

8th February 1996

## RUSSIAN FEDERATION

### FEDERAL LAW

#### ON THE SPECIAL ECONOMIC ZONE IN THE KALININGRAD REGION

*Adopted by the State Duma on November 15, 1995  
Approved by the Federation Council on January 5, 1996*

The present Federal Law lays down the legal and economic framework for the establishment and operation of the Special Economic Zone in the Kaliningrad region, taking into account its specific geographical location, and importance for the national interests of the Russian Federation. This Federal Law seeks to create favourable conditions for the social and economic development of the Russian Federation and the Kaliningrad region.

#### CHAPTER 1. GENERAL PROVISIONS

##### *ARTICLE 1. THE CONCEPT OF THE SPECIAL ECONOMIC ZONE IN THE KALININGRAD REGION. THE PURPOSES OF ITS CREATION.*

The Special Economic Zone in the Kaliningrad Region (hereinafter referred to as "the Special Economic Zone") shall be established within the boundaries of the region with the exception of the territories with the defence facilities and of strategic importance for the Russian Federation - military bases, military units, defence industry facilities and oil-and-gas extracting industries on the continental shelf of the Russian Federation and in the exclusive economic zone of the Russian Federation.

The Special Economic Zone shall be formed in accordance with the present Federal Law. The Special Economic Zone shall be developed on the basis of the Federal State Programme for the development of the Special Economic Zone approved by the Government of the Russian Federation in response to proposals put forth by the bodies of state authorities of the Kaliningrad Region.

The Special Economic Zone shall employ the special, preferential as compared with the general conditions, treatment of investment and entrepreneurial activities, including foreign economic and investment activities.

The Special Economic Zone shall form a part of the state and customs territory of the Russian Federation. With respect to the levying of customs duties and other charges (including taxes) payable when imported and exported goods are cleared through the customs, the Special Economic Zone shall be regarded as subject to the customs treatment of an unbounded customs zone with some peculiarities defined in the present Federal Law.

##### *ARTICLE 2. STATE LEGAL PROTECTION OF INVESTMENT AND ENTREPRENEURIAL ACTIVITIES IN THE SPECIAL ECONOMIC ZONE*

Investment and entrepreneurial activities in the Special Economic Zone shall be entitled to state legal protection which is guaranteed by the Constitution of the Russian Federation, the present Federal Law, and other Federal laws and other regulatory and legal acts of the Russian Federation, international treaties to which

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the Russian Federation is a party, laws and other regulatory and legal acts of the Kaliningrad Region.

*ARTICLE 3. AUTHORITY OF THE KALININGRAD REGION DUMA AND THE ADMINISTRATION OF THE KALININGRAD REGION IN RELATION TO THE SPECIAL ECONOMIC ZONE.*

The Kaliningrad Region Duma as a legislative (representative) body of an entity of the Russian Federation and the Administration of the Kaliningrad region shall exercise powers over the operation of the Special Economic Zone in accordance with the Charter (Main Law) of the Kaliningrad Region.

The Administration of the Kaliningrad Region performs functions of the Administration of the Special Economic Zone in accordance with the present Federal law, other Federal Laws and other regulatory and legal acts of the Russian Federation, laws and other regulatory and legal acts of the Kaliningrad Region. It shall co-ordinate the issue of attraction of Russian and foreign investment for the implementation of the zonal investment projects and running of entrepreneurial activities.

The Administration of the Special Economic Zone (hereinafter referred to as "the Administration") shall have the right in accordance with the legislation of the Russian Federation to conclude civil-law agreements and enter into other civil-law relations with Russian and foreign investors, other Russian and foreign entrepreneurs in the Special Economic Zone.

**CHAPTER II. TREATMENT OF INVESTMENT AND ENTREPRENEURIAL ACTIVITIES IN THE SPECIAL ECONOMIC ZONE.**

*ARTICLE 4. LEGAL REGULATION OF INVESTMENT AND ENTREPRENEURIAL ACTIVITIES IN THE SPECIAL ECONOMIC ZONE.*

Profit making organisations running any type of business activity (production, construction, trade-intermediary and others) based fully/wholly or partially on foreign investment shall be established, liquidated and shall implement their activities in accordance with the order stipulated by the legislation of the Russian Federation.

