

INTRODUCTION

Over the last five years or so most CIS countries have either adopted tax codes or prepared draft tax codes. These codes are similar in general structure, although different in their details. The process of compiling and revising tax codes in these countries continues. In some countries, the tax code has not been adopted, but the possibility of its adoption is being reviewed. In other countries, work is actively underway to prepare legislative acts. In countries that have already adopted codes, the codes are being applied and these countries are already dealing with issues connected with the interpretation and possible revision of their codes. With time, their further revision is probable as the tax systems of these countries continue to develop.

The International Monetary Fund's Legal Department has developed a sample tax code for a hypothetical country (the Transition Republic of Taxastan) for use as reference material to provide assistance in the preparation of legislative acts and the application of laws. Although there are many possible variants, only one text is proposed. The reason is not that it always represents the best variant for all countries, but rather that the code is based on the actual experience of working with legislation and that the proposed single text of the code is easier to read and understand. The text is based for the most part on the tax codes of Georgia (June 1997) and Tajikistan (November 1998), which in turn rely on the tax code of Kazakhstan (April 1995) and Part I of the tax code of Russia (August 1998). Other legislative tax documents of CIS states (for example, Kyrgyz Republic and Uzbekistan) and other states were also reviewed in the preparation of the text.

The tax code of Taxastan includes all the national taxes of Taxastan: Tax on the income of physical persons, tax on the income of legal persons, value-added tax, excise taxes, social insurance contributions, land tax, tax on the processors of commercial minerals, tax on the property of enterprises, tax on owners of vehicles, tax on small commercial enterprises, and local taxes. Of course, the set of included taxes should be modified for the individual country in order to bring it into correspondence with existing taxes. The text of the sample code does not deal with issues of the distribution of authority for the collection of taxes among state administrative authorities at the national (federal) and regional (local) level inasmuch as there exist important differences in this area among the constitutions of the individual CIS countries.

Naturally, it will be necessary to make substantial changes to the text to satisfy the needs of a specific country. In this connection, it is suggested that the text be used as a guideline, and as reference material, not as a standard. It is not a recommendation from the IMF that certain specific provisions be introduced in any specific country.

PART I. GENERAL PART

DIVISION I. GENERAL PROVISIONS

Chapter 1. The Tax System of the Republic of Taxastan

Article 1. Relations Regulated by this Code

1. This Code establishes the principles of organization and operation of the tax system of the Republic of Taxastan, the procedure for introduction, change, and abolition of national and local taxes, determines the legal status of taxpayers, tax authorities, tax agents, and other participants in relations regulated by the tax legislation, institutes provisions for determination of the objects of taxation, fulfilment of tax obligations, and implementation of enforcement measures for national taxes and basic provisions on local taxes, tax accounting, responsibility for tax offenses, and appeals against action (inaction) of tax authorities and their officials.
2. This Code regulates relations pertaining to taxation in respect of national taxes.
3. Relations pertaining to taxation in respect of local taxes shall be regulated on the basis of and in accordance with the general principles of taxation in the Republic of Taxastan established by this Code, and normative acts of local councils of People's Deputies passed in compliance with this Code.
4. The concepts and norms established by this Code and other acts of tax legislation shall only apply (unless otherwise specified by law) to regulate relations pertaining to taxation.
5. The term "national" is used in this Code as referring to the Republic of Taxastan as a whole.
6. The term "local" is used in this Code as referring to regions, cities and districts.
7. The collection of customs duties shall be regulated by customs legislation , and the collection of state duty - by legal acts regulating matters concerning state duty.

Article 2. The tax system of the Republic of Taxastan

The tax system of the Republic of Taxastan consists of a set of taxes envisaged by this Code, principles, forms, and methods of their establishment, amendment and elimination, and payment and provisions for securing their payment, as well as forms and methods of tax control and imposition of responsibility for the violation of tax legislation.

