

FEDERAL LAW NO. 118-FZ OF AUGUST 5, 2000 ON THE ENTRY INTO FORCE OF PART 2 OF THE TAX CODE OF THE RUSSIAN FEDERATION AND ON THE INTRODUCTION OF AMENDMENTS INTO SOME RUSSIAN FEDERATION LEGISLATIVE ACTS ON TAXES (with the Amendments and Additions of December 27, 2000, March 24, December 15, 30, August 6, 2001, May 29, July 24, December 24, 31, 2002, December 8, 23, 2003, July 29, August 18, December 28, 2004, July 21, 2005, November 3, December 30, 2006)

Adopted by the State Duma on July 19, 2000

Approved by the Federation Council on July 26, 2000

Article 1. Part 2 of the Tax Code of the Russian Federation (Chapter 21 Value-Added Tax, Chapter 22 Excise Duties, Chapter 23 The Tax Levied on the Incomes of Natural Persons, Chapter 24 The Single Social Tax (Contributions), (hereafter - Part 2 of the Code) shall enter into force as of January 1, 2001, apart from those provisions for which the present Federal Law has established different effective introduction dates.

Article 2. The following shall be deemed invalid from the effective date of Part 2 of the Code:

Law of the Russian Federation No. 1992-1 of December 6, 1991 on Value Added Tax (Vedomosti Syezda Narodnykh Deputatov RSFSR i Verkhvnogo Sovieta RSFSR, item 1871, No. 52, 1991), except the following subitems of Item 1 Article 5 which shall become invalid as of January 1, 2002:

Subitem "r" in as much as it concerns the relief from value added tax of the work of building residential houses performed with the use of funds out of the budgets of all level on condition that such funds make up at least 50 per cent of the value of the work;

Subitem "s" in as much as it concerns the relief from value added tax of medicinal drugs, medical-purpose articles and medical equipment;

Subitem "z1" in as much as it concerns the relief from value added tax of the raw materials, materials and equipment imported into the territory of the Russian federation and purchased by folk artisanship enterprises for the purpose of manufacturing folk art articles and also Paragraphs 3 and 6 of the said subitem;

Subitem "z2";

Subitem "z5" in as much as it concerns the relief from value added tax of the works and services of restoring and preserving the monuments of history and culture protected by the state;

Federal Law on Excise Taxes (in the wording of Federal Law No. 23-FZ of March 7, 1996) (Vedomosti Syezda Narodnykh Deputatov RSFSR i Verkhvnogo Sovieta RSFSR, item 1872, No. 52, 1991; Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 1016, No. 11, 1996);

Resolution of the Supreme Soviet of the RSFSR No. 1994-1 of December 6, 1991 on the Procedure for Putting Into Force the Laws of the Russian Federation on Value Added Tax and on Excise Taxes;

Law of the Russian Federation No. 1998-1 of December 7, 1991 on the Income Tax on Natural Persons (Vedomosti Syezda Narodnykh Deputatov RSFSR i Verkhvnogo Sovieta RSFSR, item 591, No. 12, 1992), except Part 3 Article 12 in as much as it concerns the sale of securities which shall become invalid as of January 1, 2002;

Item 1 of Resolution of the Supreme Soviet of the Russian Federation No. 2122-1 of December 27, 1991 "The Issues of the Pension Fund of the Russian Federation (Russia) (Vedomosti Syezda Narodnykh Deputatov RSFSR i Verkhvnogo Sovieta RSFSR, item 180, No. 5, 1992) in as much as it concerns the endorsement of the Procedure for Employers and Citizens Paying Insurance Premiums to the Pension Fund of the Russian Federation (Russia);

Law of the Russian Federation No. 2813-I of May 22, 1992 on Amending the Law of the RSFSR on Value Added Tax (Vedomosti Syezda Narodnykh Deputatov RSFSR i Verkhvnogo Sovieta RSFSR, item 1229, No. 23, 1992);

Items 2 - 4 Article 1 of Law of the Russian Federation No. 3317-I of July 16, 1992 on Amending the Tax System of Russia (Vedomosti Syezda Narodnykh Deputatov RSFSR i Verkhvnogo Sovieta RSFSR, item 1976, No. 34, 1992);

Items 1 - 3 Article 1 of Law of the Russian Federation No. 4178-1 of December 22, 1992 on Amending Specific Law of the Russian Federation on Taxes (Vedomosti Syezda Narodnykh Deputatov RSFSR i Verkhvnogo Sovieta RSFSR, item 118, No. 4, 1993);

