



Kaluga
Region

Kaluga Region

TAX BENEFITS

2017

INVESTORS WHOSE CAPITAL EXPENDITURES EXCEED 100 MILLION RUBLES

Indicator	Corporate property tax			Corporate income tax			
Conditions for benefits provision	1. Listing of the investment project in the register of investment projects (for application of corporate property tax benefits, regional investment projects must be included in the register of regional investment projects, while participants of federal and regional special investment contracts must have executed contracts with relevant governmental agencies) 2. The average monthly salary must be at least five times / three times (for enterprises in the textile industry) the minimum subsistence wage for able-bodied population						
Benefit amount	Tax exemption			Tax rate reduction by 4.5 percentage points (from standard rate of 18%)*			
Amount of the investor's capital expenditures (million rubles)	from 100 to 300	from 300 to 500	over 500	from 100 to 500	from 500 to 1000	from 1000 to 2000	over 2000
Number of consecutive tax benefit period	1	2	3	1	2	3	4
Legal grounds	Article 4, section 1, subsection 1.1 of Kaluga Region Law No. 263-OZ of 10.11.2003			Article 2, section 1, subsection 1.1 of Kaluga Region Law No. 621-OZ of 29.12.2009			
	<i>*up to 2020, the tax rate reduction will be 3.5 percentage points due to introduction of a 17% rate for corporate income tax payable to the regional budget (Article 284, section 1 of the RF Tax Code)</i>						

INVESTORS WHOSE CAPITAL EXPENDITURES EXCEED 3 BILLION RUBLES

Indicator	Corporate property tax	Corporate income tax																		
Conditions for benefits provision	<p>1. Listing of the investment project in the register of investment projects (for application of corporate property tax benefits, regional investment projects must be included in the register of regional investment projects, while participants of federal and regional special investment contracts must have executed contracts with relevant governmental agencies)</p> <p>2. Carrying out of economic activities prioritized for state support (Kaluga Region Government Regulation No. 160 of 29.03.2013 "On the approval of the List of high-priority economic activities for Kaluga Region): Manufacturing of starch and starch-containing products; Manufacturing of feed microbial protein, premixtures, feed vitamins, antibiotic, amino acids and ferments; Manufacturing of rubber tires, tire-covers and inlet tubes; Restoration of tires and tire covers; Manufacturing of cast iron, steel and ferro-alloys; Manufacturing of graded hot-rolled steel and rod;</p> <p>3. The average monthly salary must be at least five times the minimum subsistence wage for able-bodied population</p>																			
Benefit amount	<p>Tax exemption as a percentage of tax payable</p>																			
Consecutive tax benefit periods	<table border="1"> <tr> <td>100%</td> <td>77%</td> <td>55%</td> <td>36%</td> <td>18%</td> </tr> <tr> <td>from 1st to 3rd</td> <td>4th</td> <td>5th</td> <td>6th</td> <td>7th</td> </tr> </table>	100%	77%	55%	36%	18%	from 1 st to 3 rd	4 th	5 th	6 th	7 th	<p>Tax rate reduction by (from standard rate of 18%)*:</p> <table border="1"> <tr> <td>4.5 percentage points</td> <td>3.4 percentage points</td> <td>2.3 percentage points</td> <td>1.2 percentage points</td> </tr> <tr> <td>from 1st to 4th</td> <td>5th</td> <td>6th</td> <td>7th</td> </tr> </table>	4.5 percentage points	3.4 percentage points	2.3 percentage points	1.2 percentage points	from 1 st to 4 th	5 th	6 th	7 th
	100%	77%	55%	36%	18%															
from 1 st to 3 rd	4 th	5 th	6 th	7 th																
4.5 percentage points	3.4 percentage points	2.3 percentage points	1.2 percentage points																	
from 1 st to 4 th	5 th	6 th	7 th																	
	<p>7 tax periods</p>																			
Legal grounds	<p>Article 4, section 1, subsection 1.3 of Kaluga Region Law No. 263-OZ of 10.11.2003</p>	<p>Article 2, section 1, subsection 1.2 of Kaluga Region Law No. 621-OZ of 29.12.2009</p>																		
	<p>*up to 2020, the tax rate reduction will be 3.5; 2.4; 1.3 and 0.2 percentage points, respectively, due to introduction of a 17% rate for corporate income tax payable to the regional budget (Article 284, section 1 of the RF Tax Code)</p>																			

INVESTORS MANUFACTURING PHARMACEUTICAL PRODUCTS (MEDICINAL PRODUCTS AND MATERIALS FOR MEDICAL USES)

Indicator	Corporate property tax	Corporate income tax			
Conditions for benefits provision	1. Listing of the investment project in the register of investment projects (for application of corporate property tax benefits, regional investment projects must be included in the register of regional investment projects, while participants of federal and regional special investment contracts must have executed contracts with relevant governmental agencies) 2. The average monthly salary must be at least five times the minimum subsistence wage for able-bodied population 3. Revenues from sales of manufactured medicinal products and materials for medical uses in the taxation (reporting) period must account for at least 70%				
Benefit amount	Tax exemption	Tax rate reduction by 4.5 percentage points (from standard rate of 18%)*			
Amount of the investor's capital expenditures (million rubles)	over 500	from 100 to 500	from 500 to 1000	from 1000 to 2000	over 2000
Number of consecutive tax benefit period	60 consecutive calendar months	1	2	3	4
Legal grounds	Article 4, section 1, subsection 1.2, section 4 paragraph 2 and section 6 of Kaluga Region Law No. 263-OZ of 10.11.2003	Article 2, section 1, subsection 1.1, section 3 paragraph 2 and section 5 paragraph 2 of Kaluga Region Law No. 621-OZ of 29.12.2009			

*up to 2020, the tax rate reduction will be 3.5; 2.4; 1.3 and 0.2 percentage points, respectively, due to introduction of a 17% rate for corporate income tax payable to the regional budget (Article 284, section 1 of the RF Tax Code)

PROCEDURE FOR INCLUDING INVESTORS IN THE REGISTER OF INVESTMENT PROJECTS AND OBTAINING OF TAX BENEFITS

An investor decides to implement an investment project in Kaluga Region and to invest at least 100 million rubles in the first three years of project implementation

1

Listing of the investment project in the register of investment projects

LIST OF DOCUMENTS:

1. The investor's application for listing of the investment project in the register (Appendix 1)
2. Copies of constituent documents with all amendments and supplements
3. Copy of the document confirming entry of legal entity registration in the Uniform State Register of Legal Entities
4. Copy of the certificate of registration with the tax authority
5. Investment project profile (Appendix 2)
6. Documents confirming authority of the person who signed the investor's official application for listing of the investment project in the register and the investment project profile