Natural persons - individual entrepreneurs who do not form a legal entity - shall also carry out their activities abiding by the requirements of the legislation of the Russian Federation. State registration of the legal entities and individual entrepreneurs shall be performed, by bodies of justice of the Kaliningrad region in accordance with the order stipulated by the legislation of the Russian Federation.

Representative offices and branches of foreign legal entities shall open in the Special Economic Zone subject to authorisation by the Administration and in keeping with the requirements of the legislation of the Russian Federation.

No licensing of entrepreneurial activities shall be required in the Special Economic Zone, with the exception of cases provided for in the legislation of the Russian Federation.

Under agreement with the Administration, federal bodies of executive authority may delegate to the Administration their powers to license individual types of

entrepreneurial activities with the exception of activities in the following areas:

- 1) the defence industry, arms and military hardware manufacturing, arms and military hardware trade;
- 2) production of fissionable materials, poisonous, explosive, toxic, psychotropic and narcotic substances, biologically and genetically active materials, and trade in the above materials and substances;
- 3) electricity production, transmission and trade;
- 4) extraction and processing of precious metals, precious and semi-precious stones and trade therein (processing of amber and amber trade shall be regulated by agreements between the Government of the Russian Federation and the Administration);
- 5) oil and gas extraction on the territories under federal jurisdiction;
- 6) transport and communications;
- 7) mass media, film distribution and film-making.

#### *ARTICLE 5. CONTRACTUAL NATURE OF RELATIONS IN THE SPHERE OF ATTRACTING INVESTMENT IN THE SPECIAL ECONOMIC ZONE*

In accordance with the present Federal Law and the Federal State Programme for the development of the Special Economic Zone, the Administration shall consider applications submitted by Russian and foreign investors to implement zonal investment projects and conclude agreements with them to implement the indicated projects in keeping with the requirements of the legislation of the Russian Federation.

The Administration shall have the right to hold tenders (competitions, auctions) and in exceptional cases, particularly when unique technologies and equipment are invested, direct negotiations with Russian and foreign investors and entrepreneurs to conclude agreements to implement zonal investment projects.

The Administration shall have the right to lease to Russian and foreign entrepreneurs property owned by the Kaliningrad region as a member of the Russian Federation, including fixed assets, in accordance with the legislation of the Russian Federation. The procedure for using facilities forming part of the federal property shall be defined by the Government of the Russian Federation with due account for the specific features of economic activities in the Special Economic Zone.

The Administration shall maintain a register of agreements referred to in paragraphs 1, 2 and 3 of the present Article and establish the rules of procedure for submitting and considering applications to implement zonal investment projects.

The right of land-tenure by foreign natural persons and legal entities, international organisations (associations) with the participation of Russian and foreign natural persons and legal entities in the territory of the Special Economic Zone shall be granted exclusively on the basis of leasing agreements (without right to purchase). Agreements shall be concluded at market rates on land lease, taking into consideration the interests of the residents of the Kaliningrad Region, factors of the rational land-use, preservation and improvement of the environment; agreements shall be subject to registration by government bodies of the Kaliningrad region.

#### *ARTICLE 6. FORMS OF INVESTMENT*

Investment in the Special Economic Zone shall be made in forms provided for in the legislation of the Russian Federation and international agreements to which the

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Russian Federation is a party.

### **CHAPTER III. CUSTOMS REGULATION IN THE SPECIAL ECONOMIC ZONE**

#### *ARTICLE 7. CUSTOMS REGULATIONS IN THE SPECIAL ECONOMIC ZONE*

Free customs zone regulations shall be exercised in the territory of the Special Economic Zone:

- 1) goods produced in the Special Economic Zone (subject to be confirmed by Certificates of Origin) and exported to other countries shall be exempt from customs duties and other charges levied when goods are cleared through customs (with the exception of customs charges). Economic policy measures (non-tariff measures of government regulation of foreign trade activities) shall not be applied to the indicated goods;
- 2) goods imported from other countries into the Special Economic Zone shall be exempted from import customs duties and other charges levied when goods are cleared through customs (with the exception of customs charges). Economic policy measures (measures of quantitative government regulation of foreign trade activities) may be applied to some types of goods and services;
- 3) goods produced in the Special Economic Zone (subject to be confirmed by the The Certificates of origin) and imported into the rest of the customs territory of the Russian Federation (as well as into the territory of the Customs Union) shall be exempted from import customs duties and other charges levied when goods are cleared through customs (with the exception of customs charges). Economic policy measures (non-tariff measures of government regulation of foreign trade activities) shall not be applied to the said goods;
- 4) goods imported from other countries into the Special Economic Zone and subsequently imported into the rest of the customs territory of the Russian Federation, as well as the territory of the Customs Union (with the exception of goods processed in the Special Economic Zone and considered to have been produced in the Special Economic Zone) shall be subject to import customs duties and other charges levied when goods are cleared through the customs. Economic policy measures of government regulation of foreign trade activities) shall not be applied to the indicated goods;
- 5) goods imported from other countries into the Special Economic Zone and subsequently exported to foreign countries (both with and without processing) shall be exempted from customs duties and other charges levied when goods are cleared through customs, and quantitative restrictions on import and export of such goods shall not be applied.

The procedure for determining the origin of goods from the Special Economic Zone shall be established by the Administration together with the State Customs Committee of the Russian Federation.

Goods shall be considered to have been produced in the Special Economic Zone if the value added by their processing (refining) accounts for at least 30 per cent, or at least 15 per cent for electronic devices and sophisticated household appliances, and the processing (refining) of such goods entails the change in the goods code under the customs classification. The procedure for determining the origin of goods from the Special Economic Zone classed as sophisticated household appliances shall be determined by the State Customs Committee of the Russian Federation on the basis

of proposals submitted by the Administration.

Subject to approval by the Government of the Russian Federation, the Administration shall have the right to impose additional restrictions on the Free customs zone regulations and make exceptions to that regime seeking to protect local producers of goods (works, services).

*ARTICLE 8. TRANSIT OF GOODS VIA THE TERRITORY OF THE SPECIAL ECONOMIC ZONE*

Transit of goods through the territory of the Special Economic Zone shall be regulated by the legislation of the Russian Federation and international agreements to which the Russian Federation is a party. The tax on value added on the returns on transportation services, loading and unloading during the transportation and transshipment of goods from the Special Economic Zone to the rest of the customs territory of the Russian Federation and from the rest of the customs territory of the Russian Federation to the Special Economic Zone shall not be exempted.

*ARTICLE 9. CUSTOMS CLEARANCE AND CUSTOMS CONTROL*

Peculiar features of customs clearance of goods, including means of transportation, and customs control over the movement of goods, including means of transportation, from the Special Economic Zone and into the Special Economic Zone shall be established in accordance with the Customs Code of the Russian Federation and the present Federal Law.

**CHAPTER IV. TAXATION IN THE SPECIAL ECONOMIC ZONE**

*ARTICLE 10. TAX CONCESSIONS*

Russian and foreign investors and entrepreneurs shall be entitled to tax concessions in accordance with the tax legislation of the Russian Federation and the legislation of the Kaliningrad region.

**CHAPTER V. BANKS AND BANKING IN THE SPECIAL ECONOMIC ZONE**

*ARTICLE 11. OPERATIONS OF RUSSIAN BANKS*

Russian banks shall operate in the Special Economic Zone in accordance with the procedure set forth in the legislation of the Russian Federation on banks and banking.

*ARTICLE 12. OPERATIONS OF FOREIGN BANKS*

Foreign banks shall operate in the Special Economic Zone in accordance with the legislation of the Russian Federation on the basis of licences issued in accordance with the established procedure by the Central Bank of the Russian Federation and on the basis of the national banking practices of the Russia Federation.

*ARTICLE 13. SPECIAL CONDITIONS OF OPERATION OF RUSSIAN AND FOREIGN BANKS IN THE SPECIAL ECONOMIC ZONE*

Subject to approval by the Government of the Russian Federation and the

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Central Bank of the Russian Federation, the Administration shall have the right to establish concessions for Russian and foreign banks in connection with their activities to implement the Federal state programme for the development of the Special Economic Zone.

#### *ARTICLE 14. SETTLEMENT OPERATIONS*

Russian and foreign individuals and legal entities shall have the right to choose banks and other lending institutions operating in the territory of the Special Economic Zone for the purpose of settlement of their transactions.

