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The present Federal Law defines the legal and economic principles for the creation and functioning of the Special Economic Zone in the Kaliningrad Region, and takes into account its specific geographical position and significance for the national interests of the Russian Federation. This Federal Law is aimed at the creation of favourable conditions for the socio-economic development of the Russian Federation and the Kaliningrad Region.

Chapter I. General Provisions

Article 1. The Concept of the Special Economic Zone in the Kaliningrad Region; The Purposes for Its Creation

A Special Economic Zone in the Kaliningrad Region (hereinafter referred to as the Special Economic Zone) shall be set up throughout the entire territory of this Region, with the exception of the facilities which have defence and strategic importance for the Russian Federation - the military bases, military units, defence industry facilities, and also the facilities of the oil and gas branches of the mining industry on the continental shelf of the Russian Federation, and in the exclusive economic zone of the Russian Federation.

This Special Economic Zone shall be set up in conformity with the present Federal Law. Its development shall be realized on the basis of the Federal State Programme for the Development of the Special Economic Zone, approved by the Government of the Russian Federation on the proposal of the organs of state power of the Kaliningrad Region.

The Special Economic Zone shall establish a special treatment for investments and business activity, including foreign economic and investment activity, which is more favourable than the general treatment.

The Special Economic Zone is a part of the state and customs territory of the Russian Federation. In respect of the collection of customs duties and other payments (including taxes) made at the time of customs clearance of imported and exported goods, the Special Economic Zone shall
be regarded as one that practices the customs treatment of a special customs zone, with specific features envisioned by this Federal Law.

**Article 2.** The State's Legal Protection of Investments and Business Activity in the Special Economic Zone

Investments and business activity in the Special Economic Zone shall enjoy the legal protection of the State, provided by the Constitution of the Russian Federation, the present Federal Law, and by other federal laws and other normative legal acts of the Russian Federation, its international treaties and agreements, and by the laws, and other normative legal acts of the Kaliningrad Region.

**Article 3.** The Powers of the Kaliningrad Regional Duma and the Administration of the Kaliningrad Region Vis-a-Vis the Special Economic Zone

The Kaliningrad Regional Duma, as the legislative (representative) body of the subject of the Russian Federation, and the Administration of the Kaliningrad Region shall exercise their powers on matters of the functioning of the Special Economic Zone in conformity with the Charter (Fundamental Law) of the Kaliningrad Region.

The Administration of the Kaliningrad Region shall administer the Special Economic Zone in keeping with the present Federal Law, other federal laws and other normative legal acts of the Russian Federation, and the laws and other normative legal acts of the Kaliningrad Region. It shall coordinate the involvement of Russian and foreign investments for the realization of zonal investment projects and business activity.

The Administration of the Special Economic Zone (hereinafter referred to as the Administration) shall have the right to conclude, in accordance with the legislation of the Russian Federation, civil agreements, and enter into other civil-legal relations with Russian and foreign investors, and with other Russian and foreign entrepreneurs in the Special Economic Zone.

**Chapter II. The Treatment of Investments and Business Activity in the Special Economic Zone**

**Federal Law No. 169-FZ of December 8, 2003 amended Article 4 of this Federal Law**

See the previous text of the Article

**Article 4.** The Legal Regulation of Investments and Business Activity in the Special Economic Zone

Profit-making organizations engaged in any business (production, construction, trade and mediation, and other spheres) with the full or partial involvement of foreign investments shall be set up, liquidated, and function in the order, prescribed by the laws of the Russian Federation.

Natural persons - individual businessmen without the status of a legal entity - shall carry on their activity in observance of the laws of the Russian Federation.

Representative offices and branches of foreign legal entities shall be opened in the Special Economic Zone on the basis of permits from the Administration in observance of the requirements of the Russian laws.

On the measures for state maintenance of making assembly production of up-to-date cars in Kaliningrad region see:


No licensing of business activity shall be required in the Special Economic Zone, except for in the cases, provided for by the Russian laws.

See the Section “Licensing of Particular Types of Activity”

By agreement with the Administration, the federal executive bodies may transfer to the
Administration their powers of licensing particular types of business activity, except for activity in the following fields:

a) the defence industry, production of weapons and military hardware, and trade in arms and material;

2) the production of fissionable materials, toxic agents, explosives, poison gas, psychotropic substances, narcotics, biologically and genetically active materials, and trade in said materials and agents;

3) the production and transmission of electric power and trade in it;

4) the mining and refinement of precious metals, precious and semi-precious stones, and trade in them (the treatment of amber and trade in articles manufactured therefrom shall be regulated by agreement between the Government of the Russian Federation and the Administration);

5) the production of oil and gas subsoil areas of federal importance;

6) transport and communication;

7) mass media, film distribution, and cinematography.