2

Order on listing of the investment project in the register

3

Tax return with respect to the relevant tax with documents to support the application for tax benefits (the list of required documents is established by tax legislation of Kaluga Region)

TAX AUTHORITIES

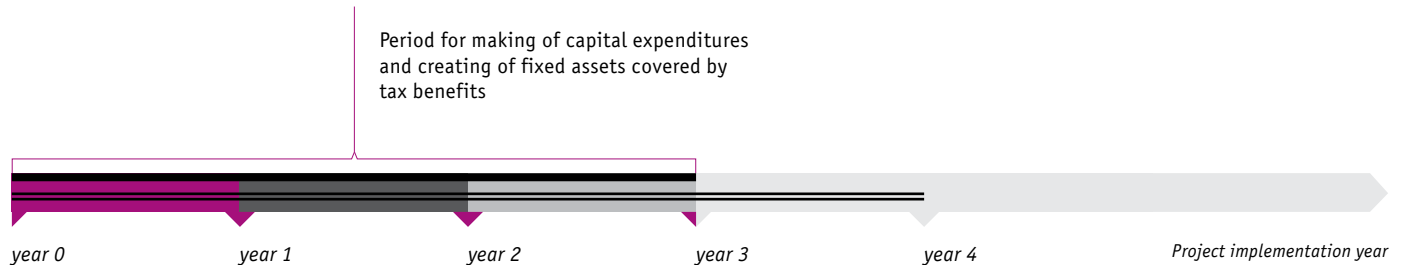
Throughout the tax benefit period



10
business
days

MINISTRY FOR ECONOMIC DEVELOPMENT

CAPITAL EXPENDITURE ACCUMULATION FROM THE START DATE OF THE INVESTMENT PROJECT AND TAX BENEFIT CLAIM PERIODS*



Listing of the investment project in the register of investment projects

(For the corporate property tax: listing of the register of investment projects – for participants of regional investment projects, federal special investment contracts; execution of regional investment contracts – for participants of regional special investment contracts)

■ Period of capital expenditure accumulation

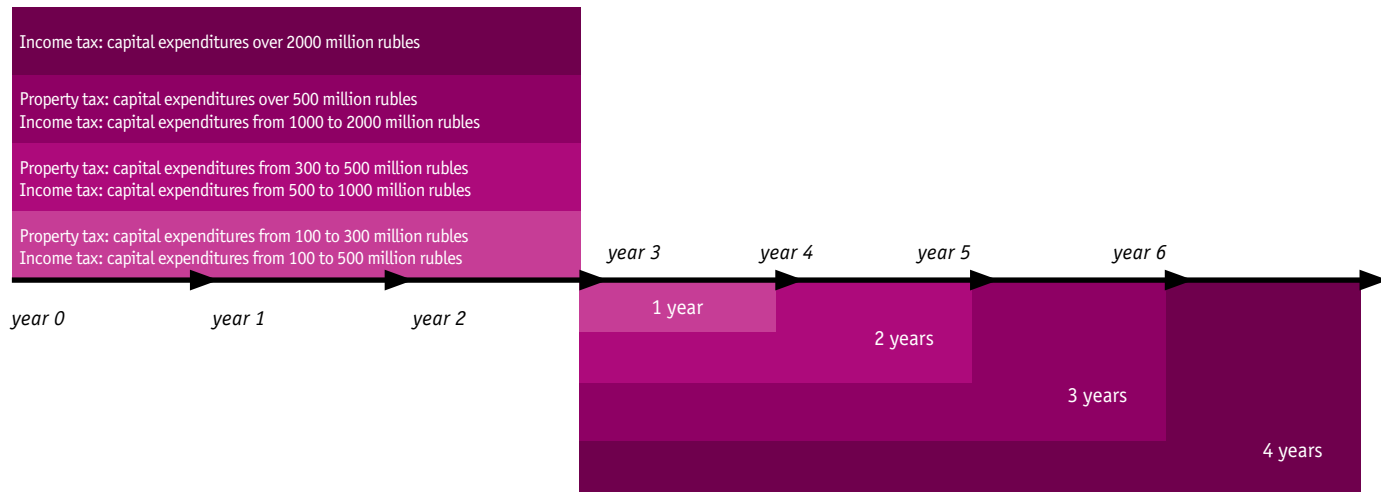
▬▬ Tax benefit claim deadline

CLAIMING TAX BENEFITS

An investor is entitled to claim a tax benefit by filing a tax return with tax authorities in any reporting (taxation) period within four years from the date of listing of the investment project in the register of investment projects.

*for all investors, except those manufacturing pharmaceutical products (medicinal products and materials for medical uses)

APPLICATION OF CORPORATE PROPERTY AND INCOME TAX BENEFITS TO ORGANIZATIONS IMPLEMENTING INVESTMENT PROJECTS



The minimum amount of capital expenditures is at least 100 million rubles.

The tax benefit application period depends on the amount of capital expenditures (see table 1-3).

If the amount of capital expenditures entitles an investor to apply a tax benefit for a greater number of years, the tax benefit will be provided for the relevant number of years minus those years, in which the tax benefit was already used.

Tax benefits can be used if there are grounds for payment of the relevant tax:

in case of the corporate income tax, grounds for payment of the tax are the **organization's receipt of profit**;

in case of the corporate property tax, grounds for payment of the tax are **assets recognized by the organization in accounting records as fixed assets in accordance with RF legislation**.

INVESTORS WITH CAPITAL EXPENDITURES IN PRODUCTION MODERNIZATION OF OVER 10 MILLION RUBLES*

Indicator	Corporate property tax			Corporate income tax		
Conditions for benefits provision	1. Listing of the production modernization program in the register of production modernization programs 2. At least 70% of revenues represent activities classified as Processing (OKVED)					
	3. The period of capital expenditures under the production modernization program is from 1 January 2013 until 31 December 2017 4. Modernized fixed assets classify as item 11 Buildings (non-residential) or item 14 Machines and Equipment (OKDF)			3. The period of capital expenditures under the production modernization program is from 1 January 2013 until 31 December 2017		
Benefit amount	Tax exemption			Tax rate reduction by**:		
				3 percentage points	4 percentage points	4.5 percentage points
Amount of the investor's capital expenditures (million rubles)	from 10 to 30	from 30 to 70	over 70	from 10 to 30	from 30 to 70	over 70
Number of consecutive tax benefit periods	1	2	3	1	2	3
Legal grounds	Article 3, section 1, subsection 12 of Kaluga Region Law No. 263-OZ of 10.11.2003			Article 2, section 1, subsection 1.4 of Kaluga Region Law No. 621-OZ of 29.12.2009		

*on 01.01.2018, the provision establishing benefits for investors modernizing production shall lose force

**up to 2020, the tax rate reduction will be 2; 3 and 3.5 percentage points, respectively, due to introduction of a 17% rate for corporate income tax payable to the regional budget (Article 284, section 1 of the RF Tax Code)

PROCEDURE FOR OBTAINING OF TAX BENEFITS BY INVESTORS IMPLEMENTING PRODUCTION MODERNIZATION PROGRAMS

An investor decides to implement a production modernization program with capital expenditures of at least 10 million rubles in the period from 1 January 2013 until 31 December 2017.