Article 3. Legal basis for taxation

1. All physical and legal persons are obliged to pay all state and local taxes established by this Code and by decisions of local councils of people's deputies, taken in accordance with it, for which they are taxpayers.
2. No one may be required to pay taxes that are not contemplated by this Code.
3. A tax assessed in accordance with this Code is an obligation to the state and is payable to the budget.

Article 4. Tax legislation of the Republic of Taxastan and its operation in time

1. The tax legislation of the Republic of Taxastan consists of this Code and normative (normative-legal) acts adopted in accordance with it.
2. Taxation shall be based on officially published acts of tax legislation in effect as of the date of the emergence (existence) of circumstances related to the fulfilment of a tax obligation.
3. Interpretation (explanation) of norms and provisions of an act of tax legislation shall be provided by the authority which passed that act unless otherwise specified in the said act. Such interpretation (explanation) shall be officially published.
4. Provisions of normative acts passed on the basis of and in accordance with this Code shall not contradict the provisions of this Code. In case of such contradiction, the provisions of this Code shall apply.
5. Institutions, understandings, and terms of civil, family, and other branches of legislation of the Republic of Taxastan used in this Code, are applied in the same meaning as they are used in these branches of legislation, unless otherwise provided by this Code. In case of contradiction between the provisions of this Code and normative (normative-legal) acts pertaining to another area of legislation, the provisions of this Code shall apply for purposes of taxation.
6. The Tax Service of the Republic, with the concurrence of the Ministry of Finance of the Republic of Taxastan, and in necessary instances of other state agencies of the Republic of Taxastan, shall issue instructions, approved by the Government of the Republic of Taxastan, to carry out this Code. Any provisions of the instructions that are inconsistent with this Code have no legal effect.
7. Acts of tax legislation do not apply retroactively unless they stipulate otherwise.
8. It is prohibited to include issues connected with taxation in non-tax legislation, except for:

- a. provisions concerning administrative violations, included in the Code on Administrative Violations;
 - b. provisions on tax crimes, included in the Criminal Code;
 - c. provisions on the priority of tax obligations, included in the Law on Bankruptcy;
 - d. provisions, included in the customs legislation;
 - e. provisions, included in legislation on state duty;
 - f. provisions, included in the laws of the Republic of Taxastan “On the State Budget” for the respective year.
 - g. provisions on taxes included in international legal acts adopted by the Republic of Taxastan.
9. Privileges contemplated by international treaties (agreements) on the avoidance of double taxation do not apply to a resident of a state party to the treaty (agreement), which is used by another person who is not a resident of such state for the purpose of obtaining the privileges.
10. Exemption from taxes provided under this code or contemplated by international treaties (agreements) adopted by the Republic of Taxastan, for foreign states and governments, international organizations, diplomatic and consular missions of foreign states and governments and diplomatic and consular employees, as well as missions of international organizations and of their employees, and the families of the above-mentioned individuals, shall be provided under the conditions and procedures specified in decrees issued by the Government of Taxastan. These decrees must provide exemptions to the extent and under the conditions required under international law and the above-mentioned international treaties (agreements).

Article 5. Tax

A tax is a payment to the state budget (hereinafter “budget”) or to a special state fund (hereinafter “state fund”) having an obligatory and non quid-pro-quo nature, including penalties and interest contemplated by tax legislation, except for criminal or administrative fines or penalties.

Article 6. Taxes of the Republic of Taxastan

1. The taxes of the Republic of Taxastan consist of state taxes and local taxes.

2. State taxes include:

- a. income tax on physical persons;
- b. profit tax on legal persons;
- c. value-added tax;
- d. excises;
- e. social contributions;
- f. land tax;
- g. taxes on users of mineral resources;
- h. tax on enterprise property;
- i. tax on proprietors of modes of transportation;
- j. tax on users of roads;
- k. the tax payable by small businesses under a simplified system;
- l. customs duty and other customs payments;
- m. state duty.

Local taxes include:

- a. tax on retail sales;
- b. tax on the property of physical persons.