**Article 5. The Contractual Character of Relations in the Sphere of Involvement of Investments in the Special Economic Zone**

In accordance with this Federal Law and the Federal State Programme for the Development of the Special Economic Zone, the Administration shall consider applications by Russian and foreign investors for the realization of zonal investment projects, and shall conclude with them agreements on the realization of said projects with the observance of the requirements of the Russian laws.

The Administration shall have the right to hold bids (tender, auctions) and in exceptional cases - direct talks with particular Russian and foreign investors and businessmen for the realization of zonal investment projects in the process of investing unique technologies and equipment.

The Administration shall have the right to transfer to Russian and foreign businessmen for use on the basis of lease agreements the assets owned by the Kaliningrad Region as a subject of the Russian Federation, including real estate, in conformity with the Russian laws. The procedure for the use of facilities held in federal ownership shall be determined by the Government of the Russian Federation with account for the specifics of economic management in the Special Economic Zone.

The Administration shall keep a register of the agreements referred to in the first, second, and third parts of this Article, and shall establish regulations for filing and examining applications for the realization of zonal investment projects.

The right of land use shall be given to foreign legal entities, natural persons, and international organizations (associations), with the participation of Russian and foreign legal entities and natural persons on the territory of the Special Economic Zone, exclusively on the basis of lease agreements (without the right of redemption). Agreements shall be concluded at market rates for land leases, with the obligatory reckoning of the interests of the Kaliningrad Region residents, the factors of rational land use, and the preservation and improvement of the natural environment; agreements shall be subject to registration by the organs of power of the Kaliningrad Region.

**Article 6. Forms of Investments**

In the Special Economic Zone, investments shall be made in the forms envisaged by the Russian laws and the international agreements of the Russian Federation.

**Chapter III. Customs Regulation in the Special Economic Zone**

**Article 7. The Customs Treatment of the Special Economic Zone**

See the Regulations on the Procedure for the Carriage of Goods under Customs Control between Kaliningrad Region and the Rest of the Customs Territory of the Russian Federation endorsed by Order of the State Customs Committee of the Russian Federation No. 490 of May 21, 2002. The mentioned Regulations shall enter into force upon the expiry of 30 days after their official publication.
On enhancing customs control of the specific categories of goods placed in the territory of the Kaliningrad region Special economic zone see the Order of the State Customs Committee of the Russian Federation No. 01-14/1042 of September 1, 1999

The customs treatment shall be applied in the Special Economic Zone with the following specific features:

1) goods produced in the Special Economic Zone (which fact shall be confirmed by a certificate of origin of goods) and exported to other countries shall be exempted from customs duties and other payments collected during the customs clearance of goods (except for customs fees). Economic policy measures (measures of state non-tariff regulation of foreign economic activity) shall not be applied to said goods;

Federal Law No. 186-FZ of December 23, 2003 suspended the validity of Subitem 2 of part 1 of Article 7 of this Federal Law from January 1 to December 31, 2004 as concerns privileges in the payment of excise duties on of the value added tax on the excisable commodities, imported from other countries to the territory of the Special Economic Zone

Federal Law No. 176-FZ of December 24, 2002 suspended the validity of Subitem 2 of part 1 of Article 7 of this Federal Law from January 1 through December 31, 2003 in respect to the privileges for the payment of excises and the value-added tax on excisable goods brought in from other countries to the territory of the Special Economic Zone

According to Federal Law No. 194-FZ of December 30, 2001 the effect of subitem 2 of part 1 of Article 7 of this Federal Law shall be suspended from January 1, through December 31, 2002 in as much as it concerns privileges on the payment of excise taxes and value added tax on excisable goods imported from other countries into the territory of the Special Economic Zone

Federal Law No. 150-FZ of December 27, 2000 suspended the effect of subitem 2 of part 1 of Article 7 of this Federal Law for the year 2001 in as much as it concerns relief from excise taxes and value added tax in respect of excisable goods imported from other countries into the territory of the Special Economic Zone

2) goods imported in from other countries to the Special Economic Zone shall be exempted from the import customs duties and other payments collected during the customs clearance of goods (except for customs fees). Measures of economic policy (measures of state quantitative regulation of foreign trade activity) may be applied to certain goods and services;