1

LIST OF DOCUMENTS:

1. The investor's application for listing of the production modernization program the register of programs (Appendix 3)
 2. Production modernization program
 3. Documents confirming authority of the person who signed the investor's official application and the production modernization program
 4. Copies of constituent documents with all amendments and supplements
 5. Copy of the certificate of state registration of the legal entity
 6. Copy of the certificate of registration with the tax authority
- Documents must be submitted until 30 November 2015

2

Order on listing of the production modernization program in the register

3

Tax return with respect to the relevant tax with documents to support the application for tax benefits (the list of required documents is established by regional tax legislation)

TAX AUTHORITIES

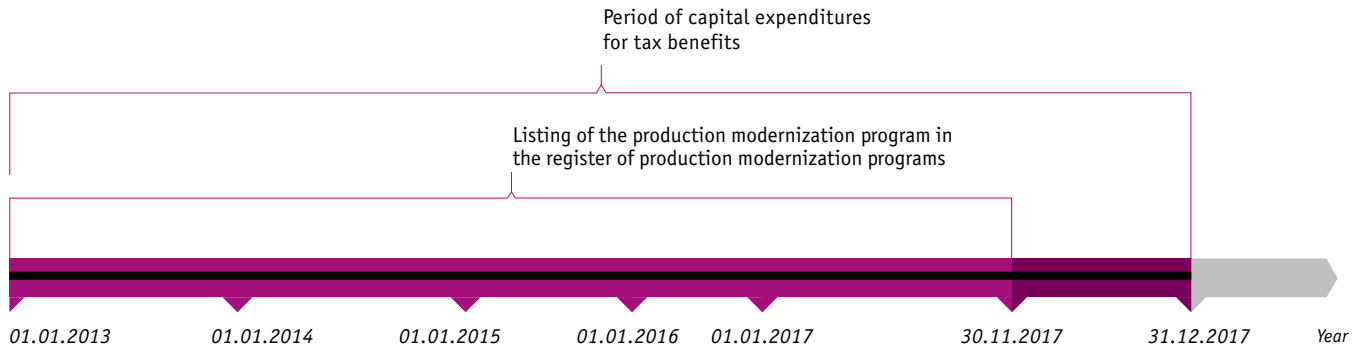
Throughout the tax benefit period



10
business
days

MINISTRY FOR ECONOMIC DEVELOPMENT

ACCUMULATION OF CAPITAL EXPENDITURES UNDER PRODUCTION MODERNIZATION PROGRAMS AND CLAIMING OF TAX BENEFITS



— Period of listing of the modernization program in the register of modernization programs – from 01.01.2013 until 30.11.2017

The combined amount of actual capital expenditures is established with consideration of capital expenditures executed within the scope of the modernization program from 01.01.2013 until 31.12.2017, regardless of the date of listing of the modernization program in the register of modernization programs.

APPLICATION OF CORPORATE PROPERTY TAX BENEFITS TO ORGANIZATIONS IMPLEMENTING MODERNIZATION PROGRAMS*

A fixed asset becomes eligible to tax benefits starting from the first day of the month following the month when the modernization of the fixed asset was completed under the production modernization program and where total actual capital expenditures in all fixed assets have reached 10 million rubles or more. The tax benefit application period depends on total capital expenditures (1 year – for capital expenditure amounts ranging from 10 million rubles to 30 million rubles, 2 years – for capital expenditure amounts ranging from 30 million rubles to 70 million rubles and 3 years – for capital expenditure amounts over 70 million rubles).

Tax benefits can be claimed within the period from 1 January 2013 to 1 January 2018

Balance sheet value of asset	Modernization expenditures	Balance sheet value of asset	Tax rate for specific asset		
			2015	2016	2017
1 January 2013		1 January 2014			
5 million	15 million rubles	20 million	0%	0%	0%
13 million	10 million rubles	23 million	0%	0%	0%
01.01.2016		01.01.2017			
15 million	35 million rubles	50 million	2.2%	0%	0%
01.01.2017		01.01.2018			
14 million	17 million rubles	31 million	2.2%	2.2%	0%
Total modernization program expenditures	77 million rubles				

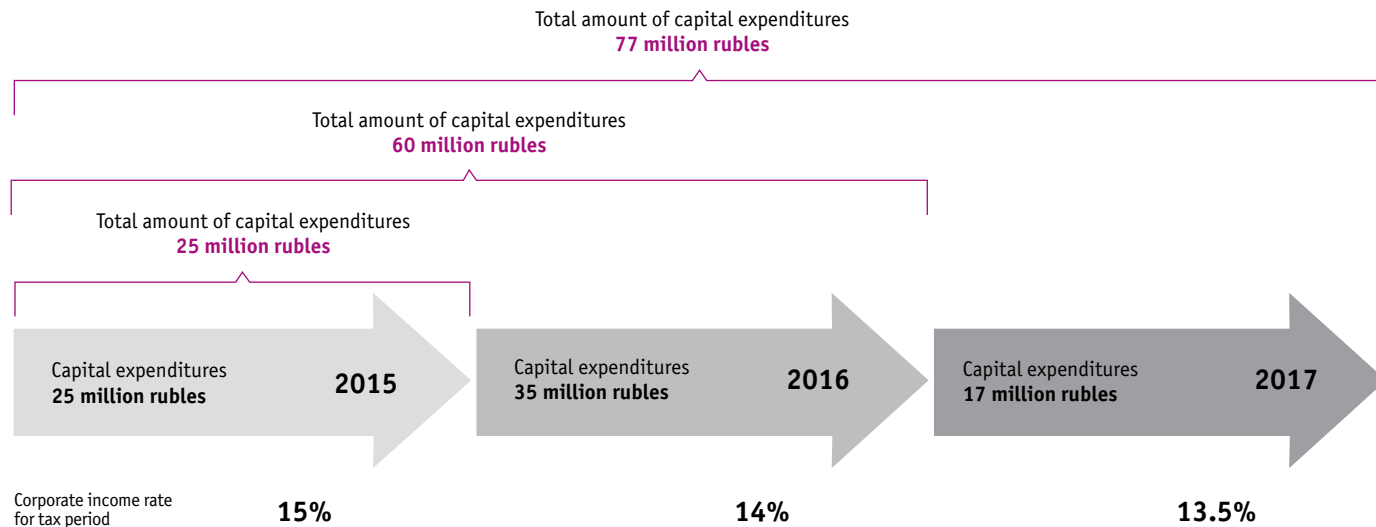
* on 01.01.2018, the provision establishing benefits for investors modernizing production shall lose force

Note: the maximum period of tax benefits granted for a specific asset is three tax periods (years)

APPLICATION OF CORPORATE INCOME TAX BENEFITS TO ORGANIZATIONS IMPLEMENTING MODERNIZATION PROGRAMS*

An investor listed in the register of production modernization programs can apply a reduced corporate income tax rate to the tax period when total capital expenditures achieved the required amount (15% - for amounts ranging from 10 million rubles to 30 million rubles, 14% - for amounts ranging from 30 million rubles to 70 million rubles, 13.5% - for amounts over 70 million rubles) (see table 4).

