

FEDERAL LAW NO. 104-FZ OF MAY 31, 1999 ON THE SPECIAL ECONOMIC ZONE IN MAGADAN REGION (with the Amendments and Additions of December 31, 1999, December 27, 2000, December 30, 2001, December 24, 2002, December 23, 2003, June 29, December 23, 2004, July 22, December 19, 26, 2005, December 19, 2006, July 24, 2007)

Article 1. The Applicability of the Present Federal Law

The present Federal Law shall govern the relationships occurring at the setting up and operating of the Special Economic Zone in Magadan Region (hereinafter referred to as "the Special Economic Zone") with due regard to its specific geographic situation and significance for the geopolitical interests of the Russian Federation.

The present Federal Law is aimed at fostering favorable conditions for the social and economic development of Magadan Region.

Article 2. The Goals of Instituting the Special Economic Zone and the Special Economic Zone Development Program

The basic goals of the instituting of the Special Economic Zone are as follows: the development of productive forces, financial and commodity markets of Magadan Region.

The Special Economic Zone Development Program shall be endorsed by a law of Magadan Region.

Article 3. Basic Terms

The following basic terms are used in the present Federal Law:

"Special Economic Zone" means a territory located within the administrative border of the City of Magadan and on which a special legal regimen governing economic activities is instituted under the present Federal Law;

"the administration of the Special Economic Zone" means a state institution set up by the administration of Magadan Region under the present Federal Law for the purpose of organizing the interaction of the bodies of power and economic entities in compliance with the provisions of the present Federal Law as well as implementing the Special Economic Zone Development Program;

"participants in the Special Economic Zone" means legal entities registered under the legislation of the Russian Federation on the territory of the Special Economic Zone as well as citizens registered as individual entrepreneurs on the territory of the Special Economic Zone. The said persons shall have registration certificates as provided in Article 4 of the present Federal Law, shall perform the main economic activities and have at least 75 per cent of the fixed assets on the territory of Magadan Region.

Article 4. The Legal Regulation of Economic Activities in the Special Economic Zone

The bodies of state power of the Russian Federation and the bodies of state power of Magadan Region shall perform the legal regulation of economic activities on the territory of the Special Economic Zone within their competence as established by the Constitution of the Russian Federation, the legislation of the Russian Federation and the present Federal Law.

Head of the administration of the Special Economic Zone shall be appointed and relieved by the Magadan Regional Duma on the proposal of the administration of Magadan Region.

The special legal regimen governing economic activities established by the present Federal Law is to be extended exclusively to participants in the Special Economic Zone.

Economic entities will obtain the status of participants in the Special Economic Zone as of the moment when they receive registration certificates of approved format.

The issuance and annulment of registration certificates of participants in the Special Economic Zone and the collection of registration fees shall be the responsibility of the administration of the Special Economic Zone as performed in accordance with the procedure established by a law of Magadan Region.

The administration of the Special Economic Zone shall monitor the observance of the law of the Russian Federation and the economic activity regimen established by the present Federal Law by the participants in the Special Economic Zone.

Should a participant in the Special Economic Zone be found to violate the legislation of the Russian Federation and the economic activity regimen established by the present Federal Law, the administration of the Special Economic Zone shall be entitled to revoke the registration of the participant in the Special Economic Zone (to annul the registration certificate).

In the event of the annulment of a registration certificate the registration fee charged for the issuance thereof shall not be subject to refund.

Disputes relating to the issuance or annulment of a registration certificate shall be resolved in accordance with the judicial procedure.

Every year, not later than April 1 of the year following the accounting year, the administration of the Special Economic Zone shall submit a report on the results of the operation of the Special Economic Zone for the past period to the government of the Russian Federation.

Article 5. The Tax Regimen of the Special Economic Zone

While pursuing economic activities on the territory of the Special Economic Zone and within Magadan Region participants in the Special Economic Zone shall be exempt from taxes insofar as it concerns the part due to the federal budget (excluding deductions for the benefit of the Pension Fund of the Russian Federation and the Social Insurance Fund of the Russian Federation). The present provision shall be in effect until December 31, 2006.

Within the period from January 1, 2007 to December 31, 2014 participants in the Special Economic Zone, while pursuing economic activities on the territory of the Special Economic Zone and within Magadan Region, shall be exempt from the tax on the profit invested in the development of production and social sphere on the territory of Magadan Region.

The privileges established by the present Article shall be granted if participants in the Special Economic Zone keep a separate record of the financial and economic activity transactions implemented by them within the Special Economic Zone and Magadan Region.

Article 6. The Customs Regimen of the Special Economic Zone

1. Russian and foreign goods imported by the participant in the Special Economic Zone to its territory shall be brought into the territory of the Special Economic Zone, located and used on its territory and shall be exported from its territory in accordance with the customs regime of a free customs zone, established by the present Federal Law and in accordance with the customs legislation of the Russian Federation in respect to the part that is not adjusted by the present Federal Law.

2. On the territory of the Special Economic Zone there may be pursued production and other economic activities relating to the use of Russian and foreign goods including retail trade in them, provided the present Federal Law, other federal laws and other regulatory legal acts of the Russian Federation are observed.