3. The revenues from the state taxes are divided among republican and local budgets and government funds in accordance with the budgetary legislation of the Republic of Taxastan. Payments of local taxes are allocated to the respective local budgets.

4. Taxes are calculated in monetary form and paid in the national currency of the Republic of Taxastan.

5. Except as otherwise provided by point 8 of Article 4, an exemption from any state tax or an amendment to a tax rate stipulated by this Code may be instituted by making amendments to this Code. The establishment of preferences for state taxes is carried out by the Parliament of the Republic of Taxastan upon recommendation of the Government of the Republic of Taxastan by adopting acts of tax legislation.

Article 7. Procedure for Establishment, Amendment, and Elimination of Taxes

1. The establishment of new national taxes other than those envisaged by this Code as well as the amendment or abolition of national taxes shall be carried out exclusively through adoption of a law of the Republic of Taxastan on making changes to this Code.

2. The establishment, change, or abolition of a local tax contemplated by this Code shall be effected by a decision of the appropriate local council of People's Deputies.

Chapter 2. Definitions of Terms Used in this Code

Article 8. Economic activity

1. Except as otherwise provided by this Article, economic activity is considered to be any activity aimed at receiving profits, income, or compensation, regardless of the results of such activity.
2. Economic activity can be entrepreneurial (active) and non-entrepreneurial (passive).
3. The following activities are not regarded as economic activities:
 - a. the activity of agencies that are a part of the system of state power of all branches and levels and agencies of local self-administration, directly connected with the execution of the public functions entrusted to them, not including the rendering of services that are paid for on the basis of a contract, and other entrepreneurial activity;
 - b. charitable activity;
 - c. religious activity.
4. Noneconomic activity is activity not deemed economic under this Article.

Article 9. Entrepreneurial (active) and Nonentrepreneurial (passive) Economic Activity

1. Entrepreneurial activity means any activity regularly carried on with a view to earning profit, including professional activity and economic activity performed in the form of trade contracts or other commercial transactions. .
2. Economic activity related to the acquisition, sale, transfer, or leasing of property is considered entrepreneurial activity if at least one of the following circumstances exists:
 - a. this activity is performed on a systematic basis and is an ordinary activity for the person that effects the above-mentioned operations;
 - b. goods (works, services) produced (executed, rendered) by the seller are supplied;
 - c. such operations are effected within the framework of trade, trade-cum-intermediary (including dealers' activities), or intermediary activities.

3. Except as otherwise provided by this Article, nonentrepreneurial economic activity includes activity in the form of the transfer of property (including monetary funds) for compensation by one person to another for temporary use, such as:

- a. the depositing of monetary funds into banks or other financial-credit institutions;
- b. leasing of property, unless otherwise provided by point 2 of this Article;
- c. transfer of property for management into a trust;

4. The performance by a physical person of employment is nonentrepreneurial economic activity.

Article 10. Employment

1. For purposes of this Code, “employment” means:

- a. the performance by a physical person of obligations within the limits of relations regulated by legislation on labor or on state service;
- b. the performance by a physical person of obligations directly connected with service in the ranks of the armed forces or in law enforcement or equivalent agencies (establishments);
- c. service as a director of an enterprise or organization.

2. A physical person engaged in employment is called an “employee” in this Code. A person who pays for the services rendered by such physical person as an employee is called an “employer,” and such payment is called “wages.”

Article 11. Charitable Activity

1. Charitable activity is activity carried out by a noncommercial organization and consisting of the direct provision of material or any other assistance (support), including money donations, to physical persons in need of this assistance or to organizations that render such assistance directly, including charitable organizations (Article 20), or scientific, educational, or other activity performed in the public interest, unless otherwise provided in this Article.