Tax benefits can be claimed within the period from 1 January 2013 to 1 January 2018



Note: the amount of the corporate income tax benefit cannot exceed 50% of the amount of capital expenditures

*on 01.01.2018, the provision establishing a special rate of the corporate income tax payable to the regional budget for investors modernizing production shall lose force

PARTICIPANTS OF REGIONAL INVESTMENT PROJECTS AND ORGANIZATIONS THAT ARE PARTIES OF SPECIAL INVESTMENT CONTRACTS EXECUTED ON BEHALF OF THE RUSSIAN FEDERATION*

Indicator	Corporate income tax	
	<i>Regional investment projects</i>	<i>Federal special investment contracts</i>
Conditions for benefit provision	<ol style="list-style-type: none"> 1. Listing of the investment project in the register of regional investment projects. 2. Compliance of the investment project with requirements of article 25.8 of the RF Tax Code <ol style="list-style-type: none"> 2.1. Total capital expenditures according to investment statement: <ul style="list-style-type: none"> - at least 50 million rubles over 3 years - at least 500 million rubles over 5 years 2.2. The investment project should not be targeted at extraction and(or) processing of oil, extraction of natural gas and(or) gas condensate, provision of oil and(or) oil product, gas and(or) gas condensate transportation services, manufacturing of excise goods (excluding passenger cars and motorcycles) or performance of activities classifying for a 0% corporate income tax rate. 3. Compliance of the organization with the requirements of article 25.9 of the RF Tax Code: <ul style="list-style-type: none"> - not a resident of a special economic zone of any type or territory of advanced socio-economic development; - does not have within its structure autonomous units located beyond the territory of Kaluga Region that are involved in the regional investment project; - does not apply special tax regimes provided for in the second part of the RF Tax Code; - is not a participant (preemptor of a participant) of another running regional investment project; - is not a participant of a consolidated group of taxpayers; - is not a participant of a non-profit organization, bank, insurance organization (insurer), nongovernmental pension fund, professional participant of the securities market, clearing organization. <p style="text-align: center;">Revenues from sales of goods manufactured as a result of implementation of the investment project must account for at least 90% of all revenues (article 284.3, section 1 of RF Tax Code)</p> <p style="text-align: center;">Separate accounting of revenues (costs) received (incurred) in the course of implementation of the investment project and revenues (costs) received (incurred) in implementation of other economic activities (article 288.2, section 1 of the RF Tax Code)</p>	<ol style="list-style-type: none"> 1. Execution of a federal special investment contract with authorized representatives of RF governmental agencies and Kaluga Region in accordance with RF Government Regulation No. 708 dated 16.07.2015. 2. Total investments of at least 750 million rubles (RF Government Regulation No. 708 dated 16.07.2015)

*Participants of regional investment projects and federal special investment contracts are entitled to corporate property tax benefits equivalent to those available to investors listed in the register of investment projects of Kaluga Region (see pages 2-4).

PARTICIPANTS OF REGIONAL INVESTMENT PROJECTS AND ORGANIZATIONS THAT ARE PARTIES OF SPECIAL INVESTMENT CONTRACTS EXECUTED ON BEHALF OF THE RUSSIAN FEDERATION*

Continued from page 13

Indicator	Corporate income tax	
	<i>Regional investment projects</i>	<i>Federal special investment contracts</i>
Tax rate with account of benefits	Federal budget – 0%	
	Regional budget – 13.5% (article 5.2, section 1 of Kaluga Region Law No. 621-OZ dated 29.12.2012)	Regional budget – 10% (article 5.2, section 2 of Kaluga Region Law No. 621-OZ dated 29.12.2012)
Period of benefit application	Until 2028, inclusive, until the amount of benefits (provided from federal and regional budgets) achieves a cumulative total equal to 100% of capital expenditures in implementation of the regional investment project (article 5.2, section 1 of Kaluga Region Law No. 621-OZ dated 29.12.2012, article 284.3, section 3, subsection 2 of the RF Tax Code)	Throughout the validity period of the special investment contract, but not beyond 2025, inclusive (article 284.3, section 3, subsection 3 of the RF Tax Code)

*Participants of regional investment projects and federal special investment contracts are entitled to corporate property tax benefits equivalent to those available to investors listed in the register of investment projects of Kaluga Region (see pages 2-4).

PROCEDURE FOR INCLUDING ORGANIZATIONS IN THE REGISTER OF REGIONAL INVESTMENT PROJECTS

An investor decides to implement an investment project in Kaluga Region with capital expenditures of at least 50 million rubles in the first three years of its implementation or at least 500 million rubles in the first five years of its implementation

LIST OF DOCUMENTS:

1. Application for listing in the register of regional investment projects
2. Duly certified copies of constituent documents
3. Copy of the document confirming entry of legal entity registration in the Uniform State Register of Legal Entities
4. Copy of the certificate of registration with the tax authority
5. Investment statement (Appendix 4) with attachment of the investment project.



