Kaluga Region

Kaluga region

TAX BENEFITS

2015

INVESTORS WHOSE CAPITAL EXPENDITURES EXCEED 100 MILLION RUBLES

Indicator	*Corporate property tax*			*Corporate income tax*			
Conditions for benefits provision	1. Investment projects should be included in the Register of investment projects. 2. The average monthly salary shall not be less than 5 times the minimum subsistence level for able-bodied population.						
Benefit amount	Tax exemption			Tax rate reduction by 4.5 percentage points (standard rate — 18%)			
Capital investments (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
Consecutive tax exemption periods	1	2	3	1	2	3	4
Legal grounds	Article 4, section 1, subsection 1.1 of Kaluga Region Law No. 263-OZ of November 10, 2003			Article 2, section 1, subsection 1.1 of Kaluga Region Law No. 621-OZ of December 29, 2009			

INVESTORS WHOSE CAPITAL EXPENDITURES EXCEED 3 BILLION RUBLES

Indicator	*Corporate Property Tax*					*Corporate Income Tax*			
Conditions for benefits provision	1. Investment projects should be included in the Register of investment projects. 2. Carrying out highly prioritized and supported by the government economic activities (Kaluga region Government Regulation No. 160 of March 29, 2013 On the approval of the List of high-priority economic activities for Kaluga region): – Production of rubber tires and tubes – Steel production – Production of semi-finished products (blanks) for rolling – Production of hot-rolled and hammered steel 3. The average monthly salary shall not be less than 5 times the minimum subsistence level for able-bodied population.								
Benefit types	Tax exemption as a percentage of tax payable					Tax rate reduction by (standard rate — 18%):			
	100%	77%	55%	36%	18%	4.5 percentage points	3.4 percentage points	2.3 percentage points	1.2 percentage points
Consecutive tax exemption periods	from 1st to 3rd	4th	5th	6th	7th	from 1st to 4th	5th	6th	7th
	7 tax periods					*7 tax periods*			
Legal grounds	Article 4, section 1, subsection 1.3 of Kaluga Region Law No. 263-OZ of November 10, 2003					Article 2, section 1, subsection 1.2 of Kaluga Region Law No. 621-OZ of December 29, 2009			

INVESTORS MANUFACTURING PHARMACEUTICALS AND MATERIALS FOR MEDICAL USES

Parameter	*Corporate Property Tax*
Eligibility	1. The investment project is included into the register of investment projects. 2. The monthly salary will not be lower than a fivefold of the working population subsistence level. 3. Sales revenues of pharmaceuticals and materials for medical uses is the tax (reporting) period will be at least 70%.
Tax benefit	Total exemption
Capital investments (million RUR)	over 500
Subsequent tax periods subject to benefit	5
Legal provision	Subitem 1.2 of item 1 of Art. 4 of Law No. 263-OZ dated 10 November 2003

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

An investor decides to implement an investment project in the territory of Kaluga region and to invest at least 100 million rubles during the first three years of its implementation.

1

An investment project should be included in the Register of investment projects.

LIST OF DOCUMENTS:
1. Investor's application to include the investment project into the Register (Appendix 1);
2. Copies of constituent documents with all amendments and supplements;
3. A copy of the certificate of state registration as a legal entity;
4. A 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 official application of the investor to include the investment project into the Register and the investment project profile.

2

An extract from the order to include the investment project in the Register

MINISTRY OF ECONOMIC DEVELOPMENT

3

Tax return with respect to the relevant tax and documents to support the application for tax benefits (according to the list of documents as provided for by the tax legislation)

