

TAX CODE OF THE RUSSIAN FEDERATION
(PART ONE)
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(Part One)

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 Local Self-Government on Taxes and Fees

1. 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 collected to the federal budget, 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 arising and the procedure for fulfillment of obligations to pay taxes and fees;
- 3) the principles of the introduction, enforcement and invalidation of the earlier introduced taxes and dues of the subjects of the Russian Federation and local taxes and dues;
- 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 dues consists of laws and other normative legal acts on taxes and dues of the subjects of the Russian Federation adopted in accordance with the present Code.

5. Normative legal acts of the local self-government bodies on local taxes and dues shall be adopted by the representative bodies of local self-government 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 authority relations involving imposition, enactment and collection of taxes and fees in the Russian Federation, and also relations arising during the exercise of tax control, the 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, the 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.

It shall be allowed to impose special types of duties or differential rates of import custom duties depending on the country of origin of goods in accordance with this Code and customs legislation of the Russian Federation.

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 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 it shall be allowed to restrict or hinder the economic activity of natural persons and organizations, which is not banned by law, in any other way.

5. Federal taxes and fees shall be imposed, amended or revoked by this Code.

Taxes and fees of Russian Federation member territories, and local taxes and fees shall be imposed, amended or revoked by laws of Russian Federation member territories relevant to taxes and fees or regulatory legal acts of representative local self-government bodies relevant to taxes and fees, respectively, in accordance with this Code.

No one may be charged with an obligation to pay taxes and fees or other contributions and payments having characteristics of taxes as defined by this Code which are not provided by this Code or are imposed in a way which is different from the one 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 dues shall be formulated in a way to enable each person to know exactly which taxes or dues 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 favor of taxpayers (payers of fees).

Article 4. Normative Legal Acts of the Organs of Executive Power, the Executive Bodies of the Local Self-government Bodies and the Agencies of the Governmental Extra-budgetary Funds on the Taxes and Dues

1. In cases provided for by legislation on taxes and fees, federal executive bodies, the

organs of the executive power of the subjects of the Russian Federation, the executive bodies of local self-government, the agencies of governmental extra-budgetary funds shall publish regulatory legal acts on issues related to taxation and fees which may not amend or supplement legislation on taxes and fees. In issuing the above acts, the State Customs Committee of the Russian Federation shall be guided by customs legislation.

2. The Ministry of Taxes and Dues of the Russian Federation, the Ministry of Finance of the Russian Federation, the State Customs Committee of the Russian Federation, the agencies of the governmental extra-budgetary funds shall issue obligatory orders, instructions and methodological directions on the questions of taxation and collection of dues which are not pieces of legislation on the taxes and dues.

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

3. Legislative acts on taxes and/or fees which lift or mitigate sanctions for breaches of the legislation on the taxes and dues or provide additional guarantees of protection of 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 dues, 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. Provisions provided for by this Article shall also extend to the normative legal acts regulating the collection of the taxes and dues subject to payment in connection with the movement of goods across the customs border of the Russian Federation.

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) changes the content of obligations of parties to relations as regulated by the Legislation on taxes and fees, 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 by governmental extra-budgetary funds, 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, 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 the 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, and also a different organ of the executive power or the executive body of local self-government, which have 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. Provisions stipulated by this Article shall also extent to the normative legal acts regulating the collection of taxes and dues subject to payment in connection with the movement of goods across the customs border of the Russian Federation.

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

The time-limit established by the legislation on the taxes and dues shall be determined by a calendar date or the expiry of the period of time that is calculated in terms of years, quarters, months weeks or days. The time-limit may also be determined by reference to the occurrence that should come inevitably.

The time calculated in terms of years expires in the corresponding month and on the day of the last year of the period. Any period consisting of 12 calendar months succeeding in a row shall be recognized as a year (except for a calendar year).

The time calculated in terms of quarters expires on the last day of the last month of the period. A quarter is deemed to be equal to 3 months and the counting off the quarters is kept from the beginning of the year.

The time calculated in terms of months expires in the corresponding month and on the day of the last month of the period. A calendar month shall be deemed to be a mont. If the end of the time falls on the month in which there is no corresponding day, the time-limit expires on the last day of this month.

The time calculated in terms of weeks expires on the last day of a week. The period of time consisting of five working days succeeding in a row shall be deemed to be a week.

When the last day of the time falls on a day off, the next following working day shall be deemed to be the day of the end of the time.

An action for which a time-limit is established may be performed until 24 hours of the last day of the time-limit. If documents or monetary sums were delivered to a post-office or a telegraph-office before 24 hours of the last day of the time-limit, this time-limit shall not be deemed to be missed.

The time-limits for the performance of actions shall be determined by an exact calendar date, by a reference to the occurrence which should come without fail or a by a period of time. In the latter case an action may be performed during the entire period of time.

The running of the time reckoned in terms of years, months, weeks or days shall begin on the next day after a calendar date or the onset of the occurrence, which determine its beginning.

Article 7. Effect of International Treaties on Taxation

If a tax treaty of the Russian Federation which contains provisions concerning taxation and

fees establish 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 organizations and individuals in the form of alienation of money resources owned by them by right of ownership, economic jurisdiction or operational management for purposes of financing the activity of the state and/or municipalities.

2. A fee shall be defined as an obligatory contribution collected from organizations 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) organizations and individuals recognized as taxpayers and payers of fees under this Code;

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

3) the Ministry of Taxes and Dues of the Russian Federation and its subdivisions in the Russian Federation (hereinafter referred to as the tax bodies);

4) the State Customs Committee of the Russian Federation and its offices (hereinafter referred to as customs authorities);

5) State executive bodies and local self-government executive bodies, other bodies and officials authorized by them that receive and collect taxes and/or fees and also control their payment by taxpayers and payers of fees apart from tax and customs authorities in accordance with the established procedure (hereinafter referred to as collectors of taxes and fees);

6) the Ministry of Finance of the Russian Federation, finance ministries of the republics, finance departments (boards, divisions) of administrations of krais [territories], oblasts [regions], the cities of Moscow and St. Petersburg, the autonomous oblast, autonomous okrugs [areas], raions [districts] and cities (hereinafter referred to as financial bodies), other authorized bodies when making decisions on deferral and payment by installments of taxes and fees and on other issues provided by this Code.

7) agencies of governmental extra-budgetary funds;

8) the Federal Tax Police Service of the Russian Federation and its territorial agencies (hereinafter referred to as the tax police agencies) - upon the solution of questions referred to their jurisdiction by the present Code.

Article 10. Tax Violation Proceedings

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 criminal procedural legislation of the Russian Federation, respectively.

3. Proceedings with respect to violations of tax and fee legislation in connection with the movement of goods across the customs border of the Russian Federation shall be conducted as prescribed by the customs legislation of the Russian Federation unless otherwise stipulated by the present Code.

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:

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

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 also private notaries, private guardsmen and private detectives. 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 refer to the fact that they are not individual entrepreneurs, when they discharge the duties vested in them by this Code;

natural persons as tax residents of the Russian Federation are natural persons who stay in fact on the territory of the Russian Federation for not less than 183 days in a calendar year;

persons (a person) mean organizations and(or) natural persons;

budgets (the budget) mean the federal budget, the budgets of the subjects of the Russian Federation (regional budgets), the budgets of municipal formations (local budgets);

extra-budgetary funds mean governmental extra-budgetary funds formed outside the federal budget and the budgets of the subjects of the Russian Federation in conformity with the federal legislation;

banks (a bank) mean commercial banks and other credit organizations 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 contract of a bank account, on which the pecuniary funds of organizations and individual entrepreneurs are placed and from which they may be spent;

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

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

a certificate of registration by a tax body is a document issued by a tax body to an organization or a natural person registered as taxpayers;

seasonal production means production directly associated with natural and climatic conditions and the season. This concept is used in related to an organization or an individual entrepreneur, unless in definite tax periods (a quarter or a half-year) their production activity is

carried out by reason of natural and climatic conditions;

the place of location of a Russian organization is a place of its state registration;

the place of location of a separate subdivision of a Russian organization is a place of the activity of this organization through its separate subdivision;

the place of residence of a natural person is a place where this natural person resides permanently or chiefly;

a separate subdivision of an organization means any territorially separated subdivision, in the place of whose location permanent places of employment are equipped. A separate subdivision of the organization is recognized as such, regardless of the fact whether its creation is reflected or not reflected in the organization's constituent instruments or their organizational 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.

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.

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

Article 12. Types of Taxes and Fees in the Russian Federation

1. The following types of taxes and fees shall be imposed in the Russian Federation: federal taxes and fees, taxes and fees of Russian Federation member territories (hereinafter referred to as regional taxes and fees), and local taxes and fees.

2. Federal taxes and fees shall be defined as taxes and fees imposed by this Code and payable throughout the Russian Federation.

3. Regional taxes and dues shall be recognized to be the taxes and dues established by this Code and the laws of the subjects of the Russian Federation, carried into effect in accordance with this Code, the laws of the subjects of the Russian Federation and subject to obligatory payment on the territories of the respective subjects of the Russian Federation. With the introduction of a regional tax by the legislative (representative) bodies of the subjects of the Russian Federation it is necessary to define the following elements of taxation: the tax rates within the limits fixed by this Code, the procedure and the terms of payment of the tax, and also the forms of reporting on the given regional tax. Other elements of taxation shall be established by this Code. With the introduction of the regional tax by the legislative (representative) bodies of the subjects of the Russian Federation it is possible to provide tax concessions and grounds for their use by a taxpayer.

4. Local taxes and dues shall be recognized to be those established by this Code and the normative legal acts of the representative bodies of local self-government and those carried into effect in conformity with this Code by the normative legal acts of the representative bodies of local self-government and subject to obligatory payment on the territories of the respective municipal entities.

Local taxes and dues in the cities of federal importance - Moscow and St.Petersburg - shall be established and carried into effect by the laws of the said subjects of the Russian Federation.

With the introduction of a local tax by the representative bodies of local self-government the normative legal acts define the following elements of taxation: the tax rates within the limits

set by this Code, the procedure and the terms of the payment of the tax, and also the forms of accounting on this local tax. Other elements of taxation shall be established by this Code. Upon the establishment of the local tax the representative bodies of self-government may also provide for tax concessions and grounds for their use by a taxpayer.

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

Article 13. Federal Taxes and Fees

1. Federal taxes and fees shall include:

- 1) value added tax;
- 2) excise taxes on particular types of goods (services) and separate types of mineral raw materials;
- 3) tax on profit (income) of organizations;
- 4) capital gains tax;
- 5) personal income tax;
- 6) contributions to state social off-budget funds;
- 7) state duty;
- 8) customs duty and customs fees;
- 9) tax on subsoil use;
- 10) tax on rehabilitation of the mineral raw materials base;
- 11) tax on additional income from hydrocarbons production;
- 12) fee for the right of use of fauna and water biological resources;
- 13) forest tax;
- 14) water tax;
- 15) ecological tax;
- 16) federal license fees.

Article 14. Regional Taxes and Fees

1. Regional taxes and fees shall include:

- 1) tax on property of organizations;
- 2) tax on real estate;
- 3) road tax;
- 4) transport tax;
- 5) sales tax;
- 6) tax on gambling business;
- 7) regional license fees.

2. After enactment of real estate tax, the tax on property of organizations, individual property tax and land tax shall cease to be effective in the corresponding area.

Article 15. Local Taxes and Fees

1. Local taxes and fees shall include:

- 1) land tax;
- 2) individual property tax;
- 3) tax on advertising;
- 4) inheritance or gift tax;
- 5) local license fees.

Article 16. Information About Taxes and Dues;

Information and copies of laws and other normative legal acts about the introduction and repeal of regional and local taxes and duties shall be sent by the government authorities of a Russian Federation member territory and local self-government bodies to the Ministry of Taxes and Dues of the Russian Federation and the Ministry of Finance of the Russian Federation, and also to the relevant regional tax authorities and financial bodies.

Information on current regional taxes and fees and their basic provisions shall be published on a quarterly basis by the Ministry of Taxes and Dues of the Russian Federation, and information on current local taxes and fees and their basic provisions shall be published at least once a year by the relevant regional tax authorities.

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 dues may also provide if necessary tax benefits and grounds for using them 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

A special tax treatment shall be recognized to be a special procedure for the calculation of taxes and dues during a definite period of time, applicable in cases and in the order established by this Code and the federal laws adopted in accordance with it.

Upon the establishment of special tax treatments the elements of taxation, and also tax privileges shall be determined in the order prescribed by this Code.

Special tax treatments include: the simplified system of the taxation of small business subjects, the system of taxation in free economic zones, the system of taxation in closed administrative-territorial entities, and the system of taxation during the fulfilment of contracts of concessions and product-sharing agreements.

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 organizations 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 organizations shall discharge their duties of these organizations in the payment of taxes and dues in the place of 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 organizations the relations between which may exert influence on the conditions or economic results of their activity or activity of persons they represent, namely:

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

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) receive from the tax authorities at the place of registration free information on current taxes and fees, laws on taxes and fees and other acts containing rules of tax and fee legislation, and also on the rights and duties of taxpayers, and powers of the tax authorities and their officials;

2) receive written explanations from the tax authorities and other authorized state bodies about application of legislation relevant to taxes and fees;

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

4) receive deferral, the right to pay by installments, a tax loan 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 tax legal relations 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 while the latter perform actions with respect to taxpayers;

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

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

13) require keeping a tax secret;

14) claim full compensation for losses caused by unlawful decisions of the tax authorities or unlawful actions (inaction) of their officials in accordance with the established procedure.

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 an 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 shall be secured by the relevant obligations of tax officials.

