

ORDER OF THE MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE OF THE RUSSIAN FEDERATION, THE MINISTRY OF INDUSTRY AND ENERGY OF THE RUSSIAN FEDERATION AND THE MINISTRY OF FINANCE OF THE RUSSIAN FEDERATION NO. 73/81/58N OF APRIL 15, 2005 ON THE APPROVAL OF THE PROCEDURE DETERMINING THE NOTION "INDUSTRIAL ASSEMBLY" AND ESTABLISHING THE APPLICATION OF THE NOTION IN THE IMPORTATION INTO THE TERRITORY OF THE RUSSIAN FEDERATION OF MOTOR COMPONENTS FOR THE MANUFACTURE OF MOTOR TRANSPORT VEHICLES OF HEADINGS 8701-8705 OF THE CC FEA AND THEIR UNITS AND SETS (with the Amendments and Additions of August 18, October 5, 2006, September 11, 2007)

For the purpose of the realisation of Decision of the Government of the Russian Federation No. 166 of March 29, 2005 on Amending the Customs Tariff of the Russian Federation with Respect to Motor Components Imported for Industrial Assembly, we hereby order the following:

To approve the Order of the Ministry of Economic Development and Trade of the Russian Federation, the Ministry of Industry and Energy of the Russian Federation and the Ministry of Finance of the Russian Federation No. 73/81/58n of April 15, 2005.

Minister of Economic Development and Trade of the Russian Federation

G.O. Gref

Minister of Industry and Energy of the Russian Federation

V.B. Khristenko

Minister of Finance of the Russian Federation

A.L. Kudrin

Registered with the Ministry of Justice of the Russian Federation on April 25, 2005
Registration No. 6543

Procedure Determining the Notion "Industrial Assembly" and Establishing the Application of the Notion in the Importation into the Territory of the Russian Federation of Motor Components for the Manufacture of Motor Transport Vehicles of Headings 8701-8705 of the CC FEA and Their Units and Sets (approved by Order of the Ministry of Economic Development and Trade of the Russian Federation, the Ministry of Industry and Energy of the Russian Federation and the Ministry of Finance of the Russian Federation No. 73/81/58n of April 15, 2005) (with the Amendments and Additions of August 18, October 5, 2006, September 11, 2007)

This Procedure has been elaborated in execution of Item 2 of Decision of the Government of the Russian Federation No. 166 of March 29, 2005 on Amending the Customs Tariff of the Russian Federation with Respect to Motor Components Imported "for Industrial Assembly" (Rossiyskaya Gazeta No. 68 of April 5, 2005).

The Procedure defines the notion "Industrial assembly" of motor transport vehicles and their units and sets and establishes the conditions for the application of said notion in the importation into the territory of the Russian Federation of motor components and parts thereof classified by the codes of the CC FEA of Russia whose name it "for industrial assembly".

The notion "industrial assembly" of units and sets of motor transport vehicles and the conditions for its application are determined according to the Annex to this Procedure.

I. The Notion "Industrial Assembly" of Motor Transport Vehicles of Headings 8701-8705 of the CC FEA of Russia

By "industrial assembly" of motor transport vehicles shall be understood a system of serial production on the basis of technological processes* ensuring the design productive capacities of an enterprise of at least 25 thousand pieces per year in a two-shift regime of work, including:

- the welding, colouring and assembly of the body;
- the mounting of the equipment of the cabin;
- the mounting of the power-generating set, the steering gear, the front and back suspension, and the exhaust system;
- the mounting of the electrical equipment and the elements of the suspension;
- the mounting of the elements of the exterior;
- the obligatory conduct of check tests of finished motor transport vehicles.

II. Conditions for the Application of the Notion "Industrial Assembly" of Motor Transport Vehicles of Headings 8701-8705 of the CC FEA of Russia in the Importation of Motor Components

2.1. The importation of motor components into the territory of the Russian Federation classified by codes of the CC FEA of Russia "for industrial assembly" of motor transport vehicles shall be carried out on the basis of an agreement concluded between the Ministry of Economic Development and Trade of the Russian Federation and a Russian Juridical person (hereinafter, the Agreement) in which there must, among other things, be indicated a list, the quantity and value of the motor components on the conditions "warehouse of the seller" (hereinafter, the List) in agreement with the Ministry of Industry and Energy of Russia, and also the time schedule of the attainment of the design capacity with a breakdown of the plan of the output of motor transport vehicles by the years. The Ministry of Economic Development and Trade of Russia shall send a copy of the Agreement to the Federal Customs Service of Russia.