Decision of the Government of the Russian Federation No. 830 of July 24, 1998 established for the years 1998-2000 quantitative restrictions on certain types of goods being imported from other countries into the territory of the Special Economic Zone in the Kaliningrad Region

3) goods produced in the Special Economic Zone (which fact shall be confirmed by a certificate of origin of goods) and imported to other parts of the territory of the Russian Federation (and also to the territory of the Customs Union) shall be exempted from import customs duties and other payments collected during the customs clearance of goods (except for customs fees). Economic policy measures (measures of state non-tariff regulation of foreign trade activity) shall not be applied to said goods;

4) goods imported in from other countries to the Special Economic Zone and thereafter imported to other parts of the customs territory of the Russian Federation, and also to the territory of the Customs Union (except for goods processed in the Special Economic Zone and deemed to be produced in the Special Economic Zone) shall be assessed with the import customs duties and other payments during the customs clearance of goods. Economic policy measures (measures of state non-tariff regulation of foreign trade activity) may be applied to said goods;
Federal Law No. 186-FZ of December 23, 2003 suspended the validity of Subitem 5 of part 1 of Article 7 of this Federal Law from January 1 to December 31, 2004 as concerns privileges in the payment of excise duties on the value added tax on the excisable commodities, imported from other countries to the territory of the Special Economic Zone.

Federal Law No. 176-FZ of December 24, 2002 suspended the validity of Subitem 5 of part 1 of Article 7 of this Federal Law from January 1 through December 31, 2003 in respect to the privileges for the payment of excises and the value-added tax on excisable goods brought in from other countries to the territory of the Special Economic Zone.

According to Federal Law No. 194-FZ of December 30, 2001 the effect of subitem 5 of part 1 of Article 7 of this Federal Law shall be suspended from January 1, through December 31, 2002 in as much as it concerns privileges on the payment of excise taxes and value added tax on excisable goods imported from other countries into the territory of the Special Economic Zone.

Federal Law No. 150-FZ of December 27, 2000 suspended the effect of subitem 5 of part 1 of Article 7 of this Federal Law for the year 2001 in as much as it concerns relief from excise taxes and value added tax in respect of excisable goods imported from other countries into the territory of the Special Economic Zone.

5) customs duties and other payments shall not be collected during customs clearance from goods imported from other countries to the Special Economic Zone and thereupon exported out to foreign countries (both with processing and without it); quantitative restrictions on the importation and exportation of said goods shall not be applicable.

The procedure for ascertaining the origin of goods from the Special Economic Zone shall be established by the Administration, together with the State Customs Committee of the Russian Federation.

The Procedure for Determining the Origin of Goods from the Special Economic Zone in the Kaliningrad Region was approved by Order of the Administration of the Kaliningrad Region and the State Customs Committee of the Russian Federation No. 296-r/01-14/1365 of December 31, 1998.

Goods shall be deemed to be produced in the Special Economic Zone if the amount of the added value of their treatment (processing) is not less than 30 per cent or the amount of such value of the treatment of electronic goods and high-tech household appliances is not less than 15 per cent, and their treatment (processing) involves changes in the code of the customs classification of the goods. The procedure for ascertaining the origin of goods from the Special Economic Zone relating to high-tech household appliances shall be established by the State Customs Committee of the Russian Federation.

By agreement with the Government of the Russian Federation, the Administration shall have the right to introduce additional restrictions on the treatment of the free customs zone and exceptions from this treatment, aimed at the protection of local producers of goods (works, services).


Article 8. Transit of Goods Through the Territory of the Special Economic Zone

Transit of goods through the territory of the Special Economic Zone shall be regulated by the laws of the Russian Federation and its international agreements. No Value-Added Tax shall be collected from the proceeds of the provision of transport services, or for services of loading, unloading, reloading, and storage during the carriage and transshipment of goods from the Special Economic Zone to other parts of the customs territory of the Russian Federation, or from other parts.
of the customs territory of the Russian Federation to the Special Economic Zone.

**Article 9.** Customs Clearance and Customs Control

Specific aspects of the customs clearance of goods, including transport vehicles, and customs control over the movement of goods, including transport vehicles, from or to the Special Economic Zone shall be established in conformity with the Customs Code of the Russian Federation and the present Federal Law.

See the Regulations on the Procedure for the Carriage of Goods under Customs Control between Kaliningrad Region and the Rest of the Customs Territory of the Russian Federation endorsed by Order of the State Customs Committee of the Russian Federation No. 490 of May 21, 2002. The mentioned Regulations shall enter into force upon the expiry of 30 days after their official publication.

