

DIVISION XI. TAX ON SUBSURFACE USERS

Chapter 35. General Provisions

Article 228. Identification of the Tax Regime under Contract on Subsurface Users

1. The requirements for the payment of taxes and special payments (tax regime), established for subsurface users, shall be defined in contracts between the subsurface user and the competent authority, concluded in accordance with the procedures established by the legislative acts of the Republic of Taxastan.
2. The tax regime established by the contract shall comply with the tax legislation of the Republic of Taxastan that is in effect on the date of conclusion of the contract.

3. It is prohibited to include issues related to taxes and special payments into licenses and other documents associated with the use of the subsurface, other than into contracts on the use of the subsurface.
4. A subsurface user consisting of organizations and physical persons operating under one contract is considered one taxpayer for the purposes of taxation and subject to taxes and special payments specified in the contract.
5. Mineral resource users operating under more than one contract concluded with the competent authority authorized by the Government of the Republic of Taxastan cannot aggregate income and expenditures for calculation of taxes and special payments. This provision does not apply to the contracts on extraction of common use mineral resources given the condition that these contracts do not envisage extraction of other types of minerals.

Article 229. Models of a Tax Regime for Subsurface User Contracts

1. The taxation of subsurface users, based on the main types of contracts, shall follow two models:
 - a. the first model stipulates the payment by subsurface users of all types of taxes and special payments established by this Code;
 - b. the second model establishes payment (transfer) by subsurface users of the share of the Republic of Taxastan for under production sharing agreements, as well as payment of the following types of taxes and special payments: profit tax on legal persons, value added tax, bonuses, royalties, and other obligatory payments established by legislative acts of the Republic of Taxastan and not specified in ? of this Code.
2. The first model of a tax regime is employed in all types of contracts, except for contracts of the “Production Sharing” type, in which the second model is employed.
3. The share of the Republic of Taxastan under production sharing contracts is a source of revenue of republican and local budgets and is allocated to corresponding budgets in the order specified by the Law of the Republic of Taxastan regarding the state budget for the ensuing year.
4. Tax liabilities of a subsurface user should be equal, regardless of the application of either of the two tax regime models.

Article 230. A Tax Regime for Operations not Pertaining to Subsurface Use

Payments effected according to contract terms do not exempt subsurface users from their responsibility to pay taxes established by this Code for the carrying out of activities not stipulated in the contract.

Article 231. Stability of the Tax Regime

1. The tax regime established by a valid subsurface use contract that has passed a mandatory tax examination remains in effect without change until the expiration of the contract, with the exception of those instances specified in point 2 of this Article.
2. In the event that amendments are made to legislation after the signing date of the contract which make it impossible to further observe the original terms and conditions of the contract or lead to a significant change in the general economic terms of the contract, the subsurface user and the representatives of the competent organ, the Tax Committee and the Ministry of Finances of the Republic of Taxastan may introduce changes or revisions to the contract, essential to restore economic interests of the parties as of the date of signing of the contract. These changes or revisions to the contract shall be introduced within 60 days after written notification of the Tax Committee of the Republic of Taxastan or a subsurface user.

Article 232. Taxation of Rights Assignment

Revenues raised through rights assignment under the contract are taxable in accordance with procedures established by this Code.

Article 233. Special Payments and Subsurface User Taxes

1. Special payments and subsurface user taxes include:
 - a. bonuses: signing, commercial discovery, extraction;
 - b. royalties;
 - c. excess profits tax.
2. All types of bonuses and royalties are deducted for purposes of the profit tax and excess profit tax.

Article 234. Tax Audit

1. All contracts concluded between the parties are subject to an obligatory tax audit according to procedures established by the Government of the Republic of Taxastan. This provision also pertains to amendments and additions made to earlier contracts.

2. The agreed taxation regime is subject to obligatory inclusion in the final version of the contract.

Chapter 36. Bonuses

Article 235. General Provisions on Bonuses

1. Bonuses are considered as fixed payments by subsurface users and are paid in monetary form within the amount and procedure established in the subsurface use contract.

2. Subsurface users, with regard to the individual terms of their operations, pay the following types of bonuses:

- a. signing bonus;
- b. commercial discovery bonus;
- c. extraction bonus.

One or several types of bonus can be used depending on the economic characteristics of contracts.

Article 236. Signing Bonus

A signing bonus is a one-time fixed payment by the subsurface user for the right to carry out the subsurface use operations upon conclusion of the contract in accordance with procedures established by legal acts of the Republic of Taxastan.

Article 237. Procedures for the Liability, Amount and Deadline of Payment of a Subscription Bonus

1. The initial signing bonus size is defined by the competent organ, as well as by bidding offers.

2. The final signing bonus size is established in a contract depending on the economic value of the mineral deposits (territories) assigned to the subsurface user.

3. The deadline for payment of the signing bonus is established by a contract or agreement between the parties, but no later than 30 calendar days from the signing date of the contract.

Article 238. Commercial Discovery Bonus

1. The commercial discovery bonus is a fixed payment and is paid by the subsurface user for each commercial discovery made on the contract territory.
2. The commercial discovery bonus is not charged under contracts for the exploration for mineral resources that do not contemplate their subsequent extraction.