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

Article 23. Obligations of Taxpayers (Payers of Fees)

1. Taxpayers shall be required to:

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

2) register with the tax bodies 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 legislation on taxes and dues provides for such an obligation;

4) file tax returns 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, as well as accounting in accordance with the Federal Law on Accounting;

5) provide documents required to calculate and pay taxes to the tax authorities and their officials in cases provided for by this Code;

6) comply with lawful demands of the 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;

7) provide to the tax authority the necessary information and documents in cases and in accordance with the procedure provided by this Code;

8) ensure safety, in the course of four years, of bookkeeping data and other documents required for the calculation and payment of taxes and fees, and of documents confirming income earned (for organizations, also expenses incurred) and paid (withheld) taxes;

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

2. Taxpayer organizations and individual entrepreneurs, apart from obligations set forth in Item 1 of this Article, shall be required to inform in writing the tax authority at the place of registration of the following:

opening or closure of accounts - within ten days;

all instances of holding an interest in Russian and foreign organizations - not later than within one month of commencement of such an interest;

all separate divisions set up within the Russian Federation - not later than within one month

of their establishment, reorganization or liquidation;

declaring them insolvent (bankrupt), liquidation or reorganization - not later than within three days of adopting such a decision;

changes in their location or the place of residence - not later than 10 days since the time of such change.

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

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

5. In connection with the shifting of goods across the customs border of the Russian Federation the taxpayers or the payers of dues who pay their taxes and dues shall also bear the duties provided for by the customs legislation of the Russian Federation".

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 corresponding budget (off-budget fund).

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

3. Tax agents shall be required to:

1) calculate, withhold from resources paid to taxpayers and remit to the budgets (off-budget funds) correctly and on time the corresponding taxes;

2) within one month notify the tax authority, in writing, of the impossibility to withhold tax from the taxpayer and inform the tax authority at the place of their registration of the amount of arrears;

3) keep records of income paid to taxpayers and taxes withheld and remitted to the budgets (off-budget funds), 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.

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. Collectors of Taxes and/or Fees

In cases provided by this Code, funds in payment of taxes and/or fees shall be received from taxpayers and/or payers of fees and remitted to the budget by government authorities, local self-government bodies or other authorized agencies and officials, i.e. collectors of taxes and/or fees.

The rights, duties and liability of collectors of taxes and/or fees shall be determined by this Code, federal laws and legislative acts of Russian Federation member territories and regulatory legal acts of representative local self-government bodies on taxes and/or fees adopted in accordance therewith.

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. 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 organization shall be defined as persons authorized to represent this organization 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 civil law of the Russian Federation.

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

Actions (inaction) of legal representatives of organizations performed in connection with participation of this organization in tax legal relations shall be recognized as actions (inaction) of this organization 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 tax police, judges, investigators or public prosecutors may not be authorized representatives of taxpayers.
3. An authorized representative of the taxpayer shall exercise his authority on the basis of a power of attorney issued as prescribed by 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 the one notarially certified in accordance with civil law.

Section 3. Tax Bodies. Customs Agencies.

Agencies of the Governmental Extra-budgetary Funds.
Tax Police Bodies. The Responsibility of the Tax Bodies,
the Customs Agencies, the Agencies of the Governmental
Extra-budgetary Funds, the Tax Police Bodies and Their Officials

Chapter 5. Tax Bodies, Customs Agencies.

Agencies of the Governmental Extra-budgetary Funds.
The Responsibility of the Tax Bodies, the Customs Agencies
and the Agencies of the Governmental Extra-budgetary Funds

and Their Officials

Article 30. Tax Authorities in the Russian Federation

1. The tax authorities in the Russian Federation shall be the Ministry of Taxes and Dues of the Russian Federation and its territorial divisions in the Russian Federation.

2. In cases provided by this Code, the customs authorities and the agencies of the governmental extra-budgetary funds shall have the competence of the tax authorities.

3. The tax authorities, the agencies of the governmental extra-budgetary funds and customs authorities shall act within their competence and in accordance with the legislation of the Russian Federation.

4. The tax authorities, the agencies of the governmental extra-budgetary funds and customs authorities shall discharge their functions and cooperate with each other by exercising their authority and fulfilling obligations established by this Code and other federal laws determining the procedure for organization and activity of the tax authorities.

Article 31. The Rights of the Tax Bodies

1. The tax bodies shall have the right:

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

2) to carry on tax inspections in the order prescribed by this Code;

3) to make a seizure of documents, during tax inspections of a taxpayer or a tax agent, testifying to the commission of tax offences in cases when there are sufficient grounds to believe that these documents will be destroyed, concealed, changed or replaced;

4) to summon to tax bodies taxpayers, payers of dues or tax agents to give pertinent explanations by means of written notices in connection with the 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 dues;

5) to suspend transactions in the accounts of taxpayers, payers of dues and tax agents in banks and to distrain the property of taxpayers, payers of dues and tax agents in the order prescribed by this Code;

6) to examine (inspect) 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 place of location, to draw up an inventory of the property belonging to taxpayers. The 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 and the Ministry of Taxes and Dues of the Russian Federation;

7) to determine the sums of taxes to be paid by taxpayers to the budget or to the extra-budgetary funds and 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 examination (inspection) of workrooms, depots, trading and other premises and areas, used by the taxpayer to derive income or connected with the maintenance of taxation, in case of the refusal to submit to a tax body documents necessary for the calculation of taxes during more

than two months, in case of the absence of the record-keeping of incomes and expenses, of the objects of taxation, and in case of keeping a record with the contravention of the established order that has led to the impossibility of computing taxes;

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

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

10) to control the compliance of big expenses of natural persons with their incomes;

11) to demand from banks documents confirming the execution of payment orders of taxpayers, payers of dues and tax agents and the fulfilment of collection letters (orders) of tax bodies on the write-off of the amounts of taxes and penalties from the accounts of tax payers, payers of dues and tax agents;

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

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

14) to apply for the cancellation or suspension the validity of licenses issued for the engagement in certain activities to juridical and natural persons;

15) to set up tax posts in the order prescribed by this Code;

16) to bring the following actions in courts of general jurisdiction or in courts of arbitration: actions of recovery of tax sanctions from persons who breached the legislation on taxes and dues;

actions of the recognition as invalid of the state registration of a legal entity or of the state registration of a natural person in the capacity of an individual entrepreneur;

actions for the liquidation of an organization of any organizational structure or legal status on the grounds established by the legislation of the Russian Federation;

actions for the early dissolution of a contract of tax credit and a contract of investment tax credit;

actions of the recovery of the indebtedness of taxes duties which correspond to penalties and fines by the budgets or the extra-budgetary funds, if this indebtedness is attributed for more than three months to the organizations, which under the civil legislation of the Russian Federation dependent (affiliate) companies (enterprises, from the corresponding basic (prevalent, participating) companies (partnerships, enterprises), when their bank accounts receive the proceeds from the sold goods (works, services) of (subsidiary) companies or enterprises, and also to the organizations which are under the civil legislation of the Russian Federation basic (prevalent, participating) companies (partnerships, enterprises), and from the dependent (subsidiary) companies or enterprises, when their bank account receive the proceeds from the sold goods (works, services) of the basic (prevalent, participating) companies (partnerships, enterprises);

in other cases provided for by this Code.

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

3. In cases stipulated by the legislation on taxes and duties, the Ministry of Taxes and Dues of the Russian Federation shall approve, within its terms of reference, the forms of applications for registration by tax bodies, the forms of calculations of taxes, and the forms of tax declarations, and shall establish the procedure for their completion, all of which shall be binding on the taxpayers.

Article 32. Duties of the Tax Bodies

1. Tax bodies and their officials shall be obliged to:
 - 1) strictly comply with the legislation on taxes and fees;
 - 2) monitor the observation of the legislation on taxes and fees as well as other normative legal acts in compliance therewith;
 - 3) keep records of taxpayers in the established procedure;
 - 4) explain the application of legislative and other normative legal acts on taxes as well as normative acts in compliance therewith, inform taxpayers free of charge of the effective taxes, provide them with established accounting forms and explain the procedure of their processing, the procedure of calculation and payment of taxes and fees;
 - 5) refund or credit excessive amounts of taxes, interests and fines paid or collected in the manner as per this Code;
 - 6) keep tax secrets;
 - 7) forward to the taxpayer or another tax agent copies of tax audit acts and decisions of a tax body as well as in cases provided for by this Code, the tax notice and the demand to pay a tax and a fee.
2. Tax bodies shall perform other duties provided for in this Code and other federal laws.
3. In case of revealing the circumstances giving reason to suspect that violation of legislation on taxes and fees has been committed with the signs of a crime, the tax bodies shall within ten days submit the materials to a respective body of the tax police to decide on a criminal case initiation.

Article 33. Duties of Officials of the Tax Bodies

1. 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 tax relations; respect their honor 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 and fees in connection with 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 and/or fees, 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.
3. The customs bodies of the Russian Federation shall hold liable those persons who may be guilty of abuses of the legislation on taxes and fees in connection with movement of goods across the customs border of the Russian Federation in the manner established by the customs legislation of the Russian Federation.

Article 34.1. The Powers of the Agencies of the Governmental Extra-budgetary Funds

1. In cases when the legislation on taxes and dues charges the agencies of the governmental

extra-budgetary funds with the duties of tax control, these agencies shall enjoy the rights and bear the duties of tax bodies, provided for by this Code.

2. The officials of the agencies of the governmental extra-budgetary funds shall exercise the duties provided for by Article 33 of this Code.

Article 35. Liability of Tax Bodies, Customs Bodies, the Agencies of the Governmental Extra-budgetary Funds and Also Their Officials

1. Tax bodies, customs bodies shall be liable for losses inflicted to taxpayers 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 shall be reimbursed at the expense of the federal budget in the procedure envisaged in this Code or other federal laws.

2. The agencies of the governmental extra-budgetary funds shall bear liability for the losses caused to taxpayers owing to their unlawful actions (decisions) or inaction, and also to the unlawful actions (decisions) or inaction of the officials and other functionaries of said agencies during the performance of their duties.

The losses caused to taxpayers shall be compensated at the expense of the corresponding extra-budgetary fund.

3. The officials and other employees of the bodies specified in Items 1 and 2 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. Tax Police Bodies

Article 36. The Authorities of the Federal Tax Police Service Bodies

1. The bodies of the Federal Tax Police Service (hereinafter - Tax Police bodies) perform the functions to prevent, identify, terminate and investigate violation of laws on taxes and fees which are criminal or administrative law abuses, as well as other functions imposed on them according to the Federal Law on the Federal Tax Police Bodies.

2. The Tax Police bodies shall have the following authorities:

1) pursue, according to the procedural criminal law of the Russian Federation, investigation of criminal cases the procedure of investigation of which falls under their jurisdiction;

2) perform, according to the procedural criminal law of the Russian Federation, preliminary inquiry of cases on crimes under their competence;

3) conduct investigations in accordance with the federal legislation;

4) participate in tax audits upon requests from the tax bodies;

5) any other authority stipulated in the Federal Law on the Federal Tax Police Bodies.

3. When the tax police bodies reveal the circumstances requiring the actions referred by this Code to the powers of the tax bodies, they shall be obliged to send relevant materials to the corresponding tax body during 10 days since the day of disclosing such circumstances for the adoption of a decision.

Article 37. Liabilities of the Tax Police Bodies and Their Officials

1. Tax police bodies shall be held liable for any losses inflicted to the taxpayers 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 office duties.

The incurred losses by the taxpayers shall be reimbursed at the expense of the federal budget in the procedure envisaged by this Code and other applicable federal laws.

2. The tax police 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 of 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, revenue, profit, value of realized [sold] goods (works, services), or another object having a cost, quantitative or physical characteristic which existence is linked to the emergence of a tax liability of the taxpayer according to the legislation on taxes and fees may be objects of taxation.

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

2. Under the property in this Code shall be understood 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 referred to goods in order to regulate the relations connected with collection of customs duties.

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

5. Services for taxation shall be any activity which results 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 organization 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 persons for another person, the rendering of services by one person to another person shall be free of charge.

2. The place and the 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 organization to its successor (successors) when such organization is reorganized;

3) transfer of fixed assets, intangible assets and/or other property to non-profit organizations

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 society in participation (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 to 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 of 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 case of the derivation of prices upwards or downwards for 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 motivated decision on the additional charge of the tax and penalty, calculated in way 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 provided for by Items 4-11 of this Article. Premium prices or concessions shall be taken into account, which are usual upon the conclusion of transactions between the 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 the 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), taken into account shall be transactions between unrelated persons. Transaction 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 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 payments, 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 a difference of the

price for which such goods, works or services were sold by the buyer of these goods, works or services in 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 to 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, the 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 the manner which takes into account the special provisions of 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 and 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 [income] determined in accordance with Chapters "Personal Income Tax", "Enterprise (Organization) Income Tax", and "Tax on Capital Gains" of the present Code.

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

1. Income of a taxpayer can be classified as either income from sources inside the Russian Federation, or income from sources outside the Russian Federation pursuant to Chapters "Tax on Organizations' Profits (Incomes)", "Personal Income Tax", "Tax on Capital Gains" of this Code.

2. If the provisions of the present Code do not allow 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 Ministry of Finance of the Russian Federation. The share of the 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 organization 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 organization.

The dividends also include any incomes received from the sources beyond the confines of the Russian Federation and referring to 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 organization in cash or in kind which do not exceed the contributing of this shareholder (participant) to the authorized (pooled) capital of the organization in the event of a liquidation of the said organization;

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

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

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 Tax or Fee

1. 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) with the emergence of circumstances with which the legislation on taxes and duties associates termination of obligation to pay the tax or duty in question;

3) with the death of an individual taxpayer 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 on the account of his estate;

4) liquidation of an institutional taxpayer after the liquidation commission has settled all budget claims (claims of extrabudgetary funds) in accordance with Article 49 of the present Code.

Article 45. Fulfillment of an Obligation to Pay a Tax or a Duty

1. It shall be the duty of taxpayers/payers of duties to fulfill the obligation to pay taxes/duties on their own, unless otherwise provided by the legislation on taxes and duties.

The obligation to pay a tax or duty shall be fulfilled within the time limits established by the

legislation on taxes and duties. A taxpayer shall have the right to fulfill his obligation to pay taxes/duties ahead of time.

