shall be accounted the mineral in respect of which a complex of manufacturing operations (processes) related to recovery (extraction) of the mineral from sub-soil (waste, spoil) was completed in the tax period, if not otherwise provided for by Item 8 of this Article.

With this, when developing a mineral deposit under a license (permit) for recovery of the mineral, the whole complex of manufacturing operations (processes) stipulated by the preliminary design of developing the deposit of the mineral shall be taken into account.

**8.** When selling and (or) using mineral raw stuff prior to completing the development of a mineral deposit, the quantity of a mineral recovered in a tax period shall be determined as the quantity of the mineral contained in said mineral raw stuff sold or used for one's own needs in the given tax period.

**Article 340.** Procedure for Valuating Recovered Mineral Resources When Tax Base Is Calculated

**1.** The taxpayer shall be responsible for valuating recovered mineral resources by one of the below methods:

1) on the basis of the taxpayer's prevailing selling prices in a relevant tax period with no account taken of subsidies;

2) on the basis of the taxpayer's selling prices of a recovered mineral resource prevailing in a relevant tax period;

3) on the basis of the rated value of the recovered mineral resources.

**2.** If the taxpayer applies the assessment method specified in Subitem 1 Item 1 of the present article the value of unit of recovered mineral resource shall be assessed on the basis of proceeds determined with the taxpayer's selling prices of the recovered mineral resource prevailing in the current tax period (or in the absence thereof, in the preceding tax period) with no account taken of subsidies out of the budget aimed at reimbursing the difference between wholesale price and rated value.

In such a case proceeds from the sale of a recovered mineral resource shall be determined on the basis of selling prices (less the sum of subsidies from the budget) determined with due regard to the provisions of Article 40 of the present Code, less the value added tax (in the case of sale on the territory of the Russian Federation and to the member states of the Commonwealth of Independent States) and excise tax reduced by the sum of the taxpayer's delivery expenses depending on delivery terms.

Where the proceeds from the sale of a recovered mineral are received in foreign currency, it shall be conversed into roubles at the exchange rate established by the Central Bank of the Russian Federation as on the date of sale of the recovered mineral determined depending on the method of recognizing incomes selected by a taxpayer in compliance with Article 271 or Article 273 of this Code.

For the purposes of the present chapter the sum of delivery expenses shall include expenses incurred towards customs duties and fees relating to foreign trade deals, the expenses incurred through the delivery (transportation) of the recovered mineral resource from finished-product warehouse (recording centre, main pipeline entry, a centre for shipping to a consumer or for processing, consignee network partition points and other similar conditions) to the consignee and also compulsory cargo insurance expenses calculated under Russian law.

For the purposes of the present chapter the delivery (transportation) expenses relating to the movement of a recovered mineral resource to the consignee, in particular include the expenses of delivery (transportation) by means of main pipelines, railway, waterway and other means of transport, the expenses of drainage, filling, loading, unloading and transhipment, charges of services at the ports and transportation/forwarding charges.

The assessment shall be done separately in respect of each type of recovered mineral resource on the basis of the selling prices for a relevant recovered mineral resource.

The value of a recovered mineral resource shall be determined as the quantity of the recovered mineral resource calculated under Article 339 of the present Code times the unit value of the recovered mineral resource calculated under the present item.

The unit value of a recovered mineral resource shall be calculated as the ratio of proceeds from the sale of the recovered mineral resource calculated under the present item to the quantity of the sold recovered mineral resource.

**3.** If there are no subsidies for the selling prices of a recovered mineral resource the taxpayer shall apply the assessment method specified in Subitem 2 Item 1 of the present article. In such a case the valuation of a unit of the recovered mineral resource shall be effected on the basis of proceeds from the

sale of the recovered mineral resource calculated on the basis of selling prices with due regard to the provisions of Article 40 of the present Code less the value added tax (in the case of sale on the territory of the Russian Federation and to the member states of the Commonwealth of Independent States) and excise tax reduced by the sum of the taxpayer's delivery expenses depending on the delivery terms.

Where the proceeds from the sale of a recovered mineral are received in foreign currency, it shall be conversed into the currency of the Russian Federation at the exchange rate established by the Central Bank of Russian Federation as on the date of sale the recovered mineral determined depending on the method of recognizing incomes selected by a taxpayer in compliance with Article 271 or Article 273 of this Code.

For the purposes of the present chapter the sum of delivery expenses shall include expenses incurred towards customs duties and fees relating to foreign trade deals, the expenses incurred through the delivery (transportation) of the recovered mineral resource from finished-product warehouse (recording centre, main pipeline entry, a centre for shipping to a consumer or for processing, consignee network partition points and other similar conditions) to the consignee and also compulsory cargo insurance expenses calculated under Russian law.

For the purposes of the present chapter the delivery (transportation) expenses relating to the movement of a recovered mineral resource to the consignee, in particular include the expenses of delivery (transportation) by means of main pipelines, railway, waterway and other means of transport, the expenses of drainage, filling, loading, unloading and transhipment, charges of services at the ports and transportation/forwarding charges.

The assessment shall be done separately in respect of each type of recovered mineral resource on the basis of the selling prices for a relevant recovered mineral resource.

The value of a recovered mineral resource shall be determined as the quantity of the recovered mineral resource calculated under Article 339 of the present Code times the unit value of the recovered mineral resource calculated under the present item.

The unit value of a recovered mineral resource shall be calculated as the ratio of proceeds from the sale of the recovered mineral resource calculated under the present item to the quantity of the sold recovered mineral resource.

**4.** Where a taxpayer does not sale a recovered mineral, he shall apply the method of assessment indicated in Subitem 3 of Item 1 of this Article.

In such a case the taxpayer shall be responsible for assessing the rated value of a recovered mineral resource according to tax record data. Here, the taxpayer shall apply the incomes and expenses recognition procedure he uses for calculating tax base for the purposes of the tax on profits of organizations.

The following types of expenses incurred by the taxpayer in the tax period shall be taken into account in the determination of the rated value of a recovered mineral resource:

1) material expenses calculated in keeping with Article 254 of the present Code, save material expenses incurred in the course of storage, transportation, packing and other preparation (in particular, pre-sale preparation), and sale of the recovered mineral resources (including material expenses, as well as safe for the outlays made by the taxpayer in the manufacture and sale of other types of products, goods (works, services);

2) remuneration for labour expenses calculated in compliance with Article 255 of the present Code, save expenses towards remuneration for the labour of workers not engaged in the recovery of minerals;

3) accrued depreciation calculated in compliance with the procedure established by Articles 258 - 259 of the present Code, save the sums of accrued depreciation on depreciated assets not relating to recovery of minerals;

4) fixed asset repair expenses calculated in compliance with the procedure established by Article 260 of the present Code, save fixed asset repair expenses not relating to recovery of minerals;

5) natural resource mining expenses calculated in compliance with Article 261 of the present Code;

6) the expenses stipulated in Subitems 8 and 9 of Article 265 of the present Code, save the expenses indicated therein as not relating to recovery of minerals;

7) other expenses calculated in compliance with Articles 263, 264 and 269 of the present Code, save other expenses not relating to recovery of minerals.

When the rated value of a recovered mineral resource is determined the expenses specified in Articles 266, 267 and 270 of the present Code shall not be taken into account.

Here, the direct expenses made by a taxpayer in the tax period shall be distributed among recovered mineral resources and work-inprocess as of the end of the tax period. The work-in-process balance shall be determined and assessed with due regard to the peculiarities specified in Item 1 Article 319 of the present Code. When determining the estimated cost of a recovered mineral there shall be likewise accounted the indirect outlays determined in compliance with Chapter 25 of this Code. With this, the indirect outlays made by a taxpayer during a report (tax) period shall be distributed between the

outlays on the recovery of minerals and the outlays on other activities of a taxpayer in proportion to the share of the direct expenses pertaining to the recovery of minerals in the total amount of direct expenses. The total amount of the outlays made by a taxpayer in a tax period shall be distributed between recovered minerals in proportion to the share of each recovered mineral in the total quantity of recovered minerals in this tax period. The sum of indirect expenses relating to the mineral resources recovered in the tax period shall be included in full in the rated value of the mineral resources recovered in the relevant tax period.

**5.** Assessment of the cost of the precious metals extracted from ledge (ore), gravel and man-caused deposits shall be made reasoning from a taxpayer's selling prices of chemically pure metal in an appropriate tax period without taking into account the value-added tax, decreased by the outlays of a taxpayer on the affinage and delivery (transportation) thereof to the recipient (and in the absence of such prices - from those in the nearest of the previous tax periods).

With this, the cost of one unit of said recovered mineral shall be determined as the product of the share (in natural indicators) of a chemically pure metal in one unit of the recovered mineral and the cost of one unit of the chemically pure metal.

**6.** Assessment of the cost of recovered precious stones shall be made proceeding from their initial assessment made in compliance with the laws of the Russian Federation on precious metals and precious stones.

Assessment of the cost of recovered unique precious stones and unique nuggets of precious metals which are not subject to processing shall be made proceeding from their selling prices without taking into account the value-added tax decreased by the amounts of a taxpayer's outlays on the delivery (transportation) thereof to the recipient.

**Article 341.** Tax Period

A calendar month shall be deemed a tax period.

**Article 342.** Tax Rate

**1.** Taxation shall be effected at zero tax rate (0 roubles, where the tax base in respect of an extracted mineral is determinable in compliance with Article 338 of this Code as the quantity of extracted minerals in kind) in the case of recovery of:

1) mineral resources in as much as rated mineral resource loss is concerned.

For the purposes of the present Chapter the "rated losses of mineral resources" means the actual losses of mineral resources occurring during recovery which are technologically relating to the accepted deposit mining scheme and technology, within the maximum limits on rated losses endorsed in compliance with the procedure established by the Government of the Russian Federation;

If at maturity of the tax payment on the basis of the results of the first tax period of a regular calendar year a taxpayer has no approved normative standards of losses for the regular calendar year, pending the approval of the said normative standards of losses the normative standards of losses previously approved in the procedure established by Paragraph Two of this Subitem or, in respect of a deposit being mined, the normative standards of losses established by a preliminary design shall apply;

2) accompanying gas;

3) underground waters containing mineral resources (industrial waters) the extraction of which is connected with the mining of other types of mineral resources and which are recovered in the course of mineral deposit mining and in the case of construction and operation of underground structures;

4) mineral resources in the case of mining of low-quality (remaining low-quality) mineral deposits or mineral deposits written off earlier (except for the cases of a deterioration in the quality of a mineral deposit as the result of a selective mining). Mineral deposits shall be classified as "low-quality" in the manner established by the Government of the Russian Federation;

5) the mineral resources remaining in overburdens, diluting (impoverishing) rock, processing facility dumps or waste in connection with the lack of know-how in the Russian Federation for extracting them and also mineral resources mined from overburdens and diluting (impoverishing) rock, mining facility waste and mining-related facility waste (in particular, resulting from oil slurry processing) within the maximum limits on the content of mineral resources in the said rock and waste endorsed in the manner established by the Government of the Russian Federation;

6) mineral waters used by a taxpayer exclusively for medical treatment and health rehabilitation purposes without a direct sale thereof (in pathereof (in particular, treatment, preparation, processing and bottling into containers);

7) underground waters used by a taxpayer exclusively for agricultural purposes, in particular, in irrigation of agricultural-purpose land, water supply to animal farms, comprehensive animal facilities, poultry farms, fruit and vegetable gardening and animal-breeding associations of citizens;

8) oil on the subsoil plots located in full or in part within the bounds of the Republic of Sakha (Yakutia), the Irkutsk Region, the Krasnoyarsk Territory up to achieving the total oil production volume of 25 million tons on a subsoil plot and on condition that the time period for mining deposits of the subsoil plot does not exceed 10 years or is equal to 10 years in respect of the licence for subsoil use, aimed at

exploration and extraction of minerals, and does not exceed 15 years or is equal to 15 years in respect of the licence for subsoil use concurrently aimed at geological investigations (search and exploration) and extraction of minerals, as of the date of the state registration of the appropriate licence for subsoil use, with the application of the direct method of accounting oil production on specific subsoil plots.

In respect of using the subsoil plots for which the licence is issued prior to January 1, 2007 and whose degree of resources' working out (Sv) as of January 1, 2007 is less than, or is equal to, 0,05, the tax rate of 0 roubles in respect of the quantity of a mineral produced on a specific subsoil plot shall apply pending achievement of the total oil production volume of 25 million tons on the subsoil plots located in full or in part within the bounds of the Republic of Sakha (Yakutia), the Irkutsk Region, the Krasnoyarsk Territory and on condition that the time period for mining deposits on a subsoil plot does not exceed 10 years or is equal to 10 years , starting from January 1, 2007 and using the direct method of accounting the quantity of produced oil on specific subsoil plots.

With this, the degree of mineral resources' working out (Sv) on a specific subsoil plot shall be estimated by a taxpayer independently on the basis of data of the approved state balance sheet of mineral resources in compliance with Item 4 of this Article;

9) superviscous oil produced on the subsoil plots containing oil with the viscosity of over 200 mPa x S (in stratal conditions), using the direct method of accounting the quantity of produced oil on specific subsoil plots.

**2.** If not otherwise provided for by Item 1 of this Article, taxes shall be levied at the tax rate of:

3,8 per cent, as regards the recovery of potassium salts;

4,0 per cent, as regards the recovery of:

peat;

coal, lignite, anthracite and shale oil;

Apatite-nipheline, apatite and phosphorite ores;

4,8 per cent for the recovery of conditioned ferrous metal ore;

5,5 per cent for the recovery of:

radioactive metal raw materials;

non-metal mining chemical raw materials (except for potassium salts, apatite-niphelimic, apatite and phosphorite ores);

non-metal raw materials used mainly in building industry;

natural salt and pure sodium chloride;

underground industrial and thermal waters;

nephelines and bauxites;

6,0 per cent for the recovery of:

non-metal mining raw materials;

bituminous rocks;

concentrates and other intermediate products containing gold;

other minerals which are not included into other groupings;

6,5 per cent for the recovery of:

concentrates and other intermediate products containing precious metals (safe for gold);

precious metals which are useful components of multicomponent complex ore (safe for gold);

quality piezo-optical raw material, high-purity quartz raw material and gem raw material products;

7,5 per cent for the recovery of mineral water;

8,0 per cent or the recovery of:

conditioned non-ferrous metal ores (safe for nephelines and bauxites);

rare metals either making up their own deposits or associated in ores with other mineral resources;

multi-component complex ores, as well as useful components of complex ores, except for precious metals;

natural diamonds and other precious and semi-precious stones;

419 roubles per 1 ton of dry, desalinized and stabilized oil produced. With this, the said tax rate shall be multiplied by the coefficient showing the dynamics of world oil prices (Kts) and by the coefficient showing the degree of working out of a specific subsoil plot (Kv) which shall be determined in compliance with Items 3 and 4 of this Article: 419 x Kts x Kv;

17.5 per cent for recovery of gas condensate from all types of hydrocarbon raw material deposits;

147 roubles per 1,000 cubic metres of gas for recovery of combustible natural gas from all types of hydrocarbon raw material deposits.

The taxpayers which have accomplished on their own account prospecting and exploration of the mineral deposits/fields they are mining or which have reimbursed the state in full for the expenses incurred towards the prospecting and exploration of an appropriate quantity of reserves of such minerals and which have been relieved as of July 1, 2001 under federal law from their duty to make deductions towards renewal of mineral and raw material reserves in respect of exploitation of such deposits/fields

shall pay the tax on the minerals recovered in a specific license tract with the co-efficient of 0.7 being applied.

**3.** The coefficient showing the dynamic of world oil prices (Kts) shall be determined by a taxpayer independently on an annual basis by way of multiplying the average level of Urals oil price within the tax period shown in US dollars per barrel (Ts), which is decreased by 9, by the average value of the US dollar exchange rate within the tax period in respect of the rouble of the Russian Federation established by the Central Bank of the Russian Federation (R) and by way of division by 261:

$$Kts = (Ts - 9) \times \frac{R}{261}$$

The average level of Urals oil prices within an expired tax period shall be determined as the sum of simple averages of purchasing and selling prices in world crude oil markets (in the Mediterranean and Rotterdam ones) for all days of sales divided by the number of days of sales in the appropriate tax period. Average levels of Urals crude oil prices in world crude oil markets for an expired month (in the Mediterranean and Rotterdam ones) shall become public through official sources of information at latest on the 15th day of the following month in the procedure established by the Government of the Russian Federation. In the absence of said information in reports of the official sources of information, the average level of Urals crude oil prices in world crude oil markets within an expired month (in the Mediterranean and Rotterdam ones) shall be determined by a taxpayer independently.

The average value of the exchange rate of the US dollar towards the rouble of the Russian Federation established by the Bank of Russia shall be determined by a taxpayer independently as the simple average of the exchange rate of the US dollar towards the rouble of the Russian Federation established by the Central Bank of the Russian Federation for all days of the appropriate tax period.

The Kts coefficient estimated in the procedure determined by this Item shall be approximated to the 4th character in compliance with the effective approximation procedure.

**4.** The coefficient showing the degree of resources' working out on a specific subsoil plot (Kv) shall be determined by a taxpayer in the procedure established by this Item.

If the degree of resources' working out on a specific subsoil plot, determined by using the direct method of accounting the quantity of produced oil on a specific subsoil plot, exceeds, or is equal to, 0,8 and is less or equal to 1, the Kv coefficient shall be estimated on the basis of the following formula:

$$Kv = 3{,}8 - 3{,}5 \times \frac{N}{V},$$

Where N - is the total oil production volume on a specific subsoil plot (including losses in the production thereof) according to the data of the state balance sheet of mineral resources approved in the year, preceding the year of the tax period;

V - is the initial unit oil resources endorsed in the established procedure subject to oil recources' increment and writing-off (except for writing off resources of produced oil and losses in the production thereof) and determined as the total of resources pertaining to Categories A, B, C1 and C2 on a specific subsoil plot in compliance with data of the state balance sheet of mineral resources as of January 1, 2006.

Where the degree of resources' working out on a specific subsoil plot, determinable by using the direct method of accounting the quantity of produced oil on a specific subsoil plot, exceeds 1, the Kv coefficient shall be taken as equal to 0,3.

In other cases which are not specified by paragraphs two and six of this Item, the Kv coefficient shall be taken as equal to 1.

The degree of resources' working out on a specific subsoil plot (Sv) shall be estimated by a taxpayer independently on the basis of data from the approved state balance sheet of mineral resources as the quotient of dividing the total oil production volume on a specific subsoil plot (including losses in the production thereof) (N) by the initial unit oil resources (V). With this, the initial unit oil resources endorsed in the established procedure subject to oil resources' increment and writing off (except for writing produced oil resources and losses in the productuin thereof) shall be determined as the total of resources

pertaining to Categories A, B, C1 and C2 in respect of a specific subsoil plot in compliance with data of the state balance sheet of mineral resources as of January 1, 2006.

For oil, extracted from the plots of subsoil resources, on each of which the degree of exhaustion exceeds 0.8, if it is prepared until conformity to the demands of Item 1 of Article 337 of the present Code at a uniform technological object, the tax payer shall have the right to apply the maximum value of the Kv coefficient for the summary amount of oil supplied to the given technological object.

The federal executive body engaged in keeping in the established procedure the state balance sheet of mineral resources shall send to the tax authorities data of the state balance sheet of mineral resources as of the 1st day of each calendar year, including the following:

denomination of the subsoil user;

requisite elements of the licence for subsoil use;

data on the total oil production volume (including losses in the production thereof) and on the initial unit oil resources (including losses in the production thereof) endorsed in the established procedure subject to all oil resource categories' increment and writing-off (except for writing-off produced oil resources and losses in the production thereof) (V) on a specific subsoil plot. The data shall be submitted after issuing the state balance sheet of mineral resources as of the 1st day of each calendar year but at latest on the 1st day of the next calendar year. The Kv coefficient estimated in the procedure determined by this Item shall be approximated to the 4th character in compliance with the effective approximation procedure.

**Article 343.** Procedure for Calculating and Paying the Tax

**1.** The amount of the tax on recovered minerals, if not otherwise provided for by this Article, shall be calculated as an appropriate percentage share of a tax base corresponding to the tax rate.

The amount of the tax on dry, desalinized and stabilized oil, accompanying gas and combustible natural gas from all types of hydrocarbon raw material deposits shall be estimated as the product of the appropriate tax rate and the amount of the tax base.

**2.** The sum total of the tax shall be calculated in respect of the results of each tax period for each type of recovered mineral resources. The tax shall be payable at the location of each track of sub-soil a taxpayer is allowed to use in compliance with the laws of the Russian Federation. With this, the amount of payable tax shall be calculated proceeding from the share a mineral recovered at each tract of sub-soil in the total quantity of recovered mineral of an appropriate type.

**3.** The amount of the tax calculated with regard to the minerals recovered beyond the territory of the Russian Federation shall be payable at the location of an organization or the place of residence of an individual businessmen.

**Article 344.** Terms for Payment of Tax

The amount of tax payable according to the results of a tax period shall be paid at the latest on the 25th day of the month following the expired tax period.

**Article 345.** Tax Return

**1.** The taxpayer's duty to file a tax return occurs beginning from the tax period in which the actual recovery of mineral resources commenced.

A tax declaration shall be submitted by a taxpayer to the tax agencies at the location (place of residence) of the taxpayer.

**2.** The tax return shall be filed not later than the last date of the month following the past tax period.

**Article 346.** Abrogated.

## Section VIII. 1. Special Tax Regimes

### Chapter 26.1. A Taxation System for Agricultural Producers (Uniform Agricultural Tax)

**Article 346.1.** The General Terms for Application of the Taxation System for Agricultural Producers (Uniform Agricultural Tax)

**1.** A taxation system for agricultural producers (uniform agricultural tax) (hereinafter referred to in this Chapter as the uniform agricultural tax) is established by this Code and shall be applicable along with other taxation procedures provided for by the legislation of the Russian Federation on taxes and fees.

**2.** Organisations and individual businessmen that are agricultural commodity producers in compliance with this Article shall be entitled to switch over voluntarily to payment of uniform agricultural tax in the procedure provided for by this Chapter.

**3.** Organisations that are payers of uniform agricultural tax shall be relieved of the duty to pay tax on the profits of organisations, tax on the property of organisations and uniform social tax. Organisations which are payers of uniform agricultural tax shall not be deemed payers of value-added tax (except for value-added tax payable in compliance with this Code when importing commodities into the customs territory of the Russian Federation, as well as the value-added tax payable in compliance with Article 174.1 of this Code).

Organizations which have switched over to paying the uniform agricultural tax shall pay obligatory pension insurance premiums in compliance with laws of the Russian Federation.

Other taxes and fees shall be payable by the organizations, which have switched over to paying the uniform agricultural tax, in compliance with other taxation procedures provided for by the legislation of the Russian Federation on taxes and fees.

Individual businessmen who are payers of uniform agricultural tax shall be relieved of the duty to pay tax on incomes of natural persons (in respect of the incomes derived from business activities), tax on the property of natural persons (in respect of the property used for the exercise of business activities), uniform social tax (in respect of the incomes derived from business activities, as well as payments and other remunerations accrued by them for the benefit of natural persons). Individual businessmen who are payers of agricultural tax shall not be deemed payers of value-added tax (except for value-added tax payable in compliance with this Code when importing commodities into the customs territory of the Russian Federation, as well as the value-added tax payable in compliance with Article 174.1 of this Code).

Individual businessmen, which have switched over to paying the uniform agricultural tax, shall pay obligatory pension insurance premiums in compliance with laws of the Russian Federation.

Other taxes and fees shall be payable by individual businessmen, which have switched over to paying the uniform agricultural tax, in compliance with other taxation procedures provided for by the legislation of the Russian Federation on taxes and fees.

**4.** Organizations and individual businessmen paying the uniform agricultural tax shall not be discharged from the duties of tax agents provided for by this Code.

**5.** The rules provided for by this Chapter shall be extendable to peasant (individual) farms.

**Article 346.2.** Taxpayers

1. Organisations and individual businessmen known as agricultural commodity producers and paying the uniform agricultural tax in the order established by the present Chapter shall be deemed to be the payers of the uniform agricultural tax (hereinafter referred to in this Chapter as taxpayers).

**2.** Organisations and individual businessmen putting out agricultural products, making their primary and subsequent (industrial) processing (including those on rented fixed assets) and selling these products, provided that in the total income from the sale of goods (works, services) of such organisations and individual businessmen the share of the income from the sale of their agricultural produce, including the produce of its primary processing from their farm agricultural raw material, makes up not less than 70 per cent, and also agricultural consumer cooperatives (processing, marketing or trading, supplying, truck gardening, vegetable gardening and stock-raising cooperatives) recognised as such in conformity with the Federal Law on Agricultural Cooperation, the share of whose incomes from the sale of farm products of the members of these cooperatives, including preprocessed products made by them of agricultural raw materials of their own production, and also from the performed works (services) for the members of these cooperatives constitutes in the total income derived from the sale of commodities (works, services) not less than 70 per cent of the total volume of incomes.

For the purpose of the present Chapter agricultural commodity producers include also Russian town-and-urban-community-forming fish-processing organisations, the number of whose workers together with their family members constitute not less than half of the member of people residing in a populated locality, who use the fishing vessels they own. These organisations shall be registered as juridical persons in keeping with the legislation of the Russian Federation, if the volume of the fish products sold by them and/or the caught water biological resources make up in value terms exceed 70 per cent of the total volume of the products sold by them.

For organisations and individual businessmen engaged in further (industrial) processing of preprocessed products made by them of agricultural raw materials of their own production or of agricultural raw materials produced by members of agricultural consumer cooperatives, the share of income derived from the sale of the preprocessed products made of agricultural raw materials produced by members of agricultural consumer cooperatives in the total income derived from the sale of products made by them of agricultural raw materials of their own production or of agricultural raw materials produced by members of agricultural consumer cooperatives shall be determined on the basis of correlation of outlays on making agricultural products and preprocessing of agricultural products in the total amount of outlays on making products from the agricultural raw materials made by them.

**3.** For the purpose of the present Chapter agricultural products include products of plant-growing in agriculture, forestry and lock-farming (including products as a result of breeding fish and other water

biological resources), the concrete types of which are determined by the Government of the Russian Federation in a accordance with the All-Russia Classifier of Products. Agricultural products do not include fish and other water biological resources, except for fishing and catching of other water biological resources of Russian town-and-settlement-forming fish-processing organisations indicated in the second paragraph of Item 2 in the present Article.

**4.** The procedure for attributing products to primary processing products obtained from the internal agricultural raw material shall be established by the Government of the Russian Federation.

**5.** Agricultural commodity producers shall have the right to change-over to the payment of a uniform agricultural tax, if according to the results of the work for a calendar year preceding the year in which an organisation or an individual businessman files an application for the change-over to the payment of the uniform agricultural tax, the share of the income from the sale of their farm products, including the products of primary processing put out by them from their own agricultural raw material or the share of income derived from the sale of agricultural products made by memners of agricultural consumer cooperatives, including preprocessed products made by these cooperatives of agricultural raw materials produced by members of these cooperatives, as well as from works (services) carried out (rendered) for members of these cooperatives, in the total income from the sale of goods (works, services) of such organisations or individual businessmen constitutes not less than 70 per cent.

An organisation newly created in the current year that is an agricultural commodity producer can, from the beginning of the next year, switch over to payment of the uniform agricultural tax if, by the results of the last reporting period for the tax on profit of organizations (the last reporting year for the tax paid within the framework of the simplified system of taxation in accordance with Chapter 26.2 of this Code) in the current year in the total income from the realisation of goods (works, services) of such an organisation the share of the income from the realisation of the agricultural products manufactured by it, including the products of initial processing, manufactured by it from agricultural raw materials of its own manufacture or the share of income derived from the sale of agricultural products made by memners of agricultural consumer cooperatives, including preprocessed products made by these cooperatives of agricultural raw materials produced by members of these cooperatives, as well as from works (services) carried out (rendered) for members of these cooperatives, is not less than 70 per cent. An individual businessman newly registered in the current year who is an agricultural commodity producer can, from the beginning of the next year, switch over to payment of the uniform agricultural tax if by the results of nine months of the current year in the total income from the business activity of such an individual businessman the share of the income from the realisation of the agricultural products manufactured by him, including the products of initial processing manufactured by him from agricultural raw materials of his own manufacture, or the share of income derived from the sale of agricultural products made by memners of agricultural consumer cooperatives, including preprocessed products made by these cooperatives of agricultural raw materials produced by members of these cooperatives, as well as from works (services) carried out (rendered) for members of these cooperatives is not less than 70 per cent.