Article 1 of Law of the Russian Federation No. 4229-1 of December 25, 1992 on Amending the Laws of the Russian Federation on Excise Taxes and on the Sub-Soil in Connection with the Streamlining of the Tax Legislation of Russia (Vedomosti Syezda Narodnykh Deputatov RSFSR i Verkhvnogo Sovieta RSFSR, item 74, No. 2, 1993);

Resolution of the Supreme Soviet of the Russian Federation No. 44601 of February 11, 1993 on Amending the Procedure for Employers and Citizens Paying Insurance Premiums to the Pension Fund of the Russian Federation (Russia) (Vedomosti Syezda Narodnykh Deputatov RSFSR i Verkhvnogo Sovieta RSFSR, item 293, No. 8, 1993);

Paragraph 4 Item 3 of Resolution of the Supreme Soviet of the Russian Federation No. 4543-1 of February 24, 1993 on the Procedure for Financing the Obligatory Medical Insurance of Citizens for the Year 1993 (Vedomosti Syezda Narodnykh Deputatov RSFSR i Verkhvnogo Sovieta RSFSR, item 591, No. 17, 1993) in as much as it concerns the insurance premium payment procedure for employers, enterprises, institutions, organisations and other economic agents to the Federal Fund of Obligatory Medical Insurance and the Territorial Funds of Obligatory Medical

Insurance and also Subitems 8, 10 Item 3, Paragraph 17 Item 5 of the regulations on the Territorial Fund of Obligatory Medical Insurance endorsed by the said decision, in as much as it concerns the payers of insurance premiums being employers, enterprises, institutions, organisations and other economic agents;

Law of the Russian Federation No. 4554-I of February 25, 1993 on Amending Law of the Russian Federation on Value Added Tax (Vedomosti Syezda Narodnykh Deputatov RSFSR i Verkhvnogo Sovieta RSFSR, item 387, No. 11, 1993);

Items 5 and 6 Article 1 of Law of the Russian Federation No. 4618-I of March 6, 1993 on Amending the Laws of RSFSR on State Pensions in the RSFSR, on the Tax on the Property Transferred as Inheritance or Donation, the Laws of the Russian Federation on the State Duty, on the Tax on the Property of Enterprises, on Value Added Tax, on the Income Tax on Natural Persons (Vedomosti Syezda Narodnykh Deputatov RSFSR i Verkhvnogo Sovieta RSFSR, item 486, No. 14, 1993);

Article 11 (1) of Law of the Russian Federation No. 4730-I of April 1, 1993 on the State Border of the Russian Federation (Vedomosti Syezda Narodnykh Deputatov RSFSR i Verkhvnogo Sovieta RSFSR, item 594, No. 17, 1993);

Resolution of the Supreme Soviet of the Russian Federation No. 5132-1 of June 8, 1993 on Endorsing the regulations on the State Fund for Employment of the Population of the Russian federation (Vedomosti Syezda Narodnykh Deputatov RSFSR i Verkhvnogo Sovieta RSFSR, item 911, No. 25, 1993);

Law of the Russian Federation No. 5604-1 of August 6, 1993 on Amending the Law of the Russian Federation on Excise Taxes (Vedomosti Syezda Narodnykh Deputatov RSFSR i Verkhvnogo Sovieta RSFSR, item 1415, No. 35, 1993);

Item 1 Article 1 of Federal Law No. 29-FZ of October 27, 1994 on Amending Specific Laws of the Russian Federation on Taxes and on the Peculiarities of the Procedure for Effecting Deductions for the Benefit of Specific State Non-Budget Funds (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 2823, No. 27, 1994);

Items 2 and 5 Article 1 of Federal Law No. 37-FZ of November 11, 1994 on Amending Specific Laws of the Russian Federation on Taxes and on the Institution of Privileges Relating to Compulsory Payments to the State Non-Budget Funds (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 3010, No. 29, 1994);

Federal Law No. 57-FZ of December 6, 1994 on Amending the Law of the Russian Federation on Value Added Tax (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 3407, No. 33, 1994);

Federal Law No. 74-FZ of December 23, 1994 on Amending the Law of the Russian Federation on the Income Tax on Natural Persons

(Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 3654, No. 35, 1994);

Item 4 Article 1 of Federal Law No. 10-FZ of January 27, 1995 on Amending Specific Legislative Acts of the Russian Federation in Connection with the Enactment of the Law of the Russian Federation on the Status of Military Servicemen (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 346, No. 5, 1995);

Federal Law No. 63-FZ of April 25, 1995 on Amending the Law of the Russian Federation on Value Added Tax (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 1591, No. 18, 1995);

