

FEDERAL LAW  
NO. 192-FZ OF DECEMBER 29, 1998  
ON IMMEDIATE MEASURES CONCERNING BUDGET AND TAX POLICIES

Enacted by the State Duma  
Approved by the Federation Council

on December 16, 1998  
on December 23, 1998

Article 1. In order to normalize the socio-economic situation in the country in the fourth quarter of 1998 and create the prerequisites to stabilize state finances in 1999, insert the following amendments and addenda in Federal Law on the Federal Budget for 1998 (Code of Laws of the Russian Federation, 1998, No. 13, item 1464; No. 29, item 3398):

1. Supplement Article 26 with the following passage:

"Authorize the Government of the Russian Federation - to the extent of the difference between the 1998-approved volume of resources of the Federal Fund for Support to the Constituent Regions of the Russian Federation and the actual sums to be transferred to these regions - to effect the following in the fourth quarter of 1998 in accordance with the third part of Article 37 of the present Federal Law:

"targeted financing of expenditures on the maintenance of housing, public service and social-sphere facilities transferred to municipal ownership in 1996-1998;

"repayment in the amount of eight billion roubles - in accordance with the established procedure and through mutual offsets between the federal budget and budgets of the constituent regions of the Russian Federation - of budgetary loans earlier received by the regions for the payment of wage arrears to employees of the budget-financed sector, and also for covering the pecuniary gaps arising in the implementation of regional budgets;

"repayment - in accordance with the established procedure and through mutual offsets between the federal budget and the budgets of the Kemerovo Region and the Republic of Komi - of budgetary loans earlier received by this region and this republic for the maintenance of social-sphere facilities transferred in 1996 by coal-industry enterprises to municipal ownership, in the amounts of 335 million roubles and 116 million roubles respectively; repayment of a loan of 47 million roubles granted to the Rostov Region's budget for social support to the inhabitants of the cities of Donetsk and Belaya Kalitva in connection with the unscheduled closure of mines on the territories of the of the said cities; payment of 100 million roubles of debts to creditors for municipal-service facilities, and compensation for losses on the maintenance of social-sphere facilities of the housing stock in the Republic of Altai."

2. Supplement Article 37 with the following passage:

"Establish that the funds received in the fourth quarter of 1998 by the constituent regions of the Russian Federation shall be used for making current payments of wages with the obligatory deduction of insurance premiums to the Pension Fund of the Russian Federation, the Social Insurance Fund of the Russian Federation, the State Fund for Employment of the Population of the Russian Federation, and to compulsory medical insurance funds, and also for paying out child benefits."

3. Supplement Article 95 with the following paragraphs:

"The Ministry of Finance of the Russian Federation shall issue in September and October 1998 fixed-coupon federal loan bonds (OFZ-PDs) totalling 10.5 billion roubles, and pay a ten percent annual yield on them twice a year, redeemable from 2005, with 4.5 billion roubles

payable in 2005, four billion roubles in 2009, and two billion roubles in 2014. The Central Bank of Russia shall acquire in September and October 1998 the aforesaid fixed-coupon federal loan bonds, totalling 10.5 billion roubles, on the secondary market (through Sberbank of the Russian Federation).

"The Central Bank of Russia shall acquire in the fourth quarter of 1998 fixed-coupon federal loan bonds upon their primary placement at an overall nominal value of up to 25.2 billion roubles. Set the maturity of 8.5 billion roubles worth of these securities at no earlier than 2005, and 16.7 billion roubles worth at no earlier than 2013, with ten per cent annual yields on these securities payable twice a year amounting to 3.5 billion roubles, and five percent annual yields amounting to 21.7 billion roubles.

"Accept as a state domestic debt of the Russian Federation the 5.7 billion roubles of debt owed by the Russian Federation's Ministry of Finance to the Central Bank of Russia on operations on the open securities market.

"The said indebtedness shall be accepted as a state domestic debt of the Russian Federation through the issuance by the Russian Federation's Ministry of Finance to the Central Bank of Russia, of 2.85 billion roubles worth of fixed-coupon federal loan bonds maturing in 2009, and another 2.85 billion roubles worth maturing in 2010, with five percent annual yields payable in May and November."