PARTICIPANT OF SPECIAL INVESTMENT CONTRACTS EXECUTED WITH KALUGA REGION WITHOUT PARTICIPATION OF THE RUSSIAN FEDERATION*

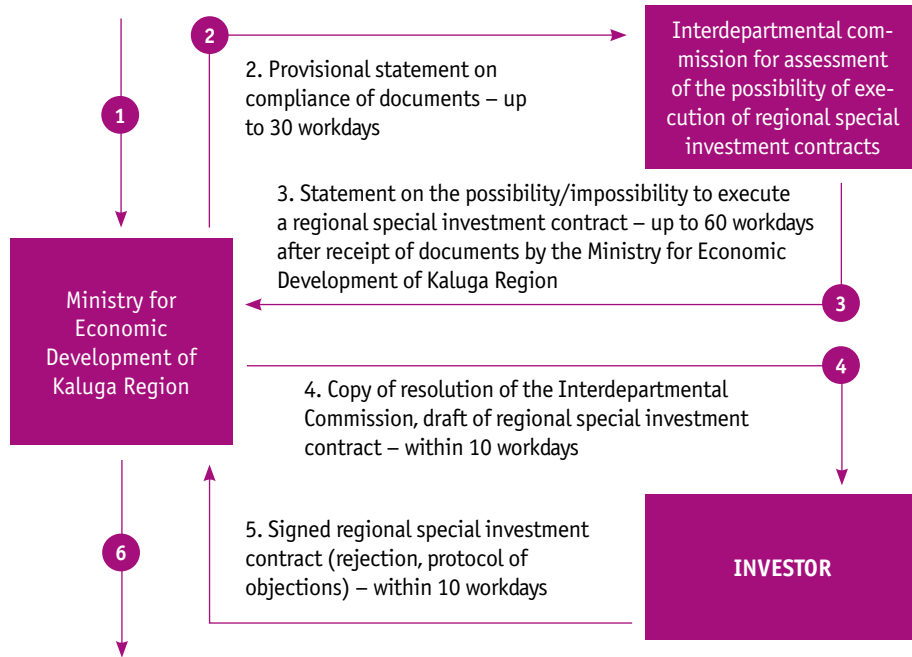
Indicator	Corporate income tax
Conditions for benefit provision	1. Revenues from sales of goods manufactured by processing in the tax period account for at least 70% of total revenues from sales of goods manufactured in the tax period (article 5.3, section 2 of Kaluga Region Law No. 621-OZ dated 29.12.2012) 2. Execution of a regional special investment contract in accordance with Kaluga Region Government Regulation No. 526 dated 28.09.2016
Amount of capital expenditures	300 million rubles (Kaluga Region Government Regulation No. 526 dated 28.09.2016)
Tax rate with account of benefits	13.5%
Period of benefit application	7 years (article 5.3.3, section 1 of Kaluga Region Law No. 621-OZ dated 29.12.2012), but not more than 50% of total capital expenditures and not beyond 2025, inclusive.

*Participants of regional special investment contracts are entitled to corporate property tax benefits equivalent to those available to investors listed in the register of investment projects of Kaluga Region (see pages 2-4).

PROCEDURE FOR EXECUTION OF A SPECIAL INVESTMENT CONTRACT WITH KALUGA REGION WITHOUT PARTICIPATION OF THE RUSSIAN FEDERATION

TO EXECUTE A REGIONAL SPECIAL INVESTMENT CONTRACT, THE INVESTOR SUBMITS:

- an application for execution of a regional special investment contract
- copies of documents confirming investment of at least 300 million rubles in the investment project
- list of measures to facilitate activities in the industry segment taken from the list of measures introduced by federal legislation, regulations of Kaluga Region, municipal acts proposed by the applicant to be included in the regional special investment contract
- proposed list of obligations of the investor and (or) contracted person (if any)
- information about the investment project



SIGNING AND DELIVERY OF THE REGIONAL SPECIAL INVESTMENT CONTRACT TO ITS PARTIES

GENERAL CONDITIONS FOR APPLICATION OF CORPORATE PROPERTY TAX BENEFITS

1

Lack of delinquent taxes, charges and other mandatory payments to budgets of all levels and state off-budget funds at the end of the tax (reporting) period in which the taxpayer claims a tax benefit.

2

Lack of overdue debts associated with monetary obligations to Kaluga Region at the end of the tax period in which the taxpayer claims a tax benefit.

3

The taxpayer (except for public, autonomous and state-financed institutions) is not in the process of liquidation or reorganization and is not subject to a bankruptcy procedure at the end of each reporting (tax) period in which the taxpayer claims a tax benefit.

GENERAL CONDITIONS FOR APPLICATION OF A REDUCED CORPORATE INCOME TAX RATE

1

Lack of delinquent taxes, charges and other mandatory payments to budgets of all levels and state off-budget funds and lack of overdue debts associated with monetary obligations to Kaluga Region at the end of the tax period in which the taxpayer claims a tax benefit.

2

The taxpayer is not in the process of liquidation or reorganization and is not subject to a bankruptcy procedure at the end of each reporting (tax) period in which the taxpayer applied a reduced tax rate.

3

Transfer (payment) in full of all accrued and withheld individual income tax amounts at the end of each reporting (tax) period in which the taxpayer applied a reduced tax rate in accordance with transfer (payment) time limits attributable to the reporting (tax) period.

NOTE: in application of corporate property tax and corporate income tax benefits, investors listed in the register of investment projects are entitled to apply the legislation on taxes and dues of Kaluga Region that was in force at the date of listing of their investment project in the register of investment projects within seven years after the date of such listing (article 7.1 of Kaluga Region Law No. 31-0Z dated 16.12.1998)

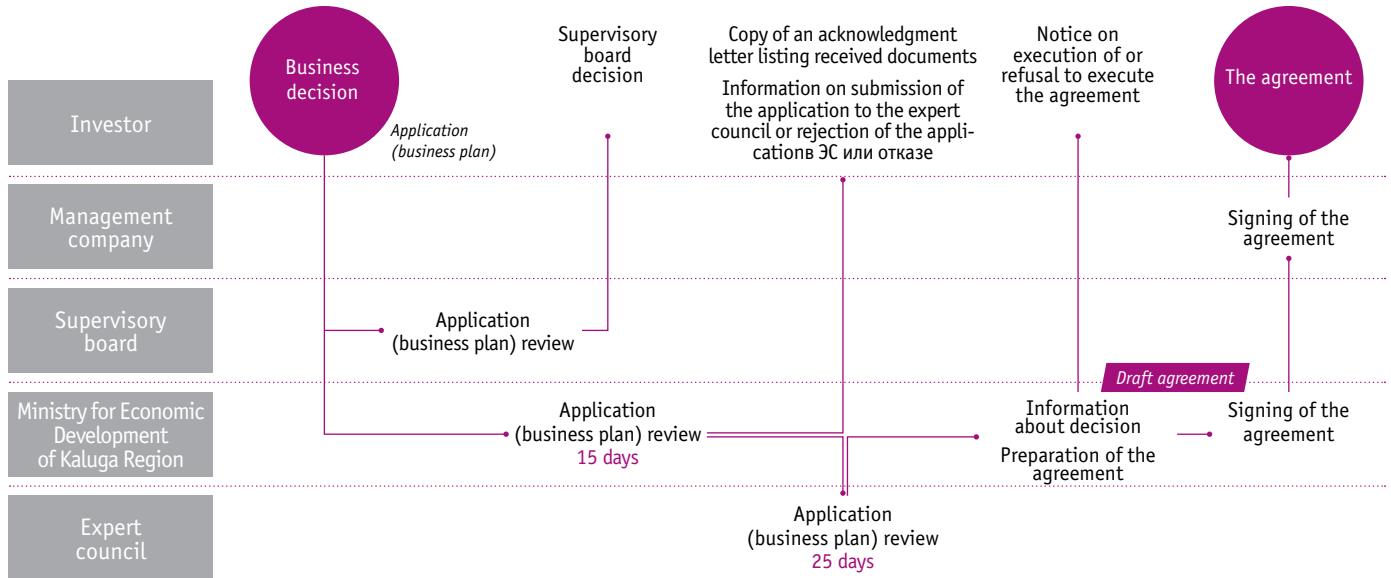
KALUGA SPECIAL ECONOMIC ZONE

- **SEZ BENEFITS AND PREFERENCES**
- **ADDITIONAL SEZ TAX BENEFITS**
- **GUARANTEES AGAINST UNFAVORABLE CHANGES IN LEGISLATION
REGULATING SEZ TAXATION**
- **SEZ CUSTOMS PREFERENCES AND DUTIES**