For the purpose of the present item incomes from sales shall be determined in the order provided for by Article 249 of the present Code, while incomes indicated in Article 251 of the present Code shall not be accounted.

**6.** The following bodies shall have no right to change-over to the payment of the uniform agricultural tax:

1) the organisations having branches and/or representative offices;

2) the organisations and individual businessmen engaged in the production of excisable goods;

3) the organisations and individual businessmen carrying out business activity in the sphere of gambling games;

4) the state-financed establishments.

**7.** The organisations and individual businessmen, transferred in keeping with Chapter 26.3 of the present Code to the payment of the uniform tax on the imputed income for particular types of activity in one or several types of business, shall have the right to change-over to the payment of the uniform agricultural tax in respect of other types of their business activity. The restrictions introduced by Item 5 of the present Article as regards the volume of income from the sale of their agricultural products, including products of primary processing, put out from their own agricultural raw material and the amount of income derived from the sale of agricultural products made by members of agricultural consumer cooperatives, as well as from works (services) carried out for members of these cooperatives, shall be determined on the basis of all the types of activity of these organisations and individual businessmen.

As regards the sale by the taxpayers of the uniform agricultural tax of their agricultural products, including products of primary processing, obtained by them from their own agricultural raw material or of agricultural products made by members of agricultural consumer cooperatives, including preprocessed products made by these cooperatives of agricultural raw materials produced by members of these cooperatives, through their shops, trade outlets, dining-rooms and cook-houses, the taxation system in the form of a uniform tax on imputed income from particular types of activity shall not be used in conformity with Chapter 26.3 of the present Code.

**Article 346.3.** Procedure for, and Terms of, Starting and Finishing the Application of Uniform Agricultural Tax

**1.** Agricultural commodity producers wishing to switch over to payment of the uniform agricultural tax shall file an application with the tax body at the their location (place of residence) within the period from October 20 to December 20 of the year preceding the year, from which agricultural commodity producers switch over to paying the uniform agricultural tax. With this, agricultural commodity producers shall indicate in the application for switching over to payment of the uniform agricultural tax the data on the share of income derived from the sale of the agricultural products made by them, including the preprocessed products made by them of agricultural raw materials of their own production or the data on the share of income derived from the sale of agricultural products made by members of agricultural consumer cooperatives, including preprocessed products made by these cooperatives of agricultural raw materials produced by members of these cooperatives, as well as from carrying out works (rendering services) for members of these cooperatives, in the total income from the sale of commodities (works, services) derived on the basis of the results of the calendar year preceding the year when an organization or individual businessman file an application for switching over to payment of the uniform agricultural tax.

**2.** A newly established organisation or a newly registered individual businessman shall be entitled to file an application in respect of switching over to payment of uniform agricultural tax within a five-day term as of the date of registration with a tax authority stated in the certificate of registration with the tax authority issued in compliance with Paragraph Two of Item 2 of Article 84 of this Code. In that case, the organisation or individual businessman shall be deemed switched over to payment of uniform agricultural tax in the current tax period as of the date of registration with a tax authority stated in the certificate of registration with the tax authority.

**3.** Taxpayers, that have switched over to paying the uniform agricultural tax, shall not be entitled to switch over to other taxation procedures prior to the end of the tax period.

**4.** Where on the basis of the results of a tax period the share of a taxpayer's income derived from the sale of the agricultural products made by them, including preprocessed products made by them of agricultural raw materials of their own production, or the share of income derived from the sale of agricultural products made by members of agricultural consumer cooperatives, including preprocessed products made by these cooperatives of agricultural raw materials produced by members of these cooperatives, as well as from carried out works (rendered services) for members of these cooperatives in the total income, derived from the sale of commodities (works, services), has amounted to less than 70 per cent and/or where during the reporting (tax) period there was non-compliance with the requirements established by Item 6 of Article 346.2 of this Code, such taxpayer shall be deemed as forfeiting the right to application of uniform agricultural tax from the start of the tax period when the said restriction was not observed and/or non-compliance with the said requirements took place.

For this the restrictions in respect of the amount of income derived from the sale of agricultural products made by a taxpayer, in particular from the sale of agricultural products made by members of agricultural consumer cooperatives, including preprocessed products made by the taxpayer from agricultural raw materials produced by him, in particular preprocessed products made by an agricultural consumer cooperative of agricultural raw materials produced by members of this cooperative, as well as from carrying out works (rendering services) for members of these cooperatives, shall be defined on the basis of all kinds of activities exercised by them.

A taxpayer that has lost the right to application of the uniform agricultural tax shall be obliged within one month after the expiry of the reporting (tax) period in which the restriction, specified in Paragraph One of this Item, was not observed and (or) in which there was non-compliance with the requirements, established by Item 6 of Article 346.2 of this Code, to re-calculate for the total reporting (tax) period the tax obligations in respect of value-added tax, tax on profits of organisations, tax on income of natural persons, uniform social tax, tax on the property of organisations and tax on the property of natural persons in the procedure provided for by the legislation of the Russian Federation on taxes and fees for newly established organisations or newly registered individual businessmen. The taxpayer specified in this Paragraph shall not pay penalties and fines for untimely payment of the said taxes and advance payments in respect of them.

**5.** A taxpayer shall be obliged to notify the tax authority of his switch over to another taxation procedure effected in compliance with Item 4 of this Article within fifteen days after the expiry of a reporting (tax) period.

**6.** Payers of the uniform agricultural tax shall be entitled to switch over to other taxation procedure from the start of a calendar year upon notifying on it the tax body at the location of an organization (at the place of residence of an individual businessman) at latest on January 15 of the year when they plan to switch over to other general taxation procedure.

**7.** Taxpayers that have switched from paying the uniform agricultural tax to other taxation procedure, shall be entitled to switch over to paying the uniform agricultural tax once more at earliest in one year, as of forfeiting the right to pay the uniform agricultural tax.

**8.** The amounts of the value-added tax accepted for deduction by agricultural commodity producers in the procedure stipulated by Chapter 21 of this Code prior to the transfer to the payment of the uniform agricultural tax for goods (works, services), including the fixed assets and intangible assets, acquired for the performance of operations deemed to be objects of taxation for the value-added tax, shall not be subject to restoration (payment to the budget) in the transfer to the payment of the uniform agricultural tax.

If an organisation or individual businessman that have switched over from payment of uniform agricultural tax to another taxation procedure are recognized to be payers of value-added tax in compliance with Chapter 21 of this Code, the amounts of value-added tax allocated to them in respect of commodities (works, services), including the fixed asses and intangible assets acquired before switching to other taxation procedure, shall not be deductible when estimating value-added tax.

**Article 346.4.** Object of Taxation

The object of taxation shall be the incomes decreased by the amount of expenditures.

**Article 346.5.** Procedure for Determining and Recognizing Incomes and Expenditures

**1.** When determining the object of taxation, the following incomes shall be taken into account:

incomes derived from sale, which are determined in compliance with Article 249 of this Code;

non-sale incomes determined in compliance with Article 250 of this Code.

When determining the object of taxation, the incomes specified in Article 251 of this Code, as well as incomes in the form of received dividends which are taxed by a tax agent in compliance with the provisions of Articles 214 and 275 of this Code, shall not be taken into account.

**2.** When determining the object of taxation, taxpayers shall decrease their incomes by the following outlays:

1) outlays on acquisition, construction and production of fixed assets, as well as completion of construction and of equipment, reconstruction, updating and technological re-equipment of fixed assets (subject to the provisions of Item 4 and Paragraph Six of Subitem 2 of Item 5 of this Article);

2) outlays on acquisition of intangible assets and creation of intangible assets by a taxpayer proper (subject to the provisions of Item 4 and Paragraph Six of Subitem 2 of Item 5 of this Article);

3) outlays on repairing fixed assets (including leasehold ones);

4) rental payments (including leasing ones) for tenement (including those for leased property);

5) tangible expenditures, including outlays on acquisition seeds, seedlings, planting stock and other seeding, fertilizers, fodder, medicines, biological preparations and plant protectants;

6) outlays on labour wages, temporary disability benefits in compliance with laws of the Russian Federation;

7) outlays on obligatory and voluntary insurance which include insurance premiums under all types of obligatory insurance, as well as under the following types of voluntary insurance:

voluntary insurance of transport vehicles (including those held on lease);

voluntary freight insurance;

voluntary insurance of fixed assets of a production purpose (including those held on lease), intangible assets, non-completed capital construction projects (including those held on lease);

voluntary insurance of risks connected with building and assembly works;

voluntary insurance of inventory holdings;

voluntary insurance of agricultural crop and animals;

voluntary insurance of other property used by a taxpayer in the exercise of activities aimed at deriving profit;

voluntary insurance of liability for causing damage, if such insurance is a condition of a taxpayer exercising activities in compliance with international obligations of the Russian Federation or generally accepted international requirements;

8) amounts of value-added tax in respect of the commodities (works, services), acquired and paid for by a taxpayer, the outlays on their acquisition or payment for them to be included into composition of outlays in compliance with this Article;

9) the amount of interest payable for the provision and use of monetary funds (credits, loans), as well as outlays connected with paying for services rendered by credit organizations, in particular, connected with the sale of foreign currency when collecting tax, fees, penalties or fines in the procedure provided for by Article 46 of this Code;

10) outlays on ensuring fire safety in compliance with laws of the Russian Federation, outlays on the services related to guarding property, servicing fire alarm systems, outlays on acquiring fire prevention and other guarding services;

11) the amount of customs payments made, when importing commodities onto the customs territory of the Russian Federation, which are not returnable to taxpayers in compliance with customs laws of the Russian Federation;

12) outlays on the maintenance of official transport vehicles, as well as outlays on compensation for using private passenger cars and motor-cycles for official trips at the rates established by the Government of the Russian Federation;

13) outlays on business trips, especially:

on covering an employee's travelling expenses to the place of destination and back to the place of his permanent work;

on renting living quarters. As regards this expense item, there shall be likewise reimbursable an employee's outlays on paying for additional services rendered at hotels (safe for the outlays on services at bars and restaurants, outlays on services rendered at hotel rooms and outlays on using recreational and health improving facilities);

on per diem allowances or field allowances at the rate endorsed by the Government of the Russian Federation;

on formalization and issuance of visas, passports, vouchers, invitations and other similar documents;

on consular and airfield fees, fees for the right of entry, passage and transit of motor and other transport vehicles, for using sea channels and other similar structures, as well as other similar payments and fees;

14) outlays on paying to a notary for the notarial legalization of documents. With this, such outlays shall be acceptable within the limits of the tariffs endorsed in the established procedure;

15) outlays on accounting, audit and legal services;

16) outlays on publishing accounting reports, as well as on publishing and other disclosing of different information, where the duty of such publicizing (disclosure) is placed on a taxpayer under laws of the Russian Federation;

17) outlays on office supplies;

18) outlays on paying for postal, telephone, telegraph and other similar services, outlays on paying for communication services;

19) outlays connected with acquiring the right to use software and databases under contracts made with the right owners. To said outlays there shall likewise pertain those on updating software and databases;

20) outlays on advertising produced (acquirable) and (or) sellable commodities (works, services), on the trademark and service mark;

21) outlays on preparation and mastering of new production lines, work-shops and units;

22) outlays on catering the personnel engaged in agricultural works;

23) amounts of the taxes and fees payable in compliance with the laws of the Russian Federation on taxes and fees;

24) outlays on covering the cost of the commodities acquired for their further sale (decreased by the amount of the expenditures shown in Subitem 8 of this Item), including outlays connected with acquisition and sale of the said commodities, including outlays on storage, servicing and transportation;

25) outlays on informational and consultative services;

26) outlays on training and re-training of persons on the staff of a taxpayer on a contractual basis in the procedure provided for by Item 3 of Article 264 of this Code;

27) court costs and arbitration fees;

28) outlays in the form of fines, penalties and (or) other sanctions, paid on the basis of an effective court decision for failure to discharge contractual or debtor's obligations, as well as outlays on repair of damage;

29) outlays on training at educational institutions of secondary professional and higher professional education of specialists for taxpayers. The said outlays shall be accountable for the purposes of taxation on condition that training agreement (contracts) shall be made with the natural persons trained at the said educational institutions which provide for their professional work for a taxpayer within at least three years after graduating from the appropriate educational institution;

30) outlays in the form of negative difference in exchange, rising in the course of reappraisal of property in the form of currency values and claims (obligations) whose value is shown in foreign currency, and also with respect to foreign currency bank accounts, which is carried out in connection with changes in the official exchange rate of foreign currency with respect to the rouble of the Russian Federation established by the Central Bank of the Russian Federation;

31) outlays on acquisition of property rights to land plots, including the following:

land plots from among agricultural lands;

land plots which are in state or municipal ownership and upon which buildings, constructions and structure, used for agricultural production, are located;

32) outlays on acquisition of cattle calves for subsequent formation of the main flock, productive cattle, poultry chicks and fry;

33) outlays on maintenance of camps and temporary settlements connected with agricultural production, as regards pasture cattlebreeding;

34) outlays on payment of commission fees, broker's fees and remunerations under agency contracts;

35) outlays on products' certification;

36) periodical (current) payments for enjoying the rights to the results of intellectual activities and individualization means (in particular, the rights arising from industrial patents, patents for a design and other types of intellectual property);

37) outlays on carrying out (in the instances established by the legislation of the Russian Federation) an obligatory assessment for the purpose of the exercise of control over the correctness of paying taxes, if there is a dispute as to the estimation of the tax base, as well as outlays on the appraisal of property when determining its market value for the purpose of pledging it;

38) payment for supplying information about registered rights;

39) outlays on payment for the services of specialized organisations related to the issue of cadastral and technical registration documents (inventory) in respect of immovable property units (including right-proclaiming documents in respect of land plots and documents related to survey of land plots);

40) outlays on payment for the services of specialised organisations related to carrying out an expert examination, inspection and issue of opinions and to provision of other documents that must be available when applying for a licence (permit) to exercise a specific type of activity;

41) outlays connected with participation in public and closed sales (tenders, auctions) held when placing orders to supply agricultural products;

42) outlays in the from of losses caused by mortality of poultry and cattle within the limits of the standards endorsed by the Government of the Russian Federation.

**3.** The outlays, indicated in Item 2 of this Article, shall be recognized on condition of their compliance with the criteria stated in Item 1 of Article 252 of this Code.

The outlays indicated in Subitems 5, 6, 7, from 9 to 21, 26 and 30 of Item 2 of this Article shall be recognized in conformity to the procedure provided for calculating the value-added tax on organizations in compliance with Articles 254, 255, 263, 264, 265 and 269 of this Code.

**4.** Outlays on acquiring (erecting, manufacturing, completion of construction and equipment, reconstruction, updating and technological re-equipment) fixed assets, as well as outlays on acquisition (creation by a taxpayer proper) of intangible assets, shall be recognizable in the following procedure:

1) in respect of outlays on acquisition (construction, manufacture) during the application of the uniform agricultural tax of fixed assets, as well as in respect of outlays on completion of construction and of equipment, reconstruction, updating and technological re-equipment of fixed assets done within the said period - as of the time of putting these fixed assets into operation;

in respect of intangible assets acquired (created by a taxpayer proper) when applying uniform agricultural tax - from the time of entering these intangible assets into account books;

2) in respect of the acquired (erected, manufactured) fixed assets, as well as intangible assets acquired (created by a taxpayer proper) prior to switching over to payment of uniform agricultural tax, the cost of the fixed assets and intangible assets shall be includable into outlays in the following procedure:

with regard to the fixed assets and intangible assets having a useful life up to three years inclusive - within the first calendar year of the applying uniform agricultural tax;

with regard to the fixed assets and intangible assets having a useful life from three to 15 years inclusive: within the first calendar year of applying the uniform agricultural tax - 50 per cent of the cost thereof, within the second calendar year of applying it - 30 per cent of the cost of it and within the third calendar year of applying it - 20 per cent of its cost;

with regard to fixed assets having a useful life of over 15 years - within the first 10 years after switching over to payment of uniform agricultural tax in equal shares of the cost of the fixed assets and intangible assets.

For that, within a tax period these outlays shall be recognizable in equal shares.

If a taxpayer has switched over to payment of the uniform agricultural tax from the time of his registration with the tax authorities, the cost of fixed assets and intangible assets shall be recognizable on the basis of the initial cost of this property determined in the procedure established by the legislation of the Russian Federation on accounting.

If a taxpayer has switched over to payment of the uniform agricultural tax from another taxation procedure, the cost of fixed assets and intangible assets shall be accounted for in the procedure established by Items 6.1 and 9 of Article 346.6 of this Code.

When determining the time of the useful life of fixed assets, one should follow the Classification of Fixed Assets Included in Depreciation Groups endorsed by the Government of the Russian Federation in compliance with Article 258 of this Code. The useful life of the types of the fixed assets that are not

shown in this Classification shall be established by taxpayers in compliance with specifications and recommendations of producing organizations.

Fixed assets, the rights to which are subject to state registration in compliance with the legislation of the Russian Federation, shall be accounted for within the composition of outlays in compliance with this Article from the time when the fact of filing documents for registration of the said rights, proved by documents, took place. The said provision, insofar as regards obligatory observance of the condition to prove the fact of filing documents for registration by documents, shall not extend to the fixed assets put into operation prior to January 31, 1998.

The terms of useful life of intangible assets shall be determined in compliance with Item 2 of Article 258 of this Code.

In the event of selling (transferring) fixed assets and intangible assets acquired (erected, manufactured, created by a taxpayer proper) prior to the expiry of three years as of the time of accounting outlays on their acquisition (erection, manufacture, completion of construction and of equipment, reconstruction, updating and technological re-equipment, as well as creation by a taxpayer proper) within the composition of outlays in compliance with this Chapter (as regards fixed assets and intangible assets with a term of useful life over 15 years - prior to the expiry of 10 years as of the time of their acquisition (erection, manufacture, completion of construction and of equipment, reconstruction, updating and technological re-equipment, as well as creation by a taxpayer proper), the taxpayer shall be obliged to re-estimate the tax base for the whole period of use of such fixed assets and intangible assets from the time of their registration within the composition of outlays on acquisition (erection, manufacture, completion of construction and of equipment, reconstruction, updating and technological re-equipment, as well as creation by a taxpayer proper) to the date of sale (transfer) subject to the provisions of Chapter 25 of this Code and to pay an additional amount of tax and penalties.

The fixed assets and intangible assets recognized as depreciable property in compliance with Chapter 25 of this Article subject to the provisions of this Chapter shall be includable into the composition of fixed assets and intangible assets for the purposes of this Chapter, while outlays on completion of construction and equipment, reconstruction, updating and technological re-equipment of fixed assets shall be determined subject to the provisions of Item 2 of Article 257 of this Code.

**4.1.** Outlays on acquisition of property rights to land plots shall be evenly accountable within the composition of outlays in the time period determined by a taxpayer but at least within seven years. Amounts of outlays shall be accounted in equal shares for the reporting and tax periods.

**5.** A taxpayer's incomes and outlays shall be recognized in the following procedure:

1) for the purposes of this Chapter, the date of receiving incomes shall be deemed the date of funds entering bank accounts and (or) to the cashier's office, of receipt of other property (works, services) and (or) property rights, as well as of repayment of debts in another way (the cash method).

In the event of the purchaser using bills of exchange in settlements concerning the commodities (works, services) and (or) property rights acquired by him, the date of receiving incomes by the taxpayer shall be deemed the date of paying a bill of exchange (the date of receiving monetary funds from the drawer of a bill of exchange or from other person liable under said bill of exchange) or the date of transfer by the taxpayer of said bill of exchange to a third person on the basis of an endorsement;

2) a taxpayer's outlays shall be deemed spendings after their actual making. For the purposes of this Chapter, as payment for commodities (works, services) and (or) property rights shall be deemed termination of obligations of the taxpayer acquiring the said commodities (works, services) and (or) property rights with respect to the seller which is directly connected with the supply of these commodities (carrying out the works or rendering services) and (or) the transfer of the property rights.

For this outlays shall be accountable within the composition of outlays subject to the following specifics:

material outlays, including outlays on acquisition of raw materials (including outlays on acquisition of seeds, seedlings, planting stock and other seeding, fertilizers, fodder, medicines, biological preparations and plant protectants), as well as outlays on labour wages, shall be accountable within the composition of outlays at the time of paying off debts by way of deducting monetary funds from a taxpayer's settlement account or making payment by the cashier's office or, in the event of paying off debts in some other way, at the time of such paying off. A similar procedure shall apply in respect of paying interest for using borrowed assets (including bank credits) and payment for services rendered by third persons;

outlays on payment for commodities acquired for their further sale, including the outlays connected with acquisition and sale of the said commodities, in particular outlays on their storage, servicing and carriage, shall be accountable for within the composition of outlays after their actual making;

outlays on paying taxes and fees shall be accountable for within the composition of outlays in the amount actually paid by a taxpayer. If there are arrears in payment of taxes and fees, the outlays on their paying off shall be accountable for within the composition of outlays within the limits of actually paid-off arrears during the reporting (tax) periods when a taxpayer pays off the said arrears;

outlays on acquisition (erection, manufacture), completion of construction and equipment, reconstruction, updating and technological reequipment of fixed assets, as well as outlays on acquisition (creation by a taxpayer proper) of intangible assets, accountable for in the procedure, provided for by Item 4 of this Article, shall be shown on the last day of the reporting (tax) period at the rate of paid amounts. For this the said outlays shall be only accountable for with respect to the fixed assets and intangible assets used in the exercise of business activities;

In the event of a taxpayer issuing a bill of exchange to pay for acquired commodities (works, services) and (or) property rights, outlays on acquisition of the said commodities (works, services) and (or) property rights shall be accountable for after paying the said bill of exchange. A taxpayer when transfers to the seller as payment for acquired commodities (works, services) and (or) property rights a bill of exchange issued by a third person, outlays on acquisition of the said commodities (works, services) and (or) property rights shall be accountable for on the date of transferring the said bill of exchange for the acquired commodities (carried out works or rendered services) and (or) property rights. The outlays, specified in this Subitem, shall be accountable for on the basis of the contract price but at most in the amount of debt stated in the bill of exchange;

3) taxpayers, determining incomes and outlays in compliance with this Chapter, shall not take account within the composition of incomes and outlays of summational differences, if under the terms of a contract an obligation (claim) is shown in conditional monetary units.

**6.** Abolished from January 1, 2006.

**7.** Abolished from January 1, 2006.

8. Organisations shall be obliged to register their activities' indices required for calculating the tax base and the amount of the uniform agricultural tax on the basis of accounting data subject to the provisions of this Chapter.

Individual businessmen shall register incomes and outlays for the purpose of estimation of the tax base for uniform agricultural tax in the register of incomes and outlays of individual businessmen applying the taxation procedure for agricultural commodity producers (uniform agricultural tax) the form and procedure for filling out which shall be endorsed by the Ministry of Finance of the Russian Federation.

**Article 346.6.** Tax Base

**1.** As the tax base there shall be deemed incomes in money terms less the amount of expenditures.

**2.** Incomes and expenditures, shown in foreign currency, shall be accountable in the aggregate with the incomes and expenditures shown in roubles. With this, incomes and expenditures, shown in foreign currencies, shall be recalculated in roubles on the basis of the official exchange rate of the Central Bank of the Russian Federation established on the date of receiving incomes and (or) incurring expenses.

**3.** Incomes derived in kind shall be taken into account while determining the tax base on the basis of the contract price subject to the market prices determinable in a procedure similar to that for determining the market prices established by Article 40 of this Code.

**4.** When determining the tax base, incomes and expenditures shall be determined as the accrued total from the start of a tax period.

**5.** Taxpayers shall be entitled to decrease the tax base for the tax period by the amount of the losses incurred within the previous tax periods. With this, for the purposes of this Chapter, losses shall mean the excess of expenditures over incomes determinable in compliance with Article 346.5 of this Code.

The loss indicated in this Item may not exceed the tax base for the tax period by more that 30 per cent. With this, the amount of loss exceeding said limitation may be transferred to the next tax periods but to 10 tax periods at most.

Taxpayers shall be obliged to keep the documents proving the amount of incurred losses and the amount by which the tax base for each tax period have been decreased within the total time period of enjoying the right to decrease the tax base by the amount of loss.

The losses received by taxpayers, when applying other taxation procedures, shall not be recognized, when switching over to payment of the uniform agricultural tax.

The losses received by taxpayers, when paying the uniform agricultural tax, shall not be recognized, when switching over to other taxation procedures.

**6.** Organisations, which prior to switching over to payment of the uniform agricultural tax had used the accruals method of estimation of tax on the profits of organisations, shall observe the following rules when switching over to payment of the uniform agricultural tax:

1) there shall be included into the tax base, as on the date of switching over to payment of the uniform agricultural tax, the amounts of monetary funds gained prior to switching over to payment of the uniform agricultural tax as payments under the contracts which are carried out by taxpayers after switching over to payment of the uniform agricultural tax;

2) abolished from January 1, 2007;

*See the text of Subitem 2 of Item 6 of Article 346.6*

3) there shall not be included into the tax base the monetary funds gained after switching over to payment of the uniform agricultural tax, if under the accounting rules with the use of the accruals method said amounts were included into incomes, when estimating the tax base for the profit tax of organizations in compliance with Chapter 25 of this Code;

4) the outlays, made by organisations after switching over to payment of the uniform agricultural tax, shall be deemed the expenditures deductible from the tax base on the date, when they are incurred, if such expenses were covered prior to switching over to payment of uniform agricultural tax, or on the date of covering, if such expenses were covered after organisations' switching over to payment of the uniform agricultural tax;

5) there shall not be deductible from the tax base the monetary funds paid after switching over to payment of the uniform agricultural tax to cover organisations' expenditures, if prior to switching over to payment of the uniform agricultural tax such expenditures had been lost, when estimating the tax base for the profit tax of organisations in compliance with Chapter 25 of this Code;

6) material outlays and outlays on labour wages pertaining to incomplete production as of the date of switching over to payment of the uniform agricultural tax, which are paid prior to switching over to payment of the uniform agricultural tax, shall be taken into account when determining the tax base for uniform agricultural tax in the reporting (tax) period when finished products are made.

**6.1.** When an organisation transfers to payment of the uniform agricultural tax, there shall be accounted on the date of such transfer the residual value of acquired (erected, manufactured) fixed assets and acquired (created by an organisation proper) intangible assets, paid prior to switching over to payment of the uniform agricultural tax, in the form of a difference between the price of acquisition (erection, manufacture, creation by the organisation proper) of the fixed assets and intangible assets and the amount of charged depreciation in compliance with the requirements of Chapter 25 of this Code.

When transferring to payment of uniform agricultural tax, an organisation, applying the simplified taxation procedure in compliance with Chapter 26.2 of this Code, shall show in its accounts as of the date of such transfer the residual value of acquired (erected, manufactured) fixed assets and of acquired (created by the organisation proper) intangible assets determined in compliance with Item 3 of Article 346.25 of this Code.

When transferring to payment of the uniform agricultural tax, an organisation, applying the taxation system in the form of uniform tax on imputed earnings for some types of activity in compliance with Chapter 26.3 of this Code, shall show in the accounts as of the date of such transfer the residual value of the acquired (erected, manufactured) fixed assets and acquired (created by the organisation proper) intangible assets, paid prior to switching over to payment of the uniform agricultural tax, in the form of the difference between the price of acquisition (erection, manufacture, creation by the organisation proper) of fixed assets and intangible assets and the amount of depreciation charged in the procedure, established by the legislation of the Russian Federation on accounting, for the period of applying the taxation system in the form of the uniform tax on imputed earnings for certain types of activities.