Item 1 Article 1 of Federal Law No. 95-FZ of June 26, 1995 on Amending the Laws of the Russian Federation on the Income Tax on Natural Persons and on the Tax on the Profit of Enterprises and Organisations (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 2403, No. 26, 1995);

Federal Law No. 125-FZ of August 4, 1995 on Amending Article 9 of the Law of the Russian Federation on the Income Tax on Natural Persons (Sobranie Zakonodatelstva Rossiiskoy Federatsii, No. 3201, No. 32, 1995);

Article 2 of Federal Law No. 128-FZ of August 7, 1995 on Amending the Laws of the Russian Federation on Customs Tariff and on Value Added Tax in connection with the implementation of housing and social construction programs for Russian military servicemen (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 3204, No. 32, 1995);

Item 3 Article 38 of Federal Law No. 151-FZ of August 22, 1995 on Emergency Rescue Services and the Status of Rescue Personnel (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 3503, No. 35, 1995);

Article 1 of Federal Law No. 188-FZ of November 30, 1995 on Amending Specific Laws of the Russian Federation on Taxes (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 4695, No. 49, 1995);

Items 2 and 6 Article 1 of Federal Law No. 211-FZ of December 27, 1995 on Amending Specific Legislative Acts of the Russian Federation in Connection with the Enactment of the Federal Law on Fire Safety (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 4, No. 1, 1996);

Federal Law No. 22-FZ of March 5, 1996 on Amending Article 6 of the Law of the Russian Federation on the Income Tax on Natural Persons (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 1015, No. 11, 1996);

Federal Law No. 23-FZ of March 7, 1996 on Amending the Law of the Russian Federation on Excise Taxes (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 1016, No. 11, 1996);

Federal Law No. 25-FZ of April 1, 1996 on Amending the Law of the Russian Federation on Value Added Tax (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 1399, No. 14, 1996);

Federal Law No. 45-FZ of May 22, 1996 on Amending the Law of the Russian Federation on Value Added Tax (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 2582, No. 22, 1996);

Federal Law No. 83-FZ of June 21, 1996 on Amending the Law of the Russian Federation on the Income Tax on Natural Persons (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 3035, No. 26, 1996);

Federal Law No. 14-FZ of January 10, 1997 on Amending the Law of the Russian Federation on the Income Tax on Natural Persons (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 355, No. 3, 1997);

Federal Law No. 12-FZ of January 10, 1997 on Amending the Federal Law on Excise Taxes (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 356, No. 3, 1997);

Article 15 of Federal Law No. 31-FZ of February 26, 1997 on Mobilisation Preparation and Mobilisation in the Russian Federation (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 1014, No. 9, 1997);

Federal Law No. 54-FZ of March 17, 1997 on Amending Article 5 of the Law of the Russian Federation on Value Added Tax (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 1377, No. 12, 1997);

Federal Law No. 73-FZ of April 28, 1997 on Amending the Law of the Russian Federation on Value Added Tax (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 2102, No. 18, 1997);

Article 2 of Federal Law No. 77-FZ of May 5, 1997 on Amending the Regulations on the Pension Fund of the Russian Federation (Russia), the Procedure for Employers and Citizens Paying Insurance Premiums to the Pension Fund of the Russian Federation (Russia) and in the Law of the Russian Federation on State Pensions in the Russian Federation (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 2188, No. 19, 1997);

Federal Law No. 94-FZ of June 28, 1997 on Amending the Law of the Russian Federation on the Income Tax on Natural Persons (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 2955, No. 26, 1997);

Federal Law No. 159-FZ of December 31, 1997 on Amending the Law of the Russian Federation on the Income Tax on Natural Persons (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 6, No. 1, 1998);

Federal Law No. 29-FZ of February 15, 1998 on Amending the Federal Law on Excise Taxes (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 800, No. 7, 1998);

Article 8 of Federal Law No. 117-FZ of July 21, 1998 on Amending Legislative Acts of the Russian Federation in Connection with the Reform of Criminal Penitentiary System (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 3613, No. 30, 1998);

Federal Law No. 118-FZ of July 23, 1998 on Amending the Federal Law on Excise Taxes (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 3614, No. 30, 1998);

Part 1 Article 3, Article 4, 5 and Part 4 Article 9 of Federal Law No. 147-FZ of July 31, 1998 on the Entry into Force of Part 1 of the Tax Code

of the Russian Federation (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 3825, No. 31, 1998);

Federal Law No. 153-FZ of July 31, 1998 on Amending Article 111 of the Law of the Russian Federation on the State Border of the Russian Federation (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 3831, No. 31, 1998);