**Chapter IV. Taxation in the Special Economic Zone**

**Article 10.** Tax Concessions

Tax concessions shall be granted to Russian and foreign investors in accordance with the tax laws of the Russian Federation and the laws of the Kaliningrad Region.

**Chapter V. Banks and Banking in the Special Economic Zone**

**Article 11.** The Activity of Russian Banks

Russian banks shall carry on their activities in the Special Economic Zone in the order prescribed by the legislation of the Russian Federation on banks and banking.

**Article 12.** The Activity of Foreign Banks

Foreign banks shall function in the Special Economic Zone in keeping with the laws of the Russian Federation, on the basis of licenses issued by the Central Bank of the Russian Federation, and on the basis of the national bank regulations of the Russian Federation.

**Article 13.** Special Conditions for the Activity of Russian and Foreign Banks in the Special Economic Zone

By agreement with the Government of the Russian Federation and the Central Bank of the Russian Federation, the Administration shall have the right to establish privileges for Russian and foreign banks in connection with the realization of the Federal State Programme for the Development of the Special Economic Zone.

**Article 14.** Settlement Operations

Russian and foreign legal entities and natural persons shall have the right to choose banks and other credit institutions for settlements in their operations on the territory of the Special Economic Zone.

**Chapter VI. Currency Management and Currency Control in the Special Economic Zone**

**Article 15.** Currency Management

The property and other rights of legal entities and natural persons to currency shall be exercised in the Special Economic Zone in the procedure prescribed by the laws of the Russian Federation.

The procedure for the compulsory sale of foreign currency by residents on the internal money market of the Russian Federation shall not extend to the earnings in foreign exchange from the export of goods (works, services) or from the results of intellectual activity created within the Special Economic Zone.

Foreign exchange operations shall be managed by the Central Bank of the Russian Federation.
and the Government of the Russian Federation in keeping with the laws of the Russian Federation on currency management and currency control.

**Article 16. The Transfer of Dividends and the Repatriation of Capital**

Dividends shall be transferred and capital repatriated by foreign investors from the territory of the Special Economic Zone on a free basis, in keeping with the laws of the Russian Federation and its international agreements.

**Article 17. Currency Insurance**

Russian and foreign legal entities and natural persons shall have the right to hire Russian and foreign insurance companies (insurers) for insurance transactions of all types, in Russian of foreign currency, including the insurance of export risks. Insurance transactions shall be made exclusively with the insurers who have also received licenses for insurance on the territory of the Russian Federation in keeping with the laws of the Russian Federation.

*See the Conditions of Licensing Insurance of the Territory of the Russian Federation, approved by the Order of the Russian Insurance Supervision Service No. 02-02/08 of May 19, 1994*

**Article 18. Currency of Settlements**

Settlements in the Special Economic Zone shall be made only in the currency of the Russian Federation.

**Article 19. Currency Control**

Currency control in the Special Economic Zone shall be exercised by the Central Bank of the Russian Federation, and also by the Government of the Russian Federation and the banks acting as currency control agents in the order prescribed by the laws of the Russian Federation.

**Article 20. Investments by Profit-making Organizations Set up in the Special Economic Zone, in Foreign States**

The investment activity of profit-making organizations, set up in the Special Economic Zone in keeping with Article 4 of this Federal Law, in foreign States, shall be carried on in conformity with the laws of the Russian Federation.

**Chapter VII. The Federal State Programme for the Development of the Special Economic Zone**

**Article 21. The Federal State Programme for the Development of the Special Economic Zone**

The Government of the Russian Federation shall approve the Federal State Programme for the Development of the Special Economic Zone, under which every year the Government shall appropriate financial resources from the federal budget for special federal, interregional, and regional objects of financing, above all connected with the location and activity of the military units and organizations of the federal executive bodies in which the laws of the Russian Federation provide for military service.

In the course of the development of the Special Economic Zone, the matters involved in the construction or reconstruction of infrastructure facilities used for defence and security shall be agreed upon with the respective federal executive bodies.

*On the measures for state maintenance of making assembly production of up-to-date cars in Kaliningrad region see Decision of the Government of the Russian Federation No. 524 of April 23, 1996*

**Chapter VIII. The Order of Entry, Departure, and Stay in the Kaliningrad Region from This Region; Social Relations**
Article 22. The Order of Entry into or Departure from the Kaliningrad Region, and of Stay on Its Territory

The order of entry of foreign nationals and stateless persons into the Kaliningrad Region, of their departure from this Region, and of their stay on its territory shall be determined by the laws of the Russian Federation and its international agreements.