For the purpose of ensuring the protection of the economic interests of the Russian Federation, the observance of the international obligations thereof, the legislation of the Russian Federation as well as with due regard to the interests of the national security and economic interests regarding the pursuance of production and other commercial transactions including retail trade, there can be instituted on the territory of the Special Economic Zone specific bans and restrictions. Such bans and restrictions shall be established by the Government of the Russian Federation on the approval of the administration of Magadan Region.

3. The participants in the Special Economic Zone accomplishing transactions in goods in the Special Economic Zone shall keep record of the goods brought in, taken out, stored, manufactured, processed, acquired and sold and shall submit reports on such goods to the administration of the Special Economic Zone and the customs bodies of the Russian Federation. Any changes occurring in the goods within the Special Economic Zone shall be reflected in the records.

The administration of the Special Economic Zone as well as the customs bodies within the competence thereof shall monitor and record the transactions in goods accomplished by participants in the Special Economic Zone, in accordance with the procedure set out by the Government of the Russian Federation.

4. When being brought from the territory of the Special Economic Zone to the rest of the territory of Magadan Region the foreign goods acquired by participants in the Special Economic Zone for their own production needs and used on the territory of Magadan Region shall be exempt from import customs duties and other charges (excluding customs fees) levied at the customs processing of goods in accordance with the procedure provided by the federal executive body carrying at normative legal regulation in the sphere of customs business. Any changes occurring in the said goods within Magadan Region shall be reflected on the books of the participants in the Special Economic Zone. The customs bodies and administration of the Special Economic Zone shall be responsible for monitoring the use of the said goods for production purposes. Should the said goods be used otherwise than earmarked, the customs duties and other charges collected at the customs processing of goods shall become payable and the participants in the Special Economic Zone shall be held accountable under the customs legislation of the Russian Federation for the violation of the customs rules.

When the goods specified in Paragraph 1 of the present Item are being taken out of the territory of Magadan Region to the rest of the customs territory of the Russian Federation and when they are exported out of the territory of the Russian Federation the said goods shall be subject to customs processing and customs duties, taxes shall be collected and the economic policy tools shall be applicable depending on the origin of the goods. If they comply with the sufficient processing criteria under the customs legislation of the Russian Federation the said foreign goods that have been subjected to

processing shall be deemed Russian goods and they shall be exempt from import customs duties and other taxes levied at customs formalities as such goods are imported to the rest of the customs territory of the Russian Federation.

5. Vehicles being under the customs regimen of free customs zone are permitted to go out of the Special Economic Zone within the administrative border of Magadan Region without mandatory customs processing, a change in the customs regimen and collection of customs charges if the terms, requirements and restrictions are observed as may be established by the customs bodies.

6. When taken out of the territory of the Special Economic Zone to the rest of the customs territory of the Russian Federation or out of the territory of the Russian Federation the goods produced in the Special Economic Zone by participants in the Special Economic Zone shall be exempt from customs duties and other charges (excluding customs fees) collected at the customs processing of goods.

A good shall be deemed produced in the Special Economic Zone on condition that the good has been fully produced on the territory of the Special Economic Zone or subjected to sufficient processing under the criteria and in accordance with the procedure established by the federal executive body carrying out normative legal regulation in the sphere of customs business on the proposal of the administration of the Special Economic Zone.

The criteria of the sufficient processing of goods in the Special Economic Zone shall be as follows:

a) a change in good item (good classification code number) as per the CC FEA at the level of any of the first four digits, as resulting from the processing of the good;

b) the performance of a production or technological operations sufficient or insufficient for the good being deemed originating from the Special Economic Zone;

c) a change in the value of the good if the value added of the processing (working) thereof makes up at least 30 per cent of the price of the good delivered (at least 15 per cent in respect of a good classified as electronic and sophisticated equipment).

Here the following shall be deemed not to comply with the sufficient processing criterion:

the transactions of ensuring the preservation of goods in the course of storage or carriage;

the transactions of preparing goods for sale and carriage (splitting up lots, shaping up dispatch, grading, repackaging);

blending goods (components) without the resulting product acquiring characteristics that discern it from the original components.

The sufficient processing criteria for specific goods shall be provided by and shall be applicable under the present Federal Law in accordance with the procedure defined by the customs bodies on the proposal of the administration of the Special Economic Zone.

7. The Government of the Russian Federation acting on the proposal of the administration of the Special Economic Zone is entitled to set up restrictions on the customs regimen of the Special Economic Zone as well as exemptions from them.

8. The present Federal Law shall not extend to foreign trade (foreign economic) transactions in precious metals.

Article 7. The Effective Term of the Present Federal Law

The present Federal Law shall be in effect from the date of its coming into force until December 31, 2014. Nine months prior to the expiration of the said term the Government of the Russian Federation and the administration of Magadan Region shall set up a liquidation commission to perform all the necessary actions relating to the termination of the existence of the Special Economic Zone.

Article 8. The Liquidation of the Special Economic Zone before Due Time

The liquidation of the Special Economic Zone before due time shall be performed under a federal law.

Should a federal law be enacted to govern the liquidation of the Special Economic Zone before due time, the Government of the Russian Federation shall establish a procedure and term for the liquidation of the Special Economic Zone. The Government of the Russian Federation and the administration of Magadan Region shall set up a liquidation commission empowered to resolve the issues relating to the liquidation of the Special Economic Zone.

Article 9. Putting Into Force the Present Federal Law

The present Federal Law shall come into force 30 days after its official publication.

President
of the Russian Federation

B.Yeltsin

Moscow, the Kremlin