TAX AUTHORITIES

During tax benefit period

10 business days

CAPITAL INVESTMENT ACCUMULATION (BEGINNING FROM THE START DATE OF THE INVESTMENT PROJECT) AND TAX BENEFIT CLAIM PERIODS

The inclusion of the investment project into the Register of investment projects

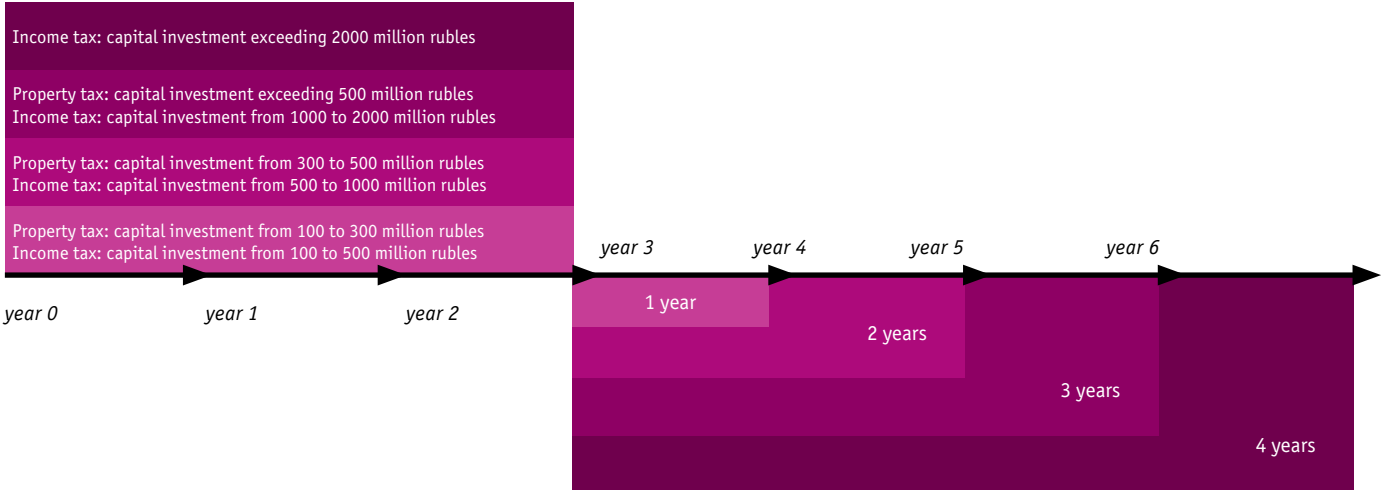
Capital investment accumulation period

Tax benefit claim deadline

TAX BENEFIT CLAIM

The investor has the right to claim a tax benefit by filing a tax return with the tax authorities in any of the reporting (tax) periods during four years from the date of inclusion of the investment project in the Register of investment projects.

APPLICATION OF TAX BENEFITS WITH RESPECT TO CORPORATE PROPERTY AND PROFIT TAXES PAYABLE BY AN ORGANIZATION IMPLEMENTING AN INVESTMENT PROJECT



Minimum amount of capital investment shall constitute at least 100 million rubles.
Tax benefit time limits depend on the amount of capital investment made (see. table 1-3).
If the amount of capital investment allows for using a tax benefit during a greater number of years, the tax benefit is provided for the number of years minus those years in which the benefit was already used.

Tax benefits may be used if there are grounds for the relevant tax payment:
in the case of tax on the profit of organizations, the object of taxation is **profit earned by an organization;**
in the case of tax on the property of organizations, the objects of taxation are **assets recorded on the balance sheet as items of fixed assets in accordance with the legislation of the Russian Federation.**

INVESTORS WITH CAPITAL INVESTMENTS IN PRODUCTION MODERNIZATION OF OVER RUR 10 MILLION

Parameter	*Corporate property tax*			*Corporate profit tax*		
Eligibility	1. The production modernization program has been included into the register of production modernization programs. 2. Revenue of at least 70% of the activity indicated in Processing (OKVED)					
	3. The production modernization program provides for capital investments in the period from 1 January 2013 to 31 December 2017. 4. Modernized fixed assets will fall under item 11 'Buildings (not residential)' and item 14 'Machines and equipment' (OKOF).			3. The production modernization program provides for capital investments in the period from 1 January 2013 to 31 December 2015.		
Tax benefit	Total exemption			Tax rate reduction by (percentage points):		
				3	4	4.5
Capital investments (million RUR)	from 10 to 30	from 30 to 70	over 70	from 10 to 30	from 30 to 70	over 70
Subsequent tax periods subject to benefit	1	2	3	1	2	3
Legal provision	Subitem 12 of item 1 of Art. 3 of Law of Kaluga region No. 263-OZ dated 10 November 2003			Subitem 1.3 of item 1 of Art. 2 of Law of Kaluga region No. 621-OZ dated 29 December 2009		

HOW INVESTORS WITH CAPITAL INVESTMENTS IN PRODUCTION MODERNIZATION CAN APPLY FOR TAX BENEFIT

An investor adopts a production modernization program with capital investments of at least RUR 10 million in the period from 1 January 2013 to 31 December 2015 (for a corporate profit tax benefit) or in the period from 1 January 2013 to 31 December 2017 (for a corporate property tax benefit).

1

DOCUMENT PACKAGE:
1. the investor's statement that the production modernization program has been included into the register (Attachment 3);
2. the production modernization program;
3. documents confirming the official powers of the person who signed the statement and the program above;
4. copies of the incorporation documents (including any amendments and supplements)
5. a copy of the government registration certificate of the legal entity;
6. a copy of the tax registration certificate.

The documents shall be submitted until November 30, 2015.

2

An excerpt from the order on inclusion into the register of production modernization programs.