See the Rules for the Registration and the Striking off the Register of Citizens of the Russian Federation in the Place of Their Stay and in the Place of Residence Within the Russian Federation, approved by the Decision of the Government of the Russian Federation No. 713 of July 17, 1995

A single order of registration of citizens of the Russian Federation, foreign nationals, persons with dual citizenship and stateless persons shall operate in the Kaliningrad Region in keeping with the present Federal Law and other normative legal acts of the Russian Federation.

To ensure economic safety, the organs of state power of the Kaliningrad Region shall be given the right to independently introduce restrictions on certain categories of foreign nationals and stateless persons, regarding their time and place of stay in the Kaliningrad Region. These restrictions shall not violate the human rights and freedoms guaranteed by the laws of the Russian Federation and its international treaties and agreements.

The organs of state power of the Kaliningrad Region shall provide the persons who were citizens of the USSR and who live or stay in Lithuania, Latvia, and Estonia and use Russian as their native language, with favourable conditions for resettlement on the territory of the Kaliningrad Region, and accommodation in this territory.

Article 23. Social and Labour Relations in the Special Economic Zone

Questions of hire, dismissal, operating mode, conditions of rest and leisure, labour conditions and norm-setting, social guarantees, and compensations shall be regulated by collective agreements and individual contracts in conformity with the labour laws of the Russian Federation.

Incomes from foreign exchange, retained by a foreign worker after taxes, may be freely transmitted beyond the territory of the Russian Federation at his will, while such income, received by a Russian worker may be transmitted beyond the territory of the Russian Federation in keeping with the laws of the Russian Federation on currency management and currency control.

Chapter IX. Other Provisions

Article 24. International Treaties and Agreements of the Russian Federation Affecting the Kaliningrad Region

International treaties and agreements of the Russian Federation affecting the Kaliningrad Region shall be concluded in compliance with the Federal Law on International Treaties and Agreements of the Russian Federation, by agreement with the organs of state power of the Kaliningrad Region.

International treaties and agreements of the Russian Federation affecting the Kaliningrad Region shall contain provisions that confirm the status of the Kaliningrad Region as an integral part of the Russian Federation.

Article 25. Agreements of the Russian Federation with the Administrative-territorial Formations of Foreign States

The Kaliningrad Region, as represented by its authorized organs of state power, shall have the right to conclude agreements on economic, scientific, technical, cultural, and sports cooperation with the administrative-territorial formations of foreign States, e.g. States, provinces, cantons, and lands.

Agreements referred to in the first part of this Article:

a) shall not violate the laws and international treaties and agreements of the Russian Federation;

2) shall contain provisions confirming the existing status of the Kaliningrad Region as an integral part of the Russian Federation.
part of the Russian Federation;

3) may not be regarded as the international treaties and agreements of the Russian Federation;

4) shall be subject to obligatory registration by the Ministry of Foreign Affairs of the Russian Federation, in the procedure established by the President of the Russian Federation;

5) shall enter into force before their registration by the Ministry of Foreign Affairs of the Russian Federation.

**Article 26. The Liquidation of the Special Economic Zone**

The Special Economic Zone may be liquidated on the basis of a federal law adopted at the initiative of the Government of the Russian Federation, in the following cases:

1) the non-fulfilment of the objectives and tasks provided for by the present Federal Law;

2) the inconsistency of the functioning of the Special Economic Zone with the vital interests of the Russian Federation.

In the event of the adoption of a federal law on the liquidation of the Special Economic Zone, the Government of the Russian Federation shall establish a procedure and time-limits for the liquidation of the Special Economic Zone, in observance of the Russian laws, including the laws on the protection of the rights and interests of Russian and foreign entrepreneurs and investors.

The conditions of economic activity established by this Federal Law for the facilities referred to in Article 4 of this Federal Law, and set up in the Special Economic Zone after the entry into existence of this Federal Zone, shall be preserved for three years after the entry into force of the Federal Law on the liquidation of the Special Economic Zone.

**Article 27. The Enforcement of the Present Federal Law**

The present Federal Law shall enter into force on the day of its official publication.


I propose that the President of the Russian Federation and to instruct the Government of the Russian Federation to bring their normative legal acts into conformity with this Federal Law within three months after its entry into force.

President of the Russian Federation                      Boris Yeltsin

Moscow, the Kremlin