Article 12 of Federal Law No. 192-FZ of December 29, 1998 on the Top Priority Measures in the Field of Budget and Taxation Policies (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 1, No. 1, 1999);

Article 1 of Federal Law No. 10-FZ of January 6, 1999 on Amending Specific Laws of the Russian Federation on Taxes (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 237, No. 2, 1999);

Federal Law No. 23-FZ of February 9, 1999 on Amending the Law of the Russian Federation on the Income Tax on Natural Persons (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 870, No. 7, 1999);

Articles 9 and 11 of Federal Law No. 32-FZ of February 10, 1999 on Amending Legislative Acts of the Russian Federation in Line with the Federal Law on Production Sharing Contracts (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 879, No. 7, 1999);

Item 2 Article 1 of Federal Law No. 64-FZ of March 31, 1999 on Amending Specific Legislative Acts of the Russian Federation on Taxes (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 1662, No. 14, 1999);

Federal Law No. 65-FZ of March 31, 1999 on Amending the Law of the Russian Federation on the Income Tax on Natural Persons (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 1663, No. 14, 1999);

Items 2, 4 and Subitem 3 Item 5 Article 2 of Federal law No. 95-FZ of May 4, 1999 on the Free Aid (Assistance) to the Russian Federation and on Amending Specific Legislative Acts of the Russian Federation on Taxes and on the Institution of Privileges Relating to Payments to the State Non-Budget Funds in Connection with the Provision of Free Aid (Assistance) to the Russian Federation (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 2221, No. 18, 1999);

Federal Law No. 141-FZ of July 8, 1999 on the Tax on Specific Types of Vehicles (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 3474, No. 28, 1999);

Item 1 and Paragraph 3 Item 4 Article 1 of Federal Law No. 155-FZ of July 9, 1999 on Amending the Federal Law on the Entry into Force of Part 1 of the Tax Code of the Russian Federation (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 3488, No. 28, 1999);

Federal Law No. 207-FZ of November 25, 1999 on Amending the Law of the Russian Federation on the Income Tax on Natural Persons (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 5903, No. 49, 1999);

Federal Law No. 2-FZ of January 2, 2000 on Amending the Federal Law on Excise Taxes (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 123, No. 2, 2000);

Article 2 of Federal Law No. 19-FZ of January 2, 2000 on Amending Article 44 of the Federal Law on the Prosecutor's Office of the Russian Federation and Article 3 of the Law of the Russian Federation on the Income Tax on natural Persons (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 140, No. 2, 2000);

Federal Law No. 36-FZ of January 2, 2000 on Amending the Law of the Russian Federation on Value Added Tax (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 157, No. 2, 2000);

Federal Law No. 38-FZ January 2, 2000 on Amending the Procedure for Employers and Citizens Paying Insurance Premiums to the Pension Fund of the Russian Federation (Russia) (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 159, No. 2, 2000).

Article 3. Subitem 15 of Item 2 of Article 149 of Part 2 of the Code as regards the exemption from taxation of repairs and rehabilitation works performed on historical and cultural monuments and also Paragraphs 2, 3 and 4 of Subitem 1 of Item 2 of Article 149 of Part 2 of the Code shall come into force as of January 1, 2002.

Article 4. *Federal Law No. 122-FZ of August 22, 2004 abolished this Article from January 1, 2005*

Article 5. Excluded.

Article 6. The following amendment shall be made to Federal Law No. 147-FZ of July 31, 1998 on the Entry into Force of Part 1 of the Tax Code of the Russian Federation (Sobranie Zakonodatelstva Rossiskoy Federatsii No. 31, Item 3825, 1998; No. 28, Item 3488, 1999):

1. Article 6 shall be set forth as follows:

Article 6. Until the entry into force of relevant chapters of Part 2 of the Code which provide for the taxation of time deal financial instruments and securities the provisions of Items 3 and 10 Article 40 of Part 1 of the Code shall not be applicable to determine the market prices of time deal financial instruments and securities.

Article 7. Abolished from January 1, 2005.

Article 8. Abolished.

Article 8(1). In Paragraph 3 Part 2 Article 44 of Law of the Russian Federation No. 4730-I of April 1, 1993 on the State Border of the Russian Federation (Vedomosti Syezda Narodnykh Deputatov RSFSR i Verkhvnogo Sovieta RSFSR, item 594, No. 17, 1993; Sobranie

Zakonodatelstva Rossiskoy Federatsii item 5610, No. 50, 1996) the words "the fee for border-guard service control formalities and" shall be deleted.