Default on the duty of tax payment or improper discharge of this duty shall be ground for sending a claim for tax payment to a taxpayer by the tax body, the agency of the governmental extra-budgetary fund or the customs agency.

In case of failure to pay or failure to pay the full amount of a tax, the tax debt shall be paid off in due course at the expense of money funds available on bank accounts of the taxpayer in accordance with the procedure provided in Articles 46 and 48 of the present Code, and at the expense of other property of the taxpayer in accordance with the procedure provided in Articles 47 and 48 of the present Code.

Collection of a tax and/or duty from an organization shall be performed without recourse to court, unless otherwise provided by the present Code. Collection of a tax and/or duty from a natural person shall be done through a court procedure.

Collection of a tax from an organization cannot be performed without recourse to court, if the tax obligation is based on a change introduced by a tax authority into the following:

- 1) legal qualification of deals concluded by taxpayers with third parties;
- 2) legal qualification of the status and nature of the business in which the taxpayer is engaged.

2. Tax obligation shall be considered fulfilled by the taxpayer from the moment an order to pay the tax in question is presented to the bank, provided that the money balance of the taxpayer's account is sufficient to make the payment, and if the payment is made in ready cash - from the moment the tax payment is deposited into a bank or paid to the receiving cashier of a local government authority or a branch office of the State Committee of Telecommunications and Information Technologies of the Russian Federation. The tax shall not be recognized as paid if the taxpayer himself redeems, or the bank returns to the taxpayer, the payment order for the remittance of the tax payment into the budget (extra-budgetary fund), and also if at the time of presenting by a taxpayer an order for tax payment this taxpayer has other non-fulfilled claims made to his account, which under the civil legislation of the Russian Federation are executed in a priority order and if the taxpayer has not sufficient monetary funds on the account to satisfy all claims.

The duty of tax payment shall also be deemed to be discharged after the tax body or the court of law has passed a decision on the offset of the excessively paid or the excessively recovered tax amounts in the order established by Article 78 of this Code.

If the responsibility of assessing the tax and withholding it is imposed, in accordance with the provisions of this Code, on the tax agent, then the tax obligation of the taxpayer shall be considered fulfilled from the moment taxes were withheld by the tax agent.

3. The obligation to pay taxes/duties shall be executed in the currency of the Russian Federation. Foreign organizations, and also natural persons who are not tax residents of the Russian Federation may discharge the duty of tax payment in foreign currency. The tax payment may be made in foreign currency also in other cases provided for by federal laws.

4. Failure to fulfill an obligation to pay taxes shall constitute grounds for applying measures of enforced fulfillment of the tax obligation provided in the present Code.

5. Rules of this Article shall also apply to fees.

Article 46. Collection of Taxes, Duties, and Penalty Interest from Bank Accounts of Institutional Taxpayers (Payers of Fees) or Institutional Tax

Agents

1. In case of failure to pay or failure to pay the full amount of tax in the established time frame, the tax obligation shall be executed by enforced collection actions by levying the taxpayer's or tax agent's bank account.

2. Collection of a tax shall be performed on the strength of a decision of the tax authority (hereinafter referred to as decision on collection) by forwarding a cash collection order to the bank of the taxpayer or tax agent, ordering the bank to withdraw money funds from the accounts of a taxpayer/tax agent and remit the required amount to the corresponding budgets and (or) extrabudgetary funds.

3. A decision on recovery shall be taken after the expiry of the period fixed for the discharge of the duty of tax payment, but not later than 60 days after the expiry of the term of the execution of the claim for tax payment. A decision to collect taxes made after the expiration of the indicated ten-day limit shall be ineffective and shall not be subject to fulfillment. Should this be the case, the tax authority can file a suit with a court for collection the tax debt from the taxpayer or tax agent.

The taxpayer (tax agent) shall be notified of the decision to collect the tax not later than five days after the decision on collection of the required amount of cash was made.

4. A cash collection order (instruction) to the bank to remit the tax to the corresponding budget and (or) extrabudgetary fund shall be forwarded to the bank where the taxpayer (payer, tax agent) has its accounts and shall be subject to unconditional fulfillment by the bank within the order of priority established by civil legislation of the Russian Federation.

5. A cash collection order (instruction) of the tax authority to remit a tax shall indicate those accounts of the taxpayer (or tax agent) from which the tax is to be remitted, and the amount to be remitted.

Taxes may be collected from rouble and (or) foreign exchange accounts of a taxpayer (tax agent) with the exception of loan and budget accounts.

Collection of taxes from foreign exchange accounts of a taxpayer (tax agent) shall be performed in the amount equivalent to the amount payable in roubles at the rate of the Central Bank of the Russian Federation on the date of the sale of foreign currency. When taxes are collected from foreign exchange accounts, the head of the tax authority (or his deputy) shall forward to the bank, along with the cash collection order, an order to sell the hard currency of the taxpayer (tax agent) not later than the following day.

A tax shall not be collected from taxpayer's or tax agent's deposit account unless the term of the deposit agreement has expired. Provided there is a deposit agreement between a taxpayer (another obligor) and the bank, the tax authority body shall have the right to issue an order (instruction) to the bank to remit funds from the deposit account to a settlement (current) account of the taxpayer (other obligor) upon the expiration of the deposit agreement, if the order (instruction) of the tax authority to the bank to remit the tax has not been fulfilled by that time.

6. An order (instruction) of the tax authority to remit a tax shall be executed by the bank not later than within one business day after the day when such order (instruction) was received by the credit organization, if the collection of tax is done from the rouble accounts, or not later than two business days, if the tax is collected from foreign exchange accounts, since this does not violate the order of sequence of payments, established by the civil legislation of the Russian Federation.

Should the balance on the accounts of a taxpayer or another obligor as of the day when the

credit organization received an order (instruction) 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 not later than one business day after each such arrival into rouble accounts, and not later than two business days after each such arrival into hard currency accounts, inasmuch as this procedure is not inconsistent with the order of priority payments as established by the civil legislation of the Russian Federation.

7. Should the balance on the accounts of a taxpayer (tax agent) be insufficient or nil or in the absence of information about the accounts of a taxpayer or a tax agent, the tax authority shall have the right to collect the tax liability at the expense of other property of the taxpayer or tax agent in accordance with the procedure set out in Article 47 of this Code.

8. In collecting a tax, a tax authority can resort to suspension of bank accounts of a taxpayer (tax agent) in accordance with the procedure and on the terms established by Article 76 of this Code.

9. The provisions contained in this Article shall also be applicable to collection of penalty interest for untimely payment of taxes/duties.

10. The rules provided in this Article shall also be applicable for collecting a fee.

11. Provisions provided for by this Article shall also apply in case of the collection of taxes and dues by customs agencies.

Article 47. Collection of Taxes at the Expense of Property of Institutional Taxpayers or Institutional Tax Agents

1. In cases stated in Item 7 of Article 46 of this Code, the tax authority can take the property (including ready cash) of an institutional taxpayer or institutional tax agent to satisfy a tax debt within the limits of the amounts indicated in the demand for payment of taxes adjusted for the amounts already levied in accordance with Article 46 of the present Code.

Collection of a tax or duty at the expense of property of an institutional taxpayer (institutional tax agent) shall be performed on the strength of a decision made by the head of the tax authority (his deputy) by forwarding a ruling to the marshal of the court in the district where the taxpayer (tax agent) is located to be executed in accordance with the procedure provided by Federal Law on the Executive Procedure with due account of the details envisaged by this Article.

2. The ruling to collect taxes at the expense of property of an institutional taxpayer or institutional tax agent shall contain:

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

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

the name and address of the institutional taxpayer or institutional tax agent whose property is being levied excerpt from the resolution of the head of the tax authority (or his deputy) to collect taxes at the expense of taxpayer's (tax agent's) property;

the effective date the resolution of the head of the tax authority (or his deputy) to collect taxes at the expense of institutional taxpayer's or institutional tax agent's property;

the date of the above indicated ruling

The ruling shall be signed by the head of the tax authority (or his deputy) and stamped with the stamp of the tax authority.

3. The collection actions shall be performed, and the orders contained in the ruling executed, by the court marshal within two months after the receipt of the ruling.

4. Collection of taxes at the expense of property of an institutional taxpayer or an institutional tax agent shall be performed in the following sequence:

ready cash;

assets which are not immediately involved in manufacturing of products (goods), particularly, securities, foreign exchange valuables, equipment, non-production premises, automobiles, items of interior design of offices;

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

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

assets transferred under lease, loan, rental or other agreements to other persons (enterprises, organizations or natural persons), 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;

other assets.

5. If taxes as collected at the expense of property of an institutional taxpayer or institutional tax agent, the tax obligation shall be considered fulfilled from the moment the said property is sold and the tax debt of the institutional taxpayer or institutional tax agent is paid off from the proceeds from sale.

6. Tax officials shall not have the right to purchase the property of a institutional taxpayer or institutional tax agent that is sold in execution of a decision to collect the tax debt at the expense of the property of the taxpayer or tax agent.

7. Provision provided for by this Article also apply in case of the exaction of a penalty for the untimely payment of the tax and due.

8. The provisions contained in this Article shall also be applicable for collecting a fee at the expense of property of the payer of duty.

9. provisions provided for by this Article shall also apply in case of the collection of taxes and dues by customs agencies.

Article 48. Collection of Taxes, Fees or Interest from Property of Individual Taxpayer or Tax Agent or Natural Person

1. In the event of non-fulfillment in time of a tax liability by an individual taxpayer or a tax agent - natural person, the tax body (customs agency) may file a complaint in court for collection of a tax from the property (including funds at bank accounts and cash) of the individual taxpayer or individual tax agent within the limits of the amounts specified in the demand to pay tax.

2. The complaint concerning collection of a tax from the property of an individual taxpayer or a tax agent - natural person shall be filed with the Arbitration Court (regarding the property of a natural person registered as an individual entrepreneur) or with a court of general jurisdiction (regarding the property of individuals other than entrepreneurs).

3. The complaint concerning collection of a tax from the property of an individual taxpayer or a tax agent - natural person may be filed with an appropriate court by the tax body (customs agency) during six months following the expiration date of the demand to pay the tax.

4. The complaint concerning collection of a tax from the property of an individual taxpayer or a tax agent (customs agency) - natural person can be accompanied by a petition of the tax

body to arrest the property of the respondent as a security of the complaint.

5. The proceedings in a case concerning collection of a tax from the property of an individual taxpayer or an individual tax agent shall be performed in accordance with the Russian legislation of arbitration procedures or the Russian legislation of civil procedures.

6. Collection of a tax from the property of an individual taxpayer or an individual tax agent on the basis of an effective court decision shall be made in accordance with the Federal Law on the Executive Procedure with due account of the details envisaged by this Article.

7. Collection of a tax from the property of an individual taxpayer or a tax agent - natural person shall be made step by step with regard to the following:

funds on bank accounts;

cash;

property that is not involved in the production process directly, such as securities, foreign currency, non-production premises, cars, pieces of office decoration;

finished products (goods) and other material assets not involved in production and (or) not intended for direct participation in production;

raw materials and materials intended for direct participation in production as well as plant, equipment, buildings, constructions and other fixed assets;

property which was assigned under a contract into possession, use or disposal without transferring the title of ownership on such property if, in order to secure the obligation to pay a tax, such contract was annulled or invalidated in the established procedure;

other property with the exception of personal effects intended for everyday use by the individual or his family in accordance with the legislation of the Russian Federation.

8. In the event that the tax has been collected from the property of the taxpayer or the tax agent, the obligation to pay the tax and fee shall be deemed fulfilled from the time when such property was sold and the arrears of the taxpayer or the tax agent paid from the proceeds. Interest 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 appropriate budgets (off-budget funds).

9. The incumbents of tax bodies (customs agency) shall not have the right to buy the property of an individual taxpayer or an individual tax agent that is being sold in the process of execution of a court decision on collection a tax from the property of the individual taxpayer or the individual tax agent.

10. The rules of this Article shall also apply in case of collecting fee from the property of the taxpayer.

11. The rules of this Article shall also apply to collection of interest for untimely payment of a tax or a fee.

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

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

2. Should the funds of an organization 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 organization 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 organization vis-p-vis settlements with other creditors of such organization shall be specified by civil law of the Russian Federation.

4. If an organization being liquidated has to its credit the excessively paid taxes or dues and (or) penalties and fines, the said sums of money shall be offset by a tax body on account of the repayment of the debts of the liquidated organization for taxes and dues (penalties and fines) in the order prescribed by Chapter 12 of this Code within one month since the day of filing the application by the taxpaying organization.

The amount of the excessively paid tax and dues (penalties and fines) subject to offset shall be distributed among the budgets and/or extra-budgetary funds in proportion to the total amounts of tax and due (penalty and fine) indebtedness to the respective budgets and/or extra-budgetary funds.

If the organization being liquidated has no indebtedness for the discharge of the duty of paying taxes and dues, and also of paying penalties and fines, the amount of the taxes and dues (penalties and fines), excessively paid by this organization shall be repaid to this organization within one month since the day of filing the application by the taxpaying organization.

If the organization being liquidated has to its credit the sums of the excessively collected taxes and dues, and also penalties and fines, the said sums of money shall be repaid to the taxpaying organization in the order prescribed by Chapter 12 of this Code within one month since the day of filing the application by the taxpaying organization".

Article 50. Fulfillment of Obligations to Pay Taxes and Fees 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) had been aware before the reorganization 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.

Successor(s) to a reorganized legal entity shall also be liable for all the fines owed by the latter for the tax offenses committed prior to completion of the reorganization 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 dues, vested in it by this Article.

3. Re-organization 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 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 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 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 organization.

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 the civil legislation.

If the division balance sheet do not make it possible to determine the share of a successor to 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-organization 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 case of a separation from a legal entity, no succession to the re-organized legal entity with respect to its obligation to pay taxes and fees 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 and fees in full, then, pursuant to a court decision, the separated legal entities may jointly and severally fulfill the obligation to pay taxes.