MINISTRY OF ECONOMIC DEVELOPMENT

3

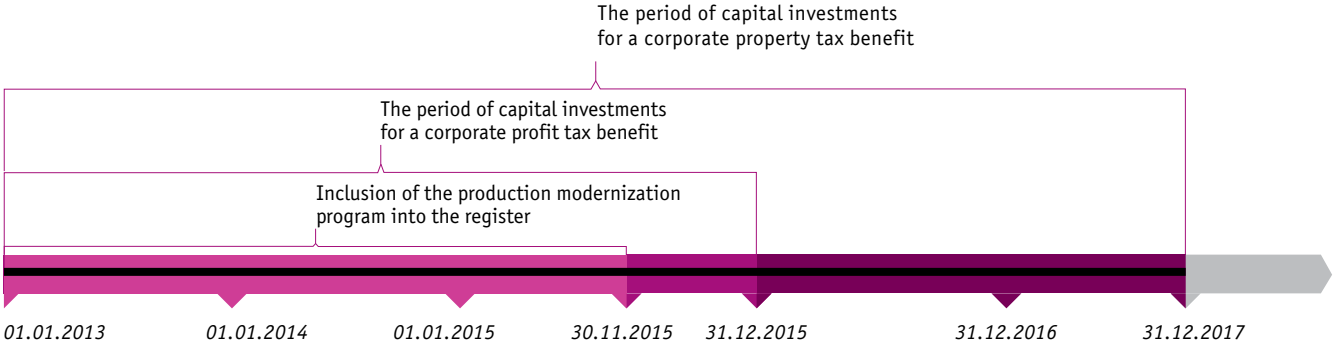
The relevant tax declaration together with the documents required for the tax benefit (the list of the documents is contained in the regional tax legislation).

TAX AUTHORITIES

Within the period of the tax benefit

10 working days

ACCUMULATION PERIOD OF CAPITAL INVESTMENTS UNDER THE PRODUCTION MODERNIZATION PROGRAM AND DECLARATION OF TAX BENEFITS



The production modernization program will be included into the register of production modernization programs in the period from 1 January 2013 to 30 November 2015.

For total actually made capital investments such capital investments will be taken into account, which are made under the modernization program in the period from 1 January 2013 to 31 December 2015 (for a corporate profit tax benefit) and from 1 January 2013 to 31 December 2017 (for a corporate property tax benefit) irrespective of when the relevant production modernization program is included into the register of production modernization programs.

CORPORATE PROPERTY TAX BENEFIT UNDER PRODUCTION MODERNIZATION PROGRAM

A fixed asset will become eligible to the tax benefit starting from the first day of the month following the month when the modernization of the fixed asset is completed under the production modernization program and where the total actual capital investments in all of the fixed assets have reached RUR 10 million or more.

The application period of the tax benefit will depend on total capital investments (1 year for capital investments in the amount ranging from RUR 10 million to RUR 30 million, 2 years for capital investments in the amount ranging from RUR 30 million to RUR 70 million and 3 years for total investments of over RUR 70 million).

The eligibility to the tax benefit can be declared in the period from 1 January 2013 to 1 January 2018.

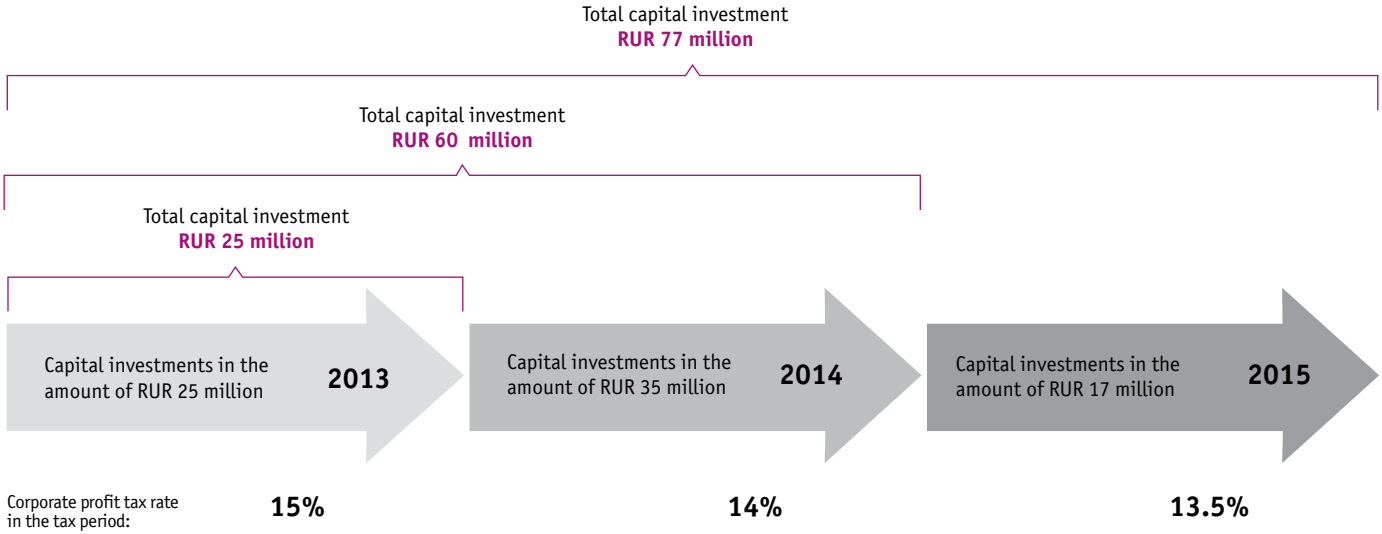
Asset's balance sheet value	Modernization expenses	Asset's balance sheet value	Tax rate for a specific asset		
January 1, 2013		January 1, 2014	2013 г.	2014 г.	2015 г.
5 million	Modernization 15 million rubles	20 million	0%	0%	0%
13 million	Modernization 10 million rubles	23 million	0%	0%	0%
January 1, 2014		January 1, 2015			
15 million	Modernization 35 million rubles	50 million	2.2%	0%	0%
January 1, 2015		January 1, 2016			
14 million	Modernization 17 million rubles	31 million	2.2%	2.2%	0%
Total modernization expenses	77 million rubles				

Note: For a specific fixed asset a tax benefit will be granted for a maximum period of 3 tax periods (years).

