

EXHIBIT 21

**LAW OF UKRAINE
ON TAXATION SYSTEM**

(In the wording of Law of Ukraine #77/97 of February 18, 1997)

This Law determines the underlying principles of the taxation system in Ukraine, along with the procedures of collecting taxes and duties (mandatory payments) payable to budgets and state target funds, and the rights, obligations, and liabilities of taxpayers.

CHAPTER I. GENERAL PROVISIONS

Article 1.

**Institution and Cancellation of Taxes
and Duties (Mandatory Payments)
to Budgets and State Target Funds**

Taxes and duties (mandatory payments) payable to budgets and state target funds, as well as exemptions therefrom shall be instituted by the Supreme Council of Ukraine, Supreme Council of the Autonomous Republic of the Crimea, village, settlement, and city Councils [of People's Deputies] in accordance with this Law and other tax laws of Ukraine.

The Supreme Council of the Autonomous Republic of the Crimea, along with village, settlement, and city Councils, may institute additional tax exemptions within the limits of their respective budget receipts.

The rates and mechanism of collecting taxes and duties (mandatory payments) and tax exemptions shall not be instituted or altered by laws of Ukraine other than the tax laws.

Taxes and duties (mandatory payments) not envisaged hereunder shall not be payable.

Changes in and amendments to this Law and other tax laws of Ukraine, concerning exemptions, rates of taxes and duties (mandatory payments), and the mechanism of collection and payment thereof, shall be introduced in this and other tax laws of Ukraine not later than six months prior to the new budget year, and shall be enacted after the beginning of the new budget year.

Any such taxes or duties (mandatory payments) as may be instituted by laws of Ukraine shall be included in this Law. All the other tax laws of Ukraine shall be brought in conformity with the principles set forth hereunder.

Article 2.

**The Notions of Tax and Duty (Mandatory
Payment) Payable to Budgets and State
Target Funds; Taxation System**

Tax and duty (mandatory payment) payable to budgets and state target funds shall be understood as compulsory contributions to budgets

at certain levels or to state target funds, to be made by taxpayers in keeping with terms and conditions determined by the tax laws of Ukraine.

State target funds shall be understood as funds raised in conformity with the laws of Ukraine, using legally set taxes and duties (mandatory payments) being paid by entities, regardless of the form of ownership, and by individuals.

State target funds shall be included in the State Budget of Ukraine, except the Pension Fund of Ukraine.

Put together, taxes and duties (mandatory payments) payable to budgets and state target funds in keeping with procedures established by the laws of Ukraine, shall constitute the taxation [fiscal] system.

Article 3.

Principles of Formation and Designation of the Fiscal System

The following shall be the principles of formation of the taxation system:

- Stimulation of entrepreneurship in the production and investment spheres; institution of income tax exemptions aimed at the development of output;
- Compulsory norms of tax and duty payments determined relying on authentic data concerning taxation objects over

are collected in certain proportion to their revenues, and

- increasing incomes;
- Equality ruling out any tax discrimination, when entities and individuals, including nonresidents, are levied taxes and duties (mandatory payments) on equal terms;
- Social justice, when lower-income strata are rendered social support by instituting economically justified minimum tax-free citizens' incomes, and by differentiated and progressive taxation of citizens with high incomes and superprofits;
- Stability, when invariable taxes, duties (mandatory payments), and rates thereof are maintained, along with tax exemptions, throughout the budget year;
- Economic soundness, when taxes and duties (mandatory payments) are levied based on national economic indices and financial capacities, considering balanced budget disbursements and receipts;

- Uniformity of payments, when taxes and duties (mandatory payments) are paid so as to secure timely budget receipts to provide for disbursements;
- Competence, when taxes and duties (mandatory payments) are levied and canceled, along with preferential terms, in keeping with tax laws, this being the sole prerogative of the Supreme Council of Ukraine, that of the Autonomous Republic of the Crimea, and of village, settlement, and city Councils [of People's Deputies];
- Uniform approach with regard to the laws on taxes, provided always that the payers of taxes and duties (mandatory payments), taxation objects, sources of payment of taxes and duties (mandatory payments), taxation period, rates of taxes and duties (mandatory payments), terms and condition of payments, and reasons for exemptions are clearly identified;
- Affordability, when the rates of taxes and duties (mandatory payments) are kept at an affordable level.

Article 4.

**Payers of Taxes
and Duties (Mandatory Payments)**

Included in the number of payers of taxes and duties (mandatory payments) shall be entities and individuals that must make such payments under the laws of Ukraine.

Article 5.

**Registration of Payers of Taxes
and Duties (Mandatory Payments)**

Registration of payers of taxes and duties (mandatory payments) shall be the responsibility of revenue authorities and other organs of the state, in keeping with the laws currently in effect. Banks and other finance-and-credit establishments shall open accounts for payers of taxes and duties (mandatory payments) only in the presence of documents attesting to their registration with revenue authorities, subject to the condition that they notify these authorities within three days.

Article 6.

Taxation Objects

Among the objects of taxation shall be revenues, added value of products (works, services), cost of products (works, services), including their customs value or physical indicators, special use of the natural resources, property of entities and individuals, and other such objects as may be determined by the tax laws of Ukraine.

Article 7.