**7.** Organisations which have paid the uniform agricultural tax shall observe the following rules when switching over to estimation of the tax base for tax on the profits of organisations by using the accruals method:

1) incomes in the amount of proceeds from the sale of commodities (carrying out of works, rendering of services, transfer of property rights) gained within the period of application of the uniform agricultural tax which are not paid for (partially paid for) before the date of switching over to estimation of the tax base for profit tax on the basis of the accruals method shall be recognized within the composition of incomes;

2) outlays on acquisition within the period of application of uniform agricultural tax of commodities (works, services, property rights) which had not be paid (partially paid) by a taxpayer before the date of switching over to estimation of the tax base for profit tax on the basis of the accruals method shall be recognised within the composition of expenses, if not otherwise provided for by Chapter 25 of this Code.

**7.1.** The incomes and expenses cited in Subitems 1 and 2 of Item 7 of this article shall be recognized as incomes (expenses) of the month when switching to estimation of the tax base for tax on profit of organisations with application of the accruals method took place.

**8.** If an organisation switches over from payment of uniform agricultural tax to other taxation procedures (except for the taxation system in the form of uniform tax on imputed earnings for certain types of activities) and has the fixed assets and intangible assets, in respect of which outlays on their acquisition (erection, manufacture, creation by the organisation proper) are not fully included into the outlays within the period of applying the uniform agricultural tax in the procedure provided for by Subitem 2 of Item 4 of Article 346.5 of this Code, the residual value of these fixed assets and intangible assets in the accounts as of the date of such transfer shall be determined by decreasing the residual value of these fixed assets and intangible assets, determined as of the time of switching over to payment of the uniform agricultural tax, by the amount of the outlays made within the period of application of the uniform

agricultural tax which are determinable in the procedure provided for by Subitem 2 of Item 4 of Article 346.5 of this Code.

**9.** Individual businessmen, when switching over from other taxation procedures to payment of the uniform agricultural tax and from the uniform agricultural tax to other taxation procedures, shall apply the rules provided for by Items 6.1 and 8 of this Article.

**10.** Taxpayers, transferred in respect of some types of activity to payment of the uniform tax on imputed earnings for certain types of activities in compliance with Chapter 26.3 of this Code, shall keep separate accounts of incomes and outlays for different special taxation procedures. If it is impossible to separate incomes while estimating the tax base for taxes calculated under different special tax procedures, these outlays shall be distributed in proportion to shares of incomes in the total volume of incomes derived while applying the said special taxation procedures.

Incomes and outlays pertaining to the types of activity, in respect of which the taxation system in the form of uniform tax on imputed earnings for individual types of activities is applied in compliance with Chapter 26.3 of this Code (subject to the provisions established by this Chapter), shall not be taken into account when estimating the tax base for the uniform agricultural tax.

**Article 346.7.** Tax Period. Report Period

**1.** The tax period shall be a calendar year.

**2.** The report period shall be six months.

**Article 346.8.** Tax Rate

The tax rate shall be established in the amount of 6 per cent.

**Article 346.9.** Procedure for Estimating and Paying the Uniform Agricultural Tax. Entry of the Amount of the Uniform Agricultural Tax

**1.** The uniform agricultural tax shall be estimated as a percentage of the tax base corresponding to the tax rate.

**2.** Tax payers shall estimate, subject to the results of a report period, the amount of the advance payment of the uniform agricultural tax on the basis of the tax rate and actually derived incomes decreased by the amount of expenses estimated as the accrued total from the start of the tax period through the six-month period.

The advance payments on the uniform agricultural tax shall be made not later than 25 calendar days from the day of the expiry of the reporting period.

**3.** Advance payments of the uniform agricultural tax made shall be entered on account of the uniform agricultural tax payment on the basis of the results of the tax period.

**4.** The uniform agricultural tax and an advance payment of the uniform agricultural tax shall be payable by taxpayers at the location of an organisation (the residence place of an individual businessman).

**5.** Uniform agricultural tax, payable on the basis of the results of a tax period, shall be paid not later than the time established by Subitem 2 of Item 2 of Article 346.10 of this Code for filing the tax declaration in respect of the relevant tax period.

**6.** The amount of the uniform agricultural tax shall be entered to accounts of the Federal Treasury body for their further distribution in compliance with the budget legislation of the Russian Federation.

**Article 346.10.** Tax Declaration

**1.** Taxpayers upon the expiry of a reporting and tax periods shall file tax declarations with tax authorities:

1) organisations - at their location;

2) individual businessmen - at their places of residence.

**2.** Taxpayers shall file tax declarations:

1) on the basis of the results of a reporting period - at the latest in 25 calendar days as of the finishing date of the reporting period;

2) on the basis of the results of a tax period - at latest on March 31 of the year following the expired tax period.

**3.** The form of tax declarations and procedure for filling them out shall be endorsed by the Ministry of Finance of the Russian Federation.

## Chapter 26.2. The Simplified Taxation System

**Article 346.11.** General Provisions

**1.** The simplified system of taxation shall be applied by organisations and individual businessmen together with other taxation regimes envisaged by the legislation of the Russian Federation on taxes and fees.

Transition to the simplified system of taxation or return to other taxation regimes shall be made by organisations and individual businessmen voluntarily, in accordance with the procedure, stipulated in this Chapter.

**2.** The application of a simplified taxation system by organisations means that they are relieved from the duty to pay organisations profit tax, organisations property tax and uniform social tax. The organisations using the simplified taxation system shall not be deemed payers of the value added tax, except for the value added tax payable under the present Code in the case of importation of goods into the customs territory of the Russian Federation, as well as of value-added tax payable in compliance with Article 174.1 of this Code.

Organisations, applying the simplified system of taxation, shall pay insurance premiums for obligatory pension insurance in conformity with the legislation of the Russian Federation.

Other taxes shall be paid by organisations, applying the simplified system of taxation, in accordance with the legislation on taxes and fees.

**3.** The application of a simplified taxation system by individual entrepreneurs means that they are relieved from the duty to pay personal income tax (on incomes received from entrepreneurial activity), personal property tax (on property used to pursue an entrepreneurial activity) and the uniform social tax (on incomes received from entrepreneurial activity and also disbursements and other remuneration accrued by them for the benefit of natural persons). The individual entrepreneurs using the simplified taxation system shall not be deemed payers of the value added tax, except for the value added tax payable under the present Code in the case of importation of goods into the customs territory of the Russian Federation, as well as of value-added tax payable in compliance with Article 174.1 of this Code.

The individual businessmen, applying the simplified system of taxation, shall pay insurance premiums for obligatory pension insurance in conformity with the legislation of the Russian Federation.

Other taxes shall be paid by the individual businessmen, applying the simplified taxation system, in conformity with the legislation on taxes and fees.

**4.** For the organisations and individual businessmen, applying the simplified system of taxation, the currently operating procedure for making cash payments and for submitting statistical reports shall be retained.

**5.** The organisations and individual businessmen, applying the simplified system of taxation, shall not be relieved of their duties as tax agents, stipulated by the Code.

**Article 346.12.** Tax Payers

**1.** Organisations and individual businessmen, who have shifted to the simplified system of taxation and who have been applying it in the order laid down in the present Chapter shall be recognized as tax payers.

2. Organisations shall have the right to go over to the simplified system of taxation, if by the results of nine months of the year in which the organisation files an application for transition to the simplified system of taxation, the incomes defined by Article 248 of the present Code did not exceed 15,000,000 roubles.

The maximum amount of incomes of an organisation specified in Paragraph 1 of the present item that limits the organisation's right to switch over to the simplified taxation system is subject to indexing by the deflator coefficient set every year for the next calendar year to take account of the variation of consumer prices for goods (works or services) in the Russian Federation over the preceding calendar year and also by the deflator coefficients that have been applied earlier in accordance with the present item. A deflator coefficient shall be determined and subject to official publication in the procedure established by the Government of the Russian Federation.

3. The following have no right to apply the simplified system of taxation:

1) organisations with affiliates and (or) representations;

2) banks;

3) insurers;

4) non-governmental pension funds;

5) investment funds;

6) professional securities market makers;

7) pawnshops;

8) organisations and individual businessmen, engaged in the production of excisable commodities, as well as in the extraction and realization of useful minerals, with the exception of generally occuring useful minerals;

9) organisations and individual businessmen, engaged in the gaming business;

10) notaries engaged in private practice, the solicitors/barristers who have set up a solicitor's/barrister's office as well as other forms of solicitors'/barristers' entities;

11) organisations, who are the parties to production sharing agreements;

12) Abolished as of January 1, 2004.

13) organisations and individual businessmen, transferred to the taxation system for agricultural commodity producers (the uniform agricultural tax) in conformity with Chapter 26.1 of the present Code;

14) organisations, in which the share of participation by other organisations comprises over 25 per cent. The given restriction shall not extend to organisations, whose authorized capital fully consists of deposits of social organisations of invalids, if the average-listed monthly number of invalids among their workers comprises at least 50 per cent, and the former's share in the wages fund is not less than 25 per cent, to commercial organisations including consumer cooperation organisations pursuing their activities in accordance with Law of the Russian Federation No. 3085-I of June 19, 1992 on the Consumer Cooperation (Consumer Societies and Unions Thereof) in the Russian Federation and also economic societies whose sole founders are consumer societies and unions thereof pursuing their activities in accordance with the said law;

15) organisations and individual businessmen, the average number of whose workers in the tax (reporting) period, defined in accordance with the procedure established by the federal executive body authorised in the sphere of statistics, exceeds 100 people;

16) the organisations whose balance value of fixed assets and intangible assets assessed under the accountancy legislation of the Russian Federation exceeds 100,000,000 roubles. For the purposes of the present subitem account shall be taken of the fixed assets and intangible assets which are subject to depreciation and recognised as depreciable assets in accordance with Chapter 25 of the present Code;

17) budget institutions;

18) foreign organisations.

**4.** Organisations and individual businessmen, transferred under Article 26.3 of this Code to payment of the uniform tax on imputed earnings for individual types of activities in respect of one or several types of business activities, shall be entitled to apply the simplified system of taxation in respect of other types of business activities exercised by them. In doing this, limitations in respect of the personnel number and the value of fixed assets and non-pecuniary assets, established by this chapter with regard to such organisations and individual businessmen, shall be determined on the basis of all types of activities exercised by them while the limit rate of incomes established by Item 2 of this Article shall be determined in respect of the kinds of activities which are taxed in compliance with the general taxation regime.

**Article 346.13.** Procedure and Conditions for the Start and the Termination of Application of the Simplified Taxation System

**1.** The organisations and individual businessmen, which (who) have expressed their wish to go over to the simplified system of taxation, shall lodge an application in the period from October 1 to November 1 of the year, preceding the year, beginning with which the tax payers go over to the simplified system of taxation, with the tax body at their location (at the place of their residence). In the application for transition to the simplified system of taxation the organisations shall report on the size of their incomes for nine months of the current year, as well as on the average listed number of employees for the said period and the residual value of fixed assets and intangible assets as of October 1 of the current financial year.

The selection of basis of taxation shall have been done by the taxpayer before the beginning of the tax period in which the simplified taxation system is used for the first time. If a change occurs in the chosen taxation basis after the filing of an application for switching to the simplified taxation system the taxpayer shall notify accordingly the tax body before December 20 of the year preceding the year in which the simplified taxation system is used for the first time.

**2.** A newly formed organisation and a newly registered individual entrepreneur is entitled to file an application asking to switch to the simplified taxation system within five days after the date of its/his/her registration with a tax body specified in its/his/her certificate of registration with the tax body issued in accordance with Paragraph 2 of Item 2 of Article 84 of the present Code. In this case the organisation and the individual entrepreneur is entitled to apply the simplified taxation system starting from the date of its/his/her registration with the tax body specified in the certificate of registration with the tax body.

The organisations and individual entrepreneurs which in accordance with normative legal acts of representative bodies of municipal regions and urban circuits, laws of the cities of federal importance Moscow and Saint-Petersburg on the taxation system in the form of uniform tax on imputed earnings for certain kinds of activities have ceased to be payers of uniform tax on imputed income by the end of the current calendar year are entitled to switch over to the simplified taxation system starting from the beginning of the month in which their duty to pay uniform tax on imputed income ceased to exist.

**3.** Tax payers, applying the simplified system of taxation, have no right to go over to another taxation regime until the end of the tax period, unless otherwise stipulated in the present Article.

**4.** If, according to the results of an accounting (tax) period, the incomes of a taxpayer determined in accordance with Article 346.15 and Subitems 1 and 3 of Item 1 of Article 346.25 of the present Code exceeded 20,000,000 roubles and/or if a breach of the requirements established by Items 3 and 4 of

Article 346.12 and Item 3 of Article 346.14 of the present Code has occurred during the accounting (tax) period, such a taxpayer shall be deemed to have lost his right to practice the simplified taxation system starting from the quarter in which this excess and/or breach occurred.

In this case, the sums of taxes subject to payment if another taxation regime is applied, shall be computed and paid in the order, envisaged by the legislation of the Russian Federation on taxes and fees for the newly created organisations or the newly registered individual businessmen. The taxpayers specified in the present paragraph shall not pay a penalty and fine for a late monthly payments within the quarter in which these taxpayers switched to another taxation regime.

Said in Paragraph 1 of this Item maximum amount of taxpayer's incomes limiting his right to practice the simplified taxation system shall be subject to indexing in the procedure envisaged by Item 2 of Article 346.12 of the present Code.

**5.** The taxpayer's duty is to inform the tax body of the taxpayer's switching to another taxation regime that has been completed in accordance with Item 4 of the present Article, within 15 calemdar days after the expiry of the accounting (tax) period.

**6.** A tax payer, applying the simplified system of taxation, has the right to go over to another taxation regime as from the start of a calendar year, having notified the tax body to this effect not later than on January 15 of the year, in which he intends to move to another regime of taxation.

**7.** A tax payer, who has passed over from the simplified system of taxation to another taxation regime, has the right to go back to the simplified system of taxation not earlier than one year after he has lost the right to apply the simplified system of taxation.

**Article 346.14.** Objects of Taxation

**1.** Recognized as an object of taxation are:

- incomes;
- incomes, reduced by the amount of outlays.

**2.** Taxable items shall be selected by the tax payer himself except for the case envisaged by Item 3 of the present Article. The taxable items cannot be changed by the tax payer in the course of three years after the beginning of application of the simplified system of taxation.

**3.** The taxpayers being a party to a contract of simple partnership (contract of joint activity) or a contract of trust administration of property shall use incomes less expenses as their taxable object.

**Article 346.15.** Procedure for Defining Incomes

1. In defining the taxed items, taxpayers shall take into account the following incomes:

- incomes from sales defined in accordance with Article 249 of the present Code;
- extra-realization incomes, defined in conformity with Article 250 of the present Code.

The incomes envisaged by Article 251 of the present Code shall not take into account while determining taxation basis.

Incomes in the form of received dividends shall not be taken into account as a part of incomes which are taxed by a tax agent in accordance with the provisions of Articles 214 and 275 of the present Code.

**2.** Abolished from January 1, 2006.

**Article 346.16.** Procedure for Determining Outlays

1. When defining the taxed item, the tax payer shall reduce the derived incomes by the following outlays:

1) expenses towards acquisition, construction and manufacture of fixed assets, as well as towards completion of construction and equipment, reconstruction, updating and technological re-equipment of fixed assets (with due regard to Items 3 and 4 of this Article);

2) expenses towards the acquisition of intangible assets and also towards the creation of intangible assets by the taxpayer proper (with due regard to the provisions of Items 3 and 4 of the present Article);";

2.1) expenses on the acquisition of exclusive rights to inventions, utility models, industrial designs, computer programs, data bases, topologies of integrated microcircuits, know-how, and also rights to the use of the indicated results of intellectual activity under a licence agreement;

2.2) expenses on patenting and/or payment for services in obtaining legal protection of the results of intellectual activity, including means of individualisation;

2.3) expenses on scientific research and/or developments recognised as such in accordance with Item 1 of Article 262 of this Code;

3) the outlays on the repair of fixed assets (including of those rented);

4) rent (in particular, financial leasing) payments for rented (in particular, leased) property;

5) material outlays;

6) outlays on the remuneration of labour, on paying temporary disability benefits in compliance with laws of the Russian Federation;

7) outlays on all types of obligatory insurance of workers and property, including insurance premiums for obligatory pension insurance and premiums for the obligatory social insurance against industrial accidents and occupational diseases, paid in conformity with the legislation of the Russian Federation;

8) the sum of value added tax on goods (works or services) acquired by the tax payer and paid for that are to be recognised as expenses in accordance with the present Article and Article 346.17 of the present Code;

9) interest paid on the monetary funds (credits and loans), as well as the outlays involved in remuneration for the services rendered by credit institutions including those connected with the sale of foreign currency when collecting tax, fees, penalties and fines at the expense of the taxpayer's property in the procedure provided for by Article 46 of this Code;

10) the outlays on providing for the tax payer's fire security in conformity with the legislation of the Russian Federation, those on the services involved in guarding the property and in servicing the fire-alarm signalling system, as well as those on the acquisition of fire protection and other guard services;

11) the amounts of customs payments made at the importation of goods into the customs territory of the Russian Federation which are not refundable to the taxpayer under the customs legislation of the Russian Federation;

12) outlays on the maintenance of official transport and those on compensation for the use of personal private cars and motorcycles for official trips within the limits of the norms, fixed by the Government of the Russian Federation;

13) the outlays on business trips, in particular on:

- the worker's fares to the destination of the business trip and back to the place of his permanent work;

- the hire of living premises. In accordance with this Item of the outlays, the worker's outlays on payment for additional services, rendered in hotels (with the exception of the outlays on services in snack-bars and in restaurants, the outlays on the servicing in the room and of the outlays for the use of recreational and health-building objects) shall also be subject to recompense;

- a daily or field allowance within the limits of the norms, approved by the Government of the Russian Federation;

- the formalization and issue of visas, vouchers, invitations and other similar documents;

- consular and airport fees, the fees for the right of entry, passage and transit of automobile and other kinds of transport, for the use of sea channels and other similar facilities, and other similar payments and fees;

14) the remuneration to a state and (or) private notary for the notarial formalization of documents. Such outlays shall be accepted within the limits of tariffs, approved in the established order;

15) expenses towards bookkeeping, audit and legal services;

16) the outlays on the publication of business accounting reports, as well as on the publication and other methods of revealing other information, if the legislation of the Russian Federation imposes upon the tax payer the duty to carry out their publication (revelation);

17) outlays on stationery;

18) outlays on postal, telephone, telegraph and other similar services and outlays on the payment for communications services;

19) the outlays, involved in the acquisition of the right to use computer software and data bases under contracts with the possessor of the rights (under licence agreements). These outlays shall also include the outlays on the renewal of computer software and data bases;

20) the outlays on advertising the manufactured (acquired) and (or) realized commodities (works, services), the trade mark and service mark;

21) the outlays on the preparation and development of new production facilities, workshops and aggregates.

22) the amounts of taxes and fees paid under the legislation of the Russian Federation on taxes and fees, except for the amount of tax payable in compliance with this Chapter;

23) the expenses incurred as payment for the value of the goods acquired for further sale (reduced by the value of the expenses specified in Subitem 8 of the present Item), as well as the expenses connected with acquisition and sale of the said goods, in particular the expenses related to storage, servicing and transportation of the goods;

24) expenses towards the disbursement of commission, agent's fees and fees under a contract of agency;

25) expenses towards the provision of services of warranty repair and servicing;

26) expenses towards confirmation of the conformity of a product or another facility, process of production, operation, storage, transportation, sale and disposal, the performance of works or provision of services with the requirements of technical regulations, the provision of standards or contractual terms;

27) expenses towards the performance (in the cases established by the legislation of the Russian Federation) of a compulsory assessing intended to verify the correctness of tax payments if a dispute arises concerning tax base calculation;

28) payment for the provision of information on registered rights;

29) expenses towards payment for the services of specialised organisations that manufacture documents for the purposes of registry and technical recording (stock-taking) of immovable property (including right-establishing documents for land plots and documents establishing the boundaries of land plots);

30) expenses towards the payment for the services of specialised organisations that carry out expert examinations, investigations, issue statements and provide other documents required for securing a licence (permit) for the pursuance of a specific type of activity;

31) court expenses and arbitration fees;

32) periodical (current) payments for the use of rights to the results of intellectual activity and means of individualisation (for instance, rights arising from patents for inventions, industrial design and other types of intellectual property);

33) expenses towards training and retraining of personnel included in the taxpayer's list of staff, under a contract in the procedure envisaged by Item 3 of Article 264 of the present Code;

34) expenses in the form of a negative exchange-rate difference produced as a result of a re-valuation of property in the form of foreign currency amounts and claims (obligations) whose value in denominated in a foreign currency, including the ones available on foreign currency bank accounts, such a re-valuation having been conducted in connection with the variation of the official exchange rate of the foreign currency to the Russian rouble as set by the Central Bank of the Russian Federation;

35) the expenses related to servicing of cash register equipment;

36) the expenses related to the disposal of solid domestic waste.

**2.** The outlays, mentioned in Item 1 of the present Article, shall be accepted under the condition that they meet the criteria, indicated in Item 1 of Article 252 of the present Code.

The outlays, described in Subitems 5, 6, 7, 9-21 and 34 of Item 1 of the present Article, shall be accepted in the procedure provided for the computation of the tax on the profit of organisations in Articles 254, 255, 263, 264, 265 and 269.

**3.** Expenses towards the acquisition (erection, manufacturing) of fixed assets, completion of construction and equipment, reconstruction, updating and technological re-equipment of fixed assets, as well as expenses towards the acquisition (creation by the taxpayer proper) of intangible assets shall be accepted as follows:

1) expenses towards the acquisition (erection, manufacturing) of fixed assets within the period of application of the simplified taxation system, as well as outlays towards completion of construction and equipment, reconstruction, updating and technological re-equipment of fixed assets effected within the said period - as of the time of putting these fixed assets into operation;

2) for an intangible asset acquired (created by the taxpayer proper) within the period of application of the simplified taxation system: starting from the time when the intangible asset is recorded on the books for bookkeeping purposes;

3) in as much as it concerns the fixed assets acquired (erected, manufactured) and also the intangible assets acquired (created by the taxpayer proper) before the switching to the simplified taxation system the value of the fixed assets and of the intangible assets shall be included into expenses in the following procedure:

for fixed assets and intangible assets with a useful life of up to three years inclusive: within the first calendar year of application of the simplified taxation system;

for fixed assets and intangible assets with a useful life from three to fifteen years inclusive: 50 per cent of the value within the first calendar year of application of the simplified system, 30 per cent within the second calendar year, and 20 per cent within the third calendar year;

for fixed assets and intangible assets with a useful life of over 15 years: in equal shares of the value thereof within the first 10 years of application of the simplified taxation system.

As this is done, expenses shall be accepted for accounting periods over the tax period in equal instalments.

If a taxpayer has been practicing the simplified taxation system since he registered with tax bodies the value of fixed assets and intangible assets shall be accepted at the initial value of the property assessed in the procedure established by the legislation on bookkeeping.

If a taxpayer has switched over to the simplified taxation system from another taxation regime the value of fixed assets and intangible assets shall be taken into account in the procedure established by Items 2.1 and 4 of Article 346.25 of the present Code.

The duration of useful life of a fixed asset shall be assessed on the basis of the classification of the fixed assets included in depreciation groups approved by the Government of the Russian Federation in accordance with Article 258 of the present Code. The duration of useful life of a fixed asset not

included in the classification shall be set by the taxpayer in accordance with its specifications or the manufacturer's recommendations.

The fixed assets to which the rights are subject to state registration in accordance with the legislation of the Russian Federation shall be recorded as expenses in accordance with the present article as of the time of documented submittal of the documents for the purpose of registering these rights. This provision, in as much as it concerns the compulsory nature of the documented submittal requirement applicable to registration documents does not extend to the fixed assets that were commissioned before January 31, 1998.

The duration of useful life of intangible assets shall be assessed in accordance with Item 2 of Article 258 of the present Code.

If fixed assets and intangible assets acquired (erected, manufactured, created by the taxpayer proper) are sold (transferred) before the expiry of three years after the time when the expenses incurred to acquire (erect, manufacture, reconstruction, updating and technological re-equipment, as well as create by the taxpayer proper) them were recorded on the books as expenses in keeping with the present chapter (for fixed assets and intangible assets with a useful life of over 15 years before the expiry of ten years since their acquisition (erection, manufacturing, creation by the taxpayer proper), the taxpayer shall review the tax base for the whole period of use of such fixed assets and intangible assets since the time when they were recorded as expenses towards the acquisition (erection, manufacturing, reconstruction, updating and technological re-equipment, as well as creation by the taxpayer proper) until the date of the sale (transfer), with due regard to the provisions of Chapter 25 of the present Code, and shall pay an additional tax and penalty amount.

**4.** For the purposes of the present article, into the composition of fixed assets shall be included the fixed assets and intangible assets that are deemed depreciable assets according to Chapter 25 of the present Code, while outlays on completion of construction and equipment, reconstruction, modernization and technological re-equipment of fixed assets shall be determined subject to the provisions of Item 2 of Article 257 of this Code.

**Article 346.17.** Procedure for Recognising Incomes and Expenses

**1.** For the purposes of the present chapter the following shall be deemed the date of receipt of incomes: the day when an amount of money comes to a bank account and/or is received at a cashier's counter, when other property (works or services) and/or property rights are received, and when a debt is repaid (paid) to the taxpayer otherwise (the cash method).

When in settlements of accounts for acquired goods (works or services) or property rights the buyer uses a bill of exchange, the following shall be deemed the date of receipt of income for the taxpayer: the date of bill of exchange payment (the date when an amount of money is received from the drawer of the bill or from the other person having an obligation under the bill) or the day when the taxpayer transferred the bill of exchange by means of endorsement to a third person.

If a taxpayer pays back the amounts of money previously received as an advance payment for the supply of goods, carrying out of works, rendering of services and transfer of property rights, the incomes of the tax (reporting) period when they were paid back shall be reduced by the amount of money which was paid back.

**2.** The following is deemed expenses of a taxpayer: costs incurred after actual payment has been made for them. For the purposes of the present chapter the following is deemed payment for goods (works or services) and/or for property rights: the discharge of the obligations of the taxpayer being the acquirer of the goods (works or services) and/or of the property rights owing the seller, such an obligation being directly related to the delivery of the goods (performance of the works, provision of the services) and/or with the transfer of the property rights. In this case the expenses shall be recognised as expenses with due regard to the below details:

1) material expenses (including the expenses related to acquisition of raw stuff and materials), and also expenses towards remuneration for labour: as of the time of repayment of a debt by means of writing off an amount of money from the taxpayer's settlement account, disbursement at a cashier's counter, or when another debt-repayment method is used, as of the time of such a repayment. A similar procedure is applicable to the payment of interest for the use of borrowed funds (including bank credits) and to payment for the services of third' persons. In such a case the expenses incurred to purchase raw materials and materials shall be recognised as expenses as the raw materials and the materials are written off to be used in production;

2) expenses towards payment for the value of goods acquired for resale: as these goods are sold. For taxation purposes the taxpayer is entitled to use one of the below methods to assess the value of purchased goods:

the first in, first out (FIFO) method;

the last in, last out (LIFO) method;

the average-value method;

the merchandise-unit value method.

The expenses directly related to the sale of these goods, including expenses towards storage, servicing and carriage shall be recognised as expenses after they have been actually paid;

3) expenses towards the payment of taxes and fees: in the amount actually paid by the taxpayer. If there is a debt relating to the payment of taxes and fees, the expenses incurred to repay it shall be recognised as expenses within the amount actually repaid in the accounting (tax) periods when the taxpayer repays the debt;

4) expenses towards the acquisition (erection, manufacture) of fixed assets, completion of construction and equipment, reconstruction, updating and technological re-equipment of fixed assets, as well as expenses towards the acquisition (creation by the taxpayer proper) of intangible assets accountable in the procedure established by Item 3 of Article 346.16 of the present Code, shall be recorded on the last day of the reporting (tax) period as paid amounts. As this is done, these expenses shall be accountable only for the fixed assets and intangible assets used to pursue business activities.