The Agreement shall be a ground for the classification of goods imported by Russian juridical persons in headings of the CC FEA of Russia "for industrial assembly".

2.2. Russian juridical persons carrying out the importation of motor components for "industrial assembly" of motor transport vehicles must organise at the enterprise the welding, colouring and assembly of the body within 18 months for operating enterprises and within 30 months for newly created industries after the date of the entry of the Agreement into force.

2.3. The Russian legal entities importing motor components for "industrial assembly" of motor transport vehicles must, not later than 24 months after the organisation at an enterprise of the welding, painting and assembly of the body in accordance with Item 2.2 of this Procedure, reduce the importation of the motor components mentioned in the List stated as on the moment of the signature of the Agreement in terms of value of their total value (without taking into account the value of the body classified under heading 8707 of the CC FEA of Russia) in the procedure determined by the Agreement at least by 10 per cent with the subsequent reduction of the importation of the motor components mentioned in the List within 42 months by at least 10 per cent and within 54 months by at least 10 per cent more. The relevant reduction shall be confirmed by a report on the name, quantity and value of the motor components whose importation has been reduced.

2.3.1. The Russian juridical persons that import motor components for "industrial assembly" of motor transport vehicles and are residents of industrial-production special economic zones in accordance with Federal Law No. 116-FZ of July 22, 2005 on Special Economic Zones in the Russian Federation (Sobraniye Zakonodatelstva Rossiyskoy Federatsii, 2005, No. 30, item 3127) must, within 24 months after the organisation at an enterprise of the welding, painting and assembly of a body in accordance with Item 2.2 of this Procedure, reduce the importation of the motor components indicated in the List stated as on the moment of signing the Agreement in the value calculation from the total value (without taking into account the value of the body) in the procedure determined by the Agreement by at least 10 per cent with a subsequent reduction of the importation of the motor components indicated in the List within 42 months by at least 20 per cent and within 54 months by another at least 20 per cent.

2.4. Prior to the organisation at an enterprise of the welding, colouring and assembly of the body, in accordance with Item 2.2 of this Procedure, the peculiarities of the importation of the motor components for "industrial assembly" indicated in the List shall be determined in the Agreement on the basis of the business plan submitted by the Russian juridical person.

III. Procedure for the Conclusion of the Agreement on the Importation by Russian Juridical Persons of Goods Intended for "Industrial Assembly" of Motor Transport Vehicles of Headings 8701-8705 of the CC FEA of Russia and Their Units and Sets

3.1. A Russian juridical person shall apply to the Ministry of Economic Development and Trade of Russia for the purpose of concluding the Agreement***.

The following shall be applied to the application:

- a business plan, the List;
- a draft of the Agreement.

In the draft of the Agreement there must be determined:

- a schedule of the works with a breakdown by the years and with an indication of the supposed beginning of the production of motor transport vehicles (with the obligatory indication of the time for the organisation at the enterprise of the welding, colouring and assembly of the body) or of their units and sets (with the obligatory indication of the time for the carrying out in the manufacturing cycle of the obligatory production operations determined in the Agreement) and of the attainment of the design production capacity;

- a list of motor components or parts thereof planned for importation into the territory of the Russian Federation for the purpose of the carrying out of "industrial assembly" of motor transport vehicles or their units and sets in accordance with their classification by the CC FEA of Russia and with an indication of the quantity and value of each motor component or part thereof on the conditions "warehouse of the seller";

- the commitments of the Russian juridical person to reduce the importation of the motor components indicated in the List taking into account Items 2.3 and 2.3.1 of this Procedure;

- the stipulated volumes of capital investments by the years of the realisation of the Agreement;
- the responsibility of the parties, including the guarantee obligations of the Russian juridical person in case of violation of the conditions established by this Procedure;
- the obligations of the Russian juridical person on the furnishing to the customs bodies of the necessary reporting for control of the targeted use of imported motor components or parts thereof.