TO BECOME A SEZ RESIDENT THE INVESTOR MUST:

1. Register a legal entity in Lyudinovo or Borovsk district of Kaluga Region.
2. Submit an investment project to supervisory board and expert council.
3. Execute an agreement on industrial production.
4. Provide for at least 120 million rubles of investments in the investment project.

PROCEDURE FOR BECOMING A KALUGA SEZ RESIDENT



SEZ TAX BENEFITS AND PREFERENCES

Tax	<i>Reduced tax rate</i>	<i>Benefit period</i>	<i>Legal grounds</i>
Corporate income tax	<i>Applicable to the following economic activities:</i> 1. Manufacturing of machines and equipment; 2. Timber processing and manufacturing of wood products; 3. Manufacturing of automotive and automotive engine parts and accessories.	Beginning from the date of assignment of the status of a special economic zone resident	Article 5.1 of Kaluga Region Law No. 621-OZ "On reduction of the rate of the corporate income tax paid to the regional budget for specific categories of taxpayers" dated 29.12.2009.
	0 %	5 years (from the 1st to the 5th tax period)	
	3 %	4 years (from the 6th to the 9th tax period)	
	5 %	2 years (from the 10th to the 11th tax period)	
	8 %	2 years (from the 12th to the 13th tax period)	
	10 %	2 years (from the 14th to the 15th tax period)	
	13.5 %	from the 16th tax period	
	<i>For other economic activities:</i>		
	5 %	10 years (from the 1st to the 10th tax period)	
	9 %	5 years (from the 11th to the 15th tax period)	
13.5 %	from the 16th tax period		

Other corporate income tax preferences provided within the period of existence of the special economic zone (49 years).

Expenses associated with research and development (even those that produce no positive results) will be recognized in actual amount in the reporting (tax) period when they were incurred. An incremental ratio of not higher than 2 will be applied to the basic depreciation rate of the organization's own fixed assets (article 262, section 2 and article 259.3, section 1, subsection 3 of the RF Tax Code)

Tax	Reduced tax rate	Benefit period	Legal grounds
Corporate property tax	Residents of the special economic zone will be exempt from the corporate property tax if the property: <ul style="list-style-type: none"> - is recognized in the balance sheet of the SEZ resident; - was created or bought for activities within the SEZ; - is used within the SEZ in accordance with the agreement on the creation of the SEZ; - is located within the SEZ. 	10 years from registration of property	Article 381, section 17 of the RF Tax Code
Transport tax	Exemption from payment of the transport tax for trucks and other self-propelled vehicles, rubber-tired or track-mounted machines and mechanisms	10 years from registration of vehicle	Article 5, section 1, subsection 10 of Kaluga Region Law No. 156-OZ "On transport tax in Kaluga Region" dated 26.11.2002
Land tax	Residents of the SEZ are exempt from payment of land tax (applicable to land lots within the SEZ)	5 years from moment of acquisition of ownership title to each land lot	Article 395, section 9 of the RF Tax Code
VAT and customs duties	Free customs zone is a customs procedure where goods are located and used within the SEZ without payment of customs duties and taxes.		

ADDITIONAL SEZ TAX BENEFITS

Personal income of foreign nationals defined as high-qualification specialists and employed by SEZ residents is subject to individual income tax at the rate of 13% (Article 224, section 3 of the RF Tax Code). The individual income tax rate for foreign nationals who are not tax residents of the Russian Federation and who carry out labor activities in territories other than SEZ is 30%. Individuals are recognized as tax residents if they physically stay in the Russian Federation for at least 183 calendar days in 12 consecutive months.

In addition, the above-mentioned individuals shall be submitted to simplified migration procedures in accordance with laws governing legal status of foreign nationals in the Russian Federation.

GUARANTEES AGAINST UNFAVORABLE CHANGES IN LEGISLATION REGULATING SEZ TAXATION

Tax and customs benefits are provided on the basis of certificates confirming registration as a SEZ resident issued by the Ministry of Economic Development of the Russian Federation. Legislative acts of the Russian Federation governing taxes and levies that may be unfavorable to taxpayers that are SEZ residents, except for legislative acts of the Russian Federation governing taxed and levies applicable to excisable goods, shall not apply to SEZ residents during the term of the industrial production agreement (Article 38 of Federal Law No. 116-FZ “On special economic zones in the Russian Federation” dated 22.07.2005).

The free customs zone (FCZ) procedure applied in territories of industrial production zones is beneficial for investors establishing hi-tech enterprises, which often require import of expensive equipment and components from abroad.

Foreign-manufactured goods (equipment, raw materials, components, construction materials) imported to territories of special economic zones are held and used without payment of import customs duties, taxes or application of non-tariff regulatory measures. Customs Union goods are placed under the free customs zone procedure without payment of export customs duties or application of any bans or restrictions.

Upon completion of the FCZ procedure, goods that were placed under the FCZ procedure, as well as derivative products manufactured from such goods, are placed under other customs procedures as established by the Customs Code of the Customs Union depending on the status of such goods.

Residents are entitled to choose criteria of sufficient processing of goods that can be expressed as:

- a change in any of the first four digits of the classification code of goods established by the Foreign Economic Activity Commodity Nomenclature of the Customs Union;
- compliance with conditions, manufacturing and technological operations required to recognize goods manufactured with the use of foreign-manufactured products placed under the free customs zone procedure as Customs Union goods;
- a change in the cost of goods, when the value of used materials expressed as a percentage or the product's added value achieves a specific percentage in the price of the finished product (ad-valorem percentage rule).

If products manufactured within a special economic zone from imported components or raw materials are shipped to the customs territory of the Customs Union, the investor has the right to choose the applicable customs duty rate, i.e. rate applicable either to raw materials or finished products.