CORPORATE PROFIT TAX BENEFIT UNDER PRODUCTION MODERNIZATION PROGRAM

An investor included into the register of production modernization programs can apply a reduced corporate profit tax rate to a tax period where total capital investments have reached the relevant amount (15% for investments in the amount ranging from RUR 10 million to RUR 30 million, 14% for investments in the amount ranging from RUR 30 million to RUR 70 million, 13.5% for investments of over RUR 70 million) (see table 4).

The eligibility to the tax benefit can be declared in the period from 1 January 2013 to 1 January 2016.



Note: the corporate profit tax benefit will not exceed 50% of the capital investments.

Parameter	*Corporate property tax benefit*
Properties subject to the tax benefit	Any facilities of the gas distribution system located in Kaluga region where the title in such facilities arose before 1 January 2013 and which have been operated by gas distribution organizations since 1 January 2009, except the major pipelines and any structures, which are an integral technological element of the pipelines.
Tax benefit	Total exemption
Subsequent tax periods subject to benefit	For an indefinite period of time
Legal provision	Subitem 13 of item 1 of Art. 3 of Law of Kaluga region No. 263-OZ dated 10 November 2003

CORPORATE OWNERS OF GAS DISTRIBUTION SYSTEMS

Parameter	*Налог на имущество организаций*
Properties subject to the tax benefit	Facilities of the gas distribution system located in Kaluga region, which have been put in operation (bought) not before 1 January 2013, except the following: • major pipelines and structures, which are an integral technological element of the pipelines; • any facilities, which have been built through regional or local government spending and/or a surcharge on gas transportation rates to gas distribution organizations.
Eligibility	The tax benefit will be granted starting from the first day of the (reporting) tax period following the (reporting) tax period where the gas supply structures are put into operation (bought) given the gas supply structures have been put into the register of gas supply structures.
Tax benefit	Total exemption
Subsequent tax periods subject to benefit	For an indefinite period of time
Legal provision	Subitem 14 of item 1 of Art. 3 of Law of Kaluga region No. 263-OZ dated 10 November 2003

ORGANIZATIONS ENGAGED IN THE PRODUCTION AND STORAGE OF AGRICULTURAL PRODUCTS

Indicator	*Налог на имущество организаций*	*Налог на прибыль организаций*
Conditions for benefits provision	Revenues from the production and storage of agricultural products shall be at least 70 percent of the total revenues from the sale of products.	For agricultural goods producers which meet the criteria specified in paragraph 2 of Article 346.2 of the Tax Code of the Russian Federation related to activities associated with the sale of agricultural products produced by them and with the sale of own agricultural products produced and processed by those taxpayers
Benefit amount	Tax exemption	Tax rate shall be reduced by 18 percentage points
Number of consecutive tax exemption periods	No time limit	No time limit
Legal grounds	Article 3, section 1, subsection 3 of Kaluga Region Law No. 263-OZ of November 10, 2003	Article 284, section 1, subsection 1.3 of the Tax Code of the RF

CONDOMINIUMS

Indicator	*Corporate property tax*	*Corporate income tax*
Benefit amount	Tax exemption	Tax rate reduction by 4.5 percentage points
Tax benefit period	No time limit	
Legal grounds	Article 3, section 1, subsection 4 of Kaluga Region Law No. 263-OZ of November 10, 2003	Kaluga Region Law No. 125-OZ of March 28, 2011

OTHER ORGANIZATIONS ELIGIBLE TO AN EXEMPTION FROM THE CORPORATE PROPERTY TAX

Organizations	*Tax benefit period (subsequent tax periods subject to tax benefit)*	*Legal provisions*
1. Organizations involved exclusively in production and consumption waste processing and disposal	An indefinite period of time	Subitem 5 of item 1 of Art. 3 of Law of Kaluga region No. 263-OZ dated 10 November 2003
1. Organizations as regards historical and cultural monuments at the regional and local (municipal) level	An indefinite period of time	Subitem 6 of item 1 of Art. 3 of Law of Kaluga region No. 263-OZ dated 10 November 2003
1. Organizations as regards public roads at the regional and local level	An indefinite period of time	Subitem 7 of item 1 of Art. 3 of Law of Kaluga region No. 263-OZ dated 10 November 2003
4. Organizations where the share of the following activities in the total revenue in the tax (reporting) period is at least 70%: 71.11.1, 71.12.51, 71.12.53, 71.12.55, 72 of the Russian National Classification of Economic Activities (hereinafter referred to as OKVED). *OKVED codes:* *71.11.1: activities in the field of architecture related to buildings and structures;* *71.12.51: activities of the observation weather system.* *74.20.54 – Meteorological, climatological, hydrological services;*	An indefinite period of time	Subitem 8 of item 1 of Art. 3 of Law of Kaluga region No. 263-OZ dated 10 November 2003

To be continued on page 18.

