**Regulations**

**on the procedure for reimbursement of property losses due to taxation of the Parties**

* 1. In accordance with Article 406.1 of the Civil Code of the Russian Federation, the Parties have agreed that in the event that one Party (hereinafter, the **“Providing Party”**):
		1. does not provide the other Party (hereinafter, the **“Receiving Party”**) with an invoice (including the advance invoice), consignment note, waybill or any other document executed by the Providing Party in accordance with current legislation required by the Receiving Party in furtherance of the Agreement for proper performance by the Providing Party of its obligations and/or the exercise of its rights as a value added taxpayer (**“VAT**,” such documents are “**VAT Documents**”) and/or
		2. fails to provide the Receiving Party with a consignment note, waybill or other document executed by the Providing Party in accordance with current legislation, which is necessary for the Receiving Party in connection with the Agreement for proper performance by the Receiving Party of its obligations and/or exercise of its rights as a taxpayer of profit tax (such documents being the “**Profit Tax Documents**” and, together with the VAT Documents, the “**Tax Accounting Documents**”), in particular, for the Receiving Party’s legitimate reflection in its tax accounting and tax reporting of expenses for the purchase of goods, works or services under the Agreement in determining the Receiving Party’s tax base for the profit tax.

prior to the earliest of the following dates, as appropriate:

1. until the last day of the period established by the current legislation for the provision of the relevant Tax Accounting Document, if such a period is established;
2. until the last day of the period established by the Agreement for the provision of the relevant Tax Accounting Document;
3. before the expiration of fifteen (15) calendar days from the corresponding *delivery date* (as defined in the Agreement) or a similar date;
4. before expiration of fifteen (15) calendar days after the end of the period (stage) of work (services) performance (provision) in accordance with the Agreement;
5. if none of clauses (i)–(iv) above of these Regulations apply, before the expiration of fifteen (15) days from the date of receipt by the Providing Party of the Receiving Party’s request for Tax Accounting Documents and/or
	* 1. does not correct, upon request of the Receiving Party, errors or inaccuracies found in the Tax Accounting Documents submitted to the Receiving Party and does not provide the Receiving Party with corrected or revised Tax Accounting Documents within five (5) business days from the date of such a request,

the Providing Party undertakes to reimburse the Receiving Party for property losses within ten (10) business days from the date of its claim (hereinafter, the **“Property Losses associated with Tax Accounting Documents”**), calculated as:

* + 1. the amount of VAT deduction that the Receiving Party could have received, but did not receive in the relevant tax period due to the lack of one or more properly executed VAT Documents or, if applicable, VAT Documents corrected (revised) upon the Receiving Party’s request, as of the date when such a deduction could be legally documented in the tax accounting and tax reporting of the Receiving Party in the tax period in which (a) the last date of the relevant applicable period provided for in clauses (i)–(v) above of these Regulations (the “**Latest Date for Submitting VAT Documents**” or, if applicable, (b) the last date of the deadline for correcting (revising) VAT Documents, determined in accordance with clause 1.1.3 of these Regulations (hereinafter, “**Latest Date for Correcting (Revising) VAT Documents**”) occurs, plus
		2. amount calculated using the following formula:

*SDV* = NVVAT \* KD \* 0.15/365, where:

*SDV* is the value of money in time lost by the Receiving Party;

*NVVAT* is the amount that the Receiving Party was unable to timely accept for VAT deduction due to the lack of any duly executed VAT Document as of the Latest Date for Submitting VAT Documents or, if applicable, as of the Latest Date for Correcting (Revising) VAT Documents;

*KD* is the number of calendar days passed since the Latest Date for Submitting VAT Documents or, if applicable, from the Latest Date for Correcting (Revising) VAT Documents, until the day when the corresponding VAT Document was actually provided to the Receiving Party after being duly executed, and, accordingly, when the Receiving Party was able to lawfully accept NVVAT to the VAT deduction; plus

* + 1. an amount equal to the price of goods, works or services transferred (provided) under the Agreement in respect of which no Profit Tax Document has been provided to the Receiving Party or, if applicable, no corrected (revised) Profit Tax Document has been provided) as of the date on which such deduction could be validly recognized in the tax accounting and tax reporting of the Receiving Party in the tax period in which the last date of the relevant applicable deadline provided for in clauses 1.1(i)-(v)of these Regulations (the “**Latest Date of the Deadline for Submitting Profit Tax Documents**”) occurs or, if applicable, as of the last date of the deadline for correcting (revising) Profit Tax Documents determined in accordance with clause 1.1.3 hereof (the “**Latest Date of the Deadline for Correcting (Revising) Profit Tax Documents**”) multiplied by the rate of profit tax applicable by the Receiving Party in such tax period; plus
		2. amount calculated using the following formula:

SDV = NPexpense \*Rate NP \* KD \* 0.15/365, where:

*SDV* is the value of money in time lost by the Receiving Party;

NP expense is an amount that the Receiving Party was unable to timely record as its profit tax expense in its tax accounting and tax reporting documents due to the lack of any duly executed Profit Tax Document as of the Latest Date for Submitting Profit Tax Documents or, if applicable, as of the Latest Date for Correcting (Revising) Profit Tax Documents;

NP Rate means the profit tax rate applied by the Receiving Party in the relevant tax period;

*KD* is the number of calendar days that have passed since the Latest Date for Submitting Profit Tax Documents or, if applicable, from the Latest Date for Correcting (Revising) Profit Tax Documents until the day when the respective Profit Tax Document was actually submitted to the Receiving Party being duly executed, and, accordingly, when the Receiving Party was able to lawfully consider the NP expense as the Profit Tax Expense;

* 1. In accordance with Article 406.1 of the Civil Code of the Russian Federation, the Parties also agreed that in the event that, following the results of a tax audit in relation to any Party (hereinafter referred to as the **“Audited Party”**), the tax authority in accordance with its decision (hereinafter referred to as the **“Resolution of the tax authority”**):
		1. establishes the receipt by the Audited Party of an unjustified tax benefit in connection with the performance of the Agreement and/or
		2. recognizes as unlawful the accounting of expenses by the Audited Party for the purchase of goods, works, services or other objects of civil rights under the Agreement and/or
		3. recognizes as unlawful application by the Audited Party of tax deductions in relation to VAT amounts

 due to the fact that:

* + 1. the other Party (hereinafter referred to as the **“Other Party”**) violated its tax obligations to reflect as Profit the amounts received from the Audited Party under the Agreement, and to calculate and to transfer VAT to the budget by the Other Party and/or
		2. any signs of bad faith in the discharge of tax liabilities, in particular, signs determined by Resolution No. 53 of the Plenum of the Supreme Arbitration Court of the Russian Federation “On Assessment By Arbitration Courts Of Validity Of Taxpayer’s Tax Benefit” dated October 12, 2006, article 54.1 of the Tax Code of the Russian Federation or the signs corresponding to the risk assessment criteria, used by the tax authorities in the process of selection of objects for field tax audits, approved by the Order of the Federal Tax Service of Russia No. MM-3-06/333@ as of May 30, 2007 (“**Signs of bad faith**”) exist or existed in respect of the Other Party and/or
		3. the Other Party engaged as its counterparties (for example, subcontractors, subsuppliers) the organizations that do not fulfill or improperly fulfill their tax obligations or have other signs of bad faith, or the counterparties of the Other Party engaged organizations as their counterparties (for example, subcontractors, sub-suppliers) that do not fulfill or improperly fulfill their tax obligations or having other signs of bad faith, regardless of the length of the chain of counterparties (and in any of these cases, regardless of whether the Other Party knew about these facts) and/or
		4. the Other Party has provided the Audited Party with an invoice, consignment note, waybill or other document required by the Audited Party in accordance with current legislation for the proper performance by the Audited Party of its obligations and/or exercise of its rights as a VAT payer, drawn up in violation of the established order or with errors, such a document was used by the Audited Party in order to fulfill its obligations and/or to exercise its rights as a VAT payer, but was recognized by the Tax Authority during the tax audit as inconsistent with current legislation, unacceptable or insufficient for the proper performance of obligations and/or the exercise of the rights of the Audited Party as a VAT payer, in particular, for grounds set forth in article 54.1 of the Tax Code of the Russian Federation; and/or
		5. the Other Party, in the presence at its place of business of the signs of a separate subdivision defined in cl. 2 of Article 11 of the Tax Code of the Russian Federation, has not reported to the tax authority on the establishment of a separate subdivision in the territory of the Russian Federation (except for branches and representative offices) for the purposes of its registration with the tax authority at the location of the relevant separate subdivision in accordance with sub-clause 3 of clause 2 of Article 23 of the Tax Code of the Russian Federation,

(the circumstances listed in clauses 1.2.1–1.2.3, arising out of the circumstances listed in clauses 1.2.4–1.2.8 – “**Events Associated with** the Other Party”), then the Other Party shall be obliged, within five (5) business days from the date of receipt of the Audited Party’s written request to that effect, accompanied by a copy of the effective Resolution of the tax authority, to reimburse the Audited Party for property losses (“Property Losses Related to **Tax Audit**”), defined as:

* + 1. the amount of Profit tax and/or VAT additionally accrued to the Audited Party in connection with the Events Associated with the Other Party (hereinafter, **“Additional Taxes”**) in accordance with the Resolution of the tax authority; plus
		2. the amount of penalties charged to the Audited Party accrued on the amount of Additional Taxes in accordance with the effective Resolution of the tax authority (hereinafter, **the “Penalty”**); plus
		3. fines accrued by the Audited Party for the relevant tax violations due to its failure to pay Additional Taxes in accordance with the Resolution of the tax authority (“**Fines**”).