CUSTOMS DUTIES AND TAXES LEVIED WHEN GOODS ARE PLACED UNDER THE FREE CUSTOMS ZONE PROCEDURE AND UPON ITS COMPLETION

Foreign-manufactured goods	Free customs zone (FCZ)	<p><i>Import customs duties (CD) – DO NOT APPLY;</i> <i>VAT – DOES NOT APPLY;</i> <i>Excise duties – DO NOT APPLY</i></p>	Processing
	Outside FCZ	<p><i>Customs procedure for release of goods for domestic consumption:</i></p> <p><i>Import customs duties (CD) – APPLY;</i> <i>VAT – APPLIES;</i> <i>Excise duties – APPLY</i></p>	
Customs Union goods	Free customs zone (FCZ)	<p><i>Export customs duties – DO NOT APPLY;</i> <i>VAT – REFUNDABLE;</i> <i>Excise duties – DO NOT APPLY</i></p>	Processing
	Outside FCZ	<p>_____</p>	

Foreign goods	Release in the territory of the Customs Union	Customs procedure for release of goods for domestic consumption:	
	Export beyond the territory of the Customs Union	Re-export customs procedure:	
Derivative products manufactured with the use of foreign and Customs Union goods	Release in the territory of the Customs Union	Products recognized as Customs Union goods	Re-import customs procedure:
		Products recognized as foreign goods	Can be placed under the following customs procedures:
	Export beyond the territory of the Customs Union	Products recognized as Customs Union goods	Export customs procedure:
		Products recognized as foreign-manufactured goods	Re-export customs procedure:
Customs Union Goods	Release in the territory of the Customs Union	Re-import customs procedure:	
	Export beyond the territory of the Customs Union	Re-export customs procedure:	

Import customs duties – APPLY;
VAT – APPLIES;
Excise duties – APPLY

Import customs duties – DO NOT APPLY;
Export customs duties – DO NOT APPLY;
VAT – DOES NOT APPLY;
Excise duties – DO NOT APPLY

Re-import customs procedure:

Import customs duties – DO NOT APPLY;
Export customs duties – DO NOT APPLY;
VAT – DOES NOT APPLY; excise duties – DO NOT APPLY

Can be placed under the following customs procedures:

- release for domestic consumption (import CD – apply, VAT – applies, excise duties – apply);
- customs warehouse;
- processing in the customs territory;
- processing for domestic consumption;
- temporary import (access);
- duty-free trade;
- destruction;
- abandonment to the state

Export customs procedure:

Import customs duties – DO NOT APPLY;
VAT – DOES NOT APPLY;
Excise duties – DO NOT APPLY;
Export customs duties – APPLY

Re-export customs procedure:

Import customs duties – DO NOT APPLY;
Export customs duties – DO NOT APPLY;
VAT – DOES NOT APPLY; Excise duties – DO NOT APPLY

Re-import customs procedure:

Export customs duties – DO NOT APPLY;
VAT – DOES NOT APPLY;
Excise duties – DO NOT APPLY

Re-export customs procedure:

Export customs duties – APPLY

COMPARISON OF TAX BENEFITS IN INDUSTRIAL PARKS AND THE SPECIAL ECONOMIC ZONE

TAX	Kaluga Region industrial parks		
	Reduced tax rate	Effective period	Tax rate upon expiration of the effective period
Corporate income tax	13.5%	up to 4 years (depending on the amount invested)	18%*
Corporate property tax	0	up to 3 years (depending on the amount invested)	2.2%
Transport tax	none	none	Depending on engine capacity and type of motor vehicle, tax rates range from 5 rubles to 120 rubles per HP
Land tax	none	none	1.5%
Import customs duties and import VAT	none	none	

*until 2020, the tax rate will be 17 percentage points due to establishment of a 17% rate for corporate income tax payable to the regional budget (Article 284, section 1 of the RF Tax Code)

SEZ Kaluga

<i>Reduced tax rate</i>	<i>Effective period</i>	<i>Tax rate upon expiration of the effective period</i>
<p>FOR THE FOLLOWING ECONOMIC ACTIVITIES:</p> <p>1. Manufacturing of machines and equipment</p> <p>2. Timber processing and manufacturing of wood products</p> <p>3. Manufacturing of automotive and automotive engine parts and accessories</p> <p>From the year of assignment of SEZ resident status, the following tax rates shall apply:</p> <p>0% - for 5 years (from 1st to 5th tax period)</p> <p>3% - for 4 years (from 6th to 9th tax period)</p> <p>5% - for 2 years (from 10th to 11th tax period)</p> <p>8% - for 2 years (from 12th to 13th tax period)</p> <p>10% - for 2 years (from 14th to 15th tax period)</p> <p>13.5% - from 16th tax period</p> <p>For all other economic activities:</p> <p>5% - for 10 years (from 1st to 10th tax period)</p> <p>9% - for 5 years (from 11th to 15th tax period)</p> <p>13.5% - from 16th tax period</p>	49 years	18%
0%	10 years	2.2%
0%	10 years	Depending on engine capacity and type of motor vehicle, tax rates range from 5 rubles to 120 rubles per HP
0%	5 years	1.5%
0%	49 years	_____

LAND LEASE FEES ESTABLISHED FOR USE OF KALUGA REGION STATE-OWNED LAND PLOTS

The amount of the annual land lease fee is established in the contract for lease of the land plot in accordance with Kaluga Region laws as the product of the land lease fee (expressed as a percentage), the cadastral value of the land plot, the adjustment coefficient applicable for certain categories of leaseholders and annual consumer price indexes for the period lapsed from the moment of approval of relevant results of cadastral evaluation of lands.

The adjustment coefficient ranges from 0.1 to 10 depending on the type of activities carried out by the leaseholder at the land plot.