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

10. The amount of a tax excessively paid by a legal entity before its re-organization shall be offset against the fulfillment by a successor (successors) to such legal entity of obligation to pay other taxes, interest and penalties for a tax offense of the re-organized legal entity. Such offset shall be performed by a tax body or a customs body independently in accordance with the procedure set out in Chapter 12 of this Code with due account for the details provided for in this Article and not later than 30 days after the day when such re-organization was completed.

The amount of excessively paid tax to be offset against the outstanding liability of a re-organized legal entity with respect to other taxes, penalties and fines shall be distributed among budgets and (or) extra-budgetary funds in proportion to the total amounts of outstanding liabilities with respect to other taxes of such legal entity vis-a-vis the corresponding budgets and (or) extra-budgetary funds.

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 the excessively paid tax (penalty, fine) by this legal entity shall be repaid to its legal successor (legal successors) within one month since 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 excessively paid tax (penalty, fine) by the legal entity before its reorganization 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.

If the reorganized legal entity has to its credit the excessively collected taxes, and also penalties and fines, the said amounts shall be repaid to its legal successor or legal successors in the procedure prescribed by Chapter 12 of this Code within one month since the day of filing an application by the legal successor or successors. Before the reorganization the amount of the excessively collected tax (penalty, fine) of the legal entity shall be returned to the legal successor or 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. 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 organization reorganized in keeping with the legislation of foreign State.

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 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 without interest accruing, 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 the payment of taxes and dues 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 dues unpaid by the taxpayer or the payer of the duty, and also the due penalties and fines in 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 in case such natural persons had no sufficient funds (no funds) for fulfillment of these obligations.

In case of 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 dues 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 dues 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 guilty commission of tax offences 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. Procedure of Tax Assessment

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. In these cases prior to 30 days before the maturity of payment the tax body shall send a tax notice to the respective taxpayer. 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 Ministry of Taxes and Dues of the Russian Federation. A tax notice may be handed over to the manager of an organization (its lawful or authorized representative) or a natural person (his legal or authorized representative against receipt or in any other way that confirms the fact and the date of its reception. When said persons evade a tax notice, the latter shall be sent by registered mail. A tax notice shall be deemed to be received upon the expiry of 6

days since the date of sending a registered letter.

Article 53. Tax Base and Tax Rates

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 shall be established by this Code.

In cases provided for in this Code, federal tax rates may be established by the Government of the Russian Federation in the procedure and amounts specified 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 local governments within the limits established by this Code.

Article 54. General Issues of Tax Base Assessment

1. Taxpayers-organizations 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.

In case mistakes (distortions) in tax base assessment made in the previous tax (reporting) periods are revealed in the current (reporting) tax period, the tax liabilities shall be reassessed for the period when such mistakes were made. If it impossible to determine the specific period, then the tax liabilities of reporting period when the mistakes (distortions) were revealed shall be corrected.

2. Individual entrepreneurs shall assess the tax base by 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 and the Ministry of Taxes and Dues of the Russian Federation.

3. Other individual taxpayers shall assess the tax base on the basis of the data on income subject to taxation which are obtained in the qualifying cases from organizations as well as the data of their own records of taxable income kept in any form.

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 that are winded up with advance payments.

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

If an organization was established between December 1 and December 31, the first tax period for such organization 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 organization was liquidated (reorganized) before the end of a calendar year, the last tax period for such organization shall be the time period between the beginning of that year and the date when the liquidation (reorganization) was completed.

If an organization 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 (reorganization).

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

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

4. Rules set out in parts 1-3 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 organization 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. If property subject to taxation was purchased, sold (alienated or destroyed) after the beginning of a calendar year, the tax period for such property for the purpose of the tax on such property in the given calendar year shall be defined as the time period during which the property was actually owned by the taxpayer.

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 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.

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 a fee are paid after the expiration of the established deadline, the taxpayer or the payer of a fee shall be subject to an 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 estimated in years, quarters, months, weeks 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 tax relations shall be established by this Code as applicable to each such action.

4. When the tax base is calculated 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 lump sum payment of the entire amount of a tax or a fee, or in any other form provided for in this Code and other legislation acts applicable to taxes and

fees.

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

3. Taxes and fees shall be paid in cash or in a non-cash form.

In the absence of such bank, the taxpayer or a tax agent being natural persons may pay taxes and fees through the cash office of a village or town body of local self-government or through a communications entity of the State Committee of Tele-Communications and Information Technologies of the Russian Federation.

4. A specific procedure for paying a tax or a fee shall be established for each tax or a fee according to this Article.

The procedure for and terms of paying federal taxes and fees shall be established by this Code.

The procedure for and terms of paying regional and local taxes and fees shall be established accordingly by the applicable laws of the subjects of the Russian Federation and regulatory legal acts of the representative bodies of local self-governments in accordance with this Code.

5. Rules of this Article shall also be applicable to payment of fees.

Article 59. Write-off of Bad Debts on Taxes and Fees

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

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

for regional and local taxes and fees ? by the executive bodies of the subjects of the Russian Federation and those of local government, accordingly.

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

Article 60. Obligations of Banks on the Execution of Orders to Remit Taxes and Fees, and Decisions to Collect Taxes and Fees

1. Banks shall be obliged to execute orders of taxpayers or tax agents to remit taxes (hereinafter - tax remittance order) to respective budgets (off budget funds) as well as decisions of tax bodies to collect taxes or fees at the expense of monetary funds of the taxpayer or a tax agent in the priority procedure established by the Civil legislation.

2. The order to remit a tax or the decision to collect a tax shall be executed by the bank within one operational day since the receipt of such order or decision unless otherwise is provided by this Code. No service fee shall be charged for such operations.

3. Provided there are monetary balances on the account of a taxpayer or a tax agent, banks shall not have the right to delay the execution of orders to remit tax amounts or decisions to collect taxes to the corresponding budgets (off budget funds).

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 budgets (extra-budgetary funds) and of paying a corresponding penalty. In 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 and the corresponding penalties at the expense of pecuniary means in the order that is similar to that

stipulated by Article 46 of this Code. Measures of recovery of such sums of the tax or duty at the expense of other assets shall be applied through legal proceedings.

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. Rules of this Article shall also apply to banks obligations with respect to remittance orders for fees and decisions to collect fees.

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

Article 61. General Terms of Changing the Deadline for Paying Taxes or Fees and Also Penalties

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 exclusively in accordance with the procedure and on the terms laid down in this Chapter.

The deadline for paying the tax may be changed with respect to the entire amount of the 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.

3. A change in the deadline for paying a tax and a fee shall be made in the form of a deferral, an installment plan, a tax loan, and 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 dues stated in Article 63 of this Code may be made against a pledge of the 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 penalty payment shall be changed in the order prescribed by this Chapter.

7. The rules provided for by this Chapter shall also apply to the changes in the term of the payment of the tax and the due to the governmental extra-budgetary funds. In this case the agencies of the governmental extra-budgetary funds, which exercise control over the payment of such taxes and dues shall enjoy the rights and bear the duties of the financial bodies, stipulated by this Chapter.

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 tax or administrative offence related to abuse of the tax legislation 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 at the time of passing a decision on the change of the

term of tax payment specified in Item 1 of this Article, 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. Bodies Authorized to Make Decisions to Change the Deadline for Paying Taxes or Fees

1. The bodies in charge of making decisions to change the deadline for paying a tax or a fee (authorized bodies) shall be:

1) for federal taxes and dues - the Ministry of Finance of the Russian Federation (except for the cases stipulated by Subitems 3-5 of this Item, Item 2 of this Article and the third paragraph of Item 1 of Article 66 of this Code);

2) with respect to regional and local taxes and fees - regional and local financial bodies of a subject of the Russian Federation and a municipal entity, respectively (with the exception of cases specified in 3) through 5) of this part and Item 3 of this Article);

3) with respect to taxes and fees payable in connection with the movement of goods across the customs border of the Russian Federation, the State Customs Committee of the Russian Federation or other customs bodies authorized thereby;

4) with respect to the stamp duty - authorized bodies monitoring the payment of the stamp duty;

5) with respect to taxes and fees receivable by off budget funds, bodies of the respective off budget funds.

2. If a federal law on the federal budget provides for sharing of a federal tax and a fee amount between the budgets of various levels, the deadline for paying such tax or fee with respect to the amounts due to the federal budget, shall be changed by a decision of the Ministry of Finance of the Russian Federation, and with respect to the amounts due to the budget of a subject of the Russian Federation or the local budget, by a decision of the respective financial body.

3. If the legislation on taxes and dues or the budget legislation of the respective subject of the Russian Federation provides for sharing of a regional tax and fee between budgets of various levels, the deadline for paying such tax and fee with respect to the amount payable to the budget of the subject of the Russian Federation shall be changed by a decision of the financial body of the subject of the Russian Federation, and with respect to the amounts payable to the local budget, by a decision of the financial body of the municipal entity in question.

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

1. Tax deferment or payment of tax by instalments means rescheduling of tax or fee collection for reasons stated in this Article, for a period of one to six months respectively, with the one-off or step-by-step payment of the arrears by the taxpayer.

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) bankruptcy threatening such person provided such person makes a one-off payment of tax;

4) if the property situation of such an individual rules out the possibility of an 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) other grounds provided by the Customs Code of the Russian Federation for the taxes subject to payment in connection with the movement of goods across the customs border of the Russian Federation.

3. Tax or fee deferment or payment of 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 of 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 and reasons why the tax deferment or payment of tax by instalments is requested. The concerned taxpayer forwards a copy of the petition on to such taxpayer's local tax authority within ten days. This application shall be enclosed with the documents confirming the presence of the grounds indicated in Item 2 of this Article.

Upon 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 tax deferment or payment by instalments or to withhold permission is taken by the authority within one month of receipt of the petition.

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

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

If there are reasons stated in subitems 1) and 2) of Item 2 of this Article, 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 a manner prescribed by the legislation of the Russian Federation.

10. A copy of 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 concerned person and to the local tax authority at the place of residence of such person.

11. The rules provided for by this Article shall also apply when a delay or an instalment plan for the tax payment is granted in connection with the movement of goods across the customs border of the Russian Federation, with the exception of granting a delay or an instalment plan on the ground provided for by Subitem 5 of Item 2 of this Article.

12. A subdivision of the Russian Federation may prescribe reasons and conditions other than those stated above for allowing a deferment or payment by instalments of regional and local taxes and charges.

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

Article 65. Procedure and Conditions of Granting Tax Credit

1. Tax credit represents a change in the term of tax payment for a period of three to twelve months in the presence of at least one of the grounds indicated in Subitems 1-3 of Item 2 of Article 64 of this Code.

2. A tax loan may be granted with respect to one or several taxes.

3. A tax loan is granted to a concerned person after such person files a petition; such tax loan is written into an agreement of appropriate format between the proper authority and indicated person.

4. A concerned person's petition for a tax loan is filed and considered, a decision on such petition is taken and becomes effective in a manner and meeting the deadlines prescribed by Article 64 of this Code.

5. If a tax loan is granted for reasons cited in subitem 3) of Item 2, Article 64 of this Code, interest on the arrears is tied to the refinancing rate of the Central Bank of the Russian Federation that is effective during the tax loan agreement period.

If a tax loan is granted for reasons specified in subitems 1) and 2) of Item 1, Article 64 of this Code, interest on the arrears does not accrue.

6. A proper authority's decision to allow the person concerned a tax loan constitutes grounds for effecting a tax loan agreement; such agreement shall be effected within seven days of the

passage of such decision.

A tax loan agreement shall specify the amount of the arrears (citing the tax or charge with respect to which the tax loan is granted), the effective period of the agreement, the interest accruing on the amount of the arrears, the procedure for the repayment of the arrears and accrued interest, the documents relating to the property that is used as a pledge, security, the parties' responsibility.

A copy of a tax loan agreement is filed by the concerned person with the local tax authority at such person's place of residence within five days of the conclusion of the agreement.

Article 66. Investment Tax Credit

1. An investment tax credit constitutes a tax rescheduling arrangement under which an organization 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 organization with respect to tax on its profits (incomes), and also with respect to regional and local taxes.

A decision to grant an investment tax credit relating to the part of the tax on an organization's income (profit) that is due to the public budget of a subdivision of the Russian Federation is taken by a financial authority of such subdivision of the Russian Federation.

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

2. An organization 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 organization as a result of all such reductions (accumulated amount of credit) becomes equal to the credit amount prescribed by an appropriate agreement. A concrete order of reducing tax payments shall be determined by the concluded contract on the investment tax credit.

If an organization 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 organization 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 organization'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. An amount of credit accumulated during a tax period may not exceed 50 per cent of the amount payable by the organization 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 organization 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 Credit

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

1) such organization 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 organization 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 organization 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 the amount of the credit that is equal to 30 per cent of the value of the equipment acquired by the concerned organization provided this equipment is used for purposes specified in this subitem;

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

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

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

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

5. A decision to grant or deny an organization an investment tax credit is taken by a proper authority within one month of the receipt of such organization's petition. An organization's having one or several investment tax credit agreements may not be an obstacle to effecting another such agreement with this organization for other reasons.

6. An investment tax credit agreement shall mention the order 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 to the amount of the credit, the procedure for the repayment of the principal amount and interest accrued, documents relating to the property that is used as pledge or security, responsibility of 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 causes this organization's effecting such agreement; otherwise, the conditions of such sale (transfer) are laid down.

Interest charged on the amount of 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 organization 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 the 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, Tax Credit or Investment Tax Credit

1. The operation of tax deferment, payment-by-instalments arrangement, tax credit 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, tax credit 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 in case 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 early.

4. If the operation of a tax deferment or payment-by-instalments arrangement is terminated prior to the maturity date, the taxpayer shall, within 30 days of receipt of appropriate decision, pay up the entire amount of arrears plus the penalty for each 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 a 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 due by registered mail within five business days of the passage of such decision. A notice of the repeal of the decision on the delay or the 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 meeting 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 due at a court of law in a manner prescribed by the legislation of the Russian Federation.