4. In Article 113, add the words "and the State Duma of the Federal Assembly of the Russian Federation" after the words "the Audit Chamber of the Russian Federation".

Article 2. The Government of the Russian Federation shall redeem, with federal budget funds, government securities (GKO and OFZs) maturing before December 31, 1999, enabling holders of these securities to reinvest the money received from the redemption in [other] government securities.

Article 3. The redemption of government short-term couponless bonds, fixed-coupon and variable-coupon federal loan bonds maturing before December 31, 1999 and floated before August 17, 1998 shall be conducted by entering the funds in a special investment bank account, the procedure for opening and regime of which shall be established by the Government of the Russian Federation by agreement with the Central Bank of Russia.

All transactions on the special investment bank account - with the exception of crediting to it proceeds from the redemption of government short-term couponless bonds, fixed-coupon and variable-coupon federal loan bonds maturing before December 31, 1999 and floated before August 17, 1998, and the investment of the funds received from the redemption [of these securities] in newly issued government securities shall be suspended pending the end of the restructuring of government securities.

The effect of this article shall not extend to the redemption of government couponless bonds, fixed-coupon and variable-coupon federal loan bonds maturing before December 31, 1999 and floated before August 17, 1998 if they belong to individuals who are residents of the Russian Federation, and also to the Central Bank of Russia.

Article 4. The Government of the Russian Federation and the Central Bank of Russia shall restructure the government securities belonging to the Central Bank of Russia, the veksel [or promissory notes] of the Finance Ministry of the Russian Federation which will become due for redemption (payment) before December 31, 1999, and also the coupon (interest) payments on these securities will fall due before December 31, 1999, by redeeming the said obligations from federal budget funds, the proceeds from the redemption to be reinvested in government securities maturing between 2013 and 2018, with annual five percent coupon yields payable every year in

equal portions.

Article 5. For purposes of the timely implementation of urgent measures to repay and service the foreign debt of the Russian Federation, allow the Finance Ministry of the Russian Federation to take out loans in 1998 from Vneshekonombank and Vneshtorgbank in order to make settlements in the amount of up to US\$3 billion on the Russian Federation's foreign debt, this transaction to be carried out through the transfer by the Central Bank of the Russia Federation of foreign-currency funds to the said banks over a five-year period, the minimal market interest rates to be set on the loans.

Article 6. The Government of the Russian Federation shall write off the debts of enterprises and organizations, including credit organizations, owed to the budget on fines and penalties charged, owing to the exchange-rate differences formed [in the period between] the primary placement of internal government hard-currency loan bonds (OVVZs) and their subsequent redemption (realization or other forms of retirement).

Article 7. The Government of the Russian Federation shall ensure, by way of priority, the allocation of funds for making settlements with servicemen to be discharged, in accordance with the adopted decisions and within the framework of the allocations for these purposes approved by the Federal Law on the Budget for 1998.

Article 8. The Government of the Russian Federation shall ensure the allocation of funds to finance fundamental research and promote scientific-technical progress, the amount of these funds to be at the average level of implementation of the expenditure part of the federal budget for 1998.

Article 9. The Government of the Russian Federation shall carry out measures to pay off the federal budget's debts formed in the process of budget implementation in 1997-1998, by applying a mechanism for the targeted financing of expenses on the repayment of the debts owed by recipients of federal budget funds, this financing to be effected with the participation of the suppliers of budget funds recipients.

The Government of the Russian Federation shall specify the amounts of the federal budget's debt to be repaid, and in accordance with the Federal Law on the Federal Budget for 1998 draw up a list of items in the economic classification of federal budget expenditures to be financed by applying a mechanism for the targeted financing federal budget expenditures.

The Finance Ministry of the Russian Federation and the State Tax Service, with the participation of the Central Bank of Russia, shall establish the procedure for opening and the regime of accounts of budget funds recipients, enterprises and organizations participating in the conduct of settlements in the targeted financing of federal budget expenditures.

