

Taxation of legal entities

Type of tax – income tax.

The revenues include:

Revenues from sale;

Extraordinary revenues, including interest on securities and other debt liabilities and/ or share in other companies.

Tax base.

Revenues from sale are determined on the basis of sale price.

Expenses on sale are determined on the basis of acquisition price (including expenses on its acquisition), expenses on sale, discounts from cost estimate of investment units.

Securities are acknowledged as organized market securities only when the following requirements are simultaneously observed:

- 1) if they are admitted for trading by at least one trading institution that has such a right in accordance with the domestic legislation;
- 2) if information on prices (quotations) is published in mass media (including e-media) or may be submitted to any interested party by trade institution or another authorized entity within 3 years following the operations;
- 3) if a market quotation can be calculated as it is stipulated in domestic legislation.

Market share of organized market securities for taxation is a real sale price if this price is between minimal and maximum price (price interval) for the security registered by trading institution as of the transaction date. In case of sale of organized market securities at the price lower than minimal price of transaction on organized market, minimal price will be used in determining financial result.

With regard to securities, not traded on organized markets, real sale price is taken for taxation when any of the following requirements are met:

- 1) if real price of the corresponding transaction is between prices for similar security registered by trading institution as of transaction date or date of nearest trading occurred prior to the corresponding transaction, if there were transactions with the security at least once within the last 12 months;
- 2) if fluctuation of real price is within 20% increase or decrease from average weighted price for a similar security calculated by trade institution in accordance with the rules as of the transaction date or nearest trading occurred prior to transaction date if there were transactions with the security at least once within the last 12 months.

Tax base is determined separately by a taxpayer except for the tax base determined by professional participants. Herewith, taxpayers (except for professional participants rendering dealer services) determine tax base with organized market securities separately from the tax base on securities not circulating on organized market.

When selling or other alienation of securities a taxpayer independently chooses one of the following writing-off methods according to accounting policy:

- 1) FIFO;
- 2) LIFO;
- 3) by unit cost.

According to the Issuer's accounting policy expenses on cost of withdrawal is written-off by unit cost.

Taxpayers that received loss (losses) from operations with securities in preceding tax period or preceding tax period are entitled to decrease tax base obtained from operations with securities in reported (tax) period (to transfer losses to future) according to Article 283 of Tax Code.

Herewith, losses from operations with securities not circulating on organized market received in the previous tax period (previous tax periods) can decrease tax base from operations with such securities determined in the reported (tax) period. Losses from operations with organized market

securities received on the previous tax period (previous tax periods) can reduce tax base from operations on sale of such securities.

During tax period transfer of losses to the future that were incurred in the corresponding tax period from operations with organized market securities and securities not circulating on the organized market is done separately on these security categories within income from operations with such securities.

In case a tax agent pays revenues to a foreign company which, according to international treaties (agreements) are taxed in Russia at low rates, calculation and deduction of tax is done by a tax agent according to low rates if a foreign company submits to a tax agent a confirmation stated by item 1, Article 312 of the Russian Tax Code.

Applying statements disclosed in international treaties of the Russian Federation a foreign company should submit to a tax agent a confirmation that this foreign company is located in a country that has a tax treaty with the Russian Federation that should be assured by competent authority of the correspondent country. In case this confirmation is in a foreign language, a tax agent is also provided with a Russian copy.

By submitting a confirmation to a tax agent paying out revenues (regarding which there is a international treaty of Russia on favorable taxation) prior to the payment date a foreign company with a right to revenues receives tax remissions by a payment agent or taxation at reduced rates.

Taxes deducted from revenues received by foreign companies are transferred by a tax agent to the federal budget simultaneously with paying out the revenues in foreign currency or Russian rubles according official rates of the Russian Central Bank as of the tax deduction date.