5) when a bill of exchange is issued by a taxpayer to a seller in payment for acquired goods (works or services) and/or property rights the expenses incurred to acquire the goods (works or services) and/or property rights shall be recognised after bill of exchange payment is made. When a bill of exchange issued by a third person is issued by a taxpayer to a seller in payment for acquired goods (works or services) and/or property rights the expenses incurred to acquire the goods (works or services) and/or property rights shall be recognised as of the date of transfer of the bill of exchange for the acquired goods (works or services) and/or property rights. The expenses specified in the present item shall be recognised on the basis of the contract price but not exceeding the sum of debt obligation specified on the bill of exchange.

**3.** For taxation purposes the taxpayers determining their incomes and expenses in accordance with the present chapter shall not recognise differences as incomes and expenses if according to contractual terms the obligation (claim) is denominated in conditional currency units.

**4.** When a taxpayer transfers from an object of taxation in the form of incomes to an object of taxation in the form of incomes reduced by the amount of expenses, the expenses related to the tax periods, when the object of taxation in the form of incomes was applied, shall not be included when estimating the tax base.

**Article 346.18.** Tax Base

**1.** If the taxed items are the incomes of an organisation or individual businessman, the monetary expression of the incomes of the organisation or individual businessman shall be recognized as the tax base.

**2.** If the taxed items are the incomes of an organisation or an individual businessman, reduced by the size of the outlays, the monetary expression of the incomes, reduced by the size of the outlays shall be recognized as the tax base.

**3.** Incomes and outlays, expressed in foreign currency, shall be recorded in aggregate with the incomes and expenses expressed in roubles. The incomes and outlays expressed in foreign currency shall be recalculated into roubles in accordance with the official exchange rate of the Central Bank of the Russian Federation, established as on the date of receiving the incomes and (or) as on the date of making the outlays, respectively.

**4.** The incomes derived in kind shall be recorded at market prices.

**5.** When determining the tax base, the incomes and outlays shall be defined by the progressive total as from the start of the tax period.

**6.** The tax payer, who applies taxation to the incomes reduced by the size of the outlays, shall pay the minimum tax in accordance with the procedure, envisaged in the present Item.

The minimum tax sum shall be computed for the tax period in the amount of one per cent of the tax base, which is comprised by the incomes defined in accordance with Article 346.15 of the present Code.

The minimum tax shall be paid if for the tax period the sum of the tax, computed in the general order, is less than the sum of the computed minimum tax.

In the following tax periods, the tax payer has the right to include the sum of the difference between the sum of the paid up minimum tax and the sum of the tax, computed in the general order, into the outlays when computing the tax base, and among other things to increase the sum of the losses, which may be put off to the future in conformity with the provisions of Item 7 of the present Article.

**7.** The tax payer, using as the taxable item the incomes, reduced by the amount of the outlays, has the right to reduce the tax base calculated according to the results of the tax period by the sum of the loss sustained in accordance with the results of the previous tax periods, in which the tax payer applied the simplified system of taxation and used for taxation purposes the incomes, reduced by the amount of the outlays. In this case be an excess of outlays, defined in accordance with Article 346.16 of the present Code, over the incomes, defined in accordance with Article 346.15 of the present Code shall be seen as the loss.

The loss, mentioned in the present Item, cannot reduce the tax base by more than 30 per cent. The remaining part of the loss may be put off to the next tax periods, but by no more than ten tax periods.

The tax payer is obliged to keep the documents, confirming the volume of the sustained loss and the sum, by which the tax base was reduced in every tax period, in the course of the entire term of use of the right to reducing the tax base by the sum of the loss.

The loss, sustained by the tax payer when he applies other regimes of taxation, shall not be accepted if he goes over to the simplified system of taxation.

The loss, sustained by the tax payer when the applies the simplified system of taxation, shall not be accepted if he goes over to other regimes of taxation.

**8.** The taxpayers that have switched - for some types of activity - to the payment of the uniform tax on imputed income for specific types of activity in keeping with Chapter 26.3 of the present Code shall keep record separately of incomes and expenses for the various special tax regimes. If it is impossible to separate expenses in tax base calculation for the taxes calculated in different special tax regimes these expenses shall be distributed pro rata to the shares of incomes in the common amount of incomes received when the said special tax regimes were practices.

**Article 346.19.** Tax Period. Reporting Period

**1.** A calendar year shall be recognized as the tax period.

**2.** The first quarter, half year and nine months of a calendar year shall be recognized as the reporting periods.

**Article 346.20.** Tax Rates

**1.** If the taxed items are incomes, the tax rate shall be established at six per cent.

**2.** If the taxed items are incomes, reduced by the amount of the outlays, the tax rate shall be established at 15 per cent.

**Article 346.21.** Procedure for the Computation and Payment of Tax

**1.** Tax shall be computed as the percentages share of the tax base, corresponding to the tax rate.

**2.** The sum of tax in accordance with the results of the tax period shall be defined by the tax payer on his own.

**3.** The tax payers, who have selected incomes as the taxed items, shall compute the sum of advance tax payment in accordance with the results of every reporting period, proceeding from the tax rate and from the actually derived incomes, calculated by the progressive total as from the start of the tax period and till the end of, respectively, the first quarter, the half-year and nine months, taking account of the earlier calculated sums of advance tax payments.

The sum of tax (of advance tax payments), computed for the tax (reporting) period, shall be reduced by the said tax payers by the sum of insurance premiums for obligatory pension insurance, which are paid (within calculated amounts) in the same period of time in conformity with the legislation of the Russian Federation as well as by the amount of the temporary disability benefits paid out to workers. The sum of tax (of advance tax payments) cannot be reduced by more than 50 per cent.

**4.** Tax payers who have selected incomes, reduced by the amount of the outlays in accordance with the results of every reporting period as the taxed items, shall compute the sum of advance tax payment proceeding from the tax rate and from the actually derived incomes, reduced by the amount of the outlays, computed as a progressive total as from the start of the tax period and till the end of, respectively, the first quarter, the half-year and nine months, taking account of the earlier calculated sums of advance tax payments.

**5.** The advance payment amounts of the tax calculated earlier shall be accepted for set-off in the calculation of tax advance payment amounts for the accounting period and of the tax amount for the tax period.

**6.** The entry of tax and of advance tax payments shall be effected at the location of an organisation (at the place of residence of an individual businessman).

**7.** The tax, subject to payment upon expiry of the tax period, shall be paid not later than the term, fixed for submitting tax declarations for the corresponding tax period in Items 1 and 2 of Article 346.23 of the present Code.

Advance tax payments shall be made not later than on the 25th day of the first month, following the expired reporting period.

**Article 346.22.** Entry of the Sums of the Tax

Sums of tax shall be entered onto the accounts of Federal Treasury bodies to be subsequently distributed among the budgets of all levels and the budgets of the state extra-budgetary funds in conformity with the budgetary legislation of the Russian Federation.

**Article 346.23.** Tax Declaration

**1.** Tax paying organisations shall submit tax declarations after an expiry of the tax (reporting) period to the tax bodies at their location.

Tax declarations in accordance with the results of the tax period shall be submitted by tax paying organisations not later than on March 31 of the year following the expired tax period.

Tax declarations in accordance with the results of the reporting year shall be submitted not later than 25 calendar days from the end of the corresponding reporting period.

**2.** Tax paying individual businessmen shall submit tax declarations after expiry of the tax period to the tax bodies at the place of their residence not later than on April 30 of the year following the expired tax period.

Tax declarations in accordance with the results of the reporting period shall be submitted not later than 25 days from the end of the corresponding reporting period.

**3.** The form for tax declarations and the procedure for filling them out shall be approved by the Ministry of Finance of the Russian Federation.

**Article 346.24.** Record-Keeping for Taxation Purposes

Taxpayers are obligated to keep record of incomes and expenses for the purpose of tax base calculation in the book of incomes and expenses of organisations and individual entrepreneurs that practice the simplified taxation system, with the form and fill-in procedure for it being approved by the Ministry of Finance of the Russian Federation.

**Article 346.25.** The Details of Tax Base Calculation in Case of Switch to the Simplified Taxation System from Other Taxation Regimes and of Switch from the Simplified Taxation System to Other Taxation Regimes

**1.** Organisations, which had been using - before they switched to the simplified taxation system - the accrual method in the calculation of the organisation's profit tax, shall fulfil the following rules when going over to the simplified system of taxation:

1) on the date of transition to the simplified system of taxation, the sums of monetary funds, received before the switch to the simplified taxation system for remuneration under contracts that the tax payer shall execute after going over to the simplified system of taxation shall be included into the tax base;

2) abolished from January 1, 2006;

*See the text of Subitem 2 of Item 1 of Article 346.25*

3) monetary funds, received after transition to the simplified system of taxation, shall not be included into the tax base, if according to the rules for tax recording by the method of computations, the said sums were included into the incomes when computing the tax base on the tax on the profit of organisations;

4) the outlays, made by the organisation after going over to the simplified system of taxation, shall be recognized as outlays to be subtracted from the tax base as on the date of their effecting, if these outlays were settled before the switch to the simplified taxation system, or as on the date of payment, if they were effected after the organisation moved to the simplified system of taxation;

5) the monetary funds, entered after transition to the simplified system of taxation in payment for the organisation's outlays, shall not be subtracted from the tax base, if before transition to the simplified system of taxation such outlays were taken into account in the computation of the tax base for the tax on the profit of organisations in conformity with Chapter 25 of the present Code.

**2.** Organisations, which have applied the simplified system of taxation, shall observe the following rules as they transfer to the tax base calculation for tax on profit of organisations with the use of the accruals method:

1) incomes in the amount of proceeds from the sale of commodities (carrying out of works, rendering of services, transfer of property rights) gained within the period of application of the simplified taxation system which are not paid for (partially paid for) before the date of switching over to estimation of the tax base for profit tax on the basis of the accruals method shall be recognized within the composition of incomes;

2) outlays on acquisition within the period of application of the simplified taxation system of commodities (works, services, property rights) which had not be paid (partially paid) by a taxpayer before the date of switching over to estimation of the tax base for profit tax on the basis of the accruals method shall be recognised within the composition of expenses, if not otherwise provided for by Chapter 25 of this Code.

The incomes and expenses cited in Subitems 1 and 2 of this Item shall be recognized as incomes (expenses) of the month when switching over to estimation of the tax base for tax on profits of organisations with application of the accruals method took place.

**2.1.** When an organisation switches over to the simplified taxation system, the following shall be reflected on the tax records as of the date of such a switch: the balance value of acquired (erected, manufactured) fixed assets and intangible assets acquired (created by the organisation proper) for which

payment had been made before the switch to the simplified taxation system - in the form of the difference of the price of the acquisition (erection, manufacture, creation by the organisation proper) and the sum of accrued depreciation in accordance with the provisions of Chapter 25 of the present Code.

When an organisation practicing the taxation system for agricultural commercial producers (uniform agricultural tax) in accordance with Chapter 26.1 of the present Code switches over to the simplified taxation system, the following shall be reflected on the tax records as of the date of the switch: the balance value of acquired (erected, manufactured) fixed assets and intangible assets acquired (created by the organisation proper) assessed on the basis of their balance value as of the time of switch to the payment of uniform agricultural tax less the sum of expenses assessed in the procedure envisaged by Subitem 2 of Item 4 of Article 346.5 of the present Code over the period of application of Chapter 26.1 of the present Code.

When an organisation practicing the taxation system in the form of uniform tax on imputed income for specific types of activity in compliance with Chapter 26.3 of the present Code switches over to the simplified taxation system the following shall be reflected on the tax records as of the date of the switch: the balance value of acquired (erected or manufactured) fixed assets and intangible assets acquired (created by the organisation proper) for which payment had been made before the switch to the simplified taxation system - in the form of the difference of the price of the acquisition (erection, manufacture or creation by the organisation proper) of the fixed assets or the intangible assets and the sum of depreciation accrued in the procedure established by the legislation of the Russian Federation on bookkeeping over the period of application of the taxation system in the form of uniform tax on imputed income for specific types of activity.

**3.** If an organisation switches over from the simplified taxation system to other taxation regimes (except for the taxation system in the form of uniform tax on imputed income for specific types of activity) and has fixed assets and intangible assets which have been acquired (erected, manufactured, created by the organisation proper, or whose construction or equipment was completed, or reconstruction, updating and technical reequipment was effected) by means of incurring expenses that have not been fully posted as expenses over the period of application of the simplified taxation system in the procedure envisaged by Subitem 3 of Item 3 of Article 346.16 of the present Code, then for taxation purposes the residual value of fixed assets and intangible assets shall be assessed as of the date of the switch as the residual value of the fixed assets and intangible assets assessed by way of reduction of the value (residual value assessed as of the time of transfer to the simplified taxation system) of these fixed assets and intangible assets by the amount of expenses determined for the period of application of the simplified system of expenses taxation in the procedure provided for by Item 3 of Article 346.16 of this Code.

**4.** As they switch over to the simplified taxation system from other taxation regimes or to other taxation regimes from the simplified taxation system individual entrepreneurs shall apply the rules set out in Items 2.1 and 3 of the present Article.

**5.** Organisations and individual businessmen that have previously applied the simplified taxation system shall observe the following rule when switching over to the simplified taxation system: the sums of valueadded tax estimated and paid by a payer of value-added tax on the amounts of payment or partial payment received prior to switching over to the simplified taxation system on account of future supply of commodities, carrying out of works, rendering of services or transfer of property rights effected within the period of transfer to the simplified taxation system shall be subject to deduction in the last tax period preceding the month when the payer of value-added tax switched over to the simplified taxation system, provided that there are documents proving that the tax amounts have been paid to purchasers in connection with the taxpayer's switching over to the simplified taxation system.

**6.** Organisations and individual businessmen applying the simplified taxation system when switching over to the general taxation regime shall observe the following rule: the sums of value-added tax charged to a taxpayer applying the simplified taxation system when he acquires commodities (works, services or property rights) which have not been posted as expenses deductible from the tax base when applying the simplified taxation system shall be deducted in the event of switching over to the general taxation regime in the procedure provided for by Chapter 21 of this Code for payers of value-added tax.

**Article 346.25.1.** The Details of Application of the Simplified Taxation System by an Individual Entrepreneur on the Basis of a Licence

**1.** Individual entrepreneurs pursuing one of the types of entrepreneurial activity listed in Item 2 of the present Article are entitled to switch over to the simplified taxation system on the basis of a licence.

In this case they are subject to the norms established by Articles 346.11-346.25 of the present Code with due regard to the details available in the present article.

**2.** The application of the simplified taxation system based on a licence is permitted to individual businessmen whose business activity does not involve hired labour, including under civil-law contracts, and who pursue one of the types of business activities below:

1) sewing and mending garments, fur and leather articles, headgear and small items, manufacturing and mending knit wear;

2) cobbling, dying and manufacture of footwear;
3) manufacture of felt footwear;
4) manufacture of haberdashery;
5) manufacture and repair of metalware, keys, licence plates and street signs;
6) manufacturing wreaths, artificial flowers and garlands;
7) manufacture of gravefences, gravestones and metal wreaths;
8) manufacture and repair of furniture;
9) manufacturing and mending rugs and carpet articles;
10) repair and maintenance of household electronics, household machines and appliances, repair and manuifacture of metal ware;
11) ) manufacturing and repairing fishing implements (accessories);
12) engraving and stamping of jewellery articles;
13) manufacture and repair of games and toys, except for computer games;
14) manufacturing traditional craft articles;
15) manufacture and repair of jewellery articles, bijouterie;
16) procuring wool, skins and hides of cattle, of horse family animals, sheep, goats and swine;
17) processing and dying skins and hides of animals;
18) manufacture and dying of furs;
19) making knitting yarn of customer-owned washed wool;
20) wool carding;
21) shearing of domestic animals;
22) protection of gardens, vegetable gardens and planting of plant pests and diseases;
23) making agricultural implements of customer's materials;
24) repair and manufacture of cooperage and pottery;
25) manufacture and repair of small wooden boats;
26) repair of tourist equipment and implements;
27) wood sawing operations;
28) metal, glass, porcelain, wood and pottery engraving;
29) manufacture and printing of visiting cards and invitations;
30) copying-and-duplicating, book-binding, stitching, framing and cardboard works;
31) shoe-shining;
32) providing photographic services;
33) film producing, editing, hiring and showing;
34) repairing and maintaining motor vehicles;
35) providing other kinds of services related to maintenance of motor vehicles (auto washing, polishing, application of protective and decorative coatings to car bodies, passenger compartment cleaning, towing);
36) providing services of a toast-maker, an actor at festivities, musical services for ceremonies and rites;
37) providing hairdressing and cosmetic services;
38) motor carriage of passengers and freight;
39) providing the services of a secretary, editor, translator/interpreter;
40) maintenance and repair of office and computer equipment;
41) monophonic and stereophonic recording of customer's oral speech, singing and playing musical instruments with the use of a magnetic tape or compact-disc;
42) the services of baby-sitters, care of children and patients;
43) cleaning residential premises;
44) the services of a housekeeper;
45) repair and construction of dwelling housing and other buildings;
46) carrying out assembly, electric assembly, sanitation and welding works;
47) designing the interior of residential premises and artistic design;
48) procuring glassware and secondary raw materials, except for metal scrap;
49) cutting glass and mirrors, glass decoration works;
50) the works of installing glass in balconies and built-in balconies;
51) bath house services, the services of saunas, solariums and massage parlors;
52) training services, in particular in circles, studios, classes, as well as the services of a tutor;
53) the services of a coach;
54) servicing trees and shrubs, decorative flower cultivation;
55) production of bread and confectionary;
56) letting on lease own immovable property, including flats and garages;
57) the services of porters at railway stations, bus stations, air terminals, at airports, sea and river ports;
58) veterinary services;

59) services of paid toilet and wash-rooms;

60) ritual services;

61) the services of street wardens, guards, watchmen and janitors.

**3.** A decision as to the possibility of application by an individual entrepreneur of the simplified taxation system based on a licence on the territories of subjects of the Russian Federation shall be taken by laws of the subjects of the Russian Federation. In this case, the laws of the subjects of the Russian Federation shall set out specific lists of types of entrepreneurial activity (within the limits envisaged by Item 2 of the present Article) for which individual entrepreneurs are permitted to practice the simplified taxation system based on a licence.

The fact that a subject of the Russian Federation has taken a decision on the possibility of application by individual entrepreneurs of the simplified taxation system based on a licence shall not prevent an individual entrepreneur from applying at his discretion the simplified taxation system envisaged by Articles 346.11 - 346.25 of the present Code. With this, switching over from the simplified taxation system on the basis of a licence to the general procedure for application of the simplified taxation system and back may be effected solely after the expiry of the time period of the licence's duration.

**4.** The following shall be the document certifying an individual entrepreneur's right to apply the simplified taxation system based on a licence: the licence issued to the individual entrepreneur by a tax body for the pursuance of one of the types of entrepreneurial activity envisaged by Item 2 of the present Article.

The form of the licence shall be approved by the federal executive body charged with controlling and supervising in the area of taxes and fees.

The licence shall be issued at a taxpayer's choice for one of the following periods: a quarter, six months, nine months, a calendar year.

**5.** A licence application shall be filed by an individual entrepreneur with the tax body with which he has registered for taxation purposes, at least one month before the beginning of application of the simplified taxation system based on a licence by the individual entrepreneur.

The form of the application shall be approved by the federal executive governmental body charged with controlling and supervising in the area of taxes and fees.

Within ten days the tax body shall issue a licence to the individual entrepreneur or notify him of its refusal to grant such a licence.

The form of a notice of refusal to grant a licence shall be approved by the federal executive governmental body charged with controlling and supervising in the area of taxes and fees.

When a licence is issued, a duplicate copy thereof shall also be made to be preserved in the tax body.

The licence shall be only valid in the territory of the constituent entity of the Russian Federation where it was issued.

A taxpayer holding the licence is entitled to file an application for another licence for the purpose of application of the simplified taxation system on the basis of the licence in the territory of another constituent entity of the Russian Federation.

**6.** The annual price of the licence shall be determined as corresponding to the tax rate envisaged by Item 1 of Article 346.20 of the present Code, the share in percentage points of the annual income that can be potentially received by the individual entrepreneur from each type of entrepreneurial activity envisaged by Item 2 of the present Article.

If an individual entrepreneur obtains a licence for a shorter term (one quarter, six months, nine months) the price of the licence shall be reviewed in accordance with the duration of the effective term of the licence.

**7.** The amount of annual income that can be potentially received by an individual entrepreneur shall be established for a calendar year by laws of the subjects of the Russian Federation for each type of entrepreneurial activity for which individual entrepreneurs are permitted to apply the simplified taxation system based on a licence. In this case such annual income may be differentiated with account taken of the peculiar features and the place of the individual entrepreneur's entrepreneurial activity on the territory of a specific subject of the Russian Federation. If the law of a constituent entity of the Russian Federation in respect of any of the kinds of business activities specified in Item 2 of this Article does not change, for the next financial year, the amount of potential annual income receivable by an individual businessman, then in this calendar year the rate of potential annual income receivable by the individual businessmen that was effective in the previous year shall be taken into account when defining the annual licence's cost. The rate of potential annual income shall be indexed annually by applying the deflation factor cited in Paragraph Three of Item 2 of Article 346.12 of this Code.

If a type of entrepreneurial activity listed in Item 2 of the present Article is included in the list of types of entrepreneurial activity established by Item 2 of Article 346.26 of the present Code the amount of annual income that can be potentially received by an individual entrepreneur from the type of entrepreneurial activity shall not exceed the base earnings value set by Article 346.29 of the present Code for the type of entrepreneurial activity times 30.

**8.** The individual entrepreneurs who have switched over to the simplified taxation system based on a licence shall make payment of one third of the licence price within 25 calendar days after the commencement of entrepreneurial activity under the licence.

**9.** In the event of breach of the terms of application of the simplified taxation system based on a licence, for instance if hired labour is used to pursue one's entrepreneurial activity (in particular, under a civil-law contract) or if the type of entrepreneurial activity pursued under the licence is not included in the law of the subject of the Russian Federation or if one third of the licence's price has not been paid (has been only partially paid) within the term set by Item 8 of the present Article, the individual entrepreneur shall lose his right to apply the simplified taxation system based on the licence in the period for which the licence has been issued.

In this case the individual entrepreneur shall pay taxes in accordance with the general taxation regime. In this case the price (the portion of the price) of the licence that has been paid by the individual entrepreneur is not refundable.

An individual businessman is obliged to notify the tax authority of the right to apply the simplified taxation system on the basis of the licence and of switching to another taxation regime within 15 calendar days from the start of application of another taxation regime.

An individual businessman that has switched over from the simplified taxation system on the basis of the licence to another taxation regime is entitled to switch over to the simplified taxation system on the basis of the licence once again at the earliest in three years after his forfeiting the right to application of the simplified taxation system on the basis of the licence.

**10.** The outstanding portion of the licence's price shall be paid by the taxpayer within 25 calendar days after the expiry of the period for which the licence was obtained. For this, when paying the remaining part of the licence's cost, it is subject to reduction by the amount of insurance premiums for obligatory pension insurance.

**11.** The tax declaration provided for by Article 346.23 of this Code shall not be submitted to the tax authorities by taxpayers applying the simplified taxation system on the basis of the licence.

**12.** Taxpayers applying the simplified taxation system on the basis of the licence shall keep tax records in the procedure established by Article 346.24 of this Code.

## Chapter 26.3. Taxation System in the Form of the Uniform Tax on the Imputed Income for Individual Kinds of Activity

**Article 346.26.** General Provisions

**1.** The system of taxation in the form of a uniform tax on the imputed income for individual kinds of activity shall be established by the present Code, put into force by laws of Russian regions and is applicable like the general taxation system (hereinafter referred to in the present chapter as "the general taxation regime") and other taxation regimes envisaged by the legislation of the Russian Federation on taxes and fees.

2. The taxation system in the form of a uniform tax on the imputed income for individual kinds of activity (hereinafter in this Chapter referred to as the uniform tax) may be applied by decision of the subject of the Russian Federation with respect to the following kinds of business activity:

1) the provision of consumer services, their groups, subgroups, types and/or particular everyday services classified in accordance with the All-Russia Classifier of Services for the Population;

2) rendering veterinary services;

3) rendering services involved in the repair, technical servicing and washing of motor transportation facilities;

4) the provision of services of storing motor vehicles at toll parking lots;

4.1) abolished from January 1, 2006;

5) the provision of motor transportation services of carriage of passengers and cargoes that are provided by organisations and individual entrepreneurs having by a right of ownership or another right (use, possession and/or disposition) up to 20 vehicles intended for the provision of such services;

6) retail trade carried out through shops and pavilions with a trading area up to 150 sq. m per trading facility. For the purposes of the present chapter retail trade carried out through shops and pavilions with a trading area exceeding 150 sq. m per trading facility is deemed a type of entrepreneurial activity that is not subject to uniform tax;

7) retail trade carried out by means of kiosks, stalls, stalls and other stationary trading network facilities that have no trading area, and also non-stationary trading network facilities;

8) the provision of public catering services through a public catering organisation's facilities (except for the provision of public catering services by educational, health care and social maintenance establishments) with an area intended for clients not exceeding 150 sq. m per public catering organisation's facility. For the purposes of the present chapter the provision of public catering services with an area intended for clients exceeding 150 sq. m per public catering organisation's facility is deemed a type of entrepreneurial activity that is not subject to uniform tax;

9) the provision of public catering services through public catering organisation's facilities not having an area intended for providing services to clients;

10) the distribution and/or placement of outdoor advertisements;

11) the distribution and/or placement of advertisements on buses of any type, on trams, trolleybuses, cars and lorries, trailers, semi-trailers and pole-trailers or river vessels;

12) the provision of temporary accommodation services by organisations and entrepreneurs using in each accommodation facility a total area of premises intended for temporary accommodation and residence up to 500 sq. m;

13) the provision of services of granting for temporary possession and/or use of points of sale which are located in stationary trading facilities which do not have salesrooms, of the non-stationary trading facilities (counters, booths, stands, containers, boxes and other facilities), as well as of public catering facilities which do not have an area for providing services to clients;

14) the provision of services of allotting for temporary possession and/or use of land plots for arrangement of trading places in a stationary trading system, as well as for location of non-stationary trading facilities (counters, booths, stands, containers, boxes and other facilities) and public catering facilities which do not have salesrooms for provision of services to clients.

**2.1.** Uniform tax shall not apply to the kinds of business activities specified in Item 2 of this Article, if they are exercised within the framework of a contract of simple partnership (a contract of joint activity) or a contract of property trust management, as well as in the event of their exercise by taxpayers in the category of major taxpayers in compliance with Article 83 of this Code.

Uniform tax shall not apply to the types of business activities, specified in Subitems from 6 to 9 of Item 2 of this Article, if they are exercised by organisations and individual businessmen that have switched over to payment of uniform agricultural tax in compliance with Chapter 26.1 of this Code, and the said organisations and individual businessmen sell through their trade outlets and (or) public catering units the agricultural products made by them, including preprocessed products made by them of agricultural raw stuff of their own production.

**3.** The laws of the subjects of the Russian Federation shall establish:

1) abolished from January 1, 2006;

2) the kinds of business activity, with respect to which the uniform tax is introduced, within the limits of the list, supplied in Item 2 of the present Article;

With the introduction of a uniform tax in respect of the business activity of rendering everyday services it is possible to determine the list of their groups, subgroups, types and/or particular everyday services subject to the transfer for the payment of the uniform tax;

3) the values of coefficient K_2 mentioned in Article 346.27 of the present Code or the values of this coefficient that take into account the specific features of conduct of an entrepreneurial activity.

**4.** The payment of the uniform tax by organisations envisage their relief from the duty to make payment of the organisation's profit tax (in respect of the profit received from an entrepreneurial activity subject to the uniform tax), the organisation's property tax (in respect of the property used to pursue an entrepreneurial activity subject to the uniform tax) and the uniform social tax (in respect of the disbursements effected for the benefit of natural persons in connection with the pursuance of an entrepreneurial activity subject to the uniform tax).

The payment of the uniform tax by individual entrepreneurs envisage their relief from the duty to make payment of the personal income tax (in respect of the incomes received from an entrepreneurial activity subject to the uniform tax), the personal property tax (in respect of the property used to pursue an entrepreneurial activity subject to the uniform tax) and the uniform social tax (in respect of the incomes received from an entrepreneurial activity subject to the uniform tax and the disbursements effected for the benefit of natural persons in connection with the pursuance of an entrepreneurial activity subject to the uniform tax).