Article 8(2). In Part 5 Article 2 of Federal Law No. 6-FZ of January 10, 1996 on Additional Social Protection Guarantees for Judges and the Russian Federation Court Staff Employees (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 144, No. 3, 1996) the words "and shall not be subject to taxation" shall be deleted.

Article 8(3). In Article 41 and Item 1 Article 42 of Part 1 of the Tax Code of the Russian Federation (Sobranie Zakonodatelstva Rossiiskoy Federatsii, item 3824, No. 31, 1998) the words "The income tax on natural persons" shall be replaced with the words "The tax on the incomes of natural persons.

Article 9. As of January 1, 2001 the tax authorities of the Russian Federation shall control the correctness of the calculation, completeness and timeliness of making contributions to state social extra-budgetary funds (the Pension Fund of the Russian Federation, the Social Insurance Fund of the Russian Federation and the obligatory medical insurance funds) paid as a part of the uniform social tax (contribution).

The procedure for expending the funds paid (transferred) to the aforesaid funds, and also other conditions connected to the use of these funds shall be established by the legislation of the Russian Federation on obligatory social insurance.

As regards taxpayers of the uniform social tax (contribution), the tax authorities shall carry out all those tax control measures stipulated by the Tax Code of the Russian Federation, shall collect the arrears, fines and penalties on payments to state social extra-budgetary funds, conduct offset (return) of overpaid amounts of the uniform social tax (contribution) in the order established by the Tax Code of the Russian Federation.

Amounts of arrears, fines and penalties on premiums to state social extra-budgetary funds (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 the obligatory medical insurance funds) accumulated by January 1, 2001, shall be collected by the tax authorities of the Russian Federation in the order established by the Tax Code of the Russian Federation.

Amounts of arrears, fines and penalties collected after January 1, 2001 on premiums to state social extra-budgetary funds shall be directed to the budgets of the Pension Fund of the Russian Federation, the Social Insurance Fund of the Russian Federation, and the obligatory medical insurance funds, while those due on premiums to the State Fund for Employment of the Population of the Russian Federation shall be transferred to the federal budget.

Insurance premium overpayments to state social extra-budgetary funds as of January 1, 2001 are subject to offset towards payment of the uniform social tax (contribution) or repayment in the order established by the Tax Code of the Russian Federation.

1. Article 9.1 having the following contents shall be added thereto:

Article 9.1. There shall be established that after the entry into force of the Federal Law on the Solicitor's Barrister's Activity and the Bar in the Russian Federation pending the bringing of their organizational-and-legal forms into accord with the requirements of said Federal Law the bars and other advocacy formations operating as on the moment of putting into effect the Federal Law on the Solicitor's/Barrister's Activity and the Bar in the Russian Federation shall exercise the functions of tax agents provided for by Articles 226 and 244 of the Tax Code of the Russian Federation.

Article 9.2. It is hereby established that the transfer of the property (in particular, rights in rem) of colleges of solicitors/barristers and other solicitors'/barristers' entities distributed among solicitors/barristers at the re-organisation of colleges of solicitors/barristers and other solicitors'/barristers' entities in compliance with the provisions of Federal Law No. 63-FZ of May 31, 2002 on the Activity of Solicitor/Barrister and the Bar in the Russian Federation shall not be deemed a sale and it shall not be subject to the value added tax.

Article 9.3. It is hereby established that the value of the property (in particular, rights in rem) of colleges of solicitors/barristers and other solicitors'/barristers' entities distributed among solicitors/barristers at the re-organisation of colleges of solicitors/barristers and other solicitors'/barristers' entities in the course of bringing their organisational legal forms in line with the provisions of Federal Law No. 63-FZ of May 31, 2002 on the Activity of Solicitor/Barrister and the Bar in the Russian Federation shall not be included in tax base when the amount of personal income tax is calculated, on the condition that during six months after the receipt of the said property (in particular, rights in rem) it is not transferred by the taxpayer to a newly formed college of solicitors/barristers or a solicitors'/barristers' bureau.

Article 10. Arrears (a debt relating to payment of taxes and 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 the funds of obligatory medical insurance) accruing as of January 1, 2001 and the penalties relating thereto shall be calculated and paid in accordance with the procedure effective prior to the entry into force of Part 2 of the Tax Code of the Russian Federation, and in as much as a debt accruing after January 1, 2001 is concerned a penalty shall be calculated and paid in accordance with the procedure established by the Tax Code of the Russian Federation.

Arrears, fines and penalties accruing as of January 1, 2001 under the sales tax on fuel and lubricants shall be remitted to the federal budget.