7. The operation of a tax loan agreement or 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 period of duration of a tax credit agreement or an investment tax credit agreement the organization 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 organization shall, within 30 days 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 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 organization that is granted an investment tax credit for reasons stated in subitem 3), Item 1, Article 67 of this Code, is in breach of its 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 organization shall pay up the entire amount of outstanding tax and interest on this amount that accrues every 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 Up Tax or Fee

1. A demand to pay up a tax or fee is notice in writing sent to a payer of a tax or charge concerning an outstanding amount of tax or fee as well as such payer's obligation to pay up an outstanding amount of tax or fee and appropriate penalty within an established period of time.

2. A demand to pay up 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 up 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 up 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 tax legislation that establishes the duty of the payer of tax or fee to pay the tax.

5. A demand to pay a tax is presented to a payer of tax or charge by the tax authority located at the place of registration of such payer. The form of demand is established by the Ministry of Taxes and Dues of the Russian Federation.

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.

If an above person takes efforts to evade the receipt of such demand, the said claim shall be sent by registered mail. A claim for tax payment shall be deemed to be received upon the expiry of six days after the date of sending a registered letter.

7. A demand to pay a tax that is payable in connection with movement of goods across the customs border of the Russian Federation is sent to the taxpayer by the customs authority in a manner established by this Code with account of the provisions of the customs legislation of the Russian Federation.

8. The rules of this Article shall also apply to demands to pay fees.

9. The rules provided for by this Article shall also apply to the claim for the transfer of the

tax which is sent to the tax agent.

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

A demand to pay a tax must be presented to a payer of tax or fee three months after deadline for the payment of the tax or fee unless otherwise prescribed by this Code.

A demand to pay a tax or fee or appropriate penalty that is presented to a payer of tax or fee in accordance with a decision of the tax authority following a tax audit shall be sent to him within ten days of such decision having been made.

The rules provided for by this Article shall also apply to the terms of forwarding the claim for the transfer of the tax to be sent to the tax agent.

The rules of this Article shall also apply to deadlines for sending a demand to pay a fee.

Article 71. Consequences of Changing Obligation to Pay Tax or Fee

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

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 through the following methods: property pledge, guarantee, penalty, suspension of operations in bank accounts and attachment on 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.

With respect to the taxes and charges payable in connection with the movement of goods across the customs border of the Russian Federation, other methods may also be used for the enforcement of obligations in a manner and on conditions prescribed by the customs legislation of the Russian Federation.

3. The rules stipulated by this Chapter, with the exception of Articles 76 and 77 of this Code, shall also apply to the method of providing security for the fulfilment of the obligations to pay taxes and dues to the governmental extra-budgetary funds. The agencies of the governmental extra-budgetary funds, which exercise control over the payment of these taxes and dues, shall enjoy the rights and bear the duties of tax bodies.

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 and a third person alike.

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

4. The subject of pledge may be property that is pledge able 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 time are changed for the fulfilment of obligations to pay taxes and charges, the obligation to pay taxes and charges may be secured by a guarantee.

2. If a taxpayer fails to pay in due time 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 taxpayer's 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 provisions of the 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 guarantee/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 or fee, a tax agent shall shall pay in case of an overdue payment of the amounts of taxes or dues, including taxes or dues to be paid in connection with the transfer of goods across the customs border of the Russian Federation in the later period of payments in compare with 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 introspectively of the application of other methods to enforce the obligation to pay a tax or charge and liability for the violation of the tax or fee legislation.

3. A penalty interest is calculated for each calendar day of delay in fulfillment of obligation

ot 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 to 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 transactions in bank had been suspended and his property had been under arrest. The filing of an application for granting a delay or an instalment plan, a tax credit or an investment tax credit shall not stay the addition of penalties to the amount of the tax subject to payment.

4. A 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. A 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 a penalty interest may be enforced from the taxpayer's cash in bank or from the taxpayer's other property in a manner prescribed by Articles 46-48 of this Code.

Enforced collection of penalty interest from a legal entity is effectuated without recourse to court, and from an individual, through court action.

Article 76. The Suspension of Transactions on the Accounts of a
Taxpaying Organization, an Organization Acting as a Tax Agent, an
Organization Paying the Due or a Taxpaying Individual Entrepreneur

1. Suspension of operations through bank accounts is used for the purpose of enforcement of a decision to recover a tax or charge unless otherwise stipulated by Item 2 of this Article. Suspension of operations through bank accounts means that the bank suspends all debit operations on an account unless otherwise prescribed by this article.

This restriction does not apply to the payments that under civil law shall precede the fulfilment of the obligation to pay taxes and fees.

2. A decision on the suspension of transactions of a taxpaying organization on its accounts with a bank shall be taken by the chief (or his deputy) of the tax body who has sent the demand for tax payment in case of the taxpaying organization's default on the duty of tax payment within the fixed period of time. In this case a decision on the suspension of the taxpaying organization's transactions on its bank accounts may be taken only simultaneously with the adoption of a decision on the exaction of the tax.

A decision on the suspension of transactions of a taxpaying organization and taxpaying individual entrepreneur on their bank accounts may also be taken by the chief (or his deputy) of a tax body in case these taxpayers failed to submit tax declarations to the tax body during two weeks upon the expiry of the fixed term of filing such declarations, and also in case of the refusal of a taxpaying organization or a taxpaying individual entrepreneur to file their tax declarations. In this case the suspension of transactions on accounts may be repealed by decision of a tax body within one transaction day that follows the day of submitting tax declarations by these taxpayers.

3. The tax authority notifies both the bank and the taxpaying organization simultaneously that it has been decided to suspend operations through the bank accounts of the taxpaying organization; the fact and date of receipt of notification shall be acknowledged by the receiving party in writing.

4. A bank shall in any case fulfil the tax authority's decision to suspend operations through the bank accounts of the taxpaying organization.

5. The suspension of operations through the bank accounts of the taxpaying organization shall be effective as from the time of receipt by the bank of the tax authority's decision to suspend such operations pending the repeal of such demand.

6. The suspension of operations through the bank accounts of the taxpaying organization shall be repealed by the tax authority's decision not later than one business day following the submission to the tax authority of documents in confirmation of the fulfilment by the above mentioned person of the decision to collect the tax.

7. The bank is not liable for the losses caused to a taxpaying organization by the suspension of such persons' bank operations by decision of the tax authority.

8. The rules of this Article shall also apply to suspension of bank operations for organization acting as a tax agent and organization paying the due.

9. In the presence of a decision on the suspension of transactions on the organization's accounts, the bank shall have no right to open new accounts for this organization.

Article 77. Attachment of Property

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

Property is attached if taxpaying organization fails to fulfil in due time a demand to pay a tax or if the tax or customs authorities have sufficient reason to believe that the indicated person is likely to take measures aimed at disappearing 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 organization with respect to such 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 organization with respect to such 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 at the expense of a taxpaying organization in accordance with Article 47 of this Code.

4. A taxpaying organization 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.

6. A decision to attach a taxpaying organization'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 organization's property requires the presence of witnesses. The authority that conducts the seizure shall not be able to deny the right to taxpaying organization to attend to 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 organization (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 to the taxpaying organization (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 the list and description of the property to be attached is listed and described ; the record shall make 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 organization (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 terminates A decision to attach property shall be effective from the time when the attachment is made until the repeal of 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 organization acting as a tax agent and organization paying the due.

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

Article 78. Set off or Refund of Overpaid Amount of Tax, Fee, and Also Penalty Interest

1. The amount of an overpaid tax shall be set off against the taxpayer's future liabilities for the same tax or some other taxes, the repaying of arrears or shall be refunded to the taxpayer according to the procedure established in this article.

2. The setoff or refund of an overpaid tax is made, unless otherwise decreed by this Code, by the tax authority at the place of registration of the taxpayer without interest accruing on this amount, unless otherwise decreed in this article. The customs authorities shall inform the local tax authority at the taxpayer's location concerning all overpaid taxes which were counted towards the forthcoming taxes or were repaid by customs agencies within ten days.

3. The tax authority shall notify the taxpayer about every case of overpaid tax that becomes known to the tax authority and specify the overpaid amount of tax not later than one month after such overpayment has been identified.

In case of disclosing facts testifying to a possible excessive payment of a tax, the tax body shall have the right to send to a taxpayer its proposal on a joint checking of paid taxes. The checking results shall be completed with a report to be signed by the tax body and the taxpayer.

4. The setoff of an overpaid tax against forthcoming tax liabilities shall be made on the strength of a written petition of the taxpayer by decision of a tax body. Such decision shall be passed during five days after the receipt of an application, provided this sum of money is paid to

the budget (extra-budgetary fund), to which the excessively paid amount of the tax was sent.

5. Upon request by the taxpayer and by decision of a tax body, the overpaid tax amount may be used to fulfil obligations relating to the payment of taxes or fees, the payment of penalty interest, the repayment of arrears if such amount comes to the same-level public budget (off-budgetary fund) to which the overpaid tax or charge amount comes. Tax authorities may at own discretion make a setoff if there are arrears relating to other taxes.

6. The tax authority shall notify the taxpayer of the passed decision on a setoff of an overpaid tax within 2 weeks of the submission of a setoff petition.

7. An overpaid amount of tax or charge is refundable upon a written request from the taxpayer. If a taxpayer has arrears for payment of taxes and dues or for debts penalties charged to the same budget/extra-budgetary fund), the excessively paid sum of money shall be repaid to a taxpayer only after the offset of the said sum of money on account of the repayment of arrears (debts).

8. A petition requesting the refund of an overpaid tax or charge may be made within three years of the payment of the specified amount.

9. An overpaid amount of tax is refunded at the expense of the budget (extra-budgetary fund) to which overpayment was made within one month of the submission of a petition requesting the refund unless otherwise decreed by this Code.

If above deadlines are not met, the overpaid amounts of tax or charge that are not refunded in due time accrue interest for each day of delayed refund.

The interest rate is equal to the refinancing rate of the Central Bank of the Russian Federation effective on the day when the timeframe for refunding is initially violated. If the tax was paid in foreign currency, interest fixed by this item shall be added to the sum of the excessively paid tax, which was recalculated at the exchange rate of the Central Bank of the Russian Federation on the day when the excessive tax payment was made";

10. An overpaid tax or charge is refunded or set off in the currency of the Russian Federation. If tax payment was made in foreign currency, the amounts of the excessively paid tax shall be accepted for an offset or shall be repaid in the currency of the Russian Federation at the exchange rate of the Central Bank of the Russian Federation on the day when the excessive tax payment was made.

11. Rules of this Article shall also apply to offsets or refunds of over paid amounts of a fee and interest and be extended to tax agents and payers of fees.

12. The rules provided for by this Article shall also apply in case of the offset or the repayment of the excessively paid amount of the tax and the due in connection with the movement of goods across the customs border of the Russian Federation. The customs agencies shall enjoy the rights and bear the duties provided for by this Chapter for the tax bodies.

13. The rules stipulated by this Article shall also apply in case of the offset or the repayment of the excessively paid sums of the tax and the due incoming to the governmental extra-budgetary funds. The agencies of the governmental extra-budgetary funds exercising control over the payment of said taxes and dues shall enjoy the rights and bear the duties provided for by this Chapter for the tax bodies.

Article 79. Refund of Overpaid Tax or Charge

1. An overpaid amount of tax is refundable to the taxpayer. If a taxpayer has tax and due arrears or indebtedness on penalties due to the same budget (extra-budgetary fund), the excessively collected sum of money shall be repaid to the taxpayer only after the offset against

the redemption of the arrears or the indebtedness.

2. A decision on the repayment of the excessively collected tax shall be taken by a tax body on the basis of a written application by the taxpayer from whom this tax was collected within two weeks since the day of the registration of the said application. A court shall take such a decision by way of an action in legal proceedings.

A petition for the refund of an overpaid tax may be filed within one month of the date on which the over collection case was made known to the taxpayer, while a court petition (lawsuit) may be filed within three years starting from the date on which the person became knowledgeable or should have become knowledgeable of the over case.

If an overpayment case is recognized, the authority considering the concerned person's petition also takes a decision to refund the overpaid tax, and also interest accrued on these amounts in a manner prescribed by Item 4 of this Article.

3. Having identified the over case, the tax authority shall be required to let the taxpayer know about it within one month from the date on which the case was identified.

4. An overpaid amount of tax is refunded with the interest accrued thereon at the expense of general receipts by the budget (extra-budgetary fund), to which the amounts of the excessively collected tax were charged.

Interest on this amount accrues starting on the day following the collection day to the day on which the amount is actually refunded.

The interest rate is equal to the effective on these days refinancing rate of the Central Bank of the Russian Federation.

5. An overpaid amount of tax and the interest accrued thereon shall be refunded by the tax authority not later than one month since the day of the adoption of the decision by a tax body and during one month after the adoption of such decision, if a court of law passes a decision on the repayment of the excessively collected sums of money.

6. Refund of the overpaid tax and the interest accrued shall be made in the currency of the Russian Federation.

7. Rules of this Article shall also apply to fees and interest and be extended to tax agents and payers of fees.

8. The rules stipulated by this Article shall also apply when the excessively collected amount of the tax or the due was repaid in connection with the movement of goods across the customs border of the Russian Federation.

Section 5. Tax Declaration and Tax Control

Chapter 13. Tax Declaration

Article 80. Tax Return

1. A tax return is a taxpayer's written statement concerning incomes generated and expenditures incurred, sources of income, tax benefits and calculated amount of tax and/or other data relating to the calculation and payment of tax.

A tax return is filed by every taxpayer for every tax due from such taxpayer unless otherwise decreed by the tax legislation.

2. A tax return is filed on a blank of approved format with the tax authority at the place of the taxpayer's registration.

In cases prescribed by this Code a tax return may be submitted on a floppy disk or another

carrier that can be computer-processed.