The organisations and individual entrepreneurs being payers of the uniform tax shall not be deemed payers of the value added tax (in respect of the transactions recognised as taxable objects under Chapter 21 of the present Code as being accomplished within the framework of an entrepreneurial activity subject to the uniform tax) except for the value added tax payable under the present Code in the case of importation of goods into the customs territory of the Russian Federation.

The calculation and payment of other taxes and fees not indicated in the present item shall be effected by taxpayers in compliance with other taxation regimes.

The organisations and individual entrepreneurs being payers of the uniform tax shall pay insurance contributions for the purposes of mandatory pension insurance in compliance with the legislation of the Russian Federation.

5. The tax payers shall be obliged to observe the procedure for carrying out settlement and cash-based payment transactions in cash and cashless forms, as is laid down in conformity with the legislation of the Russian Federation.

**6.** When several kinds of business activity are performed, which are subject to taxation with the uniform tax in accordance with the present Chapter, the indices necessary for the computation of the tax shall be recorded separately for every kind of activity.

**7.** Tax payers, who carry out other kinds of activity, parallel to the business activity to be levied with the uniform tax, are obliged to keep separate records on the property, liabilities and e economic transactions as concerns the business activity subject to being levied with the uniform tax, and as concerns the business activity with respect to which the tax payers shall pay taxes in accordance with the other regime of taxation. In this case taxpayers shall apply the general established procedure to keep record of property, obligations and economic transactions for the types of entrepreneurial activity taxable by uniform tax.

The taxpayers pursuing an entrepreneurial activity subject to the uniform tax and equally other types of entrepreneurial activity shall calculate and pay taxes and fees on these types of activity in compliance with other taxation regimes provided for by this Code.

**8.** Organisations and individual businessmen when switching over from the general taxation regime to payment of uniform tax shall observe the following rule: the sums of value-added tax estimated and paid by a payer of value-added tax on paid sums (partially paid sums) received before switching over to payment of uniform tax on account of forthcoming supply of commodities, carrying out of works, rendering of services or transfer of property rights to be effected within the time period after switching over to payment of uniform tax shall be deductible in the last tax period preceding the month when a payer of value-added tax switched over to payment of uniform tax, if the documents proving the return by a purchaser of the sums of tax in connection with the taxpayer's switching over to payment of uniform tax are available.

**9.** Organisations and individual businessmen, which are payers of uniform tax, when switching over to the general taxation regime shall observe the following rule: the sums of value-added tax charged to a taxpayer that has switched over to payment of uniform tax in respect of commodities (works, services, property rights) acquired by him which have not be used in the activities taxable by uniform tax are subject to deduction when switching over to the general taxation regime in the procedure provided for by Chapter 21 of this Code for payers of value-added tax.

**Article 346.27.** The Basic Terms Used in the Present Chapter

The following basic terms are used for the purposes of the present chapter:

**imputed income** meaning a possible income of a payer of uniform tax calculated with due regard for the entirety of conditions directly affecting the production of the income and used to calculate the amount of uniform tax at the established rate;

**base earnings** meaning conditional monthly earnings in terms of value per a certain unit of a physical indicator which characterises a specific type of entrepreneurial activity in various comparable conditions and which is used to calculate the value of imputed income;

**base earnings adjustment coefficients** meaning coefficients that indicate the degree of influence of a certain condition on the result of an entrepreneurial activity taxable by the uniform tax, namely as follows:

**K_1** is a deflator coefficient that is set for the calendar year and that takes into account the variation of consumer prices for goods (works and services) in the Russian Federation in the preceding period. The deflator coefficient is to be calculated and be officially published in the procedure established by the Government of the Russian Federation;

**K_2** is a base earnings adjustment coefficient that takes into account the entirety of features of the conduct of an entrepreneurial activity, including the range of goods (works or services), seasonal peculiarities, working hours/mode, income amount, the peculiar features of the place where the entrepreneurial activity is pursued, the area of electronic display information field, the area of information field of outdoor advertisements with any means of image application, the area of information field of outdoor advertisements with automatically alternating image, the number of buses of any type, trams, trolleybuses, cars and lorries, trailers, semi-trailers, pole trailers, and river vessels used to disseminate and/or place advertisements as well as other features;

**everyday services** meaning paid services that are provided to natural persons (except for the services of pawn shops and the services of repair, maintenance and washing of motor vehicles) envisaged by the All-Russia Classification of Services Provided to the General Public;

**veterinary services** meaning services paid for by natural persons and organisations according to the list of services envisaged by regulatory legal acts of the Russian Federation and also by the All-Russia Classification of Services Provided to the General Public;

**the services of repair, maintenance and washing motor vehicles** meaning paid services provided to natural persons and to organisations according to the list of services envisaged by the All-Russia Classification of Services Provided to the General Public. Such services shall neither include the services of fueling motor vehicles, the services of warranty repair and maintenance nor the services of storing motor vehicles at toll parking lots;

**vehicles** meaning motor vehicles intended for performing the road carriage of passengers and cargoes (buses of any type, cars and lorries). The term "vehicles" does not include trailers, semi-trailers and pole trailers;

**toll parking lots** meaning grounds (including outdoor and indoor grounds) used as places for the provision of paid services of storing vehicles;

**retail trade** meaning an entrepreneurial activity relating to trading in goods (including those where payment is made with cash or with payment cards) under contracts of retail purchase/sale. This type of entrepreneurial activity does not include the sale of the excisable goods specified in Subitems 6-10 of Item 1 of Article 181 of the present Code, foodstuffs and beverages, including alcoholic ones, - either in manufacturer's packing and containers or without such a packing or containers - in bars, restaurants, cafes and other public catering organisation's facilities, natural gas in canistres, trucks and special-purpose vehicles, trailers, container-trailers, bolsters, buses of any type, commodities according to samples and catalogues outside the stationary trading system (in particular in the form of postal items (parcel trade), as well as through TV shops and computer networks), transfer of medical products on the basis of discount (free-of-charge) prescriptions, and also products of one's own make (production);

**stationary trading network** meaning a trading network located in buildings, houses, structures that are intended for trading and are connected to the services;

**stationary trading network with rooms intended for trading** meaning a trading network located in buildings and structures (parts thereof) intended for trading that feature separate premises with special equipment, such premises being intended for retail trading and for provision of services to buyers. Shops and pavilions fall within this category of trading facilities;

**stationary trading network without rooms intended for trading** meaning a trading network located in buildings, houses and structures (parts thereof) intended for trading and not having separate premises that are specifically equipped for these purposes, and also in buildings, houses and structures (parts thereof) used for concluding retail purchase/sale contracts, and also for public sales. Indoor markets (fairs), malls, kiosks, vending machines and other similar facilities fall within this category of trading facilities;

**non-stationary trading network** meaning a trading network operating on the basis of delivery and peddling trade and also trading organisation's facilities not deemed a stationary trading network;

**delivery trade** meaning a retail trade carried out outside a stationary retail trading network through the use of specialised or specifically-equipped vehicles as well as mobile equipment used only with a vehicle. This type of trading includes trading involving the use of a motor vehicle, of a lorry-mounted kiosk, lorry-mounted shop, "tonar" towable trailer, trailer or movable vending machine;

**peddling** meaning a retail trade carried out outside a stationary retail trading network by means of direct contact of a vendor with a buyer in organisations, on means of transport, at home or in the street. This type of trading includes trading by a vendor from the vendor's hands, from a tray, basket or cart;

**public catering services** meaning the services of preparation of cookery items and/or sweet, creation of conditions for the consumption and/or sale of finished cookery items as well as sweets and/or purchased goods and also for recreation. Public catering services shall not include the services related to manufacture and sale of the excisable commodities specified in Subitems 3 and 4 of Item 1 of Article 181 of this Code

**public catering organisation's facility having a room for providing services to clients** meaning a building (part thereof) or a structure intended for the provision of public catering services and having specifically-equipped premises (outdoor ground) for the consumption of finished cookery items as well as sweets and/or purchased goods and also for recreation. this category of public catering organisation's facilities includes restaurants, bars, cafes, canteens, snack-bars;

**public catering organisation's facility having no room for the provision of services to clients** meaning a public catering organisation's facility that has no specifically-equipped room (outdoor ground) for the consumption of finished cookery items or sweets and/or purchased goods. This category of public catering organisation's facility includes kiosks, stalls, convenience stores (sections) and other similar public catering facilities;

**trading room area** meaning the part of a shop, pavilion (outdoor ground) occupied by equipment intended for the placement and show of goods, settlements of accounts and provision of services to clients, the area of cash-register points and booths, the area of workplaces of attendants as well as the area of passages intended for clients. The area of a trading room also includes the rented part of trading room's area. The area of auxiliary, administrative and utility premises and also of premises intended for the acceptance and storage of goods, and for the preparation of goods for sale, and where no services are provided to clients is not deemed a trading room area. The area of a trading room is assessed on the basis of stock-taking and right establishing documents;

**the area of a room intended for provision of services to clients** meaning the area of specifically-equipped premises (outdoor grounds) of a public catering organisation's facility intended for the consumption of finished cookery items and sweets and/or purchased goods and also for recreation, the area being assessed on the basis of stock-taking and right-establishing documents.

For the purposes of the present chapter the "stock-taking and right establishing documents" mean any documents that an organisation or an individual entrepreneur has for an stationary trading network facility (a public catering organisation's facility) as containing the necessary information on the purpose, structural features and layout of the premises of the facility, and also information confirming the right of using the facility (a contract of purchase/sale of non-living premises, the technical certificate for non-living premises, layouts, drawings, legends, a contract of lease (sublease) of non-living premises or a part (parts) thereof, a permit for provision of services to clients at an outdoor ground as well as other documents);

**outdoor ground** meaning a place located on a land plot and specifically equipped for trading or for public catering;

**shop** meaning a specifically-equipped building (part thereof) intended for selling goods and providing services to buyers and featuring trading, auxiliary, administrative and utility premises as well as premises intended for acceptance and storage of merchandise and also for preparation of merchandise for sale;

**pavilion** meaning a structure having a room for trading and intended for one workplace or several workplaces;

**kiosk** meaning an structure that has no room for trading and that is intended for a single workplace (for an attendant);

**tent** meaning a structure that can be assembled/disassembled that features a counter and has no room for trading;

**trading point** meaning the place used for making transactions of retail purchase/sale. Trading points shall include buildings, structures (a part thereof) and/or land plots used for making transactions of retail purchase/sale, as well as retail trade and public catering facilities that do not have salesrooms and areas for servicing clients (pavilions, booths, kiosks, boxes, containers and other facilities, including those located in buildings, structures and constructions), counters, tables, stands (including those located on land plots), land plots used for location of retail trade (public catering) facilities that do not have salesrooms (areas for servicing clients), counters, tables, stands and other facilities;

**stationary trading point** meaning the place used for making transactions of purchase/sale at stationary trading facilities. Stationary trading points shall likewise include land plots let on lease to organisations and individual businessmen for organisation of stationary trading;

**the area of an outdoor advertisement information field with any means of image application, except for an outdoor advertisement with automatically alternating image** meaning the area of an image applied;

**the area of an outdoor advertisement information field with automatically alternating image** meaning the area of the exposed surface;

**the area of an outdoor advertisement electronic display information field** meaning the area of the light-emitting surface;

**the dissemination and/or placement of outdoor advertisements** meaning organisations' or individual entrepreneurs' activity of provision of advertisement information to consumers by means of granting and/or using outdoor advertisement facilities (boards, stands, posters, electronic (illuminated) displays and other stationary technical facilities) intended for an indefinite circle of persons and for visual perception;

**the dissemination and/or placement of advertisements on buses of any types, trams, trolleybuses, cars and lorries, trailers, semi-trailers, pole-trailers and river vessels** meaning organisations' or individual entrepreneurs' activity of provision of advertisement information to consumers, as intended for an indefinite circle of persons and for visual perception, by means of placing advertisements on roofs, side surfaces of these vehicles, and also of installing advertisement boards, placards, electronic displays and other advertisement facilities;

**the number of employees** means the mean listed (mean) number of employees for each calendar month of tax period with account taken of all employees, including those having combined jobs, working under contracts of independent contractor work and other civil-law contracts;

**premises for temporary accommodation and residence** meaning premises used for temporary accommodation and residence of natural persons (an apartment, a room in an apartment, private house, cottage (a part thereof), a hotel suite, a room in a hostel and other premises). The total area of premises for accommodation and residence shall be determined on the basis of inventory and right-proclaiming documents in respect of the facilities intended for temporary accommodation and residence (contracts of purchase/sale, of lease (sublease), technical passports, plans, diagrams, legends and other documents).

When estimating the total area of premises for temporary accommodation and residence at facilities of thehotel type (hotels, holiday camps, hostels and other facilities), the area of premises for public use (halls, corridors, stair halls, stairs between floors, public water closets, saunas and shower rooms, premises of restaurants, bars, canteens and other premises), as well the area of auxiliary administrative premises, shall not be taken into account;

**facilities for rendering the services of temporary accommodation and residence**, meaning buildings, structures and constructions (parts thereof) which have premises for temporary accommodation and residence (dwelling houses, cottages, private houses, structures on homestead land plots, buildings and structures (complexes of constructionaly separate (associated) buildings and structures located on the same land plot) which are used as hotels, holiday camps, hostels and other facilities);

**area of a parking lot** meaning the total area of the land plot where a parking lot is located which is estimated on the basis of right-proclaiming and inventory documents.

**Article 346.28.** Tax Payers

**1.** Tax payers are organisations and individual businessmen, performing an entrepreneurial activity subject to the uniform tax on the territory of a subject of the Russian Federation, in which the uniform tax is introduced.

**2.** Taxpayers pursuing the types of entrepreneurial activity established by Item 2 of Article 346.26 of the present Code shall register with the tax bodies at the places where their activities are pursued within five days after the commencement of pursuance of the activity and they shall pay uniform tax introduced in these municipal rayons, city/town okrugs and in the federal-significance Cities of Moscow and St.Petersburg.

**Article 346.29.** Taxed Item and the Tax Base

**1.** The tax payer's imputed income shall be seen as the item subject to taxation when applying the uniform tax.

**2.** The tax base for the computation of the sum of the uniform tax shall be the size of the imputed income, calculated as the product of the basic profitability of a given kind of business activity calculated for the tax period and of the size of the physical index, characterizing the given kind of activity.

**3.** The following physical indices describing specific kinds of business activities and base earnings per month shall be used for estimation of the amount of uniform tax:

| Type of Business Activity | Physical Index | Base Earnings per Month (Roubles) |
|---|---|---|
| 1 | 2 | 3 |
| Provision of domestic services | Number of employees, including the individual businessman | 7,500 |
| Provision of veterinary services | Number of employees, including the individual businessman | 7,500 |
| Provision of services of repair, maintenance and washing motor vehicles | Number of employees, including the individual businessman | 12,000 |
| Provision of services of storing motor vehicles at parking lots | Area of parking lot (in square metres) | 50 |
| Provision of cargo motor carriage services | Number of vehicles used to carry cargoes | 6,000 |
| Provision of passenger carriage services | Seat | 1,500 |
| Retail trade effected through stationary trading facilities | Area of sales room (in square metres) | 1,800 |

| | | |
|---|---|---|
| featuring sales rooms | | |
| Retail trade effected through stationary trading facilities, as well as through non-stationary trading facilities, where the area of a trading point is 5 square metres at most | Trading point | 9,000 |
| Retail trade effected through stationary trading facilities, as well as through non-stationary trading facilities, where the area of a trading point exceeds 5 square metres | Area of trading point (in square metres) | 1,800 |
| Peddling (retail delivery trade) (except for trade in excisable commodities, medical products, articles made of precious stones, weapons and cartridges for them, furs and technologically sophisticated household appliances) | Number of employees, including the individual businessman | 4,500 |
| Provision of public catering services through public catering organisation facilities featuring rooms for rendering services to clients | Area of a room for rendering services to clients | 1,000 |
| Provision of public catering services through public catering organisation facilities featuring no rooms for rendering services to clients | Number of employees, including the individual businessman | 4,500 |
| Dissemination and/or positioning of outdoor advertising featuring an images applied in any way, except for outdoor advertising with automatically alternating image | Area of information field of outdoor advertising featuring an image applied in any way, except for outdoor advertising with automatically alternating images (in square metres) | 3,000 |
| Dissemination and/or positioning of outdoor advertising with automatically alternating ima- | Area of information field of exposed surface (in square metres) | 4,000 |

| | | |
|---|---|---|
| ges | | |
| Dissemination and/or positioning of outdoor advertising by way of electronic display panels | Area of information field of electronic display panels of outdoor advertising (in square metres) | 5,000 |
| Dissemination and/or positioning of advertising on buses of all types, trams, trolley-buses, cars and lorries, trailers, container-trailers, tankers, river ships | Number of buses of all types, trams, trolley-buses, cars and lorries, trailers, container-trailers, tanker river ships used for dissemination and/or positioning of advertising | 10,000 |
| Provision of services of temporary accommodation and residence | Area of bedroom (in square metres) | 1,000 |
| Provision of services of granting for temporary possession and/or use of trading points located at stationary trading facilities featuring no salesrooms, non-stationary trading facilities (counters, booths, stands, containers, boxes and other facilities), as well as public catering organisation facilities featuring no rooms for rendering services to clients where the area of one trading point, one non-stationary trading facility or the public catering organisation facility is at most 5 square metres | Number of trading points granted for temporary possession and/or use to other economic agents | 6,000 |
| Provision of services of granting for temporary possession and/or use trading points located at facilities of the stationary trading system featuring no salesrooms, facilities of the non-stationary trading system (counters, booths, stands, containers, boxes and other | Area of trading points granted for temporary possession and/or use to other economic agents (in square metres) | 1,200 |

| | | |
|---|---|---|
| facilities), as well as public catering organisation facilities featuring no rooms for rendering services to clients where the area of one trading point, one facility of the non-stationary trading system or the public catering organisation facility exceeds 5 square metres | | |
| Provision of services of allotting for temporary possession and/or use land plots whose area is 10 square metres at most for arrangement of trading points in the stationary trading system, as well as for location of facilities of the non-stationary trading system (counters, booths, stands, containers, boxes and other facilities) and public catering organisation facilities featuring no rooms for rendering services to clients | Number of land plots allotted for temporary possession and/or use | 5,000 |
| Provision of services of transfer for temporary possession and/or use land plots whose area exceeds 10 square metres for arrangement of trading points in the stationary trading system, as well as for location of facilities of the non-stationary trading system (counters, booths, stands, containers, boxes and other facilities) and public catering organisation facilities featuring no rooms for rendering services to clients | Area of land plots transferred for temporary possession and/or use (in square metres) | 1,000 |

4. The basic profitability shall be corrected (multiplied) by Coefficients K_1 and K_2.

**5.** Abolished from January 1, 2006.

**6.** When determining the basic profitability, the subjects of the Russian Federation may correct (multiply) the basic profitability, given in Item 3 of the present Article, by Correcting Coefficient K_2.

The correcting coefficient K_2 shall be determined as the product of the values, which are established by normative legal acts of the representative bodies of municipal districts and city wards, by laws of the federal cities Moscow and St. Petersburg, and which record the influence of the factors on the results of business activity, and the factors stipulated by Article 346.27 of the present Code.

For the purpose of taking into account the actual period of time for business activity, the value of the correcting coefficient K_2 that records the influence of the said factors on the result of business activity shall be determined as a ratio of the number of calendar days of carrying out business during the calendar month of the tax period to the number of calendar days in the given calendar month of the tax period.

7. The values of Correcting Coefficient K_2 shall be defined for all categories of taxpayers by the subjects of the Russian Federation for a period of at least one calendar year and may be established within the bracket of 0.005 to 1. If the normative legal act of the representative body of a municipal region or an urban circuit, the laws of the cities of federal importance Moscow and Saint-Petersburg on amending effective values of Correcting Coefficient K_2 are not adopted before the start of the next calendar year and/or did not enter into effect in the procedure established by this Code from the start of the next calendar year, the values of Correcting Coefficient K_2 that were in effect in the previous calendar year shall be also in force in the next calendar year.

**8.** Abolished from January 1, 2006.

**9.** If in the course of the tax period a change in the size of the tax payer's physical index has taken place, the tax payer shall take into account said change when calculating the sum of the uniform tax, as from the start of that month when the change in the size of the physical index occurred.

**10.** The size of the imputed income for a quarter, in the course of which the corresponding state registration of the tax payer was carried out, shall be calculated proceeding from full months, beginning with the month following the month of the above-said state registration.

**Article 346.30.** Tax Period

A quarter shall be recognized as the tax period for the uniform tax.

**Article 346.31.** Tax rate

The rate of the uniform tax shall be fixed at 15 per cent of the value of the imputed income.

**Article 346.32.** Procedure and Time Terms for the Payment of the Uniform Tax

1. The payment of the uniform tax shall be effected by the tax payer in accordance with the results of the tax period not later than on the 25th day of the first month of the next tax period.

2. The sum of uniform tax calculated for the tax period shall be reduced by taxpayers by the sum of insurance contributions for compulsory pension insurance paid (within the amounts calculated) for the same period of time in keeping with the legislation of the Russian Federation when the taxpayers paid out remuneration to their employees engaged in those area of the taxpayer's activity where uniform tax is paid, and also by the sum of insurance contributions in the form of fixed payments paid by the individual entrepreneurs their own insurance and the sum of temporary disability benefits disbursed to employees. In this case the sum of uniform tax shall not be reduced by over 50 per cent.

**3.** Tax returns on the results of the tax period shall be filed by taxpayers with tax bodies not later than the 20th day of the first month of next tax period.

**Article 346.33.** Entry of the Sums of Uniform Tax

The sums of the uniform tax shall be entered onto the accounts of the Federal Treasury bodies to be subsequently distributed among the budgets of all levels and among the budgets of the state extra-budgetary funds in conformity with the budgetary legislation of the Russian Federation.

## Chapter 26.4. Taxation System, When Implementing Production-Sharing Agreements

**Article 346.34.** Principal Concepts Used in This Chapter

For the purposes of this Chapter the following principal concepts shall be used therein:

**Investor** shall mean a legal entity or an association of legal entities, established on the basis of an agreement of joint activity and not having the status of a legal entity, which invests own, borrowed or attracted assets (property and (or) property rights) into exploration, prospecting and extraction of mineral raw materials and is a user of mineral resources under the terms and conditions of a production-sharing agreement (hereinafter mentioned in the Chapter as an agreement);

**Products** shall mean a mineral extracted from the subsoil on the territory of the Russian Federation, as well as on the continental shelf of the Russian Federation, and (or) within the limits of the exclusive economic zone of the Russian Federation, on the subsoil tract provided to an investor, the

quality of the former complying with an appropriate state standard of the Russian Federation, a branch standard, a regional standard, an international standard and, in the event of absence of said standards for an individual extracted mineral, to an organisation's (enterprise's) standard.

There may not be deemed as a mineral the products resulting from further processing (dressing, technological process) of a mineral and being products of the manufacturing industry;

**Output** shall mean the quantity of the mining industry products and of products received as a result of quarrying contained in mineral raw materials (rock, fluid or another form), actually extracted from (drawn out of) the subsoil (waste, loss), the quality of the former complying with the state standard of the Russian Federation, a branch standard, regional standard, international standard and, in the event of the absence of said standards for an individual extracted mineral, with an organisation's (enterprise's) standard, which is extracted by an investor, while carrying out works under an agreement, and decreased by the quantity of process loss within the limits of established normative standards. When implementing agreements, where the procedure for production sharing, established by Item 2 of Article 8 of the Federal Law on Production-Sharing Agreements, is applied, the share of the State in the total output shall constitute at least 32 per cent thereof;

**Production sharing** shall mean sharing of output in kind and (or) in value terms between the State and an investor in compliance with the Federal Law on Production-Sharing Agreements;

**Profitable products** shall mean products made within a report (tax) period, in the event of implementing an agreement, less the part of the products, whose value equivalent is used for paying the mineral resources extraction tax, and less compensation products;

**Compensation products** shall mean a part of output under an agreement which does not have to exceed 75 per cent of the total output and, in the event carrying out extraction works on the continental shelf of the Russian Federation, 90 per cent of the total output transferred under the ownership of an investor for reimbursement of the expenses (reimbursable expenses), incurred by it, whose composition shall be established by an agreement in compliance with this Chapter;

**Sharing point** shall mean a place of business accounting of products where the State shall deliver to an investor the part of output due to it under the terms and conditions of an agreement. In the event of oil production, the place of business accounting of products shall be defined, when using pipeline transportation, as the place where oil is delivered over a pipeline to a check-station and where its quantity is measured and quality determined, as well as where it is accounted as output and transferred to a trunk pipeline. In the event of oil transportation with the use of a transport mode other than a pipeline, the place of business accounting shall be defined as the place where oil is delivered to a check station and where the quantity thereof is measured and quality determined;

**Price of products** shall mean the cost of products under the terms and conditions of an agreement, if not otherwise established by this Chapter;

**Oil price** shall mean the oil selling price indicated by the parties to a transaction but not lower that the average price level of Urals crude oil within the report period determined as the sum of simple averages of purchasing and selling prices in world oil markets (in the Mediterranean and Rotterdam ones) for all days of sales divided by the number of days of sales in the appropriate report period. Average levels of Urals crude oil prices in world crude oil markets for an expired month (in the Mediterranean and Rotterdam ones) shall become public through official sources of information at latest on the 15th day of the next following month in the procedure established by the Government of the Russian Federation. In the absence of said information in reports of the official sources of information, the average level of Urals crude oil prices in world crude oil markets for an expired month (in the Mediterranean and Rotterdam ones) shall be determined by a taxpayer independently.

**Article 346.35.** General Provisions

**1.** This Chapter shall establish a special tax treatment applicable, when implementing agreements, which are made in compliance with the Federal Law on Production-Sharing Agreements, and shall meet the following conditions:

1) agreements are made after holding an auction sales for the purpose of obtaining the rights of using subsoil under the conditions, other than production sharing, in the procedure and under the conditions, which are determined by Item 4 of Article 2 of the Federal Law on Production Sharing Agreements, and after declaring the auction sales as frustrated;

2) after implementing the agreements where the procedure for production sharing, established by Item 2 of Article 8 of the Federal Law on Production-Sharing Agreements, is applied, the share of the State in the total output amounts to at least 32 per cent of the total output;

3) agreements provide for the increase of the State's share of profitable products in the event of the improvement of investments efficiency indicators of the investor upon the implementation of the agreement. Investments efficiency indicators shall be established in compliance with the terms and conditions of the agreement.

**2.** A taxpayer enjoying the right of applying the special tax treatment, when implementing agreements, shall submit to the tax bodies appropriate notices in writing and the following documents:

a production-sharing agreement;

a decision on endorsing the results of an auction sales for obtaining the right to use a subsoil tract under the conditions, other than production sharing, in compliance with the Law of the Russian Federation on Subsoil and on declaring the auction sales as frustrated in view of the participants' absence.

**3.** For the purposes of this Chapter, the price of products (oil price) shall be applicable for determining the volume of compensation products to be transferred to an investor for sharing profitable products in value terms with the aim of determining taxable profits, as well as for reimbursing the investor's expenses related to paying taxes and fees in the instances provided for by this Chapter.

**4.** The special tax treatment, established by this Chapter, shall be applicable within the whole time period of an agreements' currency.

**5.** The special tax treatment, established by this Chapter, shall be applicable in respect of taxpayers and payers of the dues indicated in Article 346.36 of this Code.

**6.** The special tax treatment, established by this Chapter, provides for the replacement of paying the aggregate of taxes and fees, established by the laws of the Russian Federation on taxes and fees, by the sharing of output in compliance with the terms and conditions of an agreement, safe for the taxes and fees whose payment is stipulated by this Chapter.

**7.** Upon implementing an agreement containing the conditions of output sharing in compliance with Item 1 of Article 8 of the Federal Law on Production-Sharing Agreements, an investor shall pay the following taxes and fees:

the value-added tax;

the profit tax of organisations;

the uniform social tax;

the natural resources extraction tax;

payments for the use of natural resources;

payment for negative influence upon the environment;

water tax;

the state duty;

the land tax;

the excise duty, safe for the excise duty payable for the excisable mineral raw materials provided for by Subitem 1 of Item 2 of Article 181 of this Code.