If, after reimbursement of property losses, the Other Party insists (a request to this effect shall be sent to the Audited Party in writing) on challenging in court the Resolution of the tax authority in part of the Events Associated with the Other Party, the Audited Party shall make efforts for such challenge and in this case the Other Party shall also reimburse the Audited Party within five (5) business days from the date of the Audited Party’s written request to this effect with a copy of the effective court act(s) attached:

* + 1. legal costs of the Audited Party in connection with challenging the Resolution of the tax authority, calculated according to the following formula:

SR = (DN + P + Sh) \* VSR / VDNPSh + RnE, where:

*SR* is the amount of legal costs of the Audited Party in connection with challenging by the Audited Party of the Resolution of the tax authority to be reimbursed by the Other Party in accordance with this formula;

*DN* is the amount of Additional Taxes for the Events Associated with the Other Party, in accordance with the effective Resolution of the tax authority, taking into account the effective court decision in the case in which the Audited Party contested the Resolution of the tax authority;

*P* is the amount of tax penalties accrued to the Audited Party in connection with failure to pay the Additional Taxes for the Events Associated with the Other Party, in accordance with the Resolution of the tax authority that entered into force, taking into account the effective court decision in the case in which the Audited Party contested the Resolution of the tax authority;

*Sh* is the amount of tax penalties accrued to the Audited Party in connection with non-payment of Additional Taxes for the Events Associated with the Other Party, in accordance with the Resolution of the tax authority, taking into account the court decision that entered into legal force in the case in which the Audited Party contested the Resolution of the tax authority;

*VSR* is the amount of all legal costs incurred by the Audited **Party** in connection with challenging the Resolution of the tax authority (regardless of whether they are related to challenging Events Associated with the Other Party or not), including the costs of consultants and expertise (but not including the costs of those examinations that were made solely for the purpose of challenging the Events Associated with the Other Party);

*VDNPSh* is all the amounts of taxes, penalties and fines accrued to the Audited Party in accordance with the effective Resolution of the tax authority both in connection with the Events Associated with the Other Party and not;

*RnE* is expenses of the Audited Party for forensic examinations made solely for the purpose of challenging Events Associated with the Other Party; plus

* 1. the Other Party acknowledges and agrees that the Audited Party has the right, at its discretion, to pay to the budget the Additional Taxes, Penalties and Fines in accordance with the Resolution of the tax authority before the entry into force of the court decision in the case in which the Audited Party disputes the Resolution of the tax authority containing the Events Associated with the Other Party. the Other Party shall not be entitled to refer to this event as a condition that contributed to the occurrence or increase of property losses for the Audited Party and to justify its refusal or delay to reimburse the Audited Party for property losses related to the tax audit.
	2. In the event that the Other Party reimburses the Audited Party for Property Losses associated with a tax audit, and the Audited Party subsequently continues to challenge the Resolution of the tax authority in part of the Events Associated with the Other Party and will return from the budget in whole or in part the Additional Taxes, penalties and/or fines (hereinafter, **“Refunded Amounts”**), then the Audited Party undertakes to notify the Other Party of this no later than thirty (30) calendar days from the date of actual receipt of the Refunded Amounts and pay the Other Party the Refunded Amounts within thirty (30) calendar days from the date of receipt of its written request about it.
	3. The Other Party is obliged to make maximum efforts to assist the Audited Party in preventing additional tax, fines and penalties to accrue due to Events Associated with the Other Party, as well as in pre-trial and judicial disputing of the Resolution of the tax authority in terms of the Events Associated with the Other Party, in particular, to provide the Audited Party with evidence and explanations, refuting the Signs of bad faith of the Other Party, to assist the Audited Party in collecting such evidence in the course of pre-trial and judicial disputing of the Events Associated with the Other Party, to ensure, where necessary, the appearance of witnesses-employees of the Other Party to testify to the tax authority, court, etc.
	4. If at the place of activity of one Party there are signs of a separate subdivision as defined in Clause 2 of Article 11 of the Tax Code of the Russian Federation, this Party shall be obliged to send to the other Party the Notification on registration of the Russian organization with the tax authority within 3 working days from the moment of its receipt.