### **CHAPTER VI. FOREIGN EXCHANGE REGULATION AND FOREIGN EXCHANGE CONTROL IN THE SPECIAL ECONOMIC ZONE.**

#### *ARTICLE 15. FOREIGN EXCHANGE REGULATION*

Ownership and other rights of natural persons and legal entities on currency assets shall be exercised in the Special Economic Zone in accordance with the procedure set forth in the legislation of the Russian Federation.

Foreign exchange proceeds from the export of goods (works, services) and intellectual products created in the territory of the Special Economic Zone shall not be subject to the requirements whereby foreign exchange is to be compulsorily sold by the residents on the domestic currency market of the Russian Federation. Regulation of foreign exchange operations shall be performed by the Central Bank of the Russian Federation and the Government of the Russian Federation in accordance with the legislation of the Russian Federation on foreign exchange regulation and foreign exchange control.

#### *ARTICLE 16. TRANSFER OF DIVIDENDS AND REPATRIATION OF CAPITAL*

Dividends shall be transferred and capital shall be repatriated by foreign investors from the territory of the Special Economic Zone without impediment in accordance with the legislation of the Russian Federation and international agreements to which the Russian Federation is a party.

#### *ARTICLE 17. FOREIGN EXCHANGE INSURANCE*

Russian and foreign natural persons and legal entities shall have the right to attract Russian and foreign insurance companies (insurers) in order to carry out all types of insurance transactions in Russian or foreign currency, including insurance of export risks. Insurance transactions shall be performed exclusively by insurers who have been licensed in accordance with the legislation of the Russian Federation to engage in insurance activities in the territory of the Russian Federation.

#### *ARTICLE 18. CURRENCY OF SETTLEMENT*

All settlements in the Special Economic Zone shall be made only in the currency of the Russian Federation.

#### *ARTICLE 19. FOREIGN EXCHANGE CONTROL*

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Foreign exchange control in the Special Economic Zone shall be exercised by the Central Bank of the Russian Federation, as well as the Government of the Russian Federation and banks acting as foreign control agents in accordance with the procedure established by the legislation of the Russian Federation.

*ARTICLE 20. INVESTMENT ACTIVITIES IN FOREIGN COUNTRIES CARRIED OUT BY COMMERCIAL ORGANISATIONS CREATED IN THE SPECIAL ECONOMIC ZONE*

Commercial organisations set up in the Special Economic Zone in accordance with Article 4 of the present Federal Law shall be authorised to pursue investment activities in foreign countries in accordance with the Russian Federation.

**CHAPTER VII. THE FEDERAL STATE PROGRAMME FOR THE DEVELOPMENT OF THE SPECIAL ECONOMIC ZONE**

*ARTICLE 21. THE FEDERAL STATE PROGRAMME FOR THE DEVELOPMENT OF THE SPECIAL ECONOMIC ZONE*

The Government of the Russian Federation shall approve the Federal state programme for the development of the Special Economic Zone under which funds shall be annually allocated on a priority basis from the federal budget for the special federal, inter-regional and regional objects of financing, particularly connected with the positioning and operation of military units and organisations of federal bodies of executive authority where there is a provision for military service in accordance with the legislation of the Russian Federation.

In the development of the Special Economic Zone, preliminary approval of the appropriate federal bodies of executive authority shall be sought on issues of construction and reconstruction of infrastructural facilities used in the interests of defence and security.

**CHAPTER VIII. PROCEDURE FOR ENTRY, EXIT AND STAYING ON THE TERRITORY OF THE KALININGRAD REGION. SOCIAL AND LABOUR RELATIONS**

*ARTICLE 22. PROCEDURE FOR ENTRY, EXIT AND STAYING ON THE TERRITORY OF THE KALININGRAD REGION*

The procedure for entry in, exit from and staying on the territory of the Kaliningrad Region for foreign citizens and stateless persons shall be defined in the legislation of the Russian Federation and international agreements to which the Russian Federation is a party.

A uniform registration procedure for citizens of the Russian Federation, foreign residents, persons of dual citizenship and stateless persons shall be in force in the territory of the Kaliningrad region in accordance with the present Federal Law and other regulatory and legal acts of the Russian Federation.

For the purpose of economic security, bodies of government of the Kaliningrad region

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shall be authorised to independently impose restrictions for certain categories of foreign nationals and stateless persons as to the duration and place of stay in the Kaliningrad region. Such restrictions shall not violate human rights and freedoms guaranteed by the legislation of the Russian Federation and international agreements to which the Russian Federation is a party. Bodies of government of the Kaliningrad region shall provide concessional terms for settling in the territory of the Kaliningrad Region and making a new living in that territory for individuals who previously were citizens of the Soviet Union, resident or staying in the territory of Lithuania, Latvia or Estonia, and whose native language is Russian.