Components used to establish the amount of the land lease fee (Order of the Ministry from Economic Development of Kaluga Region No. 191-p dated 27.02.2008 "On establishment of land lease fees and adjustment coefficients applicable for certain categories of leaseholders")

<i>Land lease fee, %</i>						<i>Adjustment coefficient applicable for certain categories of leaseholders depending on the type of activities:</i>																					
For land lots granted for private subsidiary farming, gardening, vegetable gardening or livestock breeding, as well as use for country residency, occupied by residential structures or granted for residential housing construction; classified as settlement land or occupied by utility objects of the housing and utility complex infrastructure	0.3	For land lots designated for agricultural use or that are part of areas designated for agricultural use within settlements and used for agricultural production	0.6	For land lots classified as special preserved territories or objects	0.17	For land lots granted for business centers or office centers	0.2	For land lots classified as industry and other special-purpose lands, excluding land lots occupied by utility objects of the housing and utility complex infrastructure	0.9	For other land lots	2	Repair of machines and equipment	0.5	Wholesalers of vehicles, tools and equipment used in agriculture and forestry, including tractors	0.25	Construction, provided that the land plot was granted for construction purposes on lands designated for industrial or other special-purpose use	0.5	Management of state-owned property	0.2	Rail transportation: intercity and international passenger transportation	0.5	Telephone communication services	10	Extraction of stone, sand or clay from lands designated for such use	10	Vegetable (except potatoes) and mushroom processing and preservation	0.1

1. KALUGA REGION LAW NO. 31-OZ DATED 16.12.1998
On state support of subjects of investment activities in Kaluga Region
2. KALUGA REGION LAW No. 263-OZ dated 10.11.2003
On corporate property tax
3. KALUGA REGION LAW No. 621-OZ dated 29.12.2009
On reduction of the rate of the corporate income tax paid to the regional budget for specific categories of taxpayers
4. KALUGA REGION LAW No. 156-OZ dated 26.11.2002
On transport tax in Kaluga Region
5. ORDER OF THE MINISTRY FOR ECONOMIC DEVELOPMENT OF KALUGA REGION No. 92-p dated 01.02.2013
On the procedure for maintenance and amendment of the register of investment projects and register of production modernization programs
6. RF GOVERNMENT REGULATION No. 1450 dated 28.12.2012
On establishment of an industrial production special economic zone in the territory of Lyudinovo and Lyudinovo District municipality of Kaluga Region
7. AGREEMENT BETWEEN THE GOVERNMENT OF THE RUSSIAN FEDERATION, THE GOVERNMENT OF KALUGA REGION AND THE ADMINISTRATION OF LYUDINOVO AND LYUDINOVO DISTRICT MUNICIPALITY OF KALUGA REGION on establishment of an industrial production special economic zone in the territory of Lyudinovo and Lyudinovo District municipality of Kaluga Region No. S-10-OS/D14 dated 25.01.2013
8. ORDER OF THE MINISTRY FOR ECONOMIC DEVELOPMENT OF KALUGA REGION No. 191-p dated 27.02.2008
On establishment of land lease fees and adjustment coefficients applicable for certain categories of leaseholders

APPENDIXES*Appendix 1*

Application
of the investor for listing of an investment project
in the register of investment projects

(full name of

legal entity)

(address, date, reg. No.)

to the Minister for Economic Development
of Kaluga Region

Having reviewed the procedure for listing of investment projects in the register of investment projects implemented in Kaluga Region, we herewith submit the following investment project for your consideration:

(investment project name)

Please include the above investment project in the register of investment projects implemented in Kaluga Region.

We undertake to provide the completed form "Results of the organization's activities" (appendix No. 5 to Order No. 92-p dated 01.02.2013 of the Ministry for Economic Development of Kaluga Region) (hereinafter – the form) to the Ministry for Economic Development of Kaluga Region (hereinafter – the ministry) within the period indicated in the form. If it is impossible to provide the completed form within the indicated period or if the form cannot be fully completed, we undertake to notify the ministry thereof in writing with an indication of the reasons for failure to submit the completed form within the indicated period or to fully complete the form.

Attachments:

CEO

*(signature)**(name)*

SEAL

Appendix 2

Investment project profile

1. Investor's name: _____
2. Investment project name: _____
3. Investment project purpose: _____
4. Location of investment project implementation in Kaluga Region: _____
5. Investment project implementation period and stages: _____
6. Form of investment project implementation (construction, reconstruction of capital structures, other investments in fixed assets): _____
7. Total amount of capital investments in the investment project: _____
8. Schedule of capital investments according to stages of investment project implementation: _____
- 8.1. Structure of capital investments: _____

Investment project cost (total amount of capital investments)	
<i>Including:</i>	
- real estate items	
- other property (excluding real estate items)	
- other costs in the form of capital investments	

8.2. Investment project financing:

Years of implementation (implementation stages) of the investment project	Capital investments in the investment project (million rubles)
---------------------------------------------------------------------------	----------------------------------------------------------------

9. Estimated number of new jobs to be created at each implementation stage of the investment project:

Years of implementation (implementation stages) of the investment project	Estimated number of new jobs
---------------------------------------------------------------------------	------------------------------

Appendix 2

10. Information about the size, category and permitted use of land plot available or required for implementation of the investment project: _____

11. Information about the estimated average monthly salary at each implementation stage of the investment project:

Year of implementation (implementation stage) of the investment project	Average monthly salary (employees, rubles):				
	Overall	Including:			
		Managers	Specialists	Other employees	Workers

CEO

(signature)

(name)

SEAL

Application
of the investor for listing of a production modernization program
in the register of production modernization programs

to the Minister for Economic Development
of Kaluga Region

(full name of

legal entity)

(address, date, reg. No.)

Having reviewed the procedure for listing of production modernization programs
in the register of production modernization programs,
we herewith submit the following production modernization program for your consideration:

(program name)

Please include the above program in the register of production modernization programs. Attachments:

CEO

(signature) *(name)*

SEAL

Appendix 4

Appendix
KND form 1151092

(name of authorized governmental agency

of the constituent subject of the Russian Federation

for submission of the investment statement)

INVESTMENT STATEMENT

(full name of organization

according to constituent documents)

Investment project:

(full name of investment project)

Contact telephone number _____

Email address _____

The investment statement consists of ____ pages with attachments on ____ pages.

I hereby confirm the accuracy of
information indicated in this investment
statement: _____

(CEO signature)

Seal (if any)

"__" _____ 20__

	Year of investment project implementation						
	Year 1 20__	consequent years until receipt of income (by individual year) 20__	1 st year of receipt of income 20__	2 nd year of receipt of income 20__	3 rd year of receipt of income 20__	4 th year of receipt of income 20__	5 th year of receipt of income 20__
Total:							
Incl. by type of tax:							
.....							

5. Total amount of investment project financing (million rubles) _____,
 Incl.:
 - new construction _____;
 (names of new construction objects, amounts of financing)
 - reconstruction _____;
 - technical re-equipment _____;
 - modernization of fixed assets _____.
6. Total costs associated with creation (acquisition) of depreciable property (million rubles) <2>:
 - building and assembly works _____;
 - machines, equipment, tools, gear _____;
 - other costs _____
 including design and survey works _____.
7. Period of investment project implementation, _____ (years).
8. Schedule of annual capital investments in the course of investment project implementation (million rubles):
 Year 1 ____; year 2 ____; year 3 ____; year 4 ____; year 5 ____.
9. Sources of investment project financing (million rubles):
 - the organization's own funds ____;
 - outside sources _____,
 Incl.:
 bank loans _____,
 Incl. loans from foreign financial organizations and other persons ____;
 budget funds (by type of budget) ____;
 other (specify) _____