OTHER ORGANIZATIONS QUALIFIED FOR CORPORATE PROPERTY TAX EXEMPTION

End of table. Beginning on page 17

74.20.55 – monitoring the state of the environment and environmental pollution; *74.20.56 – environmental information services – data on the state of the environment and environmental pollution.*		
5. Organizations – with respect to immovable property located on land plots permitted for siting of airports and airdromes.	An indefinite period of time	Article 3, section 1, subsection 9 of Kaluga Region Law No. 263-OZ of November 10, 2003
6. Organizations which have the status of authorized organizations in the field of creation and development of the infrastructure of industrial or science and technology parks.	An indefinite period of time	Article 3, section 1, subsection 10 of Kaluga Region Law No. 263-OZ of November 10, 2003
7. Public enterprises of Kaluga Region.	An indefinite period of time	Article 3, section 1, subsection 11 of Kaluga Region Law No. 263-OZ of November 10, 2003
8. Public authorities of Kaluga region, local governments of municipalities of Kaluga region, public and municipal state-funded institutions and government agencies of Kaluga region.	An indefinite period of time	Article 3, section 1, subsection 1, paragraphs 1,2 of Kaluga Region Law No. 263-OZ of November 10, 2003
9. Religious organizations as well as non-profit organizations whose founding members are religious organizations only.	An indefinite period of time	Article 3, section 1, subsection 2 of Kaluga Region Law No. 263-OZ of November 10, 2003
10. Autonomous organizations created on the basis of property owned by Kaluga Region and its municipalities – with respect to property used with the consent of the owner.	3	Article 3, section 1, subsection 1, paragraph 3 of Kaluga Region Law No. 263-OZ of November 10, 2003

PROPERTIES ELIGIBLE TO A 50% REDUCTION OF THE ASSESSED PROPERTY TAX

Property	*Tax benefit period (subsequent tax periods subject to tax benefit)*	*Legal provisions*
1. Any properties used for agricultural processing	An indefinite period of time	Subitem 1 of item 3 of Art. 3 of Law of Kaluga region No. 263-OZ dated 10 November 2003
1. Properties used to offer services related to agricultural production	An indefinite period of time	subitem 2 of item 3 of Art. 3 of Law of Kaluga region No. 263-OZ dated 10 November 2003

PROPERTY TAX REDUCTION BY GREENERY-RELATED EXPENSES

Organizations conducting planting activities in locations in Kaluga region upon agreement with local municipalities.	Item 2 of Art. 3 of Law of Kaluga region No. 263-OZ dated 10 November 2003

GENERAL CONDITIONS FOR THE USE 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 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

A 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.

4

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 claims a tax benefit in accordance with transfer (payment) dates attributable to the reporting (tax) period in accordance with transfer (payment) time limits established for the reporting (tax) period.

GENERAL CONDITIONS FOR THE USE OF REDUCED CORPORATE INCOME TAX

1

Lack of delinquent taxes including advance payments, charges and other mandatory payments to budgets of all levels and state off-budget funds as well as any 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

A 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.

LYUDINOVO
SPECIAL ECONOMIC ZONE

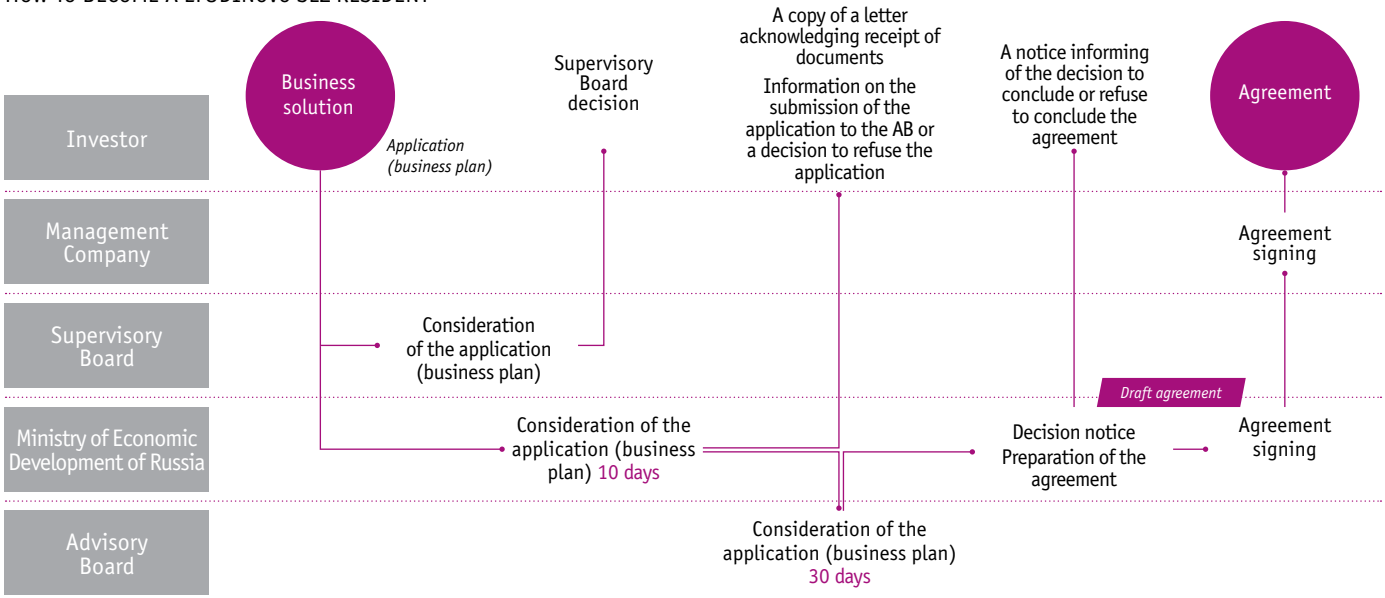
- SEZ BENEFITS AND PREFERENCES
- ADDITIONAL SEZ TAX BENEFITS
- GUARANTEES AGAINST UNFAVORABLE CHANGES IN LEGISLATION REGULATING SEZ TAXATION
- SEZ CUSTOMS PREFERENCES AND DUTIES

