

DIVISION V. TAX ON PROFITS OF LEGAL PERSONS

Chapter 16. General Provisions

Article 120. Taxpayers

1. Payers of the tax on profits (hereinafter “profit tax”) consist of resident enterprises and foreign enterprises.
2. Any foreign entity which is not a physical person shall be treated as an enterprise for purposes of this Division, unless it proves that it should be treated as a joint ownership arrangement under Article 155.

Article 121. Object of taxation

1. The object of taxation of a resident enterprise is its profit. Profit is defined as the positive difference between gross income of the taxpayer and the deductions stipulated by Chapter 18. For purposes of this Article gross income is defined in accordance with the provisions of Article 113 (including all receipts increasing the net value of the taxpayer’s assets except those exempt from profit tax).
2. The object of taxation of a foreign enterprise engaging in activity in the Republic of Taxastan via a permanent establishment is its profit from this activity — that is, its gross income from sources in the Republic of Taxastan attributable to the permanent establishment, reduced by the amount of deductions stipulated by this Code with respect to such income.
3. Types of gross income of a foreign enterprise specified in Article 143 that are not attributable to a permanent establishment are subject to taxation at the source of payment without deductions, if the source of income is located in the Republic of Taxastan.

4. A foreign enterprise which receives income from the sale or transfer of property not attributable to its permanent establishment in the Republic of Taxastan is a payer of profit tax with regard to gross income of this type for the calendar year from a source in the Republic of Taxastan, reduced by the deductions stipulated by this Code which are attributable to such income for this period.

Article 122. Tax rates

1. Profit of an enterprise is subject to taxation at the rate of __ percent.
2. The types of incomes of a foreign enterprise described in point 3 of Article 121 are taxed at the rates specified in Article 143.
3. Profit of a foreign enterprise in cases stipulated in point 4 of Article 121 is taxed at the rate of __ percent.

Article 123. Exemptions

The following are exempted from profits tax:

- a. religious, charitable, budgetary, interstate and intergovernmental organizations, except for income from entrepreneurial activity;
- b. grants, membership dues, and contributions received by a noncommercial organization;
- c. income of international organizations, with the exception of income from entrepreneurial activity;
- d. the National Bank of the Republic of Taxastan.