2. Unless otherwise provided by point 3 of this Article, charitable activity includes the following assistance (support):

- a. to low-income physical persons or physical persons in need of social adaptation or social protection;
- b. to orphans as well as to preschools and other children's institutions, as well as other organizations that care for children;
- c. to disabled or elderly persons, or to institutions that take care of disabled or elderly persons;
- d. to physical persons who need medical care (support) or special care—in the form of payment for medical or related services (including for transportation to the place where these services are provided)—or to organizations that have the status of medical institutions;
- e. to educational institutions including the establishment of stipends;
- f. to institutions of science, culture, or arts;
- g. to gifted physical persons for developing their talents;
- h. for the protection of the population or nature from pollution or other harmful influence;
- i. to penitentiary institutions when these activities are directed at improving conditions or medical services for the inmates;
- j. to religious institutions.

Article 12. Religious Activity

Religious activity consists of the activity of duly registered religious organizations and associations aimed at faith and expansion of religious belief, including that achieved through:

- a. organizing and holding religious rites, ceremonies, prayer gatherings, or any other church-related actions;
- b. allowing believers the opportunity to use houses of prayer or ritual-oriented buildings ;
- c. receiving and sending out pilgrims, religious delegations, and representatives of various beliefs, holding national or international religious meetings, congresses,

- and seminars, and providing accommodations, transport, meals, and cultural services to participants in the above events;
- d. maintaining houses of worship, training seminaries, and the territory belonging to them, training of participants or those enrolled in the above training seminaries, as well as any other similar charter activity.

Article 13. Enterprises

For purposes of this Code, except as otherwise provided by this Article, enterprises are the following entities that perform economic activity or that are established to perform such activity:

- a. legal persons, established pursuant to the legislation of the Republic of Taxastan ;
- b. corporations, companies, firms, and other similar entities established pursuant to the legislation of a foreign state.

Article 14. Resident enterprise and nonresident enterprise

1. A resident enterprise is an enterprise having the place of its establishment or the place of its management in the Republic of Taxastan (Article 15 and Article 16).
2. A nonresident enterprise is an enterprise which is not a resident enterprise pursuant to this Article.

Article 15. Place of establishment of an enterprise

The place of establishment of an enterprise is the place of State registration, and in its absence, the legal address of the enterprise as mentioned in the founding documents of the enterprise (charter, contract, provisions).

Article 16. Place of management of an enterprise

The place of management of an enterprise is the place of effective management, namely the place where its management performs its day-to-day management functions.

Article 17. Permanent Establishment of a Nonresident

1. A permanent establishment of a nonresident enterprise or of a nonresident physical person in the Republic of Taxastan, except as otherwise provided by this Article, consists of a permanent place through which it carries out entrepreneurial activity, in whole or in part, for a period of no less than 90 days, including activity effected through an authorized person.
2. The following, in particular, are considered permanent establishments:
 - a. construction sites, installation or assembly facilities, and the exercise of supervisory activities connected with such facilities;
 - b. installations or sites used for surveying for natural resources, drilling equipment or ships used for surveying for natural resources, as well as the exercise of supervisory activities connected with such facilities;
 - c. a fixed base used by a nonresident physical person to carry out entrepreneurial activity.
3. A place is not considered a permanent establishment of a nonresident enterprise in the Republic of Taxastan if it is used (regardless of who uses it) in the Republic of Taxastan only to do the following:
 - a. store goods or products belonging to the nonresident enterprise;
 - b. keep a stock of goods or products belonging to the nonresident enterprise for the purposes of processing by another person and their subsequent export from the Republic of Taxastan;
 - c. purchase goods or products for the purpose of gathering information for the nonresident enterprise;
 - d. perform any other activity that is preparatory or auxiliary in nature in the interests of the nonresident enterprise;
 - e. prepare contracts for conclusion or mere signing in the name of the nonresident enterprise with regard to credits (loans), delivery of goods or products, or provision of works (rendering of services);
 - f. execute any combination of the activities indicated in subpoints “a–e”.
4. A registered representative office of a nonresident enterprise that is not a separate legal person is considered a permanent establishment of the nonresident enterprise.