*ARTICLE 23. SOCIAL AND LABOUR RELATIONS IN THE SPECIAL ECONOMIC ZONE*

Matters of employment, dismissal, labour and leisure regime, working conditions and hours, social guarantees and compensations shall be regulated by collective agreements and individual contracts in accordance with the labour legislation of the Russian Federation.

Earnings in foreign currency received by a foreign employee may, where such employee so desires, be uninhibitedly taken outside the territory of the Russian Federation upon payment of taxes, outside the territory of Russian Federation in accordance with the legislation of the Russian Federation on foreign exchange regulation and foreign exchange control.

**CHAPTER IX. OTHER PROVISIONS**

*ARTICLE 24. INTERNATIONAL AGREEMENTS OF THE RUSSIAN FEDERATION AFFECTING ISSUES OF THE KALININGRAD REGION*

International agreements of the Russian Federation involving issues of the Kaliningrad region shall be concluded in accordance with the Federal Law "On International Agreements of the Russian Federation" in coordination with the bodies of state authority of the Kaliningrad Region.

International agreements of the Russian Federation involving issues of the Kaliningrad region are to contain provisions confirming the existing status of the Kaliningrad region as an integral part of the Russian Federation.

*ARTICLE 25. AGREEMENTS BETWEEN THE KALININGRAD REGION AND ADMINISTRATIVE-TERRITORIAL ENTITIES OF FOREIGN STATES*

The Kaliningrad region as represented by the authorised bodies of state authorities shall have the right to conclude agreements on economic, scientific-technological, cultural and sports co-operation with administrative-territorial entities of foreign countries, including states, provinces, cantons, and lands.

The agreements listed in paragraph I of the present Article:

- 1) shall not run counter to the legislation of the Russian Federation and international agreements to which the Russian Federation is a party;
- 2) shall contain provisions confirming the existing status of the Kaliningrad region as an integral part of the Russian Federation;
- 3) shall not be regarded as international agreements of the Russian Federation;

- 4) shall be subject to compulsory registration with the Ministry of Foreign Affairs of the Russian Federation in accordance with the procedure, set forth by the President of the Russian Federation;
- 5) shall enter into force no earlier than the date of their registration with the Ministry of Foreign Affairs of the Russian Federation.

#### *ARTICLE 26. LIQUIDATION OF THE SPECIAL ECONOMIC ZONE*

The Special Economic Zone shall be liquidated on the basis of the Federal Law adopted at the initiative of the Government of the Russian Federation in the event of:

- 1) failure to meet the objectives and tasks provided for in the present Federal Law;
- 2) incompatibility of the operation of the Special Economic Zone with the vital interests of the Russian Federation.

If the Federal law on the liquidation of the Special Economic Zone is adopted, the Government of the Russian Federation shall set the procedure and time-frame for the liquidation of the Special Economic Zone with due respect for the legislation of the Russian Federation and international agreements of the Russian Federation, including on the protection of legal rights and interests of Russian and foreign entrepreneurs and investors.

For the entities referred to in Article 4 of the present Federal law and established in the Special Economic Zone upon entry into force of the present Federal Law, the terms of economic activities, as provided by the present Federal Law shall persist for a period of three years after the date of entry into force of the Federal Law on the liquidation of the Special Economic Zone.

#### *ARTICLE 27. ENTRY INTO FORCE OF THE PRESENT FEDERAL LAW*

The present Federal Law shall enter into force from the date of its official publication.

#### *ARTICLE 28. AMENDMENT OF OTHER REGULATORY AND LEGAL ACTS OF THE RUSSIAN FEDERATION IN ACCORDANCE WITH THE PRESENT FEDERAL LAW*

The President of the Russian Federation shall hereby be proposed, and the Government of the Russian Federation shall hereby be instructed, that their respective regulatory legal acts be brought into line with the present Federal Law within a period of three months upon the date of its entry into force.

Boris YELTSIN,  
President of the Russian Federation

The Kremlin, Moscow  
January 22, 1996  
No. 13-FZ