3.2. The Ministry of Economic Development and Trade of Russia shall, jointly with the Ministry of Industry and Energy of Russia, consider the documents stipulated by Item 3.1 of this Procedure within 45 days from the moment of the receipt of the application.

By the results of the consideration of the documents and the conduct of an expert examination, the Ministry of Economic Development and Trade of Russia shall, in agreement with the Ministry of Industry and Energy of Russia, draw up with the Russian juridical person the Agreement or shall send it a justified refusal with a substantiation of the reasons for the impossibility of the conclusion of the Agreement.

3.3. The Agreement shall be concluded**:

- for a period of up to seven years if the Russian juridical persons commits itself to organise at the enterprise the welding, colouring and assembly of the body within 18 months;
- for a period of up to eight years if the Russian juridical persons commits itself to organise at the enterprise the welding, colouring and assembly of the body within 30 months.

3.4. Within seven days after the signature, copies of the Agreement shall be sent by the Ministry of Economic Development and Trade of Russia to the Ministry of Industry and Energy of Russia, the Ministry of Finance of Russia, the Federal Customs Service of Russia, and the Federal Antimonopoly Service of Russia.

3.5. On the basis of the submitted Agreement the Ministry of Industry and Energy of Russia shall, within 15 days, prepare a conclusion on the designated purpose of the imported goods and shall send it to the Russian juridical person and to the Federal Customs Service of Russia.

3.6. After the Agreement has entered into force, the Ministry of Economic Development and Trade of Russia shall notify the Federal Customs Service (FCS) of Russia about the period of effect of the List. The FCS of Russia shall bring the relevant notification to the customs bodies carrying out the customs clearance of motor components imported into the territory of the Russian Federation in accordance with the Agreement.

IV. Control over the Targeted Use of Motor Components or Parts Thereof Imported into the Territory of the Russian Federation for "Industrial Assembly" of Motor Transport Vehicles of Headings 8701-8705 of the CC FEA of Russia and Their Units and Sets

4.1. A Russian juridical person carrying out "industrial assembly" of motor transport vehicles of headings 8701-8705 of the CC FEA of Russia or of their units and sets shall annually submit the following to the Ministry of Economic Development and Trade of Russia:

- a report on the actual capital investments in the realisation of the Agreement;
- information on the volumes of the output;
- a report on motor components or parts thereof actually imported into the territory of the Russian Federation and used for "industrial assembly" of motor transport vehicles or their units and sets;
- a report confirming the use of motor components or parts thereof imported into the Russian Federation for "industrial assembly", including information on the norms of use and the remainder at the warehouses and in unfinished production;
- the bookkeeping reporting for the previous years and current year (with a note of the tax inspectorate).

4.2. The Ministry of Economic Development and Trade of Russia shall conduct an analysis of the submitted documents and shall send them to the Ministry of Industry and Energy of Russia and to the Ministry of Finance of Russia.

If necessary, apart from an analysis of the submitted documents, the Ministry of Economic Development and Trade of Russia may organise a check of the observance by the Russian juridical person of the conditions for the realisation of the Agreement.

4.3. In case of non-fulfilment or improper fulfilment of the Agreement a Russian juridical person that has committed such violations shall, from the moment of their discovery, pay the full amount of the due customs payments for all goods imported in accordance with the Agreement, and also measures shall be applied to it stipulated by the Customs Code of the Russian Federation, the Code of the Russian Federation on Administrative Offenses and by other normative legal acts of the Russian Federation. In this case the importation of goods classified in the headings of the CC FEA of Russia "for industrial assembly" shall be terminated from the day of the discovery of such violations.

* Certain operations may be carried out in cooperation with other Russian enterprises.

****** The time for concluding the Agreement on the "industrial assembly" of units and sets of motor transport vehicles of headings 8701-8705 of the CC FEA of Russia are determined in the Annex to this Procedure.