An investor shall be exempt from paying regional and local taxes and fees in compliance with this Chapter by decision of an appropriate legislative (representative) state power body or the representative body of the local self-government body.

The amounts of the value-added tax, the uniform social tax, the natural resources extraction tax, payments for the use of natural resources, water tax, the state duty, customs fees, the land tax, the excise duty, as well as the amount of payment for negative influence upon the environment, shall be reimbursable in compliance with the provisions of this Chapter.

An investor shall not pay the tax on the property of organisations in respect of permanent assets, non-pecuniary assets, resources and expenditure which are in the taxpayer's balance sheet and are solely used for exercising the activity provided for by agreements. Where said property is used by an investor for the purposes, other that those connected with carrying out works under an agreement, it shall be liable to the tax on the property of organisations in the generally established procedure.

A list of documents, whose filing with tax bodies exempts from paying said tax, shall be determined by the Government of the Russian Federation.

An investor shall not pay the transport tax in respect of the transport vehicles owned by him (safe for passenger cars) which are used solely for the purposes of an agreement.

A list of documents, whose filing with tax bodies exempts from paying said tax, shall be determined by the Government of the Russian Federation.

When using transport vehicles for the purpose, other than those provided for by an agreement, the transport tax shall be payable in the generally established procedure.

**8.** When implementing an agreement containing the conditions of production sharing in compliance with Item 2 of Article 8 of the Federal Law on Production-Sharing Agreements, an investor shall pay the following taxes and fees:

the uniform social tax;

the state duty;

customs fees;

the value-added tax;

payment for negative influence upon the environment.

An investor shall be exempt from paying regional and local taxes and fees in compliance with this Chapter by decision of the appropriate legislative (representative) state power body or the representative local self- government body.

**9.** There shall be exempt from the customs duty the commodities imported to the customs territory of the Russian Federation for the purpose of carrying out works under an agreement provided for by working schedules and estimates which are endorsed in the procedure established by the agreement, as well as the products made in compliance with the terms and conditions of an agreement and exported from the customs territory of the Russian Federation.

A list of documents, whose filing with the customs bodies shall exempt from paying said text, shall be determined by the Government of the Russian Federation.

**10.** When carrying out an agreement, the object of taxation, tax base, tax period, tax rate and procedure for tax estimation in respect of the taxes indicated in Items 7 and 8 of this Article, shall be determined subject to the specifics stipulated by the provisions of this Chapter effective on the date the agreement's entry into force.

**11.** In the event of changing during an agreement's currency the names of any of the taxes and fees, indicated in this Code, without changing, in so doing, taxation elements, such taxes and fees shall be estimated and paid under their new names, while implementing the agreement.

**12.** In the event of changing the procedure for paying taxes and fees within the currency of an agreement, as well as in the event of changing the forms, procedure for filling in, and time for submitting, tax declarations without changing the tax base, tax rate and procedure for calculating a tax (fee collection elements), the taxes and fees shall be paid, as well as tax declarations shall be submitted, in compliance with the effective laws on taxes and fees.

**13.** In the event of changing within the currency of an agreement the rate of the value-added tax, said tax shall be estimated and paid according to the tax rate established in compliance with Chapter 21 of this Code.

**14.** Where normative legal acts of legislative (representative) state power bodies and of representative local self-government bodies do not provide for exempting an investor from paying regional and local taxes and fees, the investor's expenses, related to paying said taxes and fees, shall be reimbursable to the investor at the expense of the appropriate decrease of the share of output, transferable to the State, insofar as it concerns the appropriate subject of the Russian Federation, by the amount equivalent to the sum of said taxes and fees actually paid.

**15.** When implementing agreements made prior to entry into force of the Federal Law on Production-Sharing Agreements, there shall be applicable the conditions of exempting from taxes, fees and other obligatory payments, as well as the procedure for estimating, paying and returning (reimbursing) payable taxes, fees and other obligatory payments, which are provided for by said agreements. In the event of incompliance of the provisions of said Code and (or) other legislative acts of the Russian Federation on taxes and fees, of legislative acts of the subjects of the Russian Federation on taxes and fees, normative legal acts of representative local self government bodies of taxes and fees to the conditions of said agreements, the conditions of said agreements shall be applicable.

**Article 346.36.** Taxpayers and Payers of Fees, When Implementing Agreements. Authorized Representatives of Taxpayers and Payers of Fees

**1.** As taxpayers and payers of fees payable, when applying the special tax treatment established by this Chapter, there shall be recognized organisations which are investors under an agreement in compliance with the Federal Law on Production-Sharing Agreements (hereinafter referred to in this Chapter as taxpayers).

**2.** A taxpayer shall be entitled to entrust an operator by approbation thereof with the discharge of his duties connected with application of the special tax treatment established by this Chapter, when implementing agreements. An operator shall exercise in compliance with this Code the powers granted to him by a taxpayer on the basis of the letter of attorney attested and certified by a notary which is issued in the procedure, established by civil laws of the Russian Federation, as the taxpayer's authorized representative.

**Article 346.37.** Specifics of Determining the Tax Base, of Estimating and Paying the Natural Resources Extraction Tax, When Implementing Agreements

**1.** The provisions of this Article shall apply, when implementing agreements containing the conditions of output sharing in compliance with Item 1 of Article 8 of the Federal Law on Production-Sharing Agreements.

**2.** Taxpayers shall determine the payable amount of the national resources extraction tax in compliance with Chapter 26 of this Code, subject to the specifics established by this Article.

**3.** The tax base, when producing oil and gas condensate at oil-gas condensate fields, shall be determined as the quantity of extracted minerals in kind according to Article 339 of this Code.

**4.** The tax base shall be determined separately for each agreement.

**5.** The tax rate, when producing oil and gas condensate at oil-gas condensate fields, amount s to 340 roubles per one ton. With this, said tax rate shall be applicable together with the coefficient showing the dynamics of world oil prices - Kts.

This coefficient shall be determined by a taxpayer every month independently on the basis of the following formula:

$$Kts = (TS-8) \times R/252,$$

Where

Ts is the average Urals crude oil price level for a tax period in US dollars per one barrel;

R is the average exchange rate of the US dollar in respect of the Russian Federation rouble for a tax period established by the Central Bank of the Russian Federation.

The average exchange rate of the US dollar in respect of the Russian Federation rouble for a tax period, established by the Central Bank of the Russian Federation, shall be determined by a taxpayer independently as the simple average of the US dollar exchange rate in respect of the Russian Federation rouble, established by the Central Bank of the Russian Federation, for all calendar days of an appropriate tax period.

The average level of Urals crude oil prices shall be determined as the sum of simple averages of purchase and selling prices at the world crude oil markets (the Mediterranean and Rotterdam ones) for all days of sales divided by the number of sales days in an appropriate tax period.

Average levels of Urals crude oil prices at the world crude oil markets (the Mediterranean and Rotterdam ones) for an expired month shall be made public every month at latest on the 15th day of the next following month through official sources of information in the procedure established by the Government of the Russian Federation.

In the absence of said information in official sources of information, the average level of Urals crude oil prices at the world crude oil markets (the Mediterranean and Rotterdam ones) for an expired tax period shall be independently determined by a taxpayer.

The coefficient (Kts) estimated in the procedure determined by this Article, shall be approximated to the forth character in compliance with the effective procedure for approximation.

The amount of the natural extraction resources tax, when producing oil and gas condensate at oil-gas condensate fields, shall be estimated as the product of an appropriate tax rate calculated subject to the coefficient (Kts) and the amount of the tax base determined in compliance with this Article.

**6.** When implementing agreements, the tax rates established by Article 342 of this Code, while extracting minerals, shall be applicable with the coefficient 0,5, safe for oil and gas condensate.

**7.** The tax rate, established by Item 5 of this Article, shall apply, when producing oil and gas condensate at oil-gas condensate fields with the coefficient 0,5 pending the attainment of the limit of commercial production of oil and gas condensate that may be established by an agreement.

Where an agreement establishes the limit of oil and gas condensate commercial extraction, upon reaching such limit there shall be applied the coefficient 1 which shall not be changeable within the total period of the agreement's currency.

**Article 346.38.** Specifics of Determining the Tax Base, of Calculating and Paying the Profit Tax of Organisations, When Implementing Agreements

**1.** The provisions of this Article shall apply, when implementing the agreements providing for the procedure for production sharing established by Item 1 of Article 8 of the Federal Law on Production-Sharing Agreements.

**2.** Taxpayers shall determine the amount of the payable profit tax of organisations (hereinafter referred to in this Article as the tax) in compliance with Chapter 25 of this Code, subject to the specifics established by this Article.

**3.** As the object of taxation, there shall be deemed the profit derived by a taxpayer in connection with implementing an agreement.

For the purposes of this Article, as a taxpayer's profit there shall be deemed the profit derived from implementing an agreement less the amount of expenses determined in compliance with this Article.

Where a party to an agreement is an association of organisations that does not have the status of a legal entity, the income, gained by each organisation being a member of said association, shall be determined in proportion to the share of the appropriate participant in the total income of such association for a report period.

**4.** As taxpayers' income derived from implementing an agreement, there shall be deemed the cost of profitable products possessed by an investor under the conditions of the agreement, as well as off-sale income determined in compliance with Article 250 of this Code.

The cost of profitable products shall be determined as the product of the volume of profitable products and the output price established by an agreement, except for the products' price (oil price) determined in compliance with this Chapter.

**5.** As a taxpayer's expenses, there shall be deemed reasonable expenses proved by documents which are made (incurred) by a taxpayer, when implementing an agreement.

The expenses' composition, amount and procedure for recognition thereof shall be de determined in compliance with Chapter 25 of this Code subject to the specifics established by this Article.

As reasonable expenses, for the purposes of this Article, there shall be recognized the expenses made (incurred) by a taxpayer in compliance with the schedule of works and the estimate of expenses, endorsed by the management committee, in the procedure provided for by an agreement, as well as the off-sale expenses which are directly connected with the agreement's implementation.

**6.** For the purposes of this Chapter, a taxpayer's expenses shall be subdivided into:

1) the expenses reimbursable at the expense of compensation products (reimbursable expenses);

2) the expenses decreasing the tax base in respect of a tax.

**7.** As reimbursable expenses, there shall be recognized the expenses made (incurred) by a taxpayer within a report period for the purpose of carrying out works under an agreement in compliance with the working schedule and the estimate of expenses. There shall not be recognized as reimbursable expenses:

1) those made (incurred) prior to entry of an agreement into force: for acquiring a geological information package for participation in an auction sales;

for paying a fee for participation in an auction sales of the right to the use of a subsoil tract under the conditions of an agreement;

2) those made (incurred), as of the date of the agreement's entry into force:

one-time payments for subsoil use in case of the onset of certain events stipulated by an agreement;

the natural resources extraction tax;

payments (interest) related to obtained credits and borrowed assets, as well as commission fees payable in connection with them, and other expenses connected with the receipt or use of borrowed assets for financing the activities under the agreement;

the expenses provided for by Item 3 of Article 262 of this Code;

the expenses provided for by Subitems 10 and 13 of Item 1 and by Subitem 5 of Item 2 of Article 365 of this Code.

**8.** Reimbursable expenses, whose composition is provided for by a agreement made under this Article, shall be endorsed by the management committee in the procedure established by the agreement.

For the purposes of this Article, the amount of reimbursable expenses shall be determined for each report (tax) period and shall be reimbursable to a taxpayer at the expense of compensation products in the procedure established by Item 10 of this Article.

**9.** Into the composition of reimbursable expenses there shall be included the following:

1) the expenses made (incurred by a taxpayer prior to entry of an agreement into force. The expenses, made (incurred) prior to entry of an agreement into force, shall be deemed reimbursable, if the agreement is made in respect of mineral deposits which have not been mined before and which have not been previously recognized by the subsoil user of a subsoil tract for the purposes of the tax estimation in compliance with Chapter 25 of this Code. Said expenses have to be shown in the estimate of expenses presentable simultaneously with the estimate of expenses for the first year of works under an agreement and shall be reimbursable in the procedure and in the amount which are provided for by this Article. For the purposes of applying this Article, depreciation in respect of this type of depreciable property shall not be charged. Where under Article 256 of this Code expenses pertain to depreciable property, they shall be reimbursed in the following procedure:

if said expenses are made (incurred) by a taxpaying Russian organisation, they shall be reimbursable in the amount not exceeding the residual value of depreciable property determined in compliance with Article 257 of this Code;

if said expenses are made (incurred) by a taxpaying foreign organisation, they shall be reimbursable in the amount exceeding the market prices' level;

2) expenses made (incurred) by a taxpayer, as of the date of an agreement's entry into force and within the whole period of its currency. With this, the following specifics shall be established in respect of said expenses:

the expenses, related to the development of natural resources, which are indicated in Item 1 of Article 261 of this Code, as well as similar expenses related to adjacent subsoil tracts, if it is provided for by an agreement, shall be evenly included into the composition of expenses within 12 months;

the expenses, related to acquisition, installation, production, delivery of depreciable property (fixed assets and non-pecuniary assets) and its adjustment to the condition when it is fit for using, shall be includable into the composition of reimbursable expenses in the amount of actually incurred outlays on condition of their inclusion into the working schedule and the estimate of expenditure subject to the restrictions established by the agreement. Depreciation in respect of such expenses shall not be charged in the procedure established by this Code;

the expenses, made (incurred) in the form of allocations to the liquidation fund for financing liquidation works, shall be accountable for the purposes of taxation in the amount and in the procedure which are established by an agreement. The procedure for forming and using the liquidation fund shall be established by the Government of the Russian Federation;

the expenses connected with the maintenance and operation of the property, transferred by the State to a taxpayer for a gratuitous use in compliance with Article 11 of the Federal Law on Production-Sharing Agreements, shall be accountable for the purposes of taxation in the amount of actually made (incurred) expenses;

managerial expenses connected with an agreement's implementation comprising the expenses related to paying for a taxpayer's rent of offices, including those situated behind the boundaries of the Russian Federation, outlays on maintenance thereof, on informational and consulting services, representative expenses, expenses related to advertising and other managerial expenditure shall be reimbursable under the conditions of an agreement in the amount of the normative standard of managerial expenditure established by the agreement, but at most 2 per cent of the total amount of expenditure reimbursable to a taxpayer in a report (tax) period. The excess of the amount of managerial expenses over the normative standard established by this Item, shall be accountable, when estimating an investor's tax base in respect of the tax.

**10.** For the purposes of this Chapter, reimbursable expenses shall be subject to reimbursement to a taxpayer in the amount not exceeding the limit of compensation products which may not exceed the amount determined in compliance with Article 346. 34 of this Code.

Compensation products for a report (tax) period shall be estimated by way of dividing the amount of expenses, reimbursable to a taxpayer, by the price of products determined in compliance with the conditions of an agreement or by the oil price determined in compliance with this Chapter.

If the amount of reimbursable expenses is less than the limit of compensation products in a report (tax) period, the total amount of reimbursable expenses shall be reimbursed to the taxpayer in said period. If the amount of reimbursable expenses exceeds the limit of compensation products in a report (tax) period, the expenses shall be reimbursed in the amount of said limit. Reimbursable expenses, which are mot reimbursed in a report (tax) period, shall be subject to inclusion into the composition of reimbursable expenses of the next following report (tax) period.

Capital outlays shall be reimbursable on condition of meeting the requirement of using a share of commodities of Russian origin, when carrying out works under an agreement, which is established by Item 2 of Article 7 of the Federal Law on Production-Sharing Agreements. Failure to meet said requirements shall be a ground for the refusal to reimburse appropriate expenses of an investor. With this, the procedure for depreciation of property, established by Articles from 256 to 259 of this Code, shall extend to acquired equipment and other property.

**11.** The expenses, decreasing the tax base of the tax, shall include the expenses accountable for taxation purposes in compliance with Chapter 25 of this Code and not included into the composition of reimbursable expenses determined in compliance with the provisions of this Article. The expenses, indicated in this Item, shall not include the amount of the natural resources extraction tax.

**12.** For the purposes of this Chapter, the following procedure for recognizing receipts and expenditures shall apply:

1) as regards the income received by a taxpayer as a share of profitable products, the last date of a report (tax) period, when the profitable products were shared, shall be recognized as the date of receiving the income;

2) as regards other types of receipts and expenditures, the procedure for recognizing receipts and expenditures, established by Chapter 25 of this Code, shall apply.

**13.** For the purposes of this Article, as the tax base there shall be recognized the taxable profit in monetary terms determined in compliance with Item 3 of this Article.

The tax base shall be determined separately for each agreement.

**14.** Where the tax base, estimated in compliance with the provisions of this Article, is negative for an appropriate tax period, it shall be recognized as equal to zero for this tax period. A taxpayer shall be entitled to reduce the tax base by the received negative value within subsequent tax periods during 10 years following the tax period when the negative value was received but no longer than the currency of the agreement.

**15.** The amount of the tax rate shall be determined in compliance with Item 1 of Article 284 of this Code. The tax rate, effective at the date of an agreement's entry into force, shall apply within the whole period of this agreement's currency.

**16.** Taxpayers shall estimate the tax base subject to the results of each report (tax) period on the basis of tax registration data. The tax registration shall be carried out in compliance with Chapter 25 of this Code. The procedure for tax registration shall be established by a taxpayer in its accounting policy for taxation purposes endorsed in the established procedure.

**17.** Tax and report periods with regard to a tax shall be established in compliance with Article 285 of this Code.

**18.** The procedure for estimating the tax (advance payments) and payment time shall be determined in compliance with Chapter 25 of this Code.

Where the tax is calculated in foreign currency, a taxpayer shall pay the tax in this or other foreign currency quoted by the Central Bank of the Russian Federation or shall pay the equivalent thereof in roubles estimated on the basis of the official exchange rate of this currency established by the Central Bank of the Russian Federation, as on the date of paying the tax.

**19.** The specifics of estimating and paying the tax by a taxpayer, having separate subdivisions, shall be determined by Article 288 of this Code. With this, the amounts of the tax (advance payments), subject to entering to the revenues of the budgets of the subjects of the Russian Federation and of local budgets, shall be payable by a taxpayer at the location of the subsoil tract granted for use under an agreement.

**20.** For the purposes of this Article, a taxpayer shall be obliged to keep separate accounts of receipts and expenditures regarding operations arising from the implementation of an agreement.

In the absence of the separate accounting, the procedure for profit taxing established by Chapter 25 of this Code without taking into account the specifics, set by this Article, shall apply.

**21.** A taxpayers' receipts and expenditures concerning other types of activities, which are not connected with the implementation of an agreement, including incomes in the form of remuneration for exercising the functions of an operator and (or) for the sale products possessed by the State under the conditions of the agreement, shall be taxable in the procedure established by Chapter 25 of this Code.

The profits, derived by an investor from selling compensation products, shall be taxable in the procedure, established by Chapter 25 of this Code, and shall be determined as proceeds gained from selling compensation products (determined in compliance with Article 249 of this Code) decreased by the amount of expenses, connected with the sale of said products (which are determined in compliance with Article 253 of this Code) and not included into the cost of compensation products, decreased by the cost of compensation products determined in compliance with Item 10 of this Article.

If a taxpayer incurs losses as a result of compensation products' sale, it shall be taken into account for the purposes of taxation in the procedure and on the conditions established by Article 283 of this Code.

**Article 346.39.** Specifics of Paying the Value-Added Tax, When Implementing Agreements

**1.** When implementing agreements, the value-added tax (hereinafter referred to as the tax) shall be payable in compliance with Chapter 21 of this Code subject to the specifics established by this Article.

**2.** When implementing agreements, the tax rate, effective in the appropriate tax period in compliance with Chapter 21 of this Code, shall apply.

**3.** If the amount of tax deductions based on the results of a tax period, when carrying out works under an agreement, exceeds the total amount of the tax estimated with regard to commodities (works and services) sold (delivered, carried out or rendered) in a report (tax) period (and likewise in the absence of said sale), the gained difference shall be subject to reimbursement (offset, return) to a taxpayer in the procedure established by Article 176 of this Code.

**4.** In the event of non-observance of the time period for reimbursement (return) established by Article 176 of this Code, the amounts returnable to a taxpayer, shall be decreased on the basis of one 360th of the refinancing rate of the Central Bank of the Russian Federation for each calendar day of the delay (when keeping accounts in the currency of the Russian Federation) or one 360th of the LIBOR rate effective in the appropriate period for each calendar day of delay (when keeping accounts in foreign currency).

**5.** There shall not be taxable (exempt from taxation):

transfer of property on a gratuitous basis, which is necessary for carrying works under an agreement, between the investor under the agreement and the operator of the agreement in compliance with the working schedule and the estimate of expenditure endorsed in the procedure established by the agreement;

transfer by the organisation, being a member of an association of organisations without the status of a legal entity, which acts as an investor under the agreement, to other participants of such association an appropriate share of output received by the investor under the conditions of the agreement;

transfer by a taxpayer under the state ownership of property, which is newly made or acquired by the taxpayer and which has been used for carrying out works under the agreement and is returnable to the State in compliance with the conditions of the agreement.

**Article 346.40.** Specifics of Submitting Tax Declarations, When Implementing Agreements

**1.** As regards the taxes provided for by Article 346.36 of this Code, a taxpayer shall submit to tax bodies at the location of the subsoil tract, unless otherwise stipulated in the present Item, granted for use under the conditions of an agreement, tax declarations in respect of each tax for each agreement separate from other activities.

If the subsoil tract, granted for use under the conditions of an agreement, is situated on the continental shelf of the Russian Federation and (or) within the limits of the exclusive economic zone of the Russian Federation, the taxpayer shall submit tax declarations in respect of the taxes provided for by Article 346.35 of this Code, to tax bodies at the location thereof.

The tax payers, referred to the category of major tax payers in conformity with Article 83 of the present Code, shall submit tax declarations (computations) to the tax body at the place of their recording as major tax payers.

**2.** The forms of the tax declarations indicated in Item 1 of the present Article and the procedure for the completion of tax declarations shall be approved by the Ministry of Finance of the Russian Federation.

**3.** Abolished.

**4.** A taxpayer shall submit annually, at latest on December 31 of the year preceding the one being planned, to the tax bodies, indicated in Item 1 of this Article, the working schedule and the estimate of expenditure under the agreement for the next following year endorsed in the procedure established by the agreement.

As regards newly made agreements, a taxpayer, prior to the start of works, shall submit to the tax bodies, indicated in Item 1 of this Article, the working schedule and the estimate of expenditure for the current year endorsed in the procedure established by the agreement.

In the event of introducing amendments and (or) additions into the working schedule and the estimate of expenses, a taxpayer shall be obliged to present said amendments and (or) additions at latest in 10 days, as of the date of their endorsement in the procedure established by the agreement.

**Article 346.41** Specifics of Registering Taxpayers, When implementing Agreements

**1.** Taxpayers shall be subject to registration with the tax body at the location of the subsoil tract granted to an investor for use under the conditions of an agreement, safe for the instances provided for by Item 3 of this Article.

**2.** If an association of organisations, not having the status of a legal entity, acts as an investor under an agreement, all the organisations within the composition of said association, safe for the instances, provided for by Item 3 of this Article, shall be subject to registration with the tax body at the location of the subsoil tract granted for use under the conditions of the agreement.

**3.** If a subsoil tract, granted for use under the conditions of an agreement, is situated on the continental shelf of the Russian Federation and (or) within the limits of the exclusive economic zone of the Russian Federation, a taxpayer shall be registered with the tax body at the location thereof.

**4.** Specifics of registering foreign organisations, acting as investors under an agreement or as the operator of an agreement, shall be established by the Ministry of Finance of the Russian Federation.

**5.** An application for registration with a tax body shall be submitted thereto in compliance with Items 1 and 3 of this Article within 10 days, as of the date of an appropriate agreement's entry into force.

**6.** The form of the application for registration with a tax body shall be established by the federal executive body authorized to exercise control and supervision in the area of taxes and fees.

**7.** When filing an application for registration with a tax body, a taxpayer, simultaneously with said application, shall file together with the documents indicated in Article 84 of this Code, the documents provided for by Item 2 of Article 346.35 of this Code.

**8.** The form of the certificate of registration with a tax body of an investor under an agreement as a taxpayer, exercising the activity of the agreement's implementation, shall be established by the federal executive body authorized to exercise control and supervision in the area of taxes and fees.

Said certificate has to contain the name of the agreement, the date of the agreement's entry into force and its currency, the denomination of the subsoil tract granted for use under the conditions of the agreement, an indication of its location, as well as an indication to the effect that this taxpayer is an investor under the agreement or the operator of the agreement and that in respect of this taxpayer the special tax treatment, established by this Chapter, shall apply.

**Article 346.42.** Specifics of Conducting Visiting Tax Inspections, When Implementing Agreements

**1.** A visiting tax inspection may cover any period within an agreement's currency subject to the provisions of Article 87 of this Code starting from the date of the agreement's entry into force.

**2.** For the purposes of tax control, an investor under an agreement or the operator of the agreement shall be obliged to keep basic documents, connected with tax calculation and payment, within the total period of the agreement's currency.

**3.** A visiting tax inspection of an investor under an agreement or of the operator of the agreement in connection with the activities under the agreement may not exceed six months. When conducting visiting inspections of organisations having branches and representative offices, the time period for conducting an inspection shall be increased by one month for inspecting each branch and representative office.

## Section IX. Regional Taxes and Fees

### Chapter 27. Sales Tax

Abolished from January 1, 2004.

### Chapter 28. Transport Tax

**Article 356.** General Provisions

The transport tax (hereinafter in the present Chapter referred to as the tax) is established by the present Code and by the laws of the subjects of the Russian Federation on the tax, is put into force in conformity with the present Code by the laws of the subjects of the Russian Federation and is obligatory for payment on the territory of the corresponding subject of the Russian Federation.

In introducing the tax, the legislative (representative) bodies of the subject of the Russian Federation shall define the rate of the tax within the limits, set down by the present Code, the procedure and the time terms for its payment.

When establishing the tax, the laws of the subjects of the Russian Federation may also envisage tax privileges and the grounds for their use by the tax payer.

**Article 357.** Tax Payers

Recognized as the payers of the tax (hereinafter in the present Chapter referred to as the tax payers) shall be the persons, on whom in conformity with the legislation of the Russian Federation are registered transportation facilities, recognized as an object of taxation in conformity with Article 358 of the present Code, unless otherwise envisaged in this Article.

Seen as the taxpayer on the transportation facilities, registered on natural persons, acquired and handed over by them on the ground of a warrant for the right of possession and of disposal of the transportation facility until the moment of an official publication of the present Federal Law, shall be the person, named in such warrant. The persons, on whom the said transportation facilities are registered, shall notify the tax body at the place of their residence about handing over the said transportation facilities on the ground of a warrant.

**Article 358.** Object of Taxation

1. Seen as an object of taxation shall be automobiles, motorcycles, motor scooters, buses and other self-powered pneumatic and caterpillar machines and mechanisms, as well as the aircraft, helicopters, motorships, yachts, sailing vessels, launches, snowmobiles, motor sledges, motor boats, hydrocycles, nonself-powered ships (tugboats) and other water and air transport vehicles (hereinafter in the present Chapter referred to as the transportation facilities or transport vehicles), registered in the established order in conformity with the legislation of the Russian Federation.

2. Not recognized as an object of taxation shall be:

1) rowing boats, as well as motor boats with an engine of less than 5 horsepowers;

2) passenger cars, specially equipped for invalids' use, and passenger cars with an engine of up to 100 horsepowers (up to 73.55 kWt), received (acquired) through the bodies for the social protection of the population in the law-established order;

3) catching sea and river vessels;

4) passenger and freight sea, river and air vessels in the ownership (by the right of economic control or of operational management) of organisations, whose principal kind of activity is the performance of passenger and (or) freight carriages;

5) tractors, self-powered combines of all models, specialized automobiles (those for the transportation of milk, of cattle and of poultry, for the shipment and the application of mineral fertilizers, for rendering veterinary aid and for technical servicing), registered on the agricultural commodity producers and used during agricultural works for the output of agricultural products;

6) transportation facilities, belonging by the right of economic control or operational management to the federal executive power bodies, in which the military service and (or) that equated to it is stipulated by the legislation;

7) transportation facilities declared to be searched after, under the condition that the fact of their hijacking (theft) has been confirmed with the document, issued by an authorized body;

8) the aircraft and helicopters of the sanitary aviation and of the medical service.