Article 18. Noncommercial Organizations

1. Noncommercial organizations include systems of state power and management, public or religious organizations (associations), funds, institutions, associations (unions), interstate, intergovernmental and other organizations established and operating on a not-for-profit basis.

2. The place of the establishment of a noncommercial organization and the place of management of a noncommercial organization are defined in accordance with procedures established for enterprises (Article 15 and Article 16).

3. A noncommercial organization shall be classified as a resident or foreign organization in accordance with procedures established for enterprises (Article 14).

4. To the extent that a noncommercial organization carries on entrepreneurial activity, the portion of its assets and activities directly connected with entrepreneurial activity is also considered an enterprise.

Article 19. Budgetary Organization

A budgetary organization consists of a noncommercial organization whose activity is not less than 70% financed from budgetary resources on the basis of a budget estimate of its income and expenses.

Article 20. Charitable organization

1. A charitable organization is a noncommercial organization that:

- a. is established for the purposes of performing charitable activity;
- b. is registered as such in accordance with the procedures established by the legislation of the Republic of Taxastan; and
- c. which carries charitable activity and satisfies all the requirements of this Article.

2. An organization is not considered a charitable organization (regardless of its legal and organizational status or name) if such organization:

- a. directly or indirectly participates in the election campaign for any office of any political party, public organization (movement), or separate physical person; or
- b. the revenues or assets of the organization benefit or may benefit any person, except as a result of the conduct of its charitable activity or as reasonable payment for property or services.

Article 21. Religious organization

A religious organization consists of a noncommercial organization which is established for the purposes of carrying out religious activity and which is registered according to the procedure established by legislation.

Article 22. Tax agent

1. A tax agent consists of a person, other than an employee of a tax authority, who, under this Code or any other act of tax legislation, is made responsible for the calculation, withholding from a taxpayer, and transfer of a tax to the respective budget (state fund).
2. In respect of his rights and obligations, a tax agent has the same status as a taxpayer if this Code does not state otherwise.
3. A tax agent is obliged:
 - a. correctly and in a timely manner, to calculate, withhold from a taxpayer, and pay to respective budgets (state funds) the appropriate taxes;
 - b. to keep records of income paid to taxpayers and of taxes withheld and credited to budgets (state funds), including separate records for each taxpayer;
 - c. to supply tax agencies with the documents required for controlling the accuracy of calculation, withholding, and payment of taxes; and
 - d. to perform other duties established by tax legislation.
4. For the non-performance or improper performance of the duties imposed on him by tax legislation, the tax agent bears responsibility according to the procedure established by this Code or other legislative acts of the Republic of Taxastan.

Article 23. Related persons

1. Related persons consist of persons that have special relations between them which may have a direct influence on the conditions or economic results of transactions between them.
2. Such special relations include, in particular, relations where:
 - a. the persons are founders (participants) of the same enterprise, if each person's share is not less than 50 percent;

- b. one person has a direct or indirect interest in another person which is an enterprise, where such an interest is not less than 50 percent;
- c. one person is subordinate to the other person in terms of his business position, or one person is under control (directly or indirectly) of the other person;
- d. the persons are sister enterprises or are under direct or indirect control of a third person;
- e. the persons directly or indirectly control a third person, if each person's voting right is not less than 50 percent;
- f. the persons are spouses or are in any other familial relation (Article 27(3)).