LYUDINOVO SPECIAL ECONOMIC ZONE

TO BECOME A SEZ RESIDENT THE INVESTOR MUST:

1. Register a legal entity in Lyudinovo district of Kaluga Region.
2. Submit an investment project to Supervisory and Advisory boards.
3. Conclude an agreement on industrial production.
4. The amount of investment in the investment project must constitute at least 120 million rubles.

HOW TO BECOME A LYUDINOVO SEZ RESIDENT



TAX BENEFITS AND PREFERENCES IN SPECIAL ECONOMIC ZONES

Tax	*Reduced tax rate*	*Effective period*	*Legal provisions*
Corporate property tax	***Applicable to the following economic activities:*** 1. Manufacture of machines and equipment; 2. Timber production and wood processing; 3. Manufacture of car (engine) parts and accessories.		Item 5.1 of Law of Kaluga region No. 621-OZ 'On rate reduction of the corporate profit tax paid to the regional budget for investors conducting investment activities in Kaluga region and resident organizations of Kaluga region special economic zones' dated 29 December 2009.
	0 %	before 31 December 2017	
	3 %	from 1 January 2018 to 31 December 2020	
	5 %	from 1 January 2021 to 31 December 2022	
	8 %	from 1 January 2023 to 31 December 2024	
	10 %	From January 1, 2025 to December 31, 2026	
	13.5 %	from 1 January 2027 to the expiration date of the special economic zone	
	For other economic activities:		
	5 %	before 31 December 2022	
	9 %	from 1 January 2023 to 31 December 2026	
	13.5 %	from 1 January 2027 to to the expiration date of the special economic zone	

Other corporate profit tax preferences for the duration of the special economic zone (49 years).

R&D expenses (also if such research and development were not successful) will be recognized in their actual amount in the reporting (tax) period where they are incurred.
An incremental ratio of not higher than 2 can be applied to the basic depreciation rate of the organization's own fixed assets (item 2 of art. 262 and subitem 3 of item 1 of art. 259 of the Russian Tax Code).

Tax	*Reduced tax rate*	*Effective period*	*Legal provisions*
Corporate property tax	Resident companies of the special economic zone will be exempt from the corporate property tax if the property: • is included into the organization's balance sheet; • has been created or bought for the purpose of the activities in the special economic zone; • is used in the special economic zone under the agreement on the creation of the special economic zone; • is located in the special economic zone.	10 years starting from the registration of the property	item 17 of art. 381 of the Russian Tax Code
Transport tax	Trucks and other self-propelled tired or tracked vehicles, machines and mechanisms will be exempt from the transport tax.	10 years starting from the registration of the vehicle	Subitem 10 of item 1of Art. 5 of Law of Kaluga region No. 156-OZ 'On the transport tax in Kaluga region' dated 26 November 2002
Land tax	Special economic zone residents will be exempt from the land tax (applicable to the land lots in the special economic zone)	5 years starting from the moment when the title in each land lot arises	Item 9 of Art. 395 of the Russian Tax Code
VAT and customs duties	Free customs zone will be a customs procedure were products are placed and used in the special economic zone as exempt from customs duties and taxes.		

ADDITIONAL SEZ TAX BENEFITS

Personal income of foreign nationals defined as highly qualified specialists and employed by SEZ residents is subject to the individual income tax at the rate of 13 percent (Article 224, section 3 of the Tax Code of the RF). The individual income tax rate shall be established at 30 percent for income received by foreign nationals who are not tax residents of the Russian Federation and who carry out labor activities in territories other than SEZ. Individuals who are physically present in the Russian Federation for not less than 183 calendar days over 12 consecutive months shall be recognized as tax residents.