Arrears, fines and penalties accruing as of January 1, 2001 under the tax levied on users of highways shall be remitted to the budgets of the subjects of the Russian Federation.

Arrears, fines and penalties accruing as of January 1, 2001 under payments to the State Fund for Employment of the Population of the Russian Federation shall be paid to the federal budget.

Article 11. Contributions for obligatory social insurance against industrial accidents and occupational diseases are not included in the composition of the uniform social tax (contribution) and shall be paid according to federal laws on this type of social insurance.

Article 12. Pending modification of the Federal Law on the Budgetary Classifications of the Russian Federation the government of the Russian Federation shall have the right to assign some budgetary classification codes of the Russian Federation to the uniform social tax (contribution) in the part calculated and paid respectively to the Pension Fund of the Russian Federation, the Social Insurance Fund of the Russian Federation, the Federal Medical Insurance Fund and territorial medical insurance funds.

Article 13. Abolished from January 1, 2005.

Article 14. A zero rate of excise duty shall be retained up to January 1, 2002 on natural gas extracted on the territory of the Russian Federation, by organizations for which at the effective date of the present Federal Law the Government of the Russian Federation had established a zero rate of excise duties, and sold by these organizations on the territory of the Russian Federation and the Republic of Byelorussia.

Article 15. Excluded.

Article 16. Subitems 17 and 21 of Item 3 of Article 149 of Part 2 of the Code shall become void as of January 1, 2002.

Article 17. Up to January 1, 2002 a rate of 5 per cent shall be used in Article 241 of Part 2 of the Code when calculating the tax base for each individual worker from the sum single social tax (contribution) payable to the Pension Fund of the Russian Federation which exceeds 600,000 roubles.

Article 18. Paragraph three of Item 5 of Article 213 of Part 2 of the Code in the part concerning limitations on insurance (pension) premiums paid for natural persons by organizations and/or other employers when employers conclude voluntary pension insurance contracts (contracts on voluntary non-state pension insurance) shall enter into force as of January 1, 2002. Up to January 1, 2002 amounts of insurance (pension) premiums in the part exceeding 10,000 roubles annually per one worker shall be

taken into account when calculating the tax base for the tax levied on the incomes of natural persons.

Item 2 Article 220 of Part 2 of the Code, in as much as it concerns the provision of a securities sale deductible shall be put into force as of January 1, 2002.

Subitem 2 Item 1 Article 182, Paragraphs 2 - 7 Item 2 Article 193, Item 4 Article 195, Articles 196 and 197, Item 6 Article 200, in as much as it concerns the deduction of the advance payment amounts paid at the purchase of special regional stamps, Paragraphs 2 - 4 Item 3 Article 204 and also Item 5 Article 204, in as much as it concerns the payment of excise tax on alcohol products sold from excise warehouses, of Part 2 of the Code shall be put into force as of June 1, 2001.

Article 19. Non-employed population's obligatory medical insurance premiums shall be paid by the executive bodies of Russian regions and local government bodies under the Regulations on the Procedure for the Payment of Insurance Premiums to the Federal Fund of Obligatory Medical Insurance and the Territorial Funds of Obligatory Medical Insurance endorsed by Resolution of the Supreme Soviet of the Russian Federation No. 4543-1 of February 24, 1993 on the Procedure for Financing the Obligatory Medical Insurance of Citizens for the Year 1993.

A debt owing as the non-employed population's obligatory medical insurance premiums shall be paid by the payers in accordance with the procedure effective before the entry into force of Part 2 of the Code.

The Government of the Russian Federation shall determine the procedure and terms for restructuring the debt of the non-employed payers of obligatory medical insurance premium, in particular, writing off the penalties that had been accrued in respect of such payers as of January 1, 2001.

Article 20. The Government of the Russian Federation shall define the procedure and terms for restructuring the debts owed by organisations as of January 1, 2001 as insurance contributions to state social non-budget funds and also as penalties and fines accrued on the debts according to tax bodies' records as of the date of the decision on the restructuring.

Indebtedness on the insurance premiums to state social off-budget funds recorded with organisations as on January 1, 2001, the charged penalties and fines whose exaction has turned out impossible due to reasons of economic, social or legal character, shall be declared uncollectible and shall be written off in the procedure established by the Government of the Russian Federation.

Article 21. Deferments (instalment plans) for the payment of contributions which had been granted by the Pension Fund of the Russian Federation prior to the entry into force of Part 2 of the Code, the Social Insurance Fund of the Russian Federation, the State Fund for Employment of the Population of the Russian Federation and the obligatory medical

insurance funds, and also decisions to restructure the arrears under contributions and accrued fines to the listed state social extra-budgetary funds which had been taken prior to the entry into force of Part 2 of the Code shall be applied according to the conditions on which they were granted.