Article 24. Resident physical persons

- 1. Physical persons are considered residents for a calendar year if they were actually located on the territory of the Republic of Taxastan for more than 182 days in any consecutive 12-month period ending in that calendar year, or were in the state service of the Republic of Taxastan abroad during that calendar year.
- 2. For purposes of point 1, a time during which a foreign physical person was in the Republic of Taxastan is not considered a time of actual location on the territory of the Republic of Taxastan if the stay was:
 - a. as a person having diplomatic or consular status (or as a family member of such person);
 - b. as a staff member of an international organization, or as a person who is in the state service of a foreign country (or a family member of such a person);
 - c. exclusively for moving from one foreign country to another foreign country through the territory of the Republic of Taxastan.
- 3. A day of location in the Republic of Taxastan consists of any day during which a physical person was actually located on the territory of the Republic of Taxastan, regardless of the duration of this stay.
- 4. A physical person who is not a resident of the Republic of Taxastan in accordance with this Article shall be deemed a nonresident of the Republic of Taxastan.
- 5. A physical person is considered a nonresident of the Republic of Taxastan from the last day of his stay on the territory of the Republic of Taxastan in a given tax year until the end of that tax year if that person is not a resident of the Republic of Taxastan in the next tax year.

6. A physical person born in the Republic of Taxastan is considered a resident for the year of his birth.

Article 25. Individual Entrepreneur

1. A physical person is considered an individual entrepreneur if he engages in entrepreneurial activity (Article 9) without establishing a legal person, in his own name, at his own risk and being liable with his own property.

2. The performance by a physical person of entrepreneurial activity in violation of established procedure for registration and receipt of a license, certificate, or other document cannot serve as the basis for non-recognition of the physical person as an entrepreneur for the purposes of taxation.

Article 26. Market prices

1. The market price is the free market price of goods (works, services), consisting of the price resulting from the interaction of supply and demand on a market.

2. The market price of a good (work, service) is determined on the basis of information about transactions on an identical (similar) good (work, service) concluded on a relevant market at or near the time of supply of the good (work, service), including on the basis of prices on international and other exchanges.

3. In determining the market price of a good (work, service), transactions between related persons can be taken into account only if their interdependence has not affected the results of such transactions.

4. The market of a good (work, service) consists of the sphere of circulation of this good (work, service), determined by the capacity of the seller (buyer) to supply (acquire), realistically and with no substantial additional costs, a good (work, service) on the territory that is closest to the seller (buyer) within the Republic of Taxastan or outside it.

6. When the provisions of points 1- 4 of this Article cannot be applied, the market price of a good (work, service) is determined according to rules prescribed by the Government of the Republic of Taxastan. Under these rules, account shall be taken of costs for the production and (or) supply (acquisition price or depreciated value) of the good (work, service) that are customary in such instances, and costs for shipment, storage, insurance and other similar costs that are customary in such instances, as well as additional charges or discounts that are customary for transactions between nonrelated persons, taking into account factors of supply and demand on the market of the good (work, service). The aforementioned discounts are taken into account, in

particular, in case of quality deterioration or loss of other consumer qualities of the good, or expiration (approaching expiration date) of the service life period or supply period of the good.

7. Transactions involving the exchange of goods (works, services) (barter transactions) consist of transactions in accordance with which each of the exchanging parties supplies its goods (works, services) and acquires other goods (works, services). In this case, market prices of the goods (works, services) supplied (acquired) in the course of these transactions shall be determined pursuant to the provisions of this Article.

8. In determining and recognizing the market price of goods (works, services) use shall be made of official sources of information on market prices of the goods (works, services) and exchange quotations, data bases of state and local authorities, information provided by taxpayers to tax agencies, as well as other relevant information.

Article 27. Definitions of other terms used in the Code

For purposes of this Code, the terms used in this Code have the following meanings:

1. “Person”—legal or physical person according to the Civil Code of the Republic of Taxastan, as well as partnership, trust, or other arrangement established under the law of a foreign country, regardless of whether it has the status of a legal person under the laws of that country;

2. “Taxpayer identification number”—a number assigned by the state tax agencies to a legal or physical person;

3. “Relatives”:

- a. spouses;
- b. ancestors or descendants;
- c. sisters (brothers);
- d. nephews and nieces;
- e. spouse of a sister (brother);
- f. sisters (brothers) of parents;
- g. persons who, as a result of a long guardianship, are connected as parents and children;

- h. brothers- and sisters-in-law.