In addition, simplified migration procedures are applied with respect to the above-mentioned individuals in accordance with the laws concerning the legal status of foreign citizens 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 of an individual as a SEZ resident issued by the Ministry of Economic Development of the Russian Federation.

Legislative acts of the Russian Federation concerning taxes and levies which may be unfavorable to taxpayers — SEZ residents — except for legislative acts of the Russian Federation in the sphere of taxes and levies concerning 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 of July 22, 2005).

Free customs zone (FCZ) customs procedures applied in the territories of industrial production zones are especially beneficial for investors establishing hi-tech enterprises, which in many cases requires importation of expensive equipment and components from abroad.

Foreign-made products (equipment, raw materials, components and construction materials) imported to the territory of special economic zones are placed and used without payment of import customs duties and taxes or application of non-tariff regulatory measures.

While Customs Union goods are placed under the free customs zone customs procedure, no payment of export customs duties is required and no bans or restrictions are imposed.

Upon completion of the free customs zone customs procedure, the goods placed under the free customs zone customs procedure, as well as compensating products manufactured from such goods, are placed under other customs procedures established by the Customs Code of the Customs Union according to the status of such goods.

However, residents may choose criteria of sufficient processing of goods which can be expressed as:

– a change in any of the first four digits of the classification code of Foreign economic activity commodity nomenclature of the Customs Union;

– compliance with requirements, manufacturing and technological operations sufficient to recognize the goods manufactured with the use of foreign-made products placed under the free customs zone customs procedure as the goods of the Customs Union;

– a change in the cost of the goods when the value of materials used, expressed as a percentage, or the product's added value equals a specified percentage level in the finished product's price (ad-valorem percentage rule).

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

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

Foreign-made goods	*Free customs zone (FCZ)*	*Import customs duties (CD) – do not apply; VAT – does not apply; Excise duties – do not apply*	Processing
	Outside FCZ	*Customs procedure for the release of goods for domestic consumption:*	
		Import customs duties (CD) – apply; VAT – applies; Excise duties – apply	
Customs Union goods	*Free customs zone (FCZ)*	*Export customs duties do not apply; VAT – refundable; Excise duties – do not apply*	Processing
	Outside FCZ	_____	

Foreign-made goods	Foreign-made goods		Customs procedure for the release of goods for domestic consumption: Import customs duty – applies; VAT – applies; Excise duties – apply
	Exportation of goods outside the territory of the Customs Union		Re-exportation customs procedure: Import customs duty – does not apply; Export customs duty – does not apply; VAT – does not apply; Excise duties – do not apply
Compensating products manufactured with the use of foreign-made and Customs Union goods	Release of goods in the territory of the Customs Union	Products recognized as Customs Union goods	Re-importation customs procedure: Import customs duty – does not apply; Export customs duty – does not apply; VAT – does not apply; excise duties – do not apply
		Products recognized as foreign-made goods	May be placed under the following customs procedures: - release for domestic consumption (import duty-applies, VAT-applies, excise duty-applies); - customs warehouse; - processing in the customs territory; - processing for domestic consumption; - temporary import (access); - duty-free trade; - destruction; - abandonment to the State
	Exportation of goods outside the territory of the Customs Union	Products recognized as Customs Union goods	Exportation customs procedure: Import customs duty – does not apply; VAT – does not apply; Excise duties – do not apply; Export customs duty – applies
		Products recognized as foreign-made goods	Re-exportation customs procedure: Import customs duty – does not apply; Export customs duty – does not apply; VAT – does not apply; Excise duties – do not apply
Customs Union goods	Release of goods in the territory of the Customs Union		Re-importation customs procedure: export customs duty – does not apply; import customs duty – does not apply VAT – does not apply; excise duties – do not apply
	Exportation of goods outside the territory of the Customs Union		Re-exportation customs procedure: export customs duty – applies

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 profit tax	13.5%	Up to 4 years (depending on the amount of investments)	18%
Corporate property tax	0	Up to 3 years (depending on the amount of investments)	2.2%
Transport tax	exempt	none	Depending on the engine capacity and the type of the motor vehicle, the tax rates range from RUR 5 to RUR 120 per hp.
Land tax	exempt	none	1.5%
Import customs duties and import VAT	exempt	none	

Lyudinovo special economic zone		
Reduced tax rate	*Effective period*	*Tax rate upon expiration of the effective period*
TO THE FOLLOWING ECONOMIC ACTIVITIES: 1. Manufacture of machines and equipment; 2. Timber production and wood processing; 3. Manufacture of car (engine) parts and accessories; the following tax rates will be applicable: 0%: up to 31 December 2017 (3 years); 3%: from 1 January 2018 to 31 December 2020 (3 years); 5%: from 1 January 2021 to 31 December 2022 (2 years); 8%: from 1 January 2023 to 31 December 2024 (2 years); 10%: from 1 January 2025 to 31 December 2026 (2 years); 13.5%: from 1 January 2027 to the expiration date of the special economic zone. To other economic activities: 5%: up to 31 December 2022 (8 years); 9%: from 1 January 2023 to 31 December 2026 (4 years); 13.5%: from 1 January 2027 to the expiration date of the special economic zone.	49 years	18%
0%	10 years	2.2%
0% Applicable to trucks and other self-propelled tired or tracked vehicles, machines and mechanisms	10 years	Depending on the engine capacity and the type of the motor vehicle, the tax rates range from RUR 5 to RUR 120 per hp
0%	5 years	1.5%
0%	49 years	_____

