

**FEDERAL LAW NO. 151-FZ OF JULY 27, 2006 ON AMENDING
CHAPTER 26 OF PART TWO OF THE TAX CODE OF THE RUSSIAN
FEDERATION AND DECLARING INVALIDATED SOME PROVISIONS
OF LEGISLATIVE ACTS OF THE RUSSIAN FEDERATION**

Adopted by the State Duma on July 8, 2006

Endorsed by the Federation Council on July 14, 2004

Article 1

The following amendments shall be made to Chapter 26 of Part Two of the Tax Code of the Russian Federation (Sobranie Zakonodatelstva Rossiyskoy Federatsii, 2000, No. 32, Article 3340; 2001, No. 33, Article 3429; 2002, No. 1, Article 4; No. 22, Article 2026; 2003, No. 28, Article 2886; 2004, No. 34, Article 3517; 2005, No. 30, Article 3118):

1) in Item 2 of Article 338:

a) in Paragraph One the words "dry, desalinized and stabilized oil," shall be added after the words "except for";

b) in Paragraph Two the words "dry, desalinized and stabilized oil," shall be added after the words "when extracting";

2) in Article 342:

a) in Item 1:

a paragraph with the following contents shall be added to Subitem 1:

"If at maturity of the tax payment on the basis of the results of the first tax period of a regular calendar year a taxpayer has no approved normative standards of losses for the regular calendar year, pending the approval of the said normative standards of losses the normative standards of losses previously approved in the procedure established by Paragraph Two of this Subitem or, in respect of a deposit being mined, the normative standards of losses established by a preliminary design shall apply;"

Subitems 8 and 9 with the following contents shall be added thereto:

8) oil on the subsoil plots located in full or in part within the bounds of the Republic of Sakha (Yakutia), the Irkutsk Region, the Krasnoyarsk Territory up to achieving the total oil production volume of 25 million tons on a subsoil plot and on condition that the time period for mining deposits of the subsoil plot does not exceed 10 years or is equal to 10 years in respect of the licence for subsoil use, aimed at exploration and extraction of minerals, and does not exceed 15 years or is equal to 15 years in respect of the licence for subsoil use concurrently aimed at geological investigations (search and exploration) and extraction of minerals, as of the date of the state registration of the appropriate licence for subsoil use, with the application of the direct method of accounting oil production on specific subsoil plots.

In respect of using the subsoil plots for which the licence is issued prior to January 1, 2007 and whose degree of resources' working out (Sv) as of January 1, 2007 is less than, or is equal to, 0,05, the tax rate of 0

roubles in respect of the quantity of a mineral produced on a specific subsoil plot shall apply pending achievement of the total oil production volume of 25 million tons on the subsoil plots located in full or in part within the bounds of the Republic of Sakha (Yakutia), the Irkutsk Region, the Krasnoyarsk Territory and on condition that the time period for mining deposits on a subsoil plot does not exceed 10 years or is equal to 10 years , starting from January 1, 2007 and using the direct method of accounting the quantity of produced oil on specific subsoil plots.

With this, the degree of mineral resources' working out (Sv) on a specific subsoil plot shall be estimated by a taxpayer independently on the basis of data of the approved state balance sheet of mineral resources for the calendar year, preceding the tax period, in compliance with Item 4 of this Article;

9) superviscous oil produced on the subsoil plots containing oil with the viscosity of over 200 mPa x S (in stratal conditions), using the direct method of accounting the quantity of produced oil on specific subsoil plots.";

b) in Item 2:

Paragraph Thirteen shall be stated in the following wording:

"419 roubles per 1 ton of dry, desalinized and stabilized oil produced. With this, the said tax rate shall be multiplied by the coefficient showing the dynamics of world oil prices (Kts) and by the coefficient showing the degree of working out of a specific subsoil plot (Kv) which shall be determined in compliance with Items 3 and 4 of this Article: 419 x Kts x Kv;"

c) Items 3 and 4 with the following contents shall be added thereto:

3. The coefficient showing the dynamic of world oil prices (Kts) shall be determined by a taxpayer independently on an annual basis by way of multiplying the average level of Urals oil price within the tax period shown in US dollars per barrel (Ts), which is decreased by 9, by the average value of the US dollar exchange rate within the tax period in respect of the rouble of the Russian Federation established by the Central Bank of the Russian Federation (R) and by way of division by 261:

$$Kts = (Ts - 9) \times \frac{R}{261}$$

The average level of Urals oil prices within an expired tax period shall be determined as the sum of simple averages of purchasing and selling prices in world crude oil markets (in the Mediterranean and Rotterdam ones) for all days of sales divided by the number of days of sales in the appropriate tax period. Average levels of Urals crude oil prices in world crude oil markets for an expired month (in the Mediterranean and Rotterdam ones) shall become public through official sources of information at latest on the 15th day of the following month in the procedure

established by the Government of the Russian Federation. In the absence of said information in reports of the official sources of information, the average level of Urals crude oil prices in world crude oil markets within an expired month (in the Mediterranean and Rotterdam ones) shall be determined by a taxpayer independently.

The average value of the exchange rate of the US dollar towards the rouble of the Russian Federation established by the Bank of Russia shall be determined by a taxpayer independently as the simple average of the exchange rate of the US dollar towards the rouble of the Russian Federation established by the Central Bank of the Russian Federation for all days of the appropriate tax period.

The Kts coefficient estimated in the procedure determined by this Item shall be approximated to the 4th character in compliance with the effective approximation procedure.

4. The coefficient showing the degree of resources' working out on a specific subsoil plot (Kv) shall be determined by a taxpayer in the procedure established by this Item.