When defining relations for the purposes of this Article, step-sisters (step-brothers) have the same status as natural sisters (brothers), and adopted children have the same status as natural children. Guardian relations with a common residence (where persons are connected to one another in the same manner as parent and child) have the same status as blood relations. The termination of the residence in common between the above persons is not taken into account if the parent-child relations are maintained.

4. “Resident”—a resident physical person, a resident enterprise, or a resident organization.

5. “Nonresident”—a person who is not a resident.

6. “Rendering of services”—any activity for compensation which is not the supply of goods or fulfillment of works, including:

- a. transport or forwarding services, including transportation of gas, oil, petroleum products, and electric and thermal energy;
- b. the leasing of movable and immovable property;
- c. communications, consumer, and housing maintenance services;
- d. physical fitness, sports, educational and medical services;
- e. advertising services;
- f. technology upgrading services, and data processing and data support services;
- g. services for the preparation of goods for sale;
- h. services for the storage of goods or other property or for providing protection; and
- i. other services,

but not including, for purposes of VAT, the transfer of ownership of money or leasehold of land or the rendering of services to an employer as an employee;

7. “Work”—means an activity the results of which have a material expression, including construction, installation, and repair works, scientific research works, as well as experimental design and development;

8. “Fulfillment of works”—any rendering of works for compensation;
9. “Good”—any tangible or intangible property, including electric or thermal energy, gas, and water; for purposes of the VAT, goods do not include intangible property, money, and land;
10. “Export of goods”—taking goods out of the territory of the Republic of Taxastan, which are considered as exported according to the customs legislation of the Republic of Taxastan;
11. “Re-export of goods”—export of goods by the person who imported the goods without any supply or transformation of those goods having taken place after the import;
12. “Import of goods”—the taking of goods onto the territory of the Republic of Taxastan, which are considered as imported according to the customs legislation of the Republic of Taxastan;
13. “Reimport of goods”—import of goods by the person who exported those goods without any supply or transformation of those goods after the export;
14. “Supply of goods”—a transfer of the ownership of goods, including a sale, an exchange, a gratuitous transfer, the payment of wages in kind, and other payments in kind, as well as the transfer of pledged goods to the ownership of the pledgee in the event of nonpayment of a debt;
15. “Territory of the Republic of Taxastan”—the customs territory of the Republic of Taxastan as defined by the customs legislation;
16. “Transit across the territory of the Republic of Taxastan”—the transportation of goods under customs control across the territory of the Republic of Taxastan between two points on the customs border of the Republic of Taxastan;
17. “Financial services”—
 - a. the granting, sale, or transfer of credits, credit guarantees, and collateral for monetary-credit operations, including management of credits and credit guarantees by the grantor of such;
 - b. transactions connected with the management of deposits and accounts, payments, transfers, debt obligations, and means of payment and payment instruments of clients;
 - c. transactions connected with the circulation of currency, money, and banknotes which are legal tender (except for those used for numismatic purposes);

- d. transactions connected with the circulation of shares, bonds, certificates, bills, checks and other securities (except for cash security services or other services for the safekeeping of bank notes, securities, or other valuables);
 - e. transactions relating to financial derivatives, forward contracts, options, and similar arrangements;
 - f. services related to the management of investment funds;
 - g. insurance and reinsurance transactions.
18. “Excisable goods”—goods listed in Article 210;
19. “Nomenclature of goods of foreign economic activity”—the system of codes of commodity classification, adopted pursuant to the International Convention on the Harmonized Commodity Description and Coding System.
20. “Dividends”— any distribution of funds or property by a legal person to its participants (shareholders) including dividends disguised as other payments but excluding the distribution of funds or property for purposes of redemption of shares (other than a redemption that has substantially the same effect as the distribution of a dividend) or income received from property distribution upon liquidation of a legal person, and also excluding a distribution of shares that does not change the percentage sharehold interests of the shareholders.
21. “Income from sources in the Republic of Taxastan”—
- a. income from employment executed in the Republic of Taxastan;
 - b. income from the supply by the producer of goods produced in the Republic of Taxastan;
 - c. income from entrepreneurial activity attributable to a permanent establishment located on the territory of the Republic of Taxastan, including income attributable to sales in the Republic of Taxastan of goods of the same or similar kind as those sold through such a permanent establishment, and income arising from the performance of works or services for a customer in the Republic of Taxastan of the same or similar nature as those performed via such a permanent establishment;
 - d. income from the writing off of bad debts of the taxpayer by his creditors, from the sale of fixed assets included in income according to point 7 of Article 132, or from compensated expenses according to Article 159 which relate to entrepreneurial activity carried on in the Republic of Taxastan;