******* The conclusion by the Russian juridical person of the Agreement for the organisation of the "industrial assembly" of motor transport vehicles in commodity positions 8701 - 8705 of CC FEA of Russia in case of the importation of autocomponents is effected before November 10, 2007 for the organisation of "the industrial assembly" of the knots and units of motor transport vehicles in commodity positions 8701 - 8705 of CC FEA of Russia before November 10, 2007 (including the period of examining the earlier presented documents, which is provided for by Item 3.2 in Section 3 of the Procedure). Exception is made by the agreements, with regard to which the Russian juridical person concluded agreements of intent with the Ministry of Economic Development of Russia with the consent of the Ministry of Industry and Power of Russia to organise "the industrial assembly" of motor transport vehicles in commodity positions 8701 - 8705 of CC FEA of Russia before November 10, 2007 and/or "the industrial assembly" of knots and units for motor transport vehicles in commodity positions 8701 - 8705 of CC FEA of Russia before November 10, 2006.

**Annex
to the Procedure Determining the Notion
"Industrial Assembly" and Establishing the Application
of the Notion in the Importation into the Territory
of the Russian Federation of Motor Components for
the Manufacture of Motor Transport Vehicles
of Headings 8701-8705 of the CC FEA
and Their Units and Sets
(with the Amendments and Additions October 5, 2006)**

I. Criteria Determining the Notion "Industrial Assembly" of Units and Sets for Motor Transport Vehicles of Headings 8701-8705 of the CC FEA of Russia

1.1. Internal combustion engines:

- of a cylinder capacity not exceeding 2.5 l - design production capacities in a two-shift regime of work of at least 25 thousand per year;
- of a cylinder capacity exceeding 2.5 l - design production capacities in a two-shift regime of work of at least 15 thousand per year;
- the presence in the production cycle of the following obligatory technological operations*:
 - of a cylinder capacity not exceeding 2.5 l - mechanical working of at least four location parts (cylinder blocks, block head, crankshaft and camshaft);
 - assembly and control operations, tests of assembled engines);
 - of a cylinder capacity exceeding 2.5 l - mechanical working of at least two location parts (cylinder blocks, block head);
 - assembly and control operations, tests of assembled engines).

1.2. Gear-boxes:

- design production capacities in a two-shift regime of work:
- at least 25 thousand per year for articles with a torque of up to 30 kg x m;
- at least 5 thousand per year for articles with a torque exceeding 30 kg x m;
- the presence in the production cycle of the following obligatory technological operations*:
 - mechanical working of crankcase parts;
 - assembly and control operations.

1.3. Drive Axles:

- design productive capacities with a two-shift regime of work of not less than five thousand pieces per year;
- the presence in the manufacturing cycle of the following obligatory production operations*:
 - mechanical working of the case;
 - assembly and controlling operations.

1.4. Other units and sets of motor equipment:

- the presence in the manufacturing cycle of the following obligatory production operations*:
 - mechanical working of the case;
 - assembly and controlling operations.

2. The Russian legal entities importing motor components for "industrial assembly" of units and sets for motor transport vehicles must, not later than 18 months from the date of the entry of the Agreement into force, reduce the importation of the motor components mentioned in the List stated as on the moment of the signature of the Agreement in terms of value of their total value in the procedure

determined by the Agreement at least by 10 per cent with the subsequent reduction of the importation of the motor components mentioned in the List within 30 months by at least 10 per cent and within 40 months by at least 10 per cent more.

II. Conditions for the Application of the Notion "Industrial Assembly" of Units and Sets of Motor Transport Vehicles of Headings 8701-8705 of the CC FEA of Russia

The importation of parts into the territory of the Russian Federation classified by codes of the CC FEA of Russia "for industrial assembly" of units and sets of motor transport vehicles of headings 8701-8705 shall be carried out on the basis of the Agreement, in which there shall, among other things, be indicated a list, the quantity and value of the parts on the conditions "warehouse of the seller". The Ministry of Economic Development and Trade of Russia shall send a copy of the Agreement to the Federal Customs Service.

The Agreement shall be a ground for the classification of goods imported by Russian juridical persons in headings of the CC FEA of Russia "for industrial assembly".

The Agreement shall be concluded:

- for a period of up to seven years for the organisation of "industrial assembly" of internal combustion engines, year-boxes and drive axles;
- for a period of up to five years for the organisation of "industrial assembly" of other units and sets of motor equipment.

* Certain operations may be carried out in cooperation with other Russian enterprises.