As of January 1, 2001 if a taxpayer (a payer of duties) breaches the conditions used as the basis to grant the deferment (instalment plan) on payment of the premium payments to state social extra-budgetary funds, or tax payment conditions, within 5 days from the date of receipt of a relevant proposal from a tax body the bodies of the state extra-budgetary funds on the basis of a representation of the tax authorities shall decide whether to cancel the decision to grant the deferment (instalment plan). The arrears shall be collected by tax authorities in the order established by the Tax Code of the Russian Federation.

Article 22. When drafting the 2001 federal budget the government of the Russian Federation shall allocate an amount equal to the revenues from excise duties on the sale of diesel fuel, oil for diesel and/or carburettor (fuel injection) engines, petrol with octane rating up to 80 inclusive, and petrol with other octane ratings, and also the amount generated from enforcement of the still effective Law of the Russian Federation on Road Funds in the Russian Federation, for funding federal and regional road construction programs in the order and amounts established by the present Federal Law in the amount of 130 billion roubles, including to finance road facilities of constituent entities of the Russian Federation in an amount not less than 105 billion roubles.

The federal budget shall approve the allocation of the federal portion of resources earmarked for road construction as well as the volume of resources per each region.

When preparing the draft 2001 federal budget the Russian Federation government shall make a provision for a system of measures designed to ensure that the agricultural complex is fully reimbursed for its additional tax expenditure in connection with the entry into force of Chapter 22 Excise Duties of Part 2 of the Code.

Article 23. It shall be established that up to January 1, 2002 the order stipulated by Item 2 of Article 195 of Part 2 of the Code concerning other excisable goods shall be applied as regards the date of sale of petrol with octane rating up to 80 inclusive and diesel fuel, while excise duties levied on petrol and diesel fuel will be paid within the times stipulated by Item 2 of Article 204 of Part 2 of the Code.

Article 24. Item 1 of Article 193 of Part 2 of the Code concerning tobacco raw material, tobacco waste, other industrially made tobacco and

industrial substitutes of tobacco used as raw material to manufacture tobacco products shall come into effect as of January 1, 2002.

Article 25. If a taxpayer deposits advance payments or funds as security for customs payments such funds shall be placed solely into Federal Treasury accounts.

Article 26. It is hereby established that until January 1, 2002 the following shall be relieved from the value added tax: transactions of sale (in particular, of transfer, performance, provision for one's own purposes) of goods (except for excisable goods, mineral raw materials and mineral resources and also other goods included in the list approved by the Government of the Russian Federation on the proposal of all-Russia public organisations of disabled persons), works, services (except for brokerage and other mediation services) provided and sold by organisations if the mean list numbers of disabled persons among its employees makes up at least 50 per cent and their share of the payroll fund at least 25 per cent.

Article 26.1. To establish that from January 1, 2007 but not earlier than from the first day of the next tax period for value-added tax till December 31, 2008 inclusive there shall not be subject to taxation (there shall be exempt from taxation) with value-added tax the importation into the customs territory of the Russian Federation of pedigree horned cattle, pedigree pigs, sheep and goats, semen and embryos of the said pedigree animals, pedigree horses and pedigree ova carried out by agricultural commodity producers meeting the criteria stipulated by Item 2 of Article 346.2 of Part Two of the Tax Code of the Russian Federation and by Russian organisations engaged in leasing activity with their subsequent delivery to agricultural commodity producers meeting the criteria stipulated by Item 2 of Article 346.2 of Part Two of the Tax Code of the Russian Federation by the list of commodity codes in accordance with the Commodity Classification of Foreign Economic Activity of the Russian Federation determined by the Government of the Russian Federation.

Article 26.2. The property tax deduction, granted in conformity with the twenty third paragraph of Item 3 of Article 214.1 of Part Two of the Tax Code of the Russian Federation, shall be granted to the tax payer at the computation and payment of the tax into the budget at the source of the payment out of an income (at the broker, the trusted manager or the management company, carrying out the trusted management of the property comprising the share investment fund, or at another person, making transactions under a contract of commission or under another similar contract in the tax payer's favour), or after the end of the tax period at submitting the tax declaration to the tax body.

If the computation and payment of the tax are made by the source of the payment out of an income (by the broker, the trusted manager or the management company, carrying out the trusted management of the property comprising the share investment fund, or by another person,

making transactions under a contract of commission or under another similar contract in the tax payer's favour) in the tax period, the property tax deduction shall be granted by the source of the payment out of an income, with the possibility of the subsequent recalculation after the end of the tax period at submitting the tax declaration to the tax body.