A tax authority distributes blank forms of tax returns free of charge.

A taxpayer may deliver his tax return to the tax authority in person or send it by mail. The tax authority may not decline to accept the tax return and must, if the taxpayer requests so, make a note on a tax return copy to acknowledge the acceptance and date of submission; if a tax return is mailed, the date of submission thereof is that of mailing a registered letter with a list of contents attached.

3. The forms of tax declarations, unless they are approved by the legislation on taxes and dues, shall be worked out and approved by the Ministry of Taxes and Dues of the Russian Federation";

4. A filed tax return shall bear the taxpayer's identification number that is used with respect to all taxes.

5. Tax authorities may not require a taxpayer to include into his tax return data that is not related to the calculation and payment of taxes.

6. A tax return is filed so as to meet the statutory deadlines.

7. Instructions on how to complete a tax return for the payment of federal, regional and local taxes are issued by the Ministry of Taxes and Dues of the Russian Federation in consultation with the Ministry of Finance of the Russian Federation unless otherwise decreed by the tax legislation.

8. The rules detailed in this article shall not apply to declaration of goods crossing the customs border of the Russian Federation.

9. The rules stipulated by this Chapter shall also apply to the order of declaring data on the calculation and payment of taxes and dues incoming to the governmental extra-budgetary funds. The agencies of the governmental extra-budgetary funds, which exercise control over the payment of taxes and dues incoming to these funds, shall elaborate the forms and the procedure of filing in tax declarations.

Article 81. Making Amendments and Additions to Tax Return

1. Where a taxpayer discovers that the tax return he has filed does not reflect data, or reflects incomplete data, as well as identifies mistakes resulting in the understatement of the amount of tax due, such taxpayer shall make required additions and amendments to the tax return.

2. Where the above statement on additions and amendments mentioned in item 1 of this Article is made prior to the expiration of the deadline for filing a tax return, such tax return is recognized as having been filed on the date of the statement.

3. Where the statement on additions and changes as per Item 1 of this Article is made following the expiration of the deadline for filing a tax return but before the expiration of the deadline for payment of tax, the taxpayer shall not be made liable if the above statement had been made prior to the date when the taxpayer learned about the discovery by a tax body of the circumstances, stipulated by Item 1 of this Article or about the appointment of a mobile tax check.

4. Where a statement on additions and changes as in Item 1 of this Article is made following the expiration of the deadline for filing a tax return and the deadline for payment of tax, the taxpayer shall not be made liable if the above statement had been made by the taxpayer prior to the date when the taxpayer learned about the discovery by a tax body of the circumstances, stipulated by Item 1 of this Article or about the appointment of a mobile tax

check. The taxpayer shall be released from liability in keeping with this item, provided that before the filing such application the taxpayer has paid the deficient amount of the tax the corresponding penalty.

Chapter 14. Tax Control

Article 82. Forms of Exercising Tax Control

1. Tax control shall be exercised by tax officials within their scope of competence by conducting tax audits, getting explanations from taxpayers, tax agents and payers of the due, 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.

2. The customs agencies and the agencies of the governmental extra-budgetary funds shall exercise tax control within their jurisdiction over the observance of the legislation on taxes and dues in the order prescribed by this Chapter. The customs agencies and the agencies of the governmental extra-budgetary funds shall enjoy the rights and bear the duties stipulated by this Chapter for tax bodies.

3. The tax bodies, the customs agencies, the agencies the governmental extra-budgetary funds and the tax police agencies shall inform one another in the order, defined by the agreement between them, about the available materials on breaches of the legislation on taxes and dues and tax offences, about measures taken to thwart them, about the tax checks carried out by them, and also exchange with 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 dues 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 makes up a professional secret of other persons, in particular a legal secret or an audit secret.

Article 83. Registration of Taxpayers

1. For purposes of tax control, taxpayers shall be subject to registration with the tax authorities in accordance with the location of the organization, location of its separate units, place of residence, if the taxpayer is a natural person, or at the location of taxable immovable and movable property thereof.

An organization which has separate units located in the territory of the Russian Federation, and which has taxable real estate property shall be registered as a taxpayer not only at the place of its location, but also at the location of each of its separate units, and location of the immovable property and vehicles that are owned thereby.

The Ministry of Taxes and Dues of the Russian Federation shall have the right to determine the specific aspects of the registration of major taxpayers.

The specific features of the record-keeping of foreign organizations shall be fixed by the Ministry of Taxes and Dues of the Russian Federation.

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.

3. Application for registration of an organization or the natural person engaged in activity without the status of a legal entity shall be filed with the tax authority at the place of location or place of residence, respectively, within ten days from the date of registration with the State

Registry.

4. When the activity is carried in the Russian Federation through a separate unit, an application for registration of an organization in the place of location of a separate unit shall be filed during one month after the creation of the separate unit.

5. Application for registration of an organization at the place where its taxable immovable or movable is located shall be filed with the tax authority at the location of such property within 30 days after the day when such property becomes taxable under corporate property tax.

Registration of natural persons with the tax authorities at the location of their taxable immovable property shall be performed on the basis of information provided by the bodies specified in Article 85 of this Code.

The following places shall be recognized as the location of property:

1) for naval, river and air means of transportation used for international haulage - the location (residence) of the owner;

2) for means of transportation not listed in subitem 1) of this item - the point (port) of assignment or place of state registration, or, in the absence of such, the location (residence) of the owner.

3) for other real estate - the place of the actual location of this estate.

6. Application for registration of private notaries, private detectives, private security guards shall be filed with the tax authority at their place of residence within 10 days of the issuance of a license, certificate or other document providing the legal basis for their activity.

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.

8. In cases stated in paragraph 2 of Item 5 and Item 7 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. It shall be the duty of tax authorities to take measures to register organizations as taxpayers on their own (before the taxpayer files an application) on the basis of information and data reported to them by authorities that perform state registration of legal entities, natural persons as individual entrepreneurs, the issue to natural persons of licenses for the engagement in private practice, accounting and registration of immovable property and transactions with it.

Article 84. Procedure for Registration, Re-Registration and Termination of Registration. Taxpayer's Identification Number

1. The application form for registration shall be established by the Ministry of Taxes and Dues of the Russian Federation. When filing an application for registration, together with the application for registration organizations shall present one duly certified copy of each of the following documents: certificate of registration, founding and other documents required for state registration, as well as other documents confirming the establishment of an organization in accordance with the legislation of the Russian Federation.

When filing an application, together with the application for registration private entrepreneurs are required to submit a certificate of state registration of a private entrepreneur, or a copy of the license to engage in private practice, as well as personal identification documents

and documents confirming registration at the place of residence.

Information required for the registration of natural persons as taxpayers shall also include the following personal data:

- full name;
- date and place of birth;
- sex;
- address of residence;
- data from passport or other personal ID document;
- citizenship.

New forms of applications for registration shall be approved before the beginning of the year in which they become effective.

Specific aspects of the registration of foreign organizations depending on the types of the received income shall be determined by the Ministry of Taxes and Dues of the Russian Federation.

2. It shall be the duty of tax authorities to register taxpayers within five days from the date that all the required documents have been filed and to issue, within the same time limit, the appropriate certificate, the form of which shall be established by the Ministry of Taxes and Dues of the Russian Federation.

3. Organizations shall be required to notify the tax authority with which they are registered of any changes in their charter or other founding documents that have to do with setting up new affiliates or offices, changes of location, as well as of permits to engage in activities subject to licensing, within 10 days from the registration of the change in the founding documents. Individual entrepreneurs shall be obliged to inform the tax body in which they are registered about the change of their places of residence within 10 days since the time of such change.

4. If a registered taxpayer has changed his place of location or place of residence, he shall be struck off the register by the tax body in which he was registered during five days after the filing of his application about the change of this place of location or place of residence. The taxpayer shall be obliged to inform the respective tax body about the change of the place of location or place of residence within 10 days since the time of such change.

5. In cases when an organization is liquidated or re-organized, or a decision is made by an organization to close an affiliate or other isolated division, or terminate its operations through a permanent office, if a private entrepreneur terminates operation, or a limited partnership is terminated, the termination of registration shall be performed by the tax authority upon the request of the taxpayer during 14 days since the day of filing such application.

6. Registration, 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 charge, 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.

The procedures and conditions for assigning, using and changing the TIN shall be determined by the Ministry of Taxes and Dues of the Russian Federation.

8. Based on registration data, the Ministry of Taxes and Dues of the Russian Federation

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 taxpayer's registration Information about the taxpayer becomes confidential unless otherwise provided for in 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 organizations-taxpayers set forth in this Chapter.

11. The registration of taxpayers in the agencies of the governmental extra-budgetary funds shall be carried out in the order prescribed by this Article. The form of applications for registration shall be worked out by the agencies of the governmental extra-budgetary funds by agreement with the Ministry of Taxes and Dues of the Russian Federation.

Article 85. Duties of Authorities in Charge of Registration of Organizations and Private Entrepreneurs, Place of Residence of Natural Persons, Civil Status, Registration and Record-Keeping of Property And Transactions with Him

1. Bodies in charge of state registration of organizations shall notify the tax authority of their jurisdiction of any organizations that were registered (re-registered) or liquidated (re-organized), within 10 days from the date of state registration (re-registration) or liquidation (re-organization) of the organization.

2. Bodies in charge of state registration of natural persons as private entrepreneurs shall notify the tax authority of their jurisdiction of any natural persons who registered or terminated their operation in the capacity of private entrepreneurs within 10 days after the issuance, withdrawal or expiration of the registration certificate.

In a similar way, authorities that issue licenses, certificates or other similar documents to private notaries, private detectives and private guardsmen, shall notify tax authorities of the natural persons to whom the said documents were issued, from whom they were withdrawn or whose documents have expired.

3. Bodies in charge of registration of natural persons at the place of residence, or registration of certificates of civil status of natural persons shall notify the tax authority of their jurisdiction of the registration, birth or death of natural persons within 10 days after the registration of such persons or events.

4. Bodies in charge of record-keeping and/or registration of taxable immovable property shall notify the tax authorities of their jurisdiction of the registered immovable properties, means of transportation and owners within 10 days after the date of property 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 property of a ward shall notify 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) authorized to perform notary actions and private notaries shall report

instances of notarization of an inheritance right, deeds of gift, transactions with immovable property and means of transportation to tax authorities of their jurisdiction within 5 days after the date of the corresponding notarization unless otherwise provided for in this Code.

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 the granting in rights to such use, which are objects of taxation, to the tax bodies in the place of their location during 10 days after the registration (issue of a relevant licence or permit) of the user of natural resources.

Article 86. Duties of Banks With Regard to Taxpayer Registration

1. Banks shall open accounts to organizations, private entrepreneurs, only upon presentation of a certificate of registration with a tax authority.

With respect to organizations, private taxpayers the bank shall notify the tax authority of the jurisdiction of the taxpayer of any event of an opening or closing of such an account.

2. The banks shall be obliged to issue to tax bodies references on the transactions and accounts of organizations and individual entrepreneurs without the status of a legal entity in the order prescribed by the legislation of the Russian Federation during five days after the tax body's motivated inquiry.

Article 86.1. Tax Control over the Expenses of a Natural Person

1. Tax control shall be exercised over the expenses of a natural person, a tax resident of the Russian Federation, who acquires the property indicated in this Article (hereinafter referred to as tax control over the expenses of a natural person). The purpose of tax control over the expenses of a natural person is to ascertain the compliance of big expenses of this person with his incomes.

2. The property, the acquisition of which is controlled by tax bodies, include the following objects of ownership:

- 1) real estate, except for perennial plantations;
- 2) motor transport vehicles unrelated to immovable property;
- 3) shares of public joint-stock companies, government and municipal securities, and also savings certificates;
- 4) cultural values;
- 5) gold bars.

3. Tax control over the expenses of a natural person shall be exercised by tax officials by means of receiving information from organizations or authorized persons who carry out the registration of the property indicated in this Article, the registration of transactions in this property, and also the registration of right to this property.

Article 86.2. The Duty of the Organizations or Authorized Persons Associated with Tax Control Over the Expenses of Natural Persons

1. The body that carries out the state registration of rights to real estate and of transactions in it shall be obliged to send information about the registered transactions not later than 15 days after the registration of transactions of purchase and sale of real estate to the tax body in the place of its location.

2. The body that registers motor transport vehicles shall be obliged to send information

about the registered transport vehicles unrelated to real estate not later than 15 days after registration to the tax body in the place of its location.

3. Persons registering transactions in securities shall be obliged to send to the tax body in the place of their location information about the registered transactions in the purchase and sale of securities not later than 15 days after the registration of transactions of purchase and sale of securities, indicated in Article 2 of this Code.

4. Not later than 15 days after the registration of a transaction of purchase and sale of cultural values the notary shall be obliged to send information about this transaction.

5. The authorized persons and organizations registering transactions in gold bars shall be obliged to send to the tax body in the place of their location information about the registered transaction not later than 15 days after the registration of the transaction of purchase and sale of gold bars.

6. The form of the notice by which the organizations or the authorized persons indicated in Items 1-5 of this Article inform the tax bodies about completed transactions, and also the list of documents appended to such notice, shall be approved by the Ministry of taxes and Dues of the Russian Federation.

7. A non-submission by an organization or an authorized person of information indicated in this Article shall be regarded as a tax offences and shall involve the responsibility stipulated by Article 126 of this Code.

Article 86.3. Tax Control over the Expenses of a Natural Person

1. If administered expenses exceed the incomes stated by a natural person in his declaration over the previous tax period, or if tax bodies do not possess information about the incomes of a natural person over the previous tax period, the tax bodies shall be obliged to make out a report on the revealed inconsistency and shall send within a month to the natural person a written demand for explanations about the sources and amounts of the monetary funds which were used to acquire property.

2. Upon the receipt of the written demand of a tax body, based on available data the natural persons shall be obliged to submit during 60 calendar days a special declaration with an indication of all sources and amounts of monetary funds used to acquire property indicated in the tax body's demand.