9) ships registered in the Russian International Register of Ships.

**Article 359.** Tax Base

1. The tax base shall be defined:

1) with respect to the transportation facilities with engines (with the exception of the motor transport vehicles indicated in Subitem 1.1 of the present Item) - as the power of the transport vehicle engine, expressed in horsepowers;

1.1) in respect to the aircraft for which the reaction engine thrust is determined as the certificate static thrust of a reaction engine (the summary certificate static thrust of all reaction engines) of the aircraft under take-off earthly conditions in kilograms of force;

2) with respect to the water nonself-propelled (towed) transportation facilities, for which the gross carrying capacity is defined - as the gross carrying capacity in vessel tons;

3) with respect to the water and the air transportation facilities, not mentioned in Subitems 1, 1.1 and 2 of the present Item - as a unit of the transportation vehicle.

**2.** With respect to the transportation facilities, indicated in Subitems 1, 1.1 and 2 of Item 1 of the present Article, the tax base shall be defined separately for every transportation vehicle.

As concerns the transportation facilities, mentioned in Subitem 3 of Item 1 of the present Article, the tax base shall be delineated for them separately.

**Article 360.** The Tax Period. The Reporting Period.

**1.** A calendar year shall be deemed to be the tax period.

**2.** The first quarter, the second quarter and the third quarter shall be deemed to be the reporting periods for taxpayers that are organisations.

**3.** In the establishment of a tax the legislative (representative) bodies of the entities of the Russian Federation shall have the right not to establish any reporting periods.

**Article 361.** Tax Rates

1. The tax rates shall be established by the laws of the subjects of the Russian Federation, respectively, depending on the engine power, on the reaction engine thrust or on the gross carrying capacity of the transportation facilities, on the category of the transport vehicles as calculated per one horsepower of the engine power of the given transport vehicle, one kilogram of the force of the reaction engine thrust or on one vessel ton of the transport vehicle, or per unit of the transport vehicle, in the following amounts:

| Name of the object of taxation | Tax rate (in roubles) |
|---|---|
| Passenger cars with the engine power of (from every horsepower): | |
| up to 100 horsepowers (up to 0.73.55 kWt) inclusive | 5 |
| over 100 horsepowers up to 150 horsepowers (over 73.55 kWt up to 110.33 kWt) inclusive | 7 |
| over 150 horsepowers up to 200 horsepowers (over 110 kWt up to 147.1 kWt) inclusive | 10 |
| over 200 horsepowers up to 250 horsepowers (over 147.1 kWt up to 183.9 kWt) inclusive | 15 |
| over 250 horsepowers (over 183.9 kWt) | 30 |

| | |
|---|---|
| Motorcycles and motor scooters with the engine power of (from every horsepower): | |
| up to 20 horsepowers (up to 14.7 kWt) inclusive | 2 |
| over 20 horsepowers up to 35 horsepowers (over 14.7 kWt up to 25.74 kWt) inclusive | 4 |
| over 35 horsepowers (over 25.74 kWt) | 10 |
| Buses with the engine power of (from every horsepower): | |
| up to 200 horsepowers (up to 147.1 kWt) inclusive | 10 |
| over 200 horsepowers (over 147.1 kWt) | 20 |
| Trucks with the engine power of (from every horsepower): | |
| up to 100 horsepowers (up to 73.55 kWt) inclusive | 5 |
| over 100 horsepowers up to 150 horsepowers (over 73.55 kWt up to 110.33 kWt) inclusive | 8 |
| over 150 horsepowers up to 200 horsepowers (over 110.33 kWt up to 147.1 kWt) inclusive | 10 |
| over 200 horsepowers up to 250 horsepowers (over 147.1 kWt up to 183.9 kWt) inclusive | 13 |
| over 250 horsepowers (over 183.9 kWt) | 17 |
| Other self-powered pneumatic and caterpillar transportation facilities, machines and mechanisms (from every horsepower) | 5 |
| Snowmobiles and motor sledges with the engine power of (from every horsepower): | |
| up to 50 horsepowers (up to 36.77 kWt) inclusive | 5 |
| over 50 horsepowers (over 36.77 kWt) inclusive | 10 |
| Launches, motor boats and other water transport facilities with the engine power of (from every horsepower): | |
| up to 100 horsepowers (up to 73.55 kWt) inclusive | 10 |
| over 100 horsepowers (over 73.55 kWt) | 20 |
| Yachts and other sailing and motor boats with the engine power of (from every horsepower): | |
| up to 100 horsepowers (up to 73.55 kWt) | |

| | |
|---|---|
| inclusive | 20 |
| over 100 horsepowers (over 73.55 kWt) | 40 |
| Hydrocycles with the engine power of (from every horsepower): | |
| up to 100 horsepowers (up to 73.55 kWt) inclusive | 25 |
| over 100 horsepowers (over 73.55 kWt) | 50 |
| Nonself-propelled (towed) ships, for which the gross carrying capacity is defined (from every vessel ton of the gross carrying capacity) | 20 |
| Airships, helicopters and other aircraft with an engine of (from every horsepower) | 25 |
| Aircraft with reaction engines (with each kilogram of thrust force) | 20 |
| Other water and air transportation facilities without an engine (from a unit of the transport vehicle) | 200 |

**2.** The tax rates, cited in Item 1 of the present Article, may be increased (reduced) by the laws of the subjects of the Russian Federation, but by no more than five times over.

**3.** It is admissible to establish the differentiated tax rates with respect to every category of the transportation facilities, as well as with an account for the useful service life of the transportation facilities.

**Article 362.** Procedure for Computing the Tax Amount and the Amounts of the Advance Payments on the Tax

1. The tax payers - organisations shall compute the sum of the tax and the amount of the advance payment on the tax on their own. The sum of the tax, subject to payment by the tax payers - natural persons, shall be computed by the tax bodies on the ground of information, submitted to the tax bodies by the bodies, carrying out the state registration of transportation facilities on the territory of the Russian Federation.

**2.** The tax amount payable to the budget by the results of the tax period shall be calculated with respect to each transport vehicle as a product of the relevant tax base and the tax rate, unless otherwise stipulated by this Article.

The tax amount payable to the budget by taxpayers that are organisations shall be determined as the difference between the calculated tax amount and the amounts of the tax payments on the tax which are payable during the tax period.

**2.1.** Taxpayers that are organisations shall calculate the amounts of the advance payments on the tax upon the expiry of each reporting period at the rate of one quarter of the product of the relevant tax base and the tax rate.

**3.** In the event of registration and/or deregistration of a transport vehicle (removal from the register, elimination from the state vessel registry, etc) in the course of a tax (reporting) period the calculation of the tax amount (the amount of the advance payment on the tax) shall be carried out taking into account the coefficient determined as the ratio of the number of the full months during which the transport vehicle was registered on the taxpayer and the number of calendar months in the tax (reporting) period. The month of the registration of the transportation facility, as well as the month of taking off the transportation facility from the registration shall be taken for a full month. In case of the registration and of taking off from the registration of the transport vehicle in the course of one calendar month, this said month shall be taken as one full month.

**4.** The bodies, carrying out the state registration of transportation facilities, shall be obliged to report to the tax bodies at the place of their location about the transport vehicles, registered or taken off from the registration in these bodies, as well as about the persons, on which the transport vehicles are registered, within ten days after their registration or after taking them off the records.

**5.** The bodies, carrying out the state registration of transportation facilities, shall be obliged to forward to the tax bodies at the place of their location information about the transportation facilities, as well as about the persons, on which the transportation facilities are registered, as in the state on

December 31 of the past calendar year and up to February 1 of the current calendar year, and also about all changes that have occurred over the past calendar year.

Information, mentioned in Items 4 and 5 of the present Article, shall be submitted by the bodies, performing the state registration of transportation facilities, in accordance with the forms, approved by the federal executive body authorized to exercise control and supervision in the area of taxes and fees.

**6.** The legislative (representative) body of an entity of the Russian Federation may, when establishing a tax, stipulate for certain categories of taxpayers the right not to calculate and not to make advance payments on the tax during the tax period.

**Article 363.** Procedure and Time Terms for Paying the Tax and Advance Payments on the Tax

1. The payment of the tax and the advance payments on the tax shall be effected by the tax payers at the place of location of the transportation facilities in accordance with the procedure and the time terms, established by the laws of the subjects of the Russian Federation.

In this case the period for the payment of the tax for taxpayers that are organisations may not be established earlier than the period stipulated by Item 3 of Article 363.1 of this Code.

2. During the tax period taxpayers that are organisations shall make advance payments on the tax, unless the laws of entities of the Russian Federation do not stipulate otherwise. Upon the expiry of the tax period taxpayers that are organisations shall pay the tax amount calculated in the procedure stipulated by Point 2 of Article 362 of this Code.

3. The taxpayers - natural persons - shall pay the transport tax on the basis of the notification sent by the respective tax body.

**Article 363.1.** The Tax Declaration

**1.** Upon the expiry of the tax period, taxpayers that are organisations shall submit a tax declaration on the tax to the tax body at the location of the transport vehicles, unless otherwise stipulated in the present Article.

The form of the tax declaration on a tax shall be approved by the Ministry of Finance of the Russian Federation.

**2.** Upon the expiry of each reporting period, taxpayers that are organisations and that make advance payments on a tax during the tax period shall submit a tax calculation on the advance payments on the tax to the tax body at the location of transport vehicles, unless otherwise stipulated in the present Article.

The form of the tax calculation on advance payments on a tax shall be approved by the Ministry of Finance of the Russian Federation.

**3.** Tax declarations on a tax shall be submitted by taxpayers not later than February 1 of the year following the expired tax period.

Tax calculations on advance payments on a tax shall be submitted by taxpayers during the tax period not later than the last day of the month following the expired reporting period.

**4.** The tax payers, referred to the category of major tax payers in conformity with Article 83 of the present Code, shall submit tax declarations (computations) to the tax body at the place of their recording as major tax payers.

## Chapter 29. Gambling Business Tax

**Article 364.** The Terms Used in the Present Chapter

The following terms are used for the purposes of the present chapter:

**"gambling business"** means an entrepreneurial activity relating to the earning of incomes by organisations or individual entrepreneurs in the form of a prize and/or payment for conducting games of chance and/or betting, which are not deemed the sale of goods (rights in rem), works or services;

**"the organiser of a gambling facility, in particular, a bookmaker office"** (hereinafter in the present chapter referred to as "the organiser of a gambling facility") means an organisation or an individual entrepreneur pursuing the activity of organising games of chance in the field of gambling business, except for games of chance in a totalizer;

**"the organiser of a totalizer"** means an organisation or an individual entrepreneur pursuing a mediator activity of organising games of chance in the field of the gambling business in the form of accepting bets from participants in parimutuel betting and/or disbursement of a prize;

**"participant"** means a natural person taking part in games of chance and/or parimutuel betting conducted by the organiser of a gambling facility (the organiser of a totalizer);

**"game of chance"** means an agreement on winning, based on risk, as concluded by two or more participants between themselves or with the organiser of a gambling facility (the organiser of a totalizer) according to the rules established by the organiser of the gambling facility (the organiser of the totalizer);

**"parimutuel betting"** means an agreement on winnings based on risk as concluded by two or several participants between themselves or with the organiser of a gambling facility (the organiser of a totalizer) the result of which depends on an event of which it is not known if it is going to occur or not;

**"gambling table"** means a place with one or several gambling fields specifically arranged at a gambling facility's organiser's as intended for conducting games of chance with any type of winning in which the organiser of the gambling facility takes part through his representatives as a party or as the organiser;

**"gambling field"** means a special place in a gambling table equipped in compliance with the rules of a game of chance where the game of chance is conducted with any number of participants and only with one representative of the organiser of the gambling facility who takes part in said game;

**"gambling machine"** means specifically equipment (mechanical, electrical or electronic, or other technical equipment) installed by the organiser of a gambling facility and used to conduct games of chance with any type of winning without the participation in such games of representatives of the organiser of the gambling facility;

**"the box-office of a totalizer or a bookmaker office"** means a specifically equipped place at the gambling facility's organiser's (a totalizer's organiser's) where the sum total of bets is taken into account and the sum of winning to be disbursed is determined.

**Article 365.** Taxpayers

The payers of the gambling business tax (hereinafter in this chapter referred to as "the tax") shall be deemed the organisations or individual entrepreneurs pursuing entrepreneurial activity in the field of the gambling business.

**Article 366.** Tax Basis

**1.** The following shall be deemed tax basis items:

1) a gambling table;

2) a gambling machine;

3) a totalizer box-office;

4) a bookmaker office box-office.

**2.** For the purposes of the present chapter each taxation object specified in Item 1 of the present Article shall be subject to registration with the tax body at the place where this taxation object is set up, within two days after the set-up date of each taxation object. The registration shall be done by the tax body on the taxpayer's application for registration of a taxable object (taxable objects) as involving the compulsory issuance of a certificate of registration of the taxation object(s). The form of the application and the form of the certificate shall be approved by the Ministry of Finance of the Russian Federation.

The taxpayers which have not been registered with tax bodies in the territory of the Russian region where the taxation object(s) indicated in Item 1 of the present article is/are set up must register themselves with the tax bodies at the place where the taxation object(s) is/are set up, within two days after the setting up of each taxation object.

**3.** Also the taxpayer must register with the tax bodies at the place of registration of taxation objects any change in the number of tax basis items at least two days prior to the date of installation or dismantling of each tax basis item.

**4.** The tax basis item shall be deemed registered as of the date when the taxpayer files an application with the tax body for registration of the tax basis item(s).

The tax basis item shall be deemed dismantled as of the date when the taxpayer files an application with the tax body for registration of a change in the number of tax basis items.

**5.** The application for the registration of a tax basis item (tax basis items) shall be filed by the taxpayer with the tax body either in person or through his representative or shall be forwarded by mail complete with a list of enclosure.

**6.** Within five days after the receipt of a taxpayer's application for registration of a tax basis item (tax basis items) (a change in the number of tax basis items) the tax bodies shall issue a certificate of registration or shall make amendments relating to the change in the number of tax basis items to the certificate issued earlier.

**7.** Abrogated from January 1, 2007.

**Article 367.** Tax Base

For each of the tax base items specified in Article 366 of the present Code a tax base shall be assessed separately as the total number of tax base items concerned.

**Article 368.** Tax Period

The tax period shall be deemed a calendar month.

**Article 369.** Tax Rates

**1.** The rates of the tax shall be set by laws of Russian regions within the following limits:

1) per gambling table: from 25,000 to 125,000 roubles;

2) per gambling machine: from 1,500 to 7,500 roubles;

3) per totalizer box-office or per bookmaker office's box-office: from 25,000 to 125,000 roubles.

**2.** If no rates have been set by laws of Russian regions for the tax such rates shall be set within the following limits:

1) per gambling table: 25,000 roubles;

2) per gambling machine: 1,500 roubles;

3) per totalizer box-office or per bookmaker office's box-office: 25,000 roubles.

**Article 370.** Tax Calculation Procedure

**1.** The amount of the tax shall be calculated by the taxpayer on his own as the tax base assessed for each tax basis item times the tax rate set for each of the tax basis items.

If one gambling table features more than one gambling field, the rate of the tax for said gambling table shall be increased by the number of gambling fields.

**2.** The tax return for the past tax period shall be filed by the taxpayer with the tax body at the place of registration of taxation objects, unless otherwise stipulated in the present Item, not later than on the 20th day of the month following the past tax period. The form of the tax return shall be approved by the Ministry of Finance of the Russian Federation. The tax return shall be filled in by the taxpayer with the account taken of the change in the number of taxation objects that had occurred in the past tax period.

The tax payers, referred to the category of major tax payers in conformity with Article 83 of the present Code, shall submit tax declarations (computations) to the tax body at the place of their recording as major tax payers.

**3.** If a new tax basis item (new tax basis items) is/are installed before the 15th day of the current tax period the sum of the tax shall be calculated as the total number of tax basis items in question (including the tax basis item installed) times the rate of the tax set for these tax basis items.

If a new taxation object (new taxation objects) is/are set up after the 15th day of the current tax period, the sum of tax on the object(s) for this tax period shall be calculated as the number of these tax objects times half of the tax rate established for these taxation objects.

**4.** If a taxation object (taxation objects) is/are scrapped before the 15th day (including this day) of the current tax period, the sum of tax on the object(s) for this tax period shall be calculated as the number of these taxation objects times half of the tax rate established for these taxation objects.

In the event of a dismantling of a tax basis item (tax basis items) after the 15th day of the current tax period, the sum of the tax shall be calculated as the total number of the tax basis items in question (including the tax basis item(s) dismantled) times the tax rate set for these tax basis items.

**Article 371.** Procedure and Term for Payment of the Tax

The tax payable according to the results of a tax period shall be paid by the taxpayer at the place of registration with a tax body of the taxation objects specified in Item 1 of Article 366 of the present Code within the term set for the filing of a tax return for the tax period in compliance with Article 370 of the present Code.

## Chapter 30. Tax on the Property of Organisations

**Article 372.** General Provisions

**1.** A tax on the property of organisations (hereinafter in the present chapter referred to as "the tax") is established by the present Code and laws of Russian regions, it shall be put into effect in keeping with the present Code by the laws of the Russian regions and from the time when it takes effect it shall be compulsory for payment on the territory of the Russian region concerned.

**2.** While establishing the tax the legislative (representative) bodies of the Russian regions shall set the rate of tax within the limits established by the present Chapter as well as the procedure and term for the payment of the tax.

As the tax is being instituted, the laws of the Russian regions may also make a provision for tax privileges and the grounds on which taxpayers may use such privileges.

**Article 373.** Taxpayers

**1.** Below are the payers of tax (hereinafter in this chapter referred to as "taxpayers"):

Russian organisations;

the foreign organisations pursuing activities in the Russian Federation through a permanent establishment and/or owning immovable property on the territory of the Russian Federation, on the continental shelf of the Russian Federation and in the exclusive economic zone of the Russian Federation.

**2.** The activity of a foreign organisation shall be deemed leading to the formation of a permanent establishment in the Russian Federation in keeping with Article 306 of the present Code, except as otherwise envisaged by international treaties of the Russian Federation.

**Article 374.** Object of Taxation

1. For Russian organisations the object of taxation shall be the immovable and movable property (in particular, property transferred for temporary possession, use, disposal or trust, or contributed in a joint activity) which is recorded on the balance sheet of an organisation as fixed asset items in keeping with the established bookkeeping procedure, if not otherwise provided for by Article 378 of this Code.

**2.** For the foreign organisations pursuing activities in the Russian Federation through a permanent establishment the object of taxation shall be the movable and immovable property classified as fixed asset items.

For the purpose of the present chapter foreign organisations shall keep record of objects of taxation in accordance with the bookkeeping procedure established in the Russian Federation.

**3.** For the foreign organisations not pursuing activities in the Russian Federation through a permanent establishment the object of taxation shall be the immovable property which is located on the territory of the Russian Federation and which is owned by the said foreign organisations.

**4.** The following shall not be deemed objects of taxation:

1) land plots and other objects of nature use (water objects and other natural resources);

2) the property which belongs by a right of economic jurisdiction or a right of operative management to the federal executive government bodies in which there is a legislative provision for military service and/or a service qualifying as military service and which is used by these bodies for the needs of defence, civil defence, security and law and order in the Russian Federation.

**Article 375.** Tax Base

**1.** The tax base shall be assessed as the mean annual value of the property deemed the object of taxation.

While the tax base is assessed the property deemed the object of taxation shall be taken into account at its balance value formed in compliance with the established bookkeeping procedure approved in the accounting policy of the organisation.

If for specific fixed asset items no depreciation accrual is envisaged, the value of the said items for taxation purposes shall be determined as the difference between their initial value and the accumulated depreciation value calculated at the established depreciation rates for accounting purposes at the end of each tax (accounting) period.

**2.** In respect of immovable property of the foreign organisations which do not pursue their activities in the Russian Federation through a permanent establishment and also in respect of the immovable property of foreign organisations which is not related to these organisations' activities in the Russian Federation through a permanent establishment, the tax base shall be deemed the stock-taking value of the said items according to the data of technical stock-taking bodies.

The empowered bodies and the specialised organisations charged with the record-keeping and technical stock-taking of immovable property items shall notify the tax body at the place where such items are located of the stock-taking value of each such item located on the territory of the Russian region concerned within ten days of the date of valuation (re-valuation) of the said items.

**Article 376.** Procedure for Assessing the Tax Base

**1.** The tax base shall be assessed separately in respect of property taxable at the place where the organisation is located (the place where the permanent establishment of the foreign organisation is placed on record with a tax body), in respect of property of each solitary unit of the organisation having a separate balance sheet, in respect of each immovable property item located outside the location of the organisation, the organisation's solitary unit having a separate balance sheet or a permanent establishment of the foreign organisation and also in respect of property taxable at different tax rates.

**2.** If an immovable property item subject to taxation is actually located on the territories of various Russian regions or on the territory of a Russian region and in the territorial sea of the Russian Federation (on the continental shelf of the Russian Federation or in the exclusive economic zone of the Russian Federation) the tax base shall be assessed in respect of this immovable property item separately and it shall be accepted for tax calculation purposes in the Russian region concerned in a portion pro rata to the share of the balance sheet value (stock-taking value for the immovable property items specified in Item 2 of Article 375 of the present Code) of the immovable property item on the territory of the Russian region concerned.

**3.** The tax base shall be assessed by taxpayers on their own in accordance with the present chapter.

**4.** The average value of a property deemed an object of taxation for the reporting period shall be assessed as the quotient resulting from division of the amount obtained as a result of adding up the residual value of the property as of the first day of each month of the reporting period and the first day of the month following the reporting period by the number of months in the reporting period increased by one.

The average annual value of a property deemed an object of taxation for the reporting period shall be assessed as the quotient resulting from division of the amount obtained as a result of adding up the residual value of the property as of the first day of each month of the tax period and the last date of the reporting period by the number of months in the tax period increased by one.

**5.** The tax base for each of the immovable property items of foreign organisations specified in Item 2 of Article 375 of the present Code shall be assumed to be equal to the stock-taking value of this immovable property item as of 1st January of the year being the tax period.

**Article 377.** The Peculiarities of Assessing the Tax Base within the Framework of a Contract of Simple Partnership (Contract of Joint Activity)

**1.** The tax base within the framework of a contract of simple partnership (contract of joint activity) shall be assessed on the basis of the balance value of the property deemed an object of taxation which has been contributed by the taxpayer under the contract of simple partnership (contract of joint activity) and also on the basis of the balance value of the other property deemed an object of taxation which makes up the common property of the partners and which is recorded on the separate balance sheet of the simple partnership by the participant in the contract of simple partnership changed with conducting common business. Each participant in the contract of simple partnership shall calculate and pay the tax on the property deemed an object of taxation which has been put by him into common business. As for the property acquired and/or created in the course of joint activity, the calculation and payment of the tax shall be effected by the participants in the contract of simple partnership pro rata to the value of their contribution in the common business.

**2.** The person charged with keeping record of the common property of the partners must provide information for taxation purposes not later than the 20th day of the month following the accounting period to each taxpayer being a participant in the contract of simple partnership (contract of joint activity) on the balance value of the property which makes up the common property of the partners and on the share of each participant in the common property of the partners. In this case, the persons charged with keeping record of the common property of the partners shall provide the information required for the purposes of tax base assessment.

**Article 378.** The Peculiarities of Taxation of Property Placed in Trust Administration

Property placed in trust administration and also property acquired within a contract of trust administration shall be subject to taxation (except for the property constituting the share investment fund) in as much as the founder of the trust is concerned.

**Article 379. The Tax Period. The Accounting Period**

**1.** The tax period is the calendar year.

**2.** The accounting periods are the first quarter, half-year and nine months of the calendar year.

**3.** While instituting the tax, the legislative (representative) body of a Russian region is entitled not to establish accounting periods.

**Article 380.** The Tax Rate

**1.** Tax rates shall be set by laws of Russian regions as not exceeding 2.2 percent.

**2.** Differentiated tax rates may be set depending on the category of taxpayer and/or property deemed an object of taxation.

**Article 381.** Tax Privileges

The following shall be relieved from taxation:

1) the organisations and institutions of the criminal execution system - in respect of the property used for the purpose of performing the functions vested therein;

2) religious organisations: in respect of the property they use to pursue religious activity;

3) the all-Russia public organisations of disabled persons (in particular those formed as unions of public organisations of disabled persons) among whose members disabled persons and their legal representatives make up at least 80 percent: in respect of the property they use to pursue their charter activities;

the organisations whose capital is fully made up of contributions of the said all-Russia public organisations of disabled persons if the mean list total of disabled persons among their employees makes up at least 50 percent and their share in the payroll fund is at least equal to 25 percent: in respect of the

property they use to manufacture and/or sell goods (except for excisable goods, mineral raw materials and other mineral resources and also other goods according to the list approved by the Government of the Russian Federation by agreement with all-Russia public organisations of disabled persons), works and services (except for brokerage and other mediation services);

the institutions whose property is exclusively owned by the said all-Russia public organisations of disabled persons: in respect of the property they use to achieve educational, cultural, health-treatment and rehabilitation, physical education and sport, scientific, information and other objectives of social protection and rehabilitation of disabled persons and also to provide legal and other assistance to disabled persons, disabled children and their parents;

4) the organisations whose main type of activity is the manufacture of pharmaceutical products: in respect of the property they use to manufacture veterinary immunity-biological preparations intended to fight epidemics and epizootics;

5) organisations: in respect of objects deemed federal significance monuments of history and culture in the procedure established by the legislation of the Russian Federation;

6) abolished from January 1, 2006;

7) abolished from January 1, 2006;

8) abolished from January 1, 2006;

9) organisations: in respect of the nuclear plants used for scientific purposes, nuclear material and radioactive substance storage areas as well as radioactive waste storage facilities;

10) organisations: in respect of ice breaking vessels, nuclear-powered vessels and atomic technological service vessels;

11) organisations: in respect of public railway tracts, federal public motor roads, major pipelines, power transmission lines and also the installations deemed an integral technological part of the said facilities. A list of the assets classified as the said facilities shall be approved by the Government of the Russian Federation;

12) organisations: in respect of outer space objects;

13) the property of specialised prosthetic-orthopaedic enterprises;

14) the property of colleges of barristers/solicitors, lawyer's offices and legal advice offices;

15) the property of state scientific centres;

16) abolished from January 1, 2006;

17) organisations - in respect of property items recorded on the balance sheet of the organisation deemed resident of a special economic zone - created or acquired for the purpose of pursuing an activity on the territory of the economic zone and located on the territory of this economic zone, which is used in the territory of the special economic zone within the framework of the agreement on the establishment of the special economic zone - within five years after the property items were recorded on the books;

18) organisations - in respect of ships registered in the Russian International Register of Ships.

**Article 382.** Procedure for Calculating the Amount of Tax and the Amounts of Advance Tax Payment

**1.** The amount of tax shall be calculated according to the results of the tax period as the applicable tax rate multiplied by the tax base assessed for the tax period.

**2.** The amount of tax payable to the budget according to the results of the tax period shall be determined as the difference between the tax amount calculated in accordance with Item 1 of the present article and the amounts of tax advance payment calculated during the tax period.

**3.** The amount of tax payable to the budget shall be calculated separately on the property taxable at the location of the organisation (the place where the permanent establishment of the foreign organisation has been put on record with a tax body), on the property of each of the organisation's solitary units having a separate balance sheet, on each immovable property item located outside of the organisation's location, on each of the organisation's solitary unit having a separate balance sheet or the foreign organisation's permanent establishment, and also on property taxable at different tax rates.

**4.** The amount of advance tax payment shall be calculated according to the results of each accounting period as one quarter of the applicable tax rate times multiplied by the mean value of the property assessed for the accounting period in compliance with Item 4 of Article 376 of the present Code.

**5.** The amount of advance tax payment on immovable property items of the foreign organisations specified in Item 2 of Article 375 of the present Code shall be calculated upon the expiry of the accounting period as one quarter of the stock-taking value of the immovable property item as of January 1 of the year being the tax period times the applicable tax rate.