DEFINING LAND LEASE FEES FOR KALUGA REGION STATE-OWNED LAND PLOTS

The amount of the annual land lease fee is set in the contract of lease of a land plot and is defined in accordance with Kaluga region laws as the product of a land lease fee (expressed as a percentage), the cadastral value of the land plot and the adjustment coefficient that applies to certain categories of leaseholders.

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

The following components are used to define the amount of land lease fee (Order of the Ministry of Economic Development of Kaluga region No. 191-r of February 27, 2008 "On setting land lease fees and adjustment coefficients that apply to certain categories of leaseholders")

Land lease fees, %							*Adjustment coefficients that apply to certain categories of leaseholders depending on the type of activities carried out by them:*										
with respect to land plots granted for the purpose of residential housing construction	with respect to land plots granted for livestock-breeding purposes	with respect to land plots used for agricultural production purposes	with respect to land plots classified as specially preserved territories and objects	with respect to land plots granted for business-centers, office-centers	with respect to land plots classified as industry and other special-purpose lands	with respect to other land plots	mounting services, repair and maintenance of vehicles used in agriculture and forestry including wheel-tire tractors	tractor wholesalers	wholesalers of other vehicles and equipment used in agriculture and forestry	construction, provided that a land plot for construction purposes has been granted	general public management	railway transport	car manufacturers	telecommunications	emergency care institutions	gravel, sand and clay extraction on land plots granted for such purposes	processing and conservation of vegetables
0.1	0.3	0.6	0.17	0.2	0.9	2	0.25	0.25	0.25	0.5	0.1	0.5	0.2	10	0.1	10	0.1

1. KALUGA REGION LAW NO.31-OZ OF DECEMBER 16, 1998
On state support of investors in Kaluga region

2. KALUGA REGION LAW NO. 263-OZ OF NOVEMBER 10, 2003
On Corporate Property Tax

3. LAW OF KALUGA REGION NO. 621-OZ OF DECEMBER 29, 2009
On the reduced rate of corporate income tax payable to the regional budget for investors carrying out investing activities in Kaluga Region

4. LAW OF KALUGA REGION NO. 156-OZ OF NOVEMBER 26, 2002
On transport tax in Kaluga region

5. ORDER OF THE MINISTRY OF ECONOMIC DEVELOPMENT OF KALUGA REGION NO.92-P OF FEBRUARY 1, 2013
On the approval of procedures for keeping the Register of investment projects, the Register of production facilities modernization programs and introducing amendments thereto

6. RF GOVERNMENT REGULATION NO. 1450 OF DECEMBER 28, 2012
On the establishment of industrial production special economic zone in the territory of Lyudinovo and Lyudiinovo District Municipality of Kaluga region

7. AGREEMENT BETWEEN THE GOVERNMENT OF THE RUSSIAN FEDERATION, THE GOVERNMENT OF KALUGA REGION AND ADMINISTRATIVE AUTHORITIES OF LYUDINOVO AND LYUDIINOVO DISTRICT MUNICIPALITY OF KALUGA REGION on the establishment of industrial production special economic zone in the territory of Lyudinovo and Lyudiinovo District Municipality of Kaluga region No. S-10-OS/D14 of January 25, 2013

APPENDICES

Appendix 1

Application
of the Investor for including 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 including 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)

Attachments:

CEO

_____
(signature) *(name)*

SEAL

Appendix 2

Investment Project Portfolio

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. Investment project implementation form (construction, reconstruction of capital structures, other investments in fixed assets): _____
7. Total amount of capital investment in the investment project: _____
8. Capital investment schedule according to stages of investment project realization.
8.1. Structure of capital investment: _____

Investment project cost (total amount of capital investment)	
Including:	
- immovable property items;	
- other property (excluding immovable property items);	
- other costs in the form of capital investment.	

8.2. Investment project financing:

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

9. Estimates for the number of new jobs 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 a land plot available or required for implementation of the investment project: _____

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

Years of implementation (implementation stages) of the investment project	Average monthly salary of employees (rubles), including:			
	managers	*specialists*	*other employees*	*workers*

CEO

_____

(signature) *(name)*

SEAL

Appendix 3

Investor Application
to include a production facilities modernization program
in the Register of production facilities modernization programs

_____
(full name of
_____
legal entity)
_____
_____
(address, date, reg. No.)

To the Minister of Economic Development
of Kaluga Region

Having reviewed the Procedure for including a production facilities modernization program in the Register of production facilities modernization programs, we herewith submit the following modernization program for your consideration

_____
_____
(program name)

Please, include the above program in the Register of production facilities modernization programs. Attachments:

CEO

_____
(signature) *(name)*

SEAL