3. A person submitting a special declaration shall have the right to append to it copies of documents certified in the statutory order and confirming the data indicated in it.

On the demand of tax bodies the drawer of a special declaration or his representative shall be obliged to submit for perusal the originals of documents whose copies were appended to the said declaration.

4. The form of a special declaration shall be worked out by the Ministry of Taxes and Dues by agreement with the Ministry of Finance of the Russian Federation.

Article 87. Tax Checks

The tax bodies shall carry on chamber and field tax checks of taxpayer, payers of dues and tax agents. A tax check may cover only three calendar years of the activity of the taxpayer, the payer of the due and the tax agent, which directly precede the year of the respective check.

If during cameral or field audit the tax authority finds that it needs additional information on taxpayer's operations with third parties, the tax authority can request the documents that have to

do with the operations of the audited taxpayer (the payer of the due) from these third parties (cross-examination).

Tax authorities are forbidden to do repeated field audits of the same taxes that are either due for payment or were paid by the taxpayer (the payer of the due) for the already audited tax period, except for cases when such an audit is conducted in connection with re-organization or liquidation of the corporate taxpayer (organization paying the due) or is conducted by a higher-level tax authority as means of exercising control over the operation of the tax authority that conducted the first audit.

A second field audit conducted for the purposes of exercising control over the tax authority shall be conducted by the higher-level tax authority based on a motivated resolution of that authority and in compliance with the provisions of the present Article.

Article 87.1. Tax Checks by Customs Agencies

The customs agencies shall conduct chamber and field checks of the taxes to be paid in connection with the movement of goods across the customs border of the Russian Federation in accordance with the rules provided for by Articles 87-89 of this Code.

Article 88. Cameral Tax Audit

A cameral audit is an examination conducted in the office of the tax authority of the data contained in tax returns and other documents filed by the taxpayer that serve as the basis for computing and paying taxes, as well other documents concerning the taxpayer that the tax authority has in its possession.

Cameral audits shall be conducted by authorized tax officials as part of their routine duties within 3 months after the taxpayer has filed a tax return and other documents that serve as a basis for assessing and/or paying the tax, unless another deadline has been set forth in legislative or other regulatory acts on taxation, and no specific decision of the head of the tax authority shall be required to conduct such a audit.

If the audit reveals mistakes made when in filling out the forms or inconsistencies in reported data, the taxpayer shall be notified and requested to make the appropriate corrections within the established time limit.

During cameral audit the tax authority is entitled to request additional data from the taxpayer, to receive explanations and documents that confirm the correctness of assessment and timeliness of tax payment.

For the underpaid amount of taxes revealed by cameral audit, the tax authority shall send out a demand for the payment of the tax and interest amount in question.

Article 89. Field Tax Audit

Field tax audits shall be conducted on the basis of a decision made by the head of a tax authority or deputy thereof.

A field tax checks may be carried out in respect of one taxpayer (the payer of the due or the tax agent) for one or several taxes. The tax body shall not be entitles to carry on during one calendar year two and more field tax checks of the same taxes over one and the same period. A field tax check may not last for more than two months, unless otherwise stipulated by this Article. In exceptional cases the higher tax body may extend the duration of field tax check up to

three months. When field checks are carried out with regard to the organizations having branches and representative offices, the term of checks shall be extended by one month in order to verify each branch and representative office. The tax bodies shall have the right to check the branches and representative offices of a taxpayer (a tax agent or a payer of dues), regardless of the conduct of checks of the taxpayer (tax agent or payer of the due) himself. The time of a check shall include the time of the actual stay of the checking officials on the territory of the verified taxpayer, the payer of the due or the tax agent. The said periods of time shall not include the periods between the service of the demand for the submission of documents on the taxpayer (tax agent) in accordance with Article 93 of this Code and the submission by him of the documents questioned during the conduct of the check.

A field tax audit conducted in connection with a reorganization or liquidation of a corporate taxpayer, duty-paying organization, or by a higher tax authority for the purpose of exercising control over the operation of the tax authority that conducted the original audit can be conducted regardless of the time of the previous audit.

If necessary, authorized tax officials conducting the field tax audit can take inventory of taxpayer's property, and also conduct visual examinations of production, storage, trade and other premises and grounds used by the taxpayer for earning profit or for keeping objects of taxation; this visual examination shall be done in accordance with the procedures determined under Article 92 of the present Code.

If officials of the tax authority conducting the audit have sufficient grounds to believe that documents evidencing transgressions can be destroyed, hidden, altered or substituted, such documents shall be seized in accordance with the procedure in Article 94 of the present Code, and on the basis of an act drafted by these officials. The Deed on the seizure of documents shall state the grounds for the seizure and include the list of the documents removed. During the seizure of documents, the taxpayer (tax agent or duty-payer) is entitled to make comments that shall be entered into the Act upon his request. The documents seized shall be numbered, sawn together with a string and stamped or signed by the taxpayer (tax agent or duty-payer). If the taxpayer (tax agent or duty-payer) refuses to put his stamp or signature on the Act, a special note of this shall be made. The taxpayer (tax agent or duty-payer) shall be served a copy of the Act.

The form of the decision by the manager (deputy manager) of a tax body on the conduct of a field tax check shall be worked out and approved by the Ministry of Taxes and Dues of the Russian Federation.

At the end of a field tax check the checking official shall draw up a reference on the carried check in which he fixed the subject of the check and the time for its conduct.

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 small age, physical and psychic 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 official of the tax authority directly involved in conducting the tax audit upon presentation of their official heads and a resolution of the head of the tax authority (or his deputy) on conducting a field 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 taxpayer used for business operations, or examine objects of taxation to establish whether the actual parameters of these objects match the parameters reported by the taxpayer (or another obligor).

3. Should access to such grounds or premises (except for living quarters) be impeded for tax officials conducting the tax audit from getting, the head of the audit team (unit) shall draw up a Deed to be signed by him and the taxpayer (or another obligor), based on which the tax authority shall be entitled to assess the tax liability from the data on the taxpayer (or another obligor) that the tax authority has, or by analogy.

Should the taxpayer refuse to sign the said deed, a note of this shall be made in the deed.

4. Unlawfully impeding access to the grounds or premises of a taxpayer to tax officials conducting the tax audit shall constitute a tax offense and entail a liability stipulated in Article 124 of this Code.

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 differently as 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 the field 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 a field 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. Requests for Documents

1. An officer of the tax authority conducting the tax audit has the right to request that the taxpayer, the duty-bound payer or the tax agent being audited provide the documents needed for the audit.

The person to whom the request for information is addressed shall send or turn over such documents to the tax authority within five days of the request.

Documents shall be provided in the form of duly certified copies.

2. Refusal of the taxpayer, the duty-bound payer or the tax agent to produce the documents/records requested during the conduct of a tax audit, or failure to present them within the fixed terms, shall constitute a tax offence and shall be liable under Article 126 of the present Code.

In the event of such refusal the tax officer that conducts the tax audit shall seize the needed documents pursuant to the procedure provided for in Article 94 of this Code.

Article 94. Seizing Documents and Other Objects

1. Seizure of documents and objects shall be performed on the strength of a motivated seizure ruling made by an official of the tax authority conducting the field 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 made 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. The 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. In cases when seizure of copies of taxpayer's documents is insufficient for conducting control measures and tax authorities have sufficient grounds to believe that the original documents shall be destroyed, hidden, modified or replaced, the tax officer shall have the right to seize the original documents in accordance with the provisions of 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.

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 for the participation in concrete actions of tax control and in field 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 that conducts the field audit.

The ruling shall specify the reasons for requesting an expert examination; the name of the expert or the name of the organization where expert examination is to be conducted, questions that put before 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 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 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. Expert 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, specialist 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 field 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 a possibility for 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 the 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 or avoidance to fulfill 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 to Protocols of Tax Control Proceedings

1. In 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 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, 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. Reporting Field Audit Results

1. Based on the results of a field tax audit not later than two months after the compilation of the reference on the carried check, the authorized tax officials shall draw up an act of tax audit of the established form that shall be signed by these officials and the head of the audited organization (if taxpayer is a legal entity) or the individual entrepreneur, or by their representatives. If the representatives of organizations refuse to sign the act, a record of this shall be made therein. If the indicated persons avoid receiving the Tax Audit Act this shall be reflected in a report of tax checking.

2. Indicated in the tax audit act shall documented facts of tax offences revealed during the audit or the absence thereof, as well as conclusions and recommendation of the auditors on elimination of the revealed breaches and references to the Articles of this Code, which provide for responsibility of this type of tax offences.

3. The form of the tax audit act and the requirements to drawing it shall be established by the Ministry of Taxes and Dues of the Russian Federation.

4. The tax audit act shall be served to the head of the organization, if the taxpayer is a legal entity, or the entrepreneur, if the taxpayer is a natural person, engaged in entrepreneurial activities, (or their representatives) without forming a legal entity, against subscription, or delivered in some other way that testifies of the date of its receipt by the taxpayer or its representatives. If the tax audit act is mailed by registered mail to the tax payer, the sixth day after it was sent shall be considered as the date of service.

5. If the taxpayer does not agree with the facts stated in the audit act, or with the conclusions and recommendations of the auditors, he is entitled to file a written explanation of his motives for refusing to sign the act and/or objections concerning the act as a whole or its individual provisions with the appropriate tax authority within two weeks from the data of the receipt of the audit act. The taxpayer is also entitled to attach documents (of certified copies thereof) that confirm the grounds for objections or motives for refusing to sign the audit act to the written explanation (objection) or to deliver them to the tax authority within the agreed time limit.

6. Upon expiry of the time period indicated in the preceding part of this Article and within 14 days from the date of such expiry the head of the tax authority (or his deputy) shall examine the tax audit act, and documents and materials presented by the taxpayer.

Article 101. Proceedings in a Case of Tax Offences Committed by a

Taxpayer, a Duty Payer or by a Tax Agent (Rendering a Decision on the Results of Examination of Audit Materials)

1. Checking materials shall be examined by the manager (deputy manager) of a tax body. In the event of submitting by the taxpayer written explanations or objections to the report of a tax check, the materials of the check shall be examined in the presence of the officials of a taxpaying organization or an individual entrepreneur or of their representative. The tax body shall notify the taxpayer about the time and the place of the examination of the checking materials well in advance. If despite the notification the taxpayer failed to appear, the checking materials, including the objections, explanations and other documents and materials presented by the taxpayer shall be considered in his absence.

2. Based on results of audit materials examination, the head of the tax authority (or his deputy) shall render a decision to:

- 1) to bring the taxpayer to fiscal responsibility for committing the tax offence;
- 2) to not to bring the taxpayer to responsibility of committing the tax offence;
- 3) to conduct additional tax control measures.

3. The resolution on bringing the taxpayer to responsibility for committing a tax offence shall state the circumstances of the tax offence committed by the taxpayer as established by the tax audit, documents and other facts that confirm the said circumstances, arguments brought forth by the taxpayer in his defense and results of verifying these arguments, the decision to bring the taxpayer to fiscal responsibility for concrete tax offences indicating the articles of the law stipulating these offences, and the measures of liability applicable thereto.

4. Based on the decision to bring the taxpayer to responsibility for committing the tax offence, the tax authority sends out a demand for payment, requesting the taxpayer to pay tax arrears, and penalizing interest.

5. A copy of the decision of the tax body and the demand for payment shall be served to the taxpayer or his/her representative, against subscription or are delivered in another way which testifies of the date of the receipt by the taxpayer. If it is impossible to hand in the decision of a tax body to a taxpayer or his representatives by the above-said methods, this decision shall be sent by registered mail and shall be deemed to be received upon the expiration of six days after its dispatch.

6. Nonobservance, by tax officials, of the requirements established in this Chapter, shall constitute grounds for annulling the decision of the tax authority by the higher tax authority or court.

7. With respect to tax offences revealed by the tax authority for which individual taxpayers or officials of corporate taxpayers are punishable under administrative law, the authorized official of the tax authority that conducted the audit draws up a protocol of administrative offence. Examination of such tax cases and application of administrative sanctions with respect to taxpayer officials (if legal entity) or individual taxpayers (if entrepreneurs) at fault shall be conducted by tax authorities in accordance with administrative legislation of the Russian Federation and subjects of the Russian Federation.

8. The provisions of this Article shall also apply to duty payers and tax agents.

Article 101.1. Proceedings in the Case of the Code-stipulated Breaches of the Legislation on Taxes and Dues, Committed by Persons Who Are Not Taxpayer, Duty Payers or Tax Agents

1. Upon the discovery of facts testifying to the violation of the legislation on taxes and dues (including tax offences) by persons who are not taxpayer, duty payer or tax agents, the tax official shall draw up in a statutory manner a report to be signed by this official and the person who has committed a breach of the legislation on taxes and dues. A corresponding entry shall be made in this report to testify the fact of the refusal of the person who has committed a breach of the legislation on taxes and dues to sign this report. When the said person evades to receive the report, the tax official shall make a relevant entry in the report.

2. The report shall indicate the documentally confirmed facts of a breach of the legislation on taxes and dues, and also the conclusions and proposals of the official who has discovered the facts of breaking the legislation on taxes and dues to eliminate the revealed breaches and to apply sanctions for breaking the legislation on taxes and dues.

3. The form of the report and the demand for its drawing up shall be established by the Ministry of Taxes and Dues of the Russian Federation.

4. A report shall be presented to the persons who has committed the legislation on taxes and dues against receipt or conveyed in any other way testifying to the date of its receipt. In the event of sending the said report by registered mail the sixth day beginning with the date of its dispatch shall be deemed to be the date of handing in the report.

5. A person who has committed a breach of the legislation on taxes and dues shall have the right, in case of disagreement with the facts set forth in the checking report, and also with the conclusions and proposals of checking officials, to submit, within two weeks since the day of the receipt of the checking report, to the respective tax body his written explanation of the reasons for the refusal to sign the report or for the objection to the report as a whole or to its particular provisions, In this case the person who has committed a breach of the legislation on taxes and dues shall have the right to append to the written explanations (objections) the documents or their certified copies confirming the validity of objections or reasons for non-signing the checking report or to transfer such documents to the tax body in the agreed period of time.