In the event of the rise (termination) within the tax (reporting) period of the taxpayer's ownership of an immovable property unit of foreign organisations which is cited in Item 2 of Article 375 of this Code, the amount of tax (the amount of advance tax payment) in respect of this immovable property unit shall be calculated subject to the coefficient determined as the ratio of the number of full months when this immovable property unit was in the taxpayer's ownership to the number of months in the tax (reporting) period, if not otherwise provided for by this Article.

**6.** While instituting the tax the legislative (representative) body of a Russian region shall be entitled to make a provision for specific categories of taxpayer whereby they are allowed not to calculate and make advance payments of the tax during the tax period.

**Article 383.** Procedure and Term for the Payment of Tax and Advance Tax Payments

**1.** The tax and advance tax payments shall be payable by taxpayers in the procedure and within the term established by the laws of the Russian regions.

**2.** During the tax period taxpayers shall make tax advance payments, except as otherwise envisaged by a law of the Russian region. Upon the expiry of the tax period taxpayers shall pay the amount of the tax calculated in the procedure set out in Item 2 of Article 382 of the present Code.

**3.** In respect of the property recorded on the balance sheet of a Russian organisation the tax and tax advance payments shall be payable to the budget at the location of the said organisation with due regard to the peculiarities envisaged by Articles 384 and 385 of the present Code.

**4.** In respect of the immovable property items incorporated in the Unified Gas Supply System in keeping with Federal Law No. 69-FZ of March 31, 1999 on Gas Supply in the Russian Federation, the tax shall be remitted to the budgets of Russian regions pro rata to the value of this property which is actually located on the territory of the Russian region concerned.

**5.** The foreign organisations pursuing activities in the Russian Federation through permanent establishments shall pay the tax and tax advance payments on the property of the permanent establishments to the budget at the place where the said permanent establishments have been put on record with tax bodies.

**6.** In respect of the immovable property items of a foreign organisation which are specified in Item 2 of Article 375 of the present Code, the tax and advance tax payments shall be payable to the budget at the location of the immovable property item.

**Article 384.** The Peculiarities of Calculation and Payment of the Tax at the Location of the Organisation's Solitary Units

An organisation incorporating solitary units which have separate balance sheets shall pay the tax (tax advance payments) to the budget at the location of each solitary unit on the property deemed an object of taxation in keeping with Article 374 of the present Code and recorded on the separate balance sheet of each of them in an amount assessed as the tax rate effective in the territory of the Russian region concerned where the solitary units are located multiplied by the tax base (one forth of the mean value of the property) assessed for the tax (accounting) period in accordance with Article 376 of the present Code in respect of each solitary unit.

**Article 385.** The Peculiarities of Calculation and Payment of the Tax on Immovable Property Items Located outside the Organisation's Location or outside Its Solitary Unit's Location

An organisation having immovable property items recorded on its balance sheet, such items being located outside the organisation's location or outside the location of its solitary unit having a separate balance sheet shall pay the tax (tax advance payments) to the budget at the location of each of the said immovable property items in an amount assessed as the tax rate effective on the territory of the Russian region concerned where these immovable property items are located times the tax base (one forth of the mean value of the property) assessed for the tax (accounting) period in accordance with Article 376 of the present Code in respect of each immovable property item.

**Article 385.1.** Specifics of Calculation and Payment of Tax on the Property of Organisations by Residents of the Special Economic Zone in the Kaliningrad Region

**1.** Residents of the Special Economic Zone in the Kaliningrad Region shall pay tax on the property of organisations in compliance with this Chapter in respect of all the property constituting a taxable object for the said tax, except for the property created or acquired in the course of implementation of an investment project in compliance with the Federal Law on the Special Economic Zone in the Kaliningrad Region.

**2.** Residents shall separately calculate the amount of tax on the property of organisations in respect of the property created or acquired in the course of implementation of an investment project in compliance with the Federal Law on the Special Economic Zone in the Kaliningrad Region.

**3.** Tax on the property of organisations in respect of the property, created or acquired while implementing an investment project in compliance with the Federal Law on the Special Economic Zone in the Kaliningrad Region, shall be established for residents within the first six calendar years starting from the date of inclusion of a legal entity into the comprehensive register of residents of the Special Economic Zone in the Kaliningrad Region at the rate of 0 per cent.

**4.** Within the period from the seventh to twelfth calendar year inclusive, as of the date of inclusion of a legal entity into the comprehensive register of residents of the Special Economic Zone in the Kaliningrad Region, the tax rate for tax on the property of organisations in respect of the property created

or acquired, while implementing an investment project in compliance with the Federal Law on the Special Economic Zone in the Kaliningrad Region, shall constitute the amount established by a law of the Kaliningrad Region and reduced by fifty per cent.

**5.** The special procedure for paying tax on the property of organisations shall not extend to the part of the value of property (created or acquired while implementing an investment project in compliance with the Federal Law on the Special Economic Zone in the Kaliningrad Region) that was used for production of the commodities (carrying out the works and rendering the services) that may not be the aim of the investment project. In doing this the share of the property value used for production of the commodities (carrying out the works and rendering the services), that were not be the aim of an investment project, shall be deemed equal to the share of incomes derived from the selling such commodities (carrying out such works or rendering such services) in the total amount of all resident's incomes.

**6.** The difference between the amount of tax on the property of organisations with respect to the tax base for tax on the property of organisations (created or acquired when implementing an investment project in compliance with the Federal Law on the Special Economic Zone in the Kaliningrad Region), that would be computed by a resident, if he did not use the special order of paying tax on the property of organisations, established by this Article, and the amount of tax on the property of organisations estimated by the resident in compliance with this Article in respect of tax on the property of organisations, created or acquired while implementing an investment project in compliance with the Federal Law on the Special Economic Zone in the Kaliningrad Region, shall not be includable into the tax base for tax on profits of organisations for residents.

**7.** In the event of removal of a resident from the Unified Register of Residents of the Special Economic Zone in the Kaliningrad Region until he obtains a certificate on the fulfilment of conditions of the investment declaration, the resident shall be deemed to have lost the right to apply the special procedure for paying tax on the property of organisations established by this Article from the beginning of the quarter in which he was removed from the said Register.

In this case the resident must calculate the tax amount with respect to the property created or acquired by him in the realisation of the investment project in accordance with the Federal Law on the Special Economic Zone in the Kaliningrad Region at the tax rate established in accordance with Article 380 of this Code.

The calculation of the tax amount shall be made for the period of the application of the special procedure for taxation.

The calculated tax amount shall be payable by the resident upon the expiry of the reporting or tax period in which he was removed from the Unified Register of Residents of the Special Economic Zone in the Kaliningrad Region within the time periods established for making the advance payments on the tax for the reporting period or for paying the tax for the tax period in accordance with Item 1 of Article 383 of this Code.

In the conduct of a visiting tax check of a resident removed from the Unified Register of Residents of the Special Economic Zone in the Kaliningrad Region concerning the correctness of the calculation and fullness of payment of the tax amount with respect to the property created or acquired by him in the realisation of an investment project, the restrictions established by paragraph two of Item 4 and Item 5 of Article 89 of this Code shall not be effective on condition that the decision on assigning such a check was rendered within three months from the moment of payment of the said tax amount by the resident.

**Article 386.** The Tax Return

**1.** Upon the expiry of each accounting and tax period taxpayers shall file tax calculations for advance tax payments as well as a tax return for the tax with the tax bodies at the place where the taxpayers are located, at the places where each of their solitary units featuring a separate balance sheet is located and also at the place where each immovable property item (for which a separate procedure for tax calculation and payment has been established) is located, unless otherwise stipulated in the present Item.

In respect of property located in the territorial sea of the Russian Federation, on the continental shelf of the Russian Federation, in the exclusive economic zone of the Russian Federation and/or outside the Russian Federation's territory (for Russian organisations) tax calculations for tax advance payments and a tax return for the tax shall be filed with the tax body at the location of the Russian organisation (the place where the foreign organisation's permanent establishment has been put on record with a tax body).

The tax payers, referred to the category of major tax payers in conformity with Article 83 of the present Code, shall submit tax declarations (computations) to the tax body at the place of their recording as major tax payers.

**2.** Taxpayers shall file tax calculations for tax advance payments within 30 calendar days after the end of the accounting period concerned.

**3.** Tax returns according to the results of the tax period shall be filed by taxpayers not later than March 30 of the year following the expired tax period.

**Article 386.1.** Avoidance of Double Taxation

**1.** The amounts of property tax actually paid by a Russian organisation outside the territory of the Russian Federation in compliance with the legislation of another state in respect of property belonging to the Russian Federation and located in the territory of this state shall be counted when paying tax in the Russian Federation in respect of the cited property.

With this, the rate of counted tax amounts paid outside the territory of the Russian Federation may not exceed the rate of the tax amount to be paid by this organisation in the Russian Federation in respect of the property cited in this item.

**2.** The following documents shall be filed by a Russian organisation with tax authorities for setting off tax:

an application for setting off the tax;

the document proving payment of the tax outside the territory of the Russian Federation confirmed by the tax authority of the appropriate foreign state.

The above documents shall be filed by a Russian organisation with the tax agency at the location of the Russian organisation together with the tax declaration covering the tax period when the tax was paid outside the territory of the Russian Federation.

## Section X. Local Taxes

## Chapter 31. Land Tax

**Article 387.** General Provisions

**1.** Land tax (hereinafter mentioned in this Chapter as the "tax") shall be established by this Code and normative legal acts of representative bodies of municipal formations, shall be put into effect and shall cease to be effective in compliance with this Code and normative legal acts of representative bodies of municipal formations and shall be paid without fail on the territories of these municipal formations.

In the cities of federal importance Moscow and Saint-Petersburg the tax shall be established by this Code and by the laws of said subjects of the Russian Federation, shall be put into effect and shall cease to be effective in compliance with this Code and the laws of the said subjects of the Russian Federation and shall be paid without fail on the territories of the said subjects of the Russian Federation.

**2.** When establishing the tax, representative bodies of municipal formations (legislative (representative) state power bodies of the cities of federal importance Moscow and Saint-Petersburg) shall determine the tax rates within the limits established by this Chapter, the procedure and time for paying the tax.

When establishing the tax by normative legal acts of representative bodies of municipal formations (by the laws of the cities of federal importance Moscow and Saint-Petersburg), there may be likewise established tax privileges, grounds and procedures for the application thereof, including the establishment of the rate of a non-taxable amount for individual categories of taxpayers.

**Article 388.** Taxpayers

**1.** As taxpayers of the tax (hereinafter referred to in this Chapter as "taxpayers") shall be deemed organisations and natural persons that have land plots in their ownership, that have the right to use them on a permanent basis (on a termless basis) or the right of life heritable tenure thereof.

**2.** Organisations and natural persons shall not be deemed taxpayers in respect of land plots in respect of which they have the right to use them on a gratuitous term basis or which have been allotted to them under a lease contract.

**Article 389.** Taxation Object

**1.** As an object of taxation shall be deemed land plots located within the boundaries of a municipal formation (of the cities of federal importance Moscow and Saint-Petersburg) on whose territory the tax is introduced.

**2.** Not deemed as objects of taxation shall be the following:

1) land plots withdrawn from circulation in compliance with the laws of the Russian Federation;

2) land plots whose circulation is restricted in compliance with the laws of the Russian Federation that are occupied by especially valuable units of cultural heritage of the peoples of the Russian Federation, units included into the List of World Heritage, historical and cultural reserves, and archeological heritage units;

3) land plots whose circulation is restricted in compliance with the laws of the Russian Federation that are allotted for meeting defence, security and customs needs;

4) the land plots included in forest estate lands;

5) the land plots whose circulation is restricted in compliance with the laws of the Russian Federation that are occupied by state-owned water bodies forming part of water resources.

**Article 390.** Tax Base

**1.** The tax base shall be determined as the cadastral value of land plots deemed to be taxation objects in compliance with Article 389 of this Code.

**2.** The cadastral value of a land plot shall be determined in compliance with the land legislation of the Russian Federation.

**Article 391.** Procedure for Determining the Tax Base

**1.** The tax base shall be determined in respect of every land plot as the cadastral value thereof as on January 1 of a year which is a tax period.

The tax base in respect of a land plot located in the territories of several municipal entities (in the territories of a municipal entity and the cities of federal importance Moscow and Saint-Petersburg) shall be determined for each municipal entity (for the cities of federal importance Moscow and Saint-Petersburg). In so doing, the tax base in respect of the share of the land plot located within the bounds of the appropriate municipal entity (the cities of federal importance Moscow and Saint-Petersburg) shall be determined as the share of the cadastral value of the whole land plot which is proportionate to the said share of the land plot.

**2.** The tax base shall be determined separately in respect of shares in common ownership of a land plot in respect of which different persons are deemed to be taxpayers or different tax rates are established.

**3.** Taxpaying organisations shall determine the tax base independently on the basis of data from the state land cadastre on each land plot that they have in their ownership or in respect of which they enjoy the right to use them on a permanent (termless) basis.

Taxpaying natural persons who are individual businessmen shall determine the tax base independently in respect of the land plots used by them in their business activities on the basis of data from the state land cadastre on each land plot that they have in their ownership, or with regard to which they enjoy the right of their use on a permanent (termless) basis or the right of life heritable tenure.

**4.** If not otherwise provided for by Item 3 of this Article, the tax base for every taxpayer being a natural person shall be determined by tax bodies on the basis of the data presentable to the tax bodies by the agencies engaged in keeping the state land cadastre, by the agencies engaged in registration of rights to immovable property and transactions with it and by bodies of municipal formations.

**5.** The tax base shall be reduced by the non-taxable amount of 10 000 roubles per taxpayer on the territory of a municipal formation (the cities of federal importance of Moscow and Saint-Petersburg) in respect of a land plot that is in ownership, in permanent (termless) use or life heritable tenure of the following categories of taxpayers:

1) Heroes of the Soviet Union, Heroes of the Russian Federation, full knights of the Order of Honour;

2) disabled persons with the III degree of labour disability, as well as persons of the I and II disability groups established prior to January 1, 2004 without issuing an opinion on the degree of labour disability;

3) persons handicapped from birth;

4) veterans and invalids of the Great Patriotic War, as well as veterans and invalids of combat operations;

5) natural persons entitled to social support under the Law of the Russian Federation on Social Support to Citizens Exposed to Radiation as a Result of an Accident at the Chernobyl Atomic Power Station (in the wording of Law of the Russian Federation No. 3061-I of June 18, 1992), in compliance with Federal Law No. 175-FZ of November 26, 1998 on the Social Protection of the Russian Federation Citizens Exposed to Radiation as a Result of an Accident in 1957 at the Production Association Mayak and the Discharge of Radioactive Waste into the River Techa and in compliance with Federal Law No. 2-FZ of January 10, 2002 on Social Guarantees to the Citizens Exposed to Radiation as a Result of Nuclear Tests at the Semipalatinsk Testing Ground;

6) natural persons who have directly participated within the composition of high risk units in atomic and nuclear tests, in liquidating accidents at nuclear installations in armaments and at military facilities;

7) natural persons who are or have been victims of radiation sickness as a result of tests, manoeuvres and other works connected with any type of nuclear installations including nuclear weapons and space technology.

6. The tax base shall be reduced by the non-taxable amount established by Item 5 of this Article on the basis of the documents proving the right to decrease the tax base, to be submitted by a taxpayer to the tax body at the location of the land plot.

The procedure and time for presenting by taxpayers the documents proving the right to reduce the tax base shall be established by normative legal acts of representative bodies of municipal formations (the laws of the cities of federal importance Moscow and Saint-Petersburg).

**7.** If the rate of non-taxable amount provided for by Item 5 of this Article exceeds the rate of the tax base determined in respect of a land plot, the tax base shall be taken as equal to zero.

**Article 392.** Specifics for Determining the Tax Base in Respect of Land Plots in Common Ownership

**1.** The tax base in respect of land plots that are in common ownership shall be determined for each of the taxpayers that own a given land plot proportionate to their shares in common ownership.

**2.** The tax base in respect of the land plots that are in joint ownership shall be determined for each of the taxpayers that are owners of a given land plot share and share alike.

**3.** If, when acquiring a building, structure or other immovable property, the acquirer (purchaser) acquires under a law or a contract the ownership of the part of the land plot occupied by the immovable property and is necessary for using it, the tax base in respect of the given land plot for the said person shall be determined in proportion to his share in the ownership of the given land plot.

Where several persons act as acquirers (purchasers) of a building, structure or other immovable property, the tax base in respect of the part of the land plot that is occupied by the immovable property and is necessary for its use, shall be determined for the said persons proportionate to their shares in the ownership (in the area) of the said immovable property.

**Article 393.** Tax Period. Reporting Period

**1.** As a tax period shall be deemed a calendar year.

**2.** As tax periods for taxpaying organisations and natural persons being individual businessmen shall be deemed the first quarter, the second quarter and the third quarter of a calendar year.

**3.** When establishing the tax, the representative body of a municipal formation (legislative (representative) state power body of the cities of federal importance of Moscow and Saint-Petersburg) shall not be entitled to establish a reporting period.

**Article 394.** Tax Rate

**1.** Tax rates shall be established by normative legal acts of representative bodies of municipal formations (by the laws of the cities of federal importance Moscow and Saint-Petersburg) and may not exceed:

1) 0.3 per cent in respect of land plots:

referred to agricultural lands or to land forming part of the zones of agricultural use in settlements and used by the farming industry;

occupied by housing stock and by units of plumbing infrastructure of the housing and communal complex (except for a share in the ownership of a land plot falling to a unit that does not pertain to the housing stock or to units of plumbing infrastructure of the housing and communal complex) or acquired (allotted) for house building;

acquired (allotted) as personal subsidiary plots, for gardening, truck farming or cattle breeding, as well as of the country cottage economy;

2) 1.5 per cent in respect of other land plots.

**2.** It shall be allowed to establish varied tax rates depending on the category of land and (or) on the permitted way of using a land plot.

**Article 395.** Tax Privileges

There shall be exempted from taxation the following:

1) organisations and institutions of the criminal executive system of the Ministry of Justice of the Russian Federation - in respect of the land plots allotted for the direct exercise of the functions placed upon these organisations and institutions;

2) organisations - in respect of land plots occupied by governmental roads of general use;

3) abolished from January 1, 2006;

4) religious organisations - in respect of the land plots owned by them where buildings, structures and constructions of religious and charitable purpose are located;

5) all-Russia public organisations of disabled persons (including those established as unions of public organisations of disabled persons) where disabled persons and their legal representatives constitute at least 80 percent of their members - in respect of the land plots used by them for exercising activities provided for by their charters;

organisations whose authorised capital is fully made up of contributions of the said all-Russia public organisations of disabled persons, if the average payroll number of disabled persons among the employees thereof amounts to at least 50 per cent, while their share in the wage fund constitutes at least 25 percent - in respect of the land plots used by them for production and (or) sale of goods (except for excisable goods, mineral raw materials and other minerals, as well as other commodities according to the

list thereof endorsed by the Government of the Russian Federation and coordinated with all-Russia public organisations of disabled persons), works and services (except for broker's and other intermediary services);

Institutions whose property is owned solely by said all-Russia public organisations of disabled persons - in respect of the land plots used by them for achieving educational, cultural, medical-and-health improvement, athletic-and-sporting, scientific, informational and other goals for social protection and rehabilitation of disabled persons, as well as for rendering legal and other aid to disabled persons, disabled children and their parents;

6) folk art handicraft organisations - in respect of land plots located in the traditional seats of folk art handicraft industries and used for producing and selling folk art handicraft products;

7) natural persons pertaining to aboriginal small peoples of the North, Siberia and the Far East of the Russian Federation, as well as communities of such peoples - in respect of the land plots used for preserving and developing their traditional way of life, economy and industries;

8) abolished from January 1, 2006;

9) organisations deemed residents of a special economic zone in respect of land plots located on the territory of the special economic zone, for a five-year term after the occurrence of a right of ownership to each land plot.

**Article 396.** Procedure for Estimating the Tax and Advance Payments of the Tax

**1.** The amount of the tax shall be estimated on the expiry of the tax period as a percentage of the tax base corresponding to the tax rate, if not otherwise provided for by Items 15 and 16 of this Article.

**2.** Taxpaying organisations shall independently estimate the amount of the tax (the amount of advance payments of the tax).

Taxpaying natural persons who are individual businessmen shall independently estimate the amount of the tax (the amount of advance payments of the tax) in respect of the land plots used by them in their business activities.

**3.** The amount of the tax (the amount of advance payments of the tax) payable to the budget by taxpayers who are natural persons shall be estimated by tax bodies, if not otherwise provided for by Item 2 of this Article.

**4.** The representative body of a municipal formation (legislative (representative) state power bodies of the cities of federal importance Moscow and Saint-Petersburg, when establishing the tax, shall be entitled to provide for making at the most two advance payments of the tax by taxpayers who are natural persons paying it on the basis of tax notifications.

The amount of an advance payment of the tax to be paid by taxpaying natural persons who pay the tax on the basis of tax notifications shall be estimated as a product of the appropriate tax base and the share of the tax rate established by normative legal acts of representative bodies of municipal formations (by the laws of the cities of federal importance Moscow and Saint-Petersburg) at the rate equal at the most to half the tax rate established in compliance with Article 394 of this Code in case of establishing one advance payment and one third of the tax rate in case of establishing two advance payments.

**5.** The amount of the tax payable to the budget on the basis of the results of a tax period shall be determined as the difference between the sum of the tax estimated in compliance with Item 1 of this Article and the sums of advance payments of the tax to be made within the tax period.

**6.** Taxpayers for whom a quarter is set as a tax period shall estimate the sums of advance payments of the tax upon the expiry of the first, second and third quarter of the current tax period as one quarter of the appropriate tax rate of the percentage share of the cadastral value of a land plot as on January 1 of the year which is the tax period.

**7.** In the event of a rise (termination) within the tax period of a taxpayer's ownership (the right of permanent (termless) use or of life heritable tenure) of a land plot (or of a share of it) the sum of the tax (the sum of the advance payment of the tax) shall be paid subject to the coefficient determinable as a ratio of the number of the full months when this land plot was in the taxpayer's ownership (permanent (termless) use, life heritable tenure) to the number of calendar months of the tax (reporting) period, if not otherwise established by this Article. With this, if the said rights arose (were terminated) prior to the 15th day of the appropriate month inclusive, the month when said rights arose shall be deemed a full month. If said rights rose (were terminated) after the 15th day of appropriate month, the month when the said rights were terminated shall be deemed a full month.

**8.** In respect of a land plot (a share thereof) inherited by a natural persons the tax shall be estimated as of the month of the inheritance commencement.

**9.** The representative body of a municipal formation (legislative (representative) state power bodies of the cities of federal importance Moscow and Saint-Petersburg), when establishing the tax shall be entitled to provide for the right not to estimate and make advance payments of the tax within a tax period for individual categories of taxpayers.

**10.** Taxpayers entitled to tax privileges must present documents proving such right to the tax bodies at the location of the land plot deemed to be an object of taxation in compliance with Article 389 of this Code.

In the event of the rise (termination) within a tax (reporting) period of a taxpayer's right to a tax privilege, the amount of the tax (the amount of an advance payment of the tax) in respect of the land plot with regard to which the tax privilege is granted shall be estimated subject to the coefficient determinable as the ratio of the number of full months when there is no tax privilege to the number of calendar months of a tax (reporting) period. With this, the month when the right to the tax privilege rises, as well as the month of termination of the said right, shall be deemed equal to one month.

**11.** The bodies engaged in keeping the state land cadastre and the bodies engaged in the state registration of rights to immovable property and transactions with it shall present information to the tax bodies in compliance with Item 4 of Article 85 of this Code.

**12.** The bodies engaged in keeping the state land cadastre and bodies of municipal formations shall be obliged to deliver annually prior to February 1 of the year being the tax period to the tax bodies at the place of their location data on the land plots deemed to be objects of taxation in compliance with Article 389 of this Code as on January 1 of the year being the tax period.

13. The data indicated in Items 11 and 12 of this Article shall be presented by the bodies engaged in keeping the state land cadastre, by the bodies engaged in the state registration of rights to immovable property and transactions with it and by bodies of municipal formations according to the forms endorsed by the Ministry of Finance of the Russian Federation.

**14.** On the basis of the results of the state cadastral evaluation of land, the cadastral value of land plots as on January 1 of a calendar year shall be subject to being brought to the knowledge of taxpayers in the procedure determinable by the Government of the Russian Federation at the latest on March 1 of this year.

**15.** In respect of the land plots acquired by (allotted to) natural persons and legal entities on condition of effecting housing construction on them, except for individual housing construction, the estimation of the amount of tax (the amount of advance tax payments) shall be effected subject to the coefficient two within a three-year term of construction starting from the date of the state registration of rights to the said land plots up to the state registration of rights to an erected immovable property unit. In the event of completing such housing construction and the state registration of rights to an erected immovable property unit prior to the expiry of a three-year term of construction, the amount of the tax paid within the period of construction in excess of the amount of the tax estimated subject to the coefficient 1 shall be deemed the sum of the tax paid in excess and shall be subject to set-off (return) to the taxpayer in a generally established procedure.

As regards the land plots acquired by (allotted to) natural persons and legal entities for ownership on condition of carrying out housing construction on them, except for individual housing construction, the amount of tax (amounts of advance tax payments) shall be paid subject to the coefficient four within the period of construction exceeding a three-year term pending the state registration of rights to an erected immovable property unit.

**16.** As regards the land plots acquired by (allotted to) natural persons for individual housing construction, the amount of tax (the amount of advance tax payments) shall be estimated subject to the coefficient two upon the expiry of a ten-year term as of the date of the state registration of rights to the given land plots up to the state registration of rights to an erected immovable property unit.

**Article 397.** Procedure and Time for Paying the Tax and Making Advance Payments of the Tax

**1.** The tax and advance payments of the tax shall be payable by taxpayers in the procedure and within the time that are established by normative legal acts of representative bodies of municipal formations (the laws of the cities of federal importance Moscow and Saint-Petersburg).

With this, the time for paying the tax (advance tax payments) by taxpaying organisations or natural persons who are individual businessmen may not be earlier that provided for by Item 3 of Article 398 of this Code.

**2.** Taxpayers shall make advance payments of the tax within a tax period, if normative legal acts of the representative body of a municipal formation (the laws of the cities of federal importance Moscow and Saint-Petersburg) do not provide otherwise. Upon the expiry of a tax period taxpayers shall pay the tax in the amount estimated in the procedure stipulated by Item 5 of Article 396 of this Code.

**3.** The tax and advance payments of the tax shall be paid to the budget at the location of the land plots deemed to be objects of taxation in compliance with Article 389 of this Code.

**4.** Taxpayers who are natural persons shall pay the tax and shall make advance payments of the tax on the basis of the tax notification directed by a tax body.

**Article 398.** Tax Declaration

**1.** Taxpaying organisations or natural persons who are individual businessmen using, in business activity, land plots belonging to them on the right of property or on the right of permanent (indefinite) use

shall present to the tax body on the expiry of a tax period at the location of a land plot, unless otherwise stipulated in the present Article, the tax declaration in respect of the tax.

The form of the tax declaration in respect of the tax shall be endorsed by the Ministry of Finance of the Russian Federation.

**2.** Taxpaying organisations or natural persons who are individual businessmen using, in business activity, land plots belonging to them on the right of property or on the right of permanent (indefinite) use, making advance payments of the tax within a tax period shall present to the tax body at the location of the land plot, unless otherwise stipulated in the present Article, on the expiry of the tax period the tax estimate of advance payments of the tax.

The form of the tax estimate of advance payments of the tax shall be endorsed by the Ministry of Finance of the Russian Federation.

**3.** Tax declarations in respect of the tax shall be presented by taxpayers at the latest on February 1 of the years following the expired tax period.

Estimates of the sums of advance payments of the tax shall be presented by taxpayers within a tax period at the latest on the last day of the month following the expired reporting period.

**4.** The tax payers, referred to the category of major tax payers in conformity with Article 83 of the present Code, shall submit tax declarations (computations) to the tax body at the place of their recording as major tax payers.

President
of the Russian Federation

V.Putin

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