Article 239. Procedures for the Calculation, Amount and Deadline of Payment of the Commercial Discovery Bonus

1. The procedure for calculating the commercial discovery bonus is determined by the Government of the Republic of Taxastan.
2. The amount of the commercial discovery bonus is established in the subsurface use contract.
3. The commercial discovery bonus is paid no later than 30 calendar days after the confirmation of the commercial discovery in accordance with the established procedures.

Article 240. Extraction Bonus

The extraction bonus is considered a fixed payment and is paid periodically by the subsurface user upon reaching certain extraction levels.

Article 241. Procedures for the Calculation, Amount and Deadline of Payment of the Extraction Bonus

1. The procedure for calculating the extraction bonus is determined by the Government of the Republic of Taxastan.
2. The amount of the extraction bonus is established in the subsurface use contract.
3. The extraction bonus is paid no later than the 20th day of the month following the month in which every extraction level was reached.

Chapter 37. Royalties

Article 242. General Provisions on Royalties

Royalties are paid by subsurface users separately for all types of mineral resources in the territory of the Republic of Taxastan.

Article 243. Forms of Payment of Royalties

1. Payment of royalties in contracts for subsurface use is effected in monetary form, with the exception of those cases stipulated in point 2 of this Article.

2. During the period of contract activities, the cash form of the payment of royalties, on the basis of an additional agreement between the parties, may be temporarily, fully or partially replaced by payment in-kind, equal to the cash sum and within an established time period.

Article 244. General Royalty Principles

1. The royalty rates in each contract for subsurface use are established depending on the types of mineral resources:

- a. on common mineral resources and underground water at the fixed rates established by the Government of the Republic of Taxastan;
- b. on all other mineral resources, rates are established individually for each contract, depending on the project economics, based on technical-economic estimates, according to procedures determined by the Government of the Republic of Taxastan.

2. In the event that several types of mineral resources are extracted under one contract, royalties are established and paid for each separate type of mineral resource.

Article 245. Royalties on Common Mineral Resources and Underground Water Resources

1. The royalties on common mineral resources and underground water resources are calculated using the value of the extracted mineral resources and underground water resources, based on the average sale price for the respective period.

2. This procedure for calculating royalties is also applied to the common mineral resources and the underground water resources utilized by the subsurface user his own consumption.

Article 246. Royalties on Precious Metals and Stones

1. The royalties on precious metals, except for gold, silver, platinum and precious stones, are calculated using the actual sale price of the extracted precious metals, but no less than the average sale price of such metals for the respective period.

2. The royalties on gold, silver and platinum is the value of the extracted metal based on the sale price of that metal on the international non-ferrous metal market determined by the Government of the Republic of Taxastan.

Article 247. Royalties on Hydrocarbons

1. The object of taxation for royalties on hydrocarbons is the value of mineral resources extracted, based on the reference prices of standard grades of hydrocarbons and adjusted for the difference in cost and quality of freight (transportation expenses), but no less than the average sale price of hydrocarbons for the respective period.
2. Under contracts concerning production of hydrocarbons, royalties are established through the sliding scale as a set percentage, depending on the production level.

Article 248. Royalties on Solid Minerals, other than Common Mineral Resources, Precious Metals and Stones

1. The object of taxation for royalties on solid minerals, other than those specified in Article 246 and Article 247, is the value of the extracted mineral resources, based on the average sale price of the respective mineral resources for the respective period.
2. Under contracts on solid minerals referred to in this Article, royalties are established as a fixed percentage for the duration of the contract.

Article 249. Procedures for Payment of Royalties

1. Unless otherwise stipulated in point 2 of this Article, the reporting period for purposes of determining royalties is the calendar month.
2. If the average monthly royalty payments for the quarter are less than 1000 times the minimum monthly wage, then the reporting period is the quarter.
3. Royalty estimates are submitted by the payer to the tax authorities at the place of tax registration by the tenth day of the month following the reporting period.
4. Royalties are paid no later than the fifteenth day of the month following the reporting period.

Chapter 38. Excess Profits Tax

Article 250. General Provisions for the Excess Profits Tax

Subsurface users, with the exception of the subsurface users under production sharing contracts and contracts on the extraction of common mineral resources and water resources, provided that these contracts do not stipulate the extraction of other types of mineral resources, are subject to the excess profits tax in accordance with the rates established in Article 252 and Article 253.

Article 251. Object of Taxation and Procedures for Calculating the Excess Profits Tax

1. The object of the excess profits tax is the net profit of the subsurface user for each separate contract for the reporting year, under which the subsurface user received an aggregate internal rate of return in excess of twenty percent.
2. The excess profits tax is assessed according to the rates established in Article 253, based on the actual internal rate of return by the end of the reporting year. The procedure for determination of the internal rate of return is established by the Government of the Republic of Taxastan.

Article 252. Rates and Deadlines for Payment of the Excess Profits Tax

1. The excess profits tax rates are established as follows:

Internal Rate of Return (IRR, %)	Excess Profits Tax rate as a percentage of net profit for the reporting year
less or equal to 20%	0
more than 20%, but less or equal to 22%	4
more than 22%, but less or equal to 24%	8
more than 24%, but less or equal to 26%	12
more than 26%, but less or equal to 28%	18
more than 28%, but less or equal to 30%	24
more than 30%	30

2. Excess profits tax statements shall be submitted by subsurface users to the tax authorities at the place of registration before April 1 of the year following the reporting year.
3. The deadline for payment of the excess profits tax is April 10 of the year following the reporting year.