If the degree of resources' working out on a specific subsoil plot, determined by using the direct method of accounting the quantity of produced oil on a specific subsoil plot, exceeds, or is equal to, 0,8 and is less or equal to 1, the Kv coefficient shall be estimated on the basis of the following formula:

$$Kv = 3,8 - 3,5 \times \frac{N}{V},$$

Where N - is the total oil production volume on a specific subsoil plot (including losses in the production thereof)

according to the data of the state balance sheet of mineral resources within the calendar year preceding the tax period, when the Kv coefficient is applied;

V - is the initial unit oil resources endorsed in the established procedure subject to oil resources' increment

and writing-off (except for writing off resources of produced oil and losses in the production thereof) and

determined as the total of resources pertaining to Categories A, B, C1 and C2 on a specific subsoil plot in compliance with data of the state balance sheet of mineral resources as of January 1, 2006.

Where the degree of resources' working out on a specific subsoil plot, determinable by using the direct method of accounting the quantity of produced oil on a specific subsoil plot, exceeds 1, the Kv coefficient shall be taken as equal to 0,3.

In other cases which are not specified by Paragraphs Two and Six of this Item, the Kv coefficient shall be taken as equal to 1.

The degree of resources' working out on a specific subsoil plot (Sv) shall be estimated by a taxpayer independently on the basis of data from the approved state balance sheet of mineral resources for the calendar year preceding the tax period, when the Kv coefficient is applied, as the quotient of dividing the total oil production volume on a specific subsoil plot (including losses in the production thereof) (N) by the initial unit oil resources (V). With this, the initial unit oil resources endorsed in the established procedure subject to oil resources' increment and writing off (except for writing produced oil resources and losses in the production thereof) shall be determined as the total of resources pertaining to Categories A, B, C1 and C2 in respect of a specific subsoil plot in compliance with data of the state balance sheet of mineral resources as of January 1, 2006.

The federal executive body engaged in keeping in the established procedure the state balance sheet of mineral resources shall send to the tax authorities data of the state balance sheet of mineral resources as of the 1st day of each calendar year, including the following:

denomination of the subsoil user;

requisite elements of the licence for subsoil use;

data on the total oil production volume (including losses in the production thereof) and on the initial unit oil resources (including losses in the production thereof) endorsed in the established procedure subject to all oil resource categories' increment and writing-off (except for writing-off produced oil resources and losses in the production thereof) (V) on a specific subsoil plot. The data shall be submitted after issuing the state balance sheet of mineral resources as of the 1st day of each calendar year but at latest on the 1st day of the next calendar year. The Kv coefficient estimated in the procedure determined by this Item shall be approximated to the 4th character in compliance with the effective approximation procedure.";

3) in Paragraph Two of Item 1 of Article 343 the words "dry, desalinized and stabilized oil," shall be added after the words "The amount of the tax on".

Article 2

The following shall be declared invalidated:

1) Article 5 of Federal Law No. 126-FZ of August 8, 2001 on Making Amendments and Addenda to Part Two of the Tax Code of the Russian Federation and Some Other Legislative Acts of the Russian Federation, as Well as on Declaring Invalidated Some Legislative Acts of the Russian Federation (Sobranie Zakonodatelstva Rossiyskoy Federatsii, 2001, No. 33, Article 3429);

2) Item 1 of Article 4 of Federal Law No. 198-FZ of December 31, 2001 on Making Amendments and Addenda to the Tax Code of the Russian Federation and to Some Other Legislative Acts of the Russian Federation on Taxes and Fees (Sobranie Zakonodatelstva Rossiyskoy Federatsii, 2002, No. 1, Article 4);

3) Item 1 of Article 3 of Federal Law No. 57-FZ of May 29, 2002 on Making Amendments and Addenda to Part Two of the Tax Code of the Russian Federation and to Some Legislative Acts of the Russian Federation (Sobranie Zakonodatelstva Rossiyskoy Federatsii, 2002, No. 22, Article 2026);

4) Article 4 of Federal Law No. 117-FZ of July 7, 2003 on Making Amendments and Addenda to Part Two of the Tax Code of the Russian Federation and to Some Legislative Acts of the Russian Federation, as Well as on Declaring Invalidated Some Legislative Acts (Provisions of Legislative Acts) of the Russian Federation (Sobranie Zakonodatelstva Rossiyskoy Federatsii, 2003, No. 28, Article 2886);

5) Article 2 of Federal Law No. 33-FZ of May 7, 2005 on Amending Article 3 of the Law of the Russian Federation on the Customs Tariff and Article 5 of the Federal Law on Making Amendments and Addenda to Part Two of the Tax Code of the Russian Federation and Some Other Legislative Acts of the Russian Federation, as Well as on Declaring Invalidated Some Legislative Acts of the Russian Federation (Sobranie Zakonodatelstva Rossiyskoy Federatsii, 2004, No. 19, Article 1834);

6) Article 4 of Federal Law No. 102-FZ of August 18, 2004 on Amending Part Two of the Tax Code of the Russian Federation and Some Other Legislative Acts of the Russian Federation (Sobranie Zakonodatelstva Rossiyskoy Federatsii, 2004, No. 34, Article 3517).

Article 3

1. This Federal Law shall enter into force as of January 1, 2007 but at earliest upon the expiry of one month as of the date of its official publication.

2. The provisions of Subitem 1 of Item 1 of Article 342 of Part Two of the Tax Code of the Russian Federation shall extend to the legal relations arising as of January 1, 2006.

President of the Russian Federation

V. Putin

The Kremlin, Moscow

July 27, 2006

No. 151-FZ