The conduct of settlements that lead to a reduction in the volumes current tax payments remitted in pecuniary form to the federal budget shall not be permitted.

The amounts of debts, not regulated by this article, owed by the federal budget to budget funds recipients shall be subject to repayment within the framework of the relevant sections of the federal budget within five years beginning from the year 2000.

Article 10. In order to ensure the conduct of payments by credit organizations and the full-scale servicing of budgets, the Government of the Russian Federation and the Central Bank of Russia shall approve measures to restructure the banking system of the Russian Federation. The Central Bank of Russia, jointly with the Government of the Russian Federation, shall select the banks which require state support, and also specify the forms of rendering such support, including the standing security for budgets.

Article 11. The Central Bank of Russia, beginning from the fourth quarter of 1998, shall provisionally accept organizations for servicing, irrespective of the presence of credit institutions on the territory concerned, in accordance with the list approved by the government of the Russian Federation.

Article 12. Insert the following amendments and addenda in the Federal Law on Excise taxes (Gazette of the Congress of PeopleTs Deputies and of the Supreme Soviet of the RSFSR, 1991, No. 52, item 1872; Code of Laws of the Russian Federation, 1996, No. 11, item 1016; 1997, No. 3, item 356; 1998, No. 7, item 800; No. 30, item 3614):

1. Supplement paragraph five of part one of Article 2 with the words "(with the exception of such goods, which shall be subject to industrial processing under the control of customs and/or tax bodies)".

2. In paragraph three of sub-item (a), Item 1 of Article 3, add the words "(with the exception of such goods, which shall be subject to industrial processing under the control of customs and/or tax bodies)".

3. Reword Item 1 of Article 4 as follows:

"1. Excise duty rates on excisable goods (with the exception of the excisable types of mineral raw materials), including those imported into the territory of the Russian Federation, shall be uniform throughout the territory of the Russian Federation, and they shall be set as follows:

Types of excisable goods	In percentage or in roubles and kopeks per unit of measurement
Ethyl alcohol made from all types of raw materials	12 rbs. per liter of waterless (hundred per cent) ethyl alcohol
Ethyl alcohol distributed to organizations for the production of medicines, and articles designated for medical and veterinary use and/or for use in treatment within the limits of the approved quotas for the consumption of spirits by these organizations	8 roubles per liter of waterless (hundred per cent) ethyl alcohol
Alcoholic products, with the exception of wines, weak alcoholic beverages in which the content of ethyl alcohol amounts up to nine per cent inclusively, and also grape, fruit and honey beverages, vodka and other liquors containing up to 25% of ethyl alcohol inclusively; other products containing spirits	60 rbs. per liter of waterless (hundred per cent) ethyl alcohol contained in the excisable goods

Vodka and other liquors, grape, fruit and honey beverages in which the ethyl alcohol content is up to 25% inclusively, with the exception of fizzy and effervescent wines | 48 roubles per liter of waterless (hundred per cent) ethyl alcohol contained in the excisable goods

Vermouth and wines, with the exception of natural, sparkling, fizzy and effervescent wines, and champagne | 27 roubles per liter of waterless (hundred per cent) ethyl alcohol contained in the excisable goods

Champagne and natural, sparkling, fizzy and effervescent wines | seven roubles per liter

Wines, vinous and other fizzy and effervescent beverages (with the exception of natural, sparkling, fizzy and effervescent wines), sold in bottles of 0.5 liter or more | 10 rbs. per liter

Natural wines and weak alcoholic beverages in which the content of ethyl alcohol is up to nine per cent (with the exception of effervescent and fizzy beverages sold in bottles of 0.5 liter or more) | three roubles per liter

Beer | 72 kopeks per liter

Tobacco products: pipe tobacco, with the exception of GOST [State Standard] pipe tobacco | 168 rbs. per kg