6. Upon the expiry of the time indicated in Item 5 of this Article, during 14 days the manager (deputy manager) of the tax body shall consider the report which has fixed the facts of breaking the legislation on taxes and dues, and also the documents and materials submitted by the person who has committed a breach of the legislation on taxes and dues.

7. If a person who has breached the legislation on taxes and dues fails to submit explanations of, or objections to, the report, the checking materials shall be examined in the presence of this person or of his representatives. The tax body shall notify the person who has committed a breach of the legislation on taxes and dues about the time and place of the examination of these materials well in advance. If the person who has breached the legislation on taxes and dues has not appeared despite the notification, the report and the materials appended to it shall be examined in his absence.

8. The manager (deputy manager) of a tax body shall pass his decision according to the results of the examination of the report and the appended materials:

- 1) on the calling to account of a person for breaking the legislation on taxes and dues;
- 2) on the refusal to call to account a person for breaking the legislation on taxes and dues;
- 3) on additional measures of tax control.

9. The decision on calling a person to account for breaking the legislation on taxes and dues shall set forth the circumstances of the committed breach, indicate documents and other information confirming the said circumstances, the reasons adduced by the person who is called to account in his defence, and the results of checking these agreements, the decision on calling

the person to account for concrete breaches of the legislation on taxes and dues, with an indication of the Articles of this Code which provide for such breaches and the applicable measures of responsibility.

10. A demand for penalty payment shall be forwarded to the person on the basis of the passed decision on calling him to account for breaking the legislation on taxes and duties.

11. A copy of the decision taken by the tax body manager and the demand shall be handed in to the persons who has breaches the legislation on taxes and dues against receipt or shall be conveyed in any other way that testifies to the date of its reception by the taxpayer or by his representative. If a copy of the tax body's decision and/or demand may not be handed in to him, they shall be deemed to be received by the person who has breached the legislation on taxes and dues or by his representative upon the expiry of six days after they were sent by registered mail.

12. Non-observance by tax officials of the requirements of this Article may be a ground for the repeal of the decision of the tax body by a higher tax body or by a court of law.

13. The authorized official of a tax body shall draw up a record of administrative offences about the tax body-revealed breaches of the legislation on taxes and dues, for which persons are liable to administrative responsibility. Cases of these offences and of the application of administrative sanctions to the persons guilty of their commission shall be examined by tax bodies in accordance with the legislation on administrative offences.

Article 102. Taxpayer Confidentiality

1. Any information regarding a taxpayer received [information] by a tax authority, the agency of the governmental extra-budgetary fund and the 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.

2. Confidential taxpayer information shall not be subject to disclosure by tax authorities, the agencies of the governmental extra-budgetary funds and customs agencies, their officials, recruited specialists, or experts, with the exception of cases stipulated in the 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, an agency of the 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 agencies of the governmental extra-budgetary funds or the customs agencies shall be subject to special storage and access arrangements.

Access to confidential tax information shall be enjoyed by officials indicated in the authorization lists determined by the Ministry of Taxes and Dues of the Russian Federation, the agencies of the governmental extra-budgetary funds and the State Customs Committee of the Russian Federation.

4. Loss of documents containing confidential tax information, or disclosure of such information shall entail a liability under federal laws.

Article 103. Inadmissibility of Causing Unlawful Damage While Exercising Tax Control

1. In exercising tax control, causing unlawful damage to taxpayer, duty payers, the tax agent or 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 taxpayer, the tax agent or their representatives by their unlawful actions, tax authorities and their officials shall be held liable under federal laws.

4. Damages done to the taxpayer, the tax agent or their representatives by lawful actions of tax officials shall not be subject to compensation, except in cases set forth in the federal laws.

Article 104. Statement of Claim for Collecting a Tax Sanction

1. Having rendered a ruling on bringing the taxpayer (or other obligor) to responsibility for a tax offence, the respective tax authority files a lawsuit with a court for the collection of the tax sanction established under the present Code from the person being brought to responsibility for committing the tax offence.

Prior to filing a lawsuit with a court, the tax authority shall advise the taxpayer (or other obligor) to pay the amount of the tax sanction voluntarily.

If the taxpayer (or other obligor) 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 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 organizations 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 brought to responsibility for committing the tax offence, the tax authority can file a motion at court to secure the claim in the order envisaged by the civil procedure 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 a taxpayer to account for breaking the legislation on taxes and dues 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 organizations 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 final process.

Section 6. Tax Offenses and Liability for Committing Them

Chapter 15. General Provisions on Liability for Committing Tax Offenses

Article 106. Concept of Tax Offense

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 organizations and natural persons in cases provided for in Chapter 16 of this Code.

2. Natural persons can be held liable for tax offences 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 than 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 criminal legislation of the Russian Federation.

4. Holding an organization 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 taxpayer liable for a tax offense shall not release him from the obligation to pay the tax and penalty liability. The calling of a tax agent to account for committing a tax offence shall not release him from the duty of transferring the due sums of the tax and the penalty.

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 the federal law and established by a legally effective court decision. 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 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 favor 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 one 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 offence;

- 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. Recognized as a defaulter [a person at guilt] shall be a person who has committed an unlawful intentionally or by negligence.
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 though he should have and could have been aware of it.
4. A guilt of an organization in committing a tax offence shall be established depending on the guilt of its 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 publications in mass media 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 a 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 sickly 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) the taxpayer or tax agent was acting on the strength of written explanations on the questions of the application of the legislation on taxes and dues given by a tax authority or another authorized government agency or officials thereof within the scope of their authority (said circumstances shall be established, given appropriate documents of these bodies, which by their meaning and content relate to tax periods in which a tax offence was committed, regardless of the date of the publication of these documents).
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 offence shall be the following:
 - 1) committing an offence on account of a coincidence of difficult personal or family

circumstances;

2) committing an offence under threat for force, or due to pecuniary, administrative or other dependence;

3) other circumstances recognized by court as those attenuating the liability for a tax offense.

2. The aggravating circumstance shall be that when the tax offence is committed by a person who was already 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 since the effective date of the decision made by court or tax body on application of this sanction.

4. Circumstances mitigating or aggravating the responsibility for the commission of a tax offence shall be established by a court of law and taken into its consideration when it imposes sanctions for tax offences in the order prescribed by Article 114 of this Code.

Article 113. Statute of Limitations 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.

Computation of the statute of limitation 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.

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 money charges (fines) in the amounts provided for in Chapter 16 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 fine established under the appropriate Article of Chapter 16 of this Code for committing a tax offense.

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 fine imposed on the taxpayer/payer of charges - tax agent for a violation of legislation on taxes and charges that resulted in an overdue tax or fee liability shall be subject to remittance from the accounts of the taxpayer/payer of charges - tax agent only after the full amount of the said liability and accrued penalizing interest were remitted in the order of sequence established by the civil legislation of the Russian Federation.

7. Tax sanctions shall be recovered from taxpayers only in court proceedings.

Article 115. Statute of Limitations on Collecting Tax Sanctions

1. Tax authorities can file a claim at court for collecting a tax sanction not later than within six months after the day when the tax offense was discovered and an appropriate act was drawn

up (the period of limitation for the recovery of sanctions).

2. In case on 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 Article 83 of 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 of filing an application for registration with a tax body for a period of over 90 days according to Article 83 of this Code

shall entail a fine in the amount of 10,000 roubles.

Article 117. Avoidance of Registration with a Tax Authority

1. The activity by an organization 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 doing the business in question or twenty thousand roubles, whichever is greater.

2. The activity by an organization or an individual entrepreneur without registration with a tax body for more than three months

shall entail a fine in the amount of 20 per cent of the incomes received during the period of activity without registration for more than 90 days.

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.

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 of Accounting for Income,
Expenses and Objects of Taxation

1. A gross violation of rules of accounting for income and (or) expenses 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 rules of accounting for income, expenses 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 registries, 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 122. Failure to Pay the Full Amount of Taxes Due

1. Non-payment or incomplete payment of the sums of the tax as a result of understanding 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 tax liability.

2. Non-payment or incomplete payment of the sums of the tax as a result of understating the tax base or of any other wrong calculation of the tax subject to payment in connection with the movement of goods across the customs border of the Russian Federation shall involve the exaction of a fine in the amount of 20 per cent of the unpaid amount of the tax.

3. Deeds provided for by Items 1 and 2 of this Article, when committed intentionally, shall entail a fine in the amount of 40 per cent of the unpaid tax liability.

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. Unlawful Denial of Access to the Grounds or Premises to a
Tax Official, the Customs Agency and the Agency of the Governmental
Extra-budgetary Fund

The unlawful prevention of the access of the official of a tax body, the customs agency and the agency of the governmental extra-budgetary fund, who carried out a tax check in accordance with this Code, to the territory or the premises of a taxpayer or a tax agent

shall entail a fine in the amount of five thousand roubles.

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 of Information Necessary for the Exercise of Tax Control to a Tax Authority

1. Non-submission by a taxpayer or a 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 dues,

shall entail the exaction of a fine in the amount of 50 roubles for each non-presented document.

2. Non-provision of information about a taxpayer to a tax authority in the form of refusal of an organization 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 to provide such documents, or provision of documents containing false information unless such deed contains the signs of a breach of the legislation on taxes and dues which is stipulated by Article 135.1 of this Code.

shall entail a fine in the amount of five thousand roubles.

3. Actions stated under Item 2 of the present Article, if they were committed by a natural person

shall entail a fine in the amount of five hundred roubles.

Article 128. Liability of a Witness

Failure to appear or avoidance from appearing without a 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 fine in the amount of 5,000 roubles.

Chapter 17. Costs Connected with Exercising Tax Control

Article 130. Composition of Costs Connected With Tax Control

Costs connected with tax control are comprised of the following:

amounts payable to witnesses, interpreters, specialists, experts, and attesting witnesses;
court costs (law charges).

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 of the Russian Federation.

Chapter 18. Types of Tax Offenses Committed by Banks Stipulated by 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 to an organization or an individual entrepreneur without the production by them of a certificate of registration with a tax body, and also the opening of an account in the presence in the bank of the decision of the tax body on the suspension of transactions in 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 organization or an individual entrepreneur 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 or Fee

1. Failure of a bank to meet the deadline established by the present Code for executing the order of a taxpayer (payer of charge) or a tax agent to remit a tax or a charge shall entail a penalty interest in the amount of 1/150 of the CBR refinancing rate, or 0.2 %

for every day of delay, whichever is higher.

Article 134. Failure of a Bank to Comply with a Decision of a Tax Authority to Suspend the Accounts of a Taxpayer, duty-payer or Tax Agent

Execution by a bank, which has a decision by a tax authority to suspend accounts of a taxpayer, duty-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 the due, or any other payment order, which, in accordance with the Russian Federation legislation, has higher priority than payments to the budget or the extra-budgetary fund.

shall entail a fine in the amount of twenty percent of the amount remitted in accordance with the order of taxpayer, duty-payer or tax agent, or the amount of liability, whichever is higher.

Article 135. Non-fulfilment by a Bank of the Decision on the Collection of the Tax or the Due, and Also the Penalty

1. The unlawful non-fulfilment by a bank of the decision of a tax body on the collection of the tax or the due and also the penalty within the period of time fixed by this Code,

shall involve the exaction of the penalty in the amount of one hundred and fiftieth rate of refinancing of the Central Bank of the Russian Federation, but not more than 0.2 per cent for each 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, a duty payer or a tax agent, with regard to which the tax body has in the bank its collection 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 has been received as a result of such actions.

Article 135.1. Non-submission to Tax Bodies of Information About the Financial and Economic Activity of Taxpaying Clients of a Bank

1. Non-submission by banks on a motivated inquiry of a tax body of inferences on the transactions and accounts of the organizations or individuals, engaged in business without the status of a legal entity, within the time fixed by this Code in the absence of signs of the offence, provided for by Item 2 of this Article,

shall involve the exaction of a fine in the amount of 10,000 roubles.

2. Non-submission by banks on a motivated inquiry of a tax body of references on the transactions and accounts of the organizations or individual entrepreneurs without the status of a legal entity within the time fixed by this Code

shall involve the exaction of a fine in the amount of 20,000 roubles.

Article 136. Procedure for Collecting Fines and Penalty Interest from Banks

The fines stated in Articles 132-134, shall be collected in accordance with the procedure similar to the one provided for by the present Code for collection of tax sanctions.

Penalties indicated in Articles 133 and 135 shall be collected in the order prescribed by

Article 60 of this Code.

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 taxpayer or tax agent shall be entitled to appeal acts of tax authorities of non-normative nature, as well as actions or inaction of tax officials, if the taxpayer or tax agent believes that such acts, actions of inaction infringe upon their 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 official 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.

2. Judicial appeals against acts (including normative acts) of tax authorities, actions or inaction of tax officials by organizations 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 to court.

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 Article, an appeal to higher tax authority (higher official) shall be filed within three month from the day when the taxpayer learned or ought to have learned of the violation of their interests. Documents supporting the complaint may be appended to this complaint.

In 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 superior tax authority.

3. An appeal shall be submitted in written form to the relevant tax authority or official.

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 stating the same reasons for it with the same tax authority or the same superior official.

A new appeal can be filed with be filed the higher tax authority of 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. A taxpayer' appeal shall be considered within one month of its receipt.
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 and order an additional examination;
 - 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.

3. The decision of the tax authority or official concerning the appeal shall be made within one month. The appellant shall be informed of the decision taken by a written notification.

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 the execution of the act (action) shall be taken by the head of the tax authority that has passed the act by a higher tax authority.

Article 142. Consideration of Appeals to Court

Appeals (statements of claim) against act of tax control bodies, actions (inaction) of tax officials filed with 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
Moscow, the Kremlin

B. Yeltsin