If there are several sources of the payment out of an income, the property tax deduction shall be granted only at one source of the payment out of an income at the tax payer's choice.

The specifics in determining the tax base, in the computation and payment of the tax on incomes in transactions with securities and in those with financial instruments of futures deals, whose basic asset are securities, are established in Article 214.1 of Part Two of the Tax Code of the Russian Federation.

Article 27. Subitem 10 of Item 2 of Article 149 of Part 2 of the Code shall enter into force as of January 1, 2004. Up to January 1, 2004 no value-added tax shall be levied on letting out living quarters in the housing stock of all forms of ownership, services in the technical and sanitary maintenance of residential cooperative houses, and also services in granting of housing in hostels (except for the use of housing as hotels and granting on hire basis) on the territory of the Russian Federation.

Article 28. Until the entry into force of relevant chapters of Part 2 of the Code the references to the provisions of Part 2 of the Code in Subitem 2 Item 1 Article 146, Subitem 1 Item 1 and Item 2 Article 160, Items 1, 2, 4 and 5 Article 170, Item 7 Article 171, Item 2 Article 191, Item 1 Article 199, Item 2 Article 214, Items 9 and 10 Article 217, Item 1 Article 221, Item 4 Article 236 shall qualify as references to effective federal laws on specific taxes and fees.

Article 29. Federal laws and other normative legal acts effective on the territory of the Russian Federation and which were not included in the list of laws that became invalid according to Article 2 of the present Federal Law, shall be effective in so far as they do not contradict Part 2 of the Code and the present Federal Law, and shall be brought into conformity with Part 2 of the Code.

Article 30. Penalties established by legislation on specific types of obligatory social insurance, which was in effect prior to the entry into force of Part 2 of the Code, for offences committed prior to the entry into force of Part 2 of the Code, shall not be collected after its entry into force if no liability for similar offences was established by Part 1 of the Tax Code of the Russian Federation.

If Part 1 of the Tax Code of the Russian Federation carries a lesser penalty for a tax offence than was established by laws on specific types of obligatory social insurance which were in effect up to the entry into force of

Part 2 of the Code, the liability established by Part 1 of the Tax Code of the Russian Federation shall be applied.

Penalties for non-compliance with the legislation on specific types of obligatory social insurance, decisions on whose collection were made but which have not been collected prior to the entry into force of Part 2 of the Code, after its enactment can be collected only in that part not exceeding the maximum amount of tax related penalties laid down by Part 1 of the Tax Code of the Russian Federation for similar offences.

Article 31. Except as otherwise provided in the present article, Part 2 of the Code shall apply to legal relations governed by the tax and duties legislation which have arisen after its entry into force.

As regards legal relations which had arisen prior to the entry into force of Part 2 of the Code, Part 2 of the Code shall be applied to those rights and responsibilities which arise after its entry into force.

The amounts of value added tax specified in Paragraph 1 Item 6 Article 171 of Part 2 of the Code are deductible after the major construction projects completed or construction in process respectively are recorded on the books, only in as much as it concerns the part of tax amount corresponding to the works completed after December 31, 2000, with due regard to the provisions of Article 172 of Part 2 of the Code.

Article 32. By January 1 2001 the government of the Russian Federation shall establish:

the order of payment of tax levied on goods moved across the customs border of the Russian Federation without the customs control and customs clearance stipulated by Item 3 of Article 152 of Part 2 of the Code;

the order of confirmation of the right to receive reimbursement under taxation at 0 per cent levied on goods moved across the customs border of the Russian Federation without customs control and customs clearance stipulated by Item 11 of Article 165 of Part 2 of the Code.

Article 32(1). Abolished from January 1, 2005.

Article 32(2). Should it be impossible to collect the amounts of tax sanctions for a breach of the taxes and fees legislation of the Russian Federation which were collected in enforceable manner before the entry into force of the Tax Code of the Russian Federation and in respect of which the decision had been issued by a tax body before January 1, 1999, the said amounts shall be subject to the rules applicable to arrears in compliance with Item 1 Article 59 of Part 1 of the Tax Code of the Russian Federation.

Article 33. The President of the Russian Federation shall be recommended and the Government of the Russian Federation shall be requested to bring their regulatory legal acts into conformity with Part 2 of the Code and the present Federal Law.

Article 34. The present Federal Law shall become effective as of January 1, 2001 but not before the expiry of one month from the date of its official publication.

President of
the Russian Federation

V.Putin

Moscow, the Kremlin