GOST pipe tobacco | 16 rbs. per kg

smoking tobacco, with the exception of tobacco used as raw materials for the manufacture of tobacco products | 72 rbs. per kg

cigars, with the exception of GOST cigars | 3 roubles and 60 kopeks each

GOST cigars | 1 rouble and 20 kopeks each

cigarillos, filter cigarettes more than 85 mm in length | 30 rbs. per 1,000

filter cigarettes, with the exception of those more than 85 mm in length, and cigarettes that are of the 1st, 2nd, 3rd and 4th class according to GOST	20 rbs. and 50 kopeks per 1,000
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filter cigarettes of the 1st, 2nd and 3rd class according to GOST	14 rbs. and 50 kopeks per 1,000
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filter cigarettes of the 4th class according to GOST	9 roubles and 50 kopeks per 1,000
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non-filter cigarettes	seven roubles per 1,000
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cigarettes with cardboard mouthpieces	4 roubles and 80 kopeks per 1,000
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Jewelry	15 per cent
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Petroleum, including stable gas condensate	55 rbs. per tonne*
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Motor-vehicle gasoline with an octane number of up to "80" inclusively	350 rbs. per tonne
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Motor-vehicle gasoline with other numbers	450 rbs. per tonne
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Motor-cars with 2,500 cubic cm engines	10 per cent
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\* Средневзвешенная ставка акциза на реализуемую нефть, включая газовый конденсат."

Article 13. In Article 3 of the Russian Federation Law on Payment for Land (Gazette of the Congress of People's Deputies of the RSFSR and of the Supreme Soviet of the RSFSR, No. 44, item 1424; Code of Laws of the Russian Federation, 1994, No. 16, item 1860), after Part 2 add a new part, Part 3, as follows:

"For land plots which are not used, or used not for their designated purposes, the land tax rate shall be doubled."

Article 14. Insert the following amendments and addenda in the Russian Federation Law on Tax on the Profits of Enterprises and Organizations (Gazette of the Congress of People's Deputies of the Russian Federation and of the Supreme Soviet of the Russian Federation, 1992, No. 11, item 525; No. 34, item 1976; 1993, No. 4, item 118; Code of Laws of the Russian Federation, 1994, No. 32, item 3304; 1995, No. 18, item 1592; No. 26, item 2402; 1996, No. 1, items 4, 20; 1997, No. 3, item 357; No. 26, item 2953; 1998, No. 31, items 3819, 3821, 3825):

1. In Item 4 of Article 2:

rewrite paragraph five as follows:

"For shares and bonds which are in circulation on the organized securities market, the market prices, and also the limit of fluctuation of the prices of which are set in accordance with the rules prescribed by the federal agency that regulates the securities market, any losses from the realization (retirement) thereof at prices lower than the established limit of fluctuation of their market prices shall be ascribed to a reduction in proceeds from the realization (retirement) of the respective category of securities";

after paragraph five, supplement the item with new paragraphs six, seven and eight as follows:

"Losses on transactions in securities that have no market quotations or are not in circulation on the organized securities market may be ascribed to a reduction in proceeds from the realization of the given category of securities.

"The tax base shall not include profits derived from the purchase (retirement) of government short-term couponless bonds (GKO), and of fixed-coupon and variable-coupon federal loan bonds (OFZ) redeemable before December 31, 1999 and floated before August 17, 1998, on condition that the money proceeds from their redemption are reinvested in newly issued securities (in the amount designated for reinvestment in new issues of government securities, including obligations of the Russian Federation denominated in U.S. dollars, and also in certificates of Sberbank of the Russian Federation).

"Upon realization of securities obtained as a result of reinvestment, the profit (loss) shall be defined as the difference between the sale price (less the interest yields payable on GKO and OFZ) and included in the nominal value of the securities obtained as a result of reinvestment) and the initially paid cost of the issued (retired) GKO and OFZ, with adjustment made for expenses on their acquisition and realization."

2. Supplement subitem (a) of Item 1 of Article 9 with the following paragraph:

"The tax base for [calculating] income tax shall not include interest payments received upon the retirement (redemption) of fixed-coupon and variable-coupon federal loan bonds (OFZ), and also part of the return by way of the difference between the nominal value and the balance-sheet value of couponless government short-term bonds (GKO) redeemable before December 31, 1999 and floated before August 17, 1998, on condition that the funds received from the redemption thereof are reinvested in newly issued securities (in the amount reinvested in new issues of government securities, including Russian Federation bonds denominated in U.S. dollars, and also in certificates of Sberbank of Russia)."