- e. income in the form of dividends received from a resident legal person and from the sale or transfer of an equity share in such legal person;
- f. income in the form of interest received from residents;
- g. income in the form of interest, received from a person with a permanent establishment or property located on the territory of the Republic of Taxastan if the indebtedness of such person relates to such permanent establishment or property;
- h. a pension, if it is paid by a resident;
- i. income in the form of royalties received from property located or used in the Republic of Taxastan, or income from the sale or transfer of property described in subparagraph (24) of this Article which is located or has been used in the Republic of Taxastan;
- j. income from leasing movable property used in the Republic of Taxastan;
- k. income received from immovable property located in the Republic of Taxastan, including income from the supply of an interest in such property;
- l. income from the supply of stocks or equity participation in an enterprise, the value of whose assets primarily, directly or indirectly, consists of the value of immovable property located in the Republic of Taxastan;
- m. other income from the supply of property, which is not connected with entrepreneurial activity, by a resident;
- n. income received from management, financial, and insurance services, including reinsurance services, if it is paid by a resident enterprise or a permanent establishment of a nonresident located on the territory of the Republic of Taxastan, or is received on the basis of a contract with such an enterprise or permanent establishment;
- o. income paid under agreements for the insurance or reinsurance of risk in the Republic of Taxastan;
- p. income from telecommunications or transportation services in international communications or shipments between the Republic of Taxastan and other states;
- q. other income not covered by the preceding paragraphs and arising on the basis of activity in the Republic of Taxastan.

In determining the source of income under this point, the place of payment of the income is not taken into account.

22. “Fixed assets”—tangible assets with a service life of more than one year that are subject to amortization in accordance with Article 132;

23. “Interest”—any charge relating to a debt obligation, including payments for credits (loans) that are extended and for deposits (accounts);

24. “Royalties”—payment for the right to use mineral resources in the process of the extraction of minerals and processing of technogenic formations or for the use of or right to use copyrights, software, patents, blueprints or models, trademarks, or other ancillary types of rights; the use of or right to use industrial, trade, or scientific-research equipment; the use of know-how; the use of or right to use movies, videos, sound recordings, or other recording media; the provision of technical assistance in connection with the above, or the forbearance of use of any of the above;

25. “Family”—spouses, children, and parents residing jointly and maintaining a common household;

26. “Net profit”—profit, which is subject to profit tax , minus that tax;

27. “Participant” —a shareholder, partner, or other participant in the assets and profit of an enterprise.

28. “Spin off”—a distribution by a parent enterprise to its shareholders (participants) of the shares (participations) in another (subsidiary) enterprise.

29. “Immovable property” -- immovable things (immovable property, real estate) means plots of land, subsurface rights, subordinated water objects and all that is closely connected to land, that is, objects which it is impossible to move without damaging them, including forests, long-lived plantations, buildings, etc.

30. “brother-sister enterprises” -- subsidiary enterprises of one parent enterprise are considered brother-sister enterprises in relation to each other.

31. “subsidiary enterprise” -- an enterprise is considered a subsidiary if another (parent) enterprise owns 50 percent or more of the voting interests (shares) of the enterprise.

32. “nontaxable minimum income” -- the amount determined according to point 1 of Article 118.

33. “international organization” -- an organization that is the subject of international law, or a foreign noncommercial organization.