Article 15. In Article 5 of the Russian Federation Law on Road Funds in the Russian Federation (Gazette of the Congress of People's Deputies of the RSFSR and of the Supreme Soviet of the RSFSR, 1991, No. 44, item 1426; Bulletins of the People's Congress of the Russian Federation and of the Supreme Soviet of the Russian Federation, 1993, No. 3, item 102; Code of Laws of the Russian Federation, 1994, No. 29, item 3010; 1995, No. 26, item 2402; No. 35, item 3503; 1996, No. 1, item 4; 1997, No. 22, item 2545; 1998, No. 26, 3013), add Item 4 as follows:

"4. Banks and other credit institutions, insurance organizations, professional participants in the securities market, and investment funds, upon calculating tax, shall not include in the tax base yields received in connection with the redemption (retirement) of government short-term couponless bonds (GKO), fixed-coupon and variable-coupon federal loan bonds (OFZ) redeemable before December 31, 1999 and floated before August 17, 1998, on condition that the money resources derived from their redemption are reinvested in new issues of government

securities (in the amount designated for reinvestment in new issues of government securities, including Russian Federation obligations denominated in U.S. dollars, and also certificates of Sberbank of Russia).

"Banks and other credit institutions, insurance organizations, professional participants in the securities market, and investment funds, upon calculating tax, shall not include in the tax base yields received by way of interest (coupon) returns on fixed-coupon and variable-coupon federal loan bonds, and also by way of the difference between the redemption price and the discount value of government short-term couponless bonds."

Article 16. In subitem (w) of Item 1, Article 21 of the Russian Federation Law on the Fundamentals of the Tax System in the Russian Federation (Gazette of the Congress of People's Deputies of the Russian Federation and of the Supreme Soviet of the Russian Federation, 1992, No. 11, item 527; No. 34, item 1976; 1993, No. 4, item 118; No. 23, item 824; Code of Laws of the Russian Federation, 1997, No. 30, item 3593), after paragraph one insert paragraph two as follows:

"When assessing tax, banks and other credit organizations, insurance organizations, professional participants in the securities market, and investment funds shall not include in the tax base returns derived from the redemption (retirement) of couponless government short-term bonds (GKO), fixed-coupon and variable-coupon federal loan bonds (OFZ) redeemable before December 31, 1999 and floated before August 17, 1998, provided the returns from the redemption are reinvested in newly issued securities (in the amount designated for reinvestment in new issues of government securities, including Russian Federation obligations denominated in U.S. dollars, and also Sberbank of Russia certificates). When assessing tax on the upkeep of the housing stock and socio-cultural facilities, the said organizations shall not include in the tax base incomes received by way of interest (coupon) yields on fixed-coupon and variable-coupon federal loan bonds, and also by way of the difference between the redemption price and the discount value of government short-term couponless bonds."

Article 17. Insert the following amendments and supplements in the Russian Federation Law on the Fundamental of the Tax System in the Russian Federation (Gazette of the Congress of People's Deputies of the Russian Federation and of the Supreme Soviet of the Russian Federation, 1992, No. 11, item 527; No. 34, item 1976; 1993, No. 4, item 118; No. 23, item 824; Code of Laws of the Russian Federation, 1994, No. 10, item 1108; 1997, No. 30, item 3593; 1998, No. 31, items 3816, 3825, 3827, 3828; No. 43, item 5213; Rossiiskaya Gazeta, November 21, 1998):

1. Throughout the text of the Law, replace the words "banks and credit institutions" with the words "credit organizations" in the appropriate grammatical cases.

2. In Article 15:

Rewrite parts three and four as follows:

"Where there are funds in the accounts of taxpayers, credit organizations shall be forbidden to delay execution of taxpayers' instructions or tax bodies' collection orders to transfer tax payments to the [state] budget, or instructions from insurance-premium payers to transfer the premiums to state off-budget funds. Where cases of such delay has been established, the credit organization shall be liable to a penalty amounting to three times the Central Bank of Russia's refinancing rate with respect to the sum of the delayed payment for each day of the delay, and the head [of the credit organization] shall be subject to administrative punishment by way of a fine amounting to five times the statutory minimum monthly wage.



"A credit organization that has been called to account shall not be relieved of the fulfilment of its obligation to transfer tax payments."

Article 18. In order to stabilize the rouble's exchange rate, establish that:

(1) 75 per cent of residents' hard-currency earnings from the export of goods (works, services, results of intellectual activity) shall be subject to mandatory sale through authorized banks at foreign currency's market rate of exchange to the rouble on the domestic currency market of the Russian Federation not later than seven calendar days after the arrival of the said hard-currency earnings, the sale to be carried out in accordance with the procedure prescribed by the Central Bank of Russia;

(2) any preferential treatment as to the procedure for the mandatory sale of residents' hard-currency earnings from the export of goods (works, services, results of intellectual activity) as prescribed by Item 1 of this Article, and also any exemption of residents from the mandatory sale of hard-currency earnings from the export of goods (works, services, results of intellectual activity) shall be established by federal laws and edicts of the President of the Russian Federation;

(3) any preferential treatment as to the procedure for the mandatory sale of residents' hard-currency earnings from the export of goods (works, services, results of intellectual activity), and also any exemption of residents from the mandatory sale of hard-currency earnings from the export of goods (works, services, results of intellectual activity) earlier established by federal laws and edicts of the President of the Russian Federation shall be effective until they are altered or abolished by a federal law or by an edict of the President of the Russian Federation.

Article 19. Establish that the export by organizations of platinum, metals of the platinum group, and also ores containing platinum and metals of the platinum group shall be conducted only through expressly authorized state agencies.

The Government of the Russian Federation, within a month from the day the present Federal Law takes effect, shall bring its [pertinent] regulations into conformity with the present article.

Article 20. Insert the following amendments and supplements in the Russian Federation Law on Currency Regulation and Currency Control (Gazette of the Congress of People's Deputies of the Russian Federation and of the Supreme Soviet of the Russian Federation, 1992, No. 45, item 2542):

1. In Article 1:

supplement Item 7 with Subitem (d) as follows:

"(d) settlements between residents and nonresidents in Russian Federation currency.";

rewrite Subitem (a) of Item 9 as follows:

"(a) transfers of foreign currency to and from the Russian Federation for making settlements without deferment of payments for the export and import of goods (works, services, results of intellectual activity), and also for making settlements connected with the credits granted for not more than 90 days for export-import transactions;"

rewrite Subitem (d) of Item 10 as follows:

"(d) the granting and receiving of a payment deferment for more than 90 days for the export and import of goods (works, services, results of intellectual activity);".

2. Supplement Item 1 of Article 2 with paragraph two as follows:

"Settlements between residents and nonresidents in Russian Federation currency shall be made in accordance with the procedure prescribed by the Central Bank of Russia."

3. Supplement Item 2 of Article 6 with paragraph two as follows:

"The procedure whereby residents grant and/or obtain a payment deferment for more than 90 days for the export and/or import of goods (works, services, results of intellectual activity) shall be prescribed by the Government of the Russian Federation by agreement with the Central Bank of Russia."

The Government of the Russian Federation, by agreement with the Central Bank of Russia, shall, within three months from the day the present Federal Law takes effect, prescribe the procedure whereby residents shall grant and/or obtain a payment deferment for more than 90 days for the export and import of goods (works, services, results of intellectual activity).

Article 21. In order to ensure that the Pension Fund of the Russian Federation pays out current pensions totalling up to four billion roubles, the Government of the Russian Federation shall establish the procedure whereby insurance-premium payers shall discharge their debts to the Pension Fund of the Russian Federation - debts which emerged upon the summing up of the 1998 federal budget implementation.

Article 22. The present Federal Law shall come into force on the day of its official publication.

President of the Russian Federation  
Moscow, the Kremlin

Boris Yeltsin