Procedures of Setting Tax Rates

Rates of taxes and duties (mandatory payments) shall be set by the Supreme Council of Ukraine, Supreme Council of the Autonomous Republic of the Crimea, and by village, settlement, and city Councils [of People's Deputies] in keeping with the laws on taxes of Ukraine, and shall not be altered during the budget year.

Changes in tax rates and the mechanism of collection of taxes and duties (mandatory payments) shall not be made by the Law of Ukraine *On the State Budget of Ukraine* for the given year.

Article 8.

Procedures of Transfer of Taxes and Duties (Mandatory Payments) to Budgets and State Target Funds

Procedures of transfer of taxes and duties (mandatory payments) to budgets and state target funds shall be adopted by the Supreme Council of Ukraine, Supreme Council of the Autonomous Republic of the Crimea, and by village, settlement, and city Councils in pursuance of this Law and other laws of Ukraine.

Article 9.

Obligations of Payers of Taxes and Duties (Mandatory Payments)

1. Payers of taxes and duties (mandatory payments) shall be under the obligation to:

- (i) Keep books and file reports on business performance and secure their storage within time-limits provided by law;
- (ii) Submit to government revenue authorities and other organs of the state, as per current legislation, declarations [tax returns], accounting reports, and other documents and information relating to the calculation and collection of taxes and duties (mandatory payments);

(iii) Make regular tax and duty payments within time-limits

premises and facilities used in profit-making business or otherwise connected with taxation objects, as well as to carry out inspections aimed at correctly calculating and collecting taxes and duties (mandatory payments).

2. Executives and other officials of entities, also individuals during inspections by state revenue authorities shall be under the obligation to

¹ Local bureaucratic equivalent of "internal revenue service" – Transl.

provide explanations for taxation purposes in cases stipulated by law, carry out instructions of state revenue authorities aimed at correcting detected breaches of the tax laws, and sign inspection reports.

3. An entity's obligation to pay taxes and duties (mandatory payments) shall cease after paying said taxes and duties (mandatory payments) or if said taxes/duties are canceled. If an entity is liquidated, its tax and duty liabilities shall be as provided by the laws of Ukraine.

4. An individual's obligation to pay taxes and duties (mandatory payments) shall cease after paying said taxes/duties or if said duties/taxes are canceled.

Article 10.

Rights of Payers of Taxes and Duties (Mandatory Payments)

Payers of taxes and duties (mandatory payments) shall have the right to:

- (i) Submit documents to state revenue authorities attesting to the payer's right to preferential terms [exemptions] in keeping with procedures established by the laws of Ukraine;
- (ii) Receive and familiarize themselves with inspection reports drawn up by state revenue authorities;
- (iii) Appeal, in keeping with legally set procedures, decisions made by state revenues authorities and challenge actions of officials thereof.

Article 11.

Liabilities of Payers of Taxes and Duties (Mandatory Payments) Transgressing Tax Laws

Payers of taxes and duties (mandatory payments) shall be liable for correct and timely payments and for observance of the tax laws in keeping with the laws of Ukraine.

Article 12.

Liabilities of Banks and Other Credit-and Finance Establishments

1. Banks and other finance and-credit establishments, when requested by state revenue authorities, shall be under the obligation to provide information on the available assets and monetary flow on clearing and other accounts of taxpayers being their clients.

2. Banks and other credit-and-finance establishments shall carry out instructions of their clients as payers of taxes and duties (mandatory payments) to remit such payments to the State Budget and local budgets of Ukraine within time-limits established by the laws of Ukraine.

3. Bank managers and other officials of finance-and-credit establishments guilty of noncompliance with any of the requirements stipulated by Sections 1 and 2 of this Article 12 or for nonpresentation to state revenue authorities of information on the opening of business entities' accounts shall be held liable under the laws of Ukraine.

**CHAPTER II. TYPES OF TAXES AND DUTIES (MANDATORY PAYMENTS)
AND PROCEDURES OF REMITTANCE OF PAYMENTS
TO BUDGETS AND STATE TARGET FUNDS**

Article 13.

**Types of Taxes and Duties (Mandatory
Payments) Collected on Ukraine's Territory**

The following types of payments and duties shall be collected in Ukraine:

- General state taxes and duties (mandatory payments);
- Local taxes and duties (mandatory payments).

Article 14.

**General State Taxes
and Duties (Mandatory Payments)**

1. General state taxes and duties (mandatory payments) shall include:

- (i) Added value tax;
- (ii) Excise tax;
- (iii) Company income tax;²
- (iv) Individual income tax;
- (v) Customs duties;
- (vi) State duties;
- (vii) Real estate tax;
- (viii) Land tax;
- (ix) Rent payments;
- (x) Motor vehicle duty;³
- (xi) Handicraft tax;
- (xii) Duty on government-financed prospecting works;
- (xiii) Duty on special use of natural resources;
- (xiv) Duty on pollution of the environment;
- (xv) Duty collected as contribution to the Chernobyl Relief Fund;
- (xvi) Duty collected as contribution to the mandatory government social insurance fund;
- (xvii) Duty collected as contribution to the mandatory government pension insurance fund;
- (xviii) Duty collected as contribution to the mandatory government innovation fund;

² In the Ukr. text: "Tax on incomes of enterprises" — Transl.

³ Ibid.: "Income on owners of means of transport and other self-propelled machines and mechanisms" — Transl.

(xix) Fee for commercial patent covering certain lines of business.

2. General state taxes and duties (mandatory payments) shall be instituted by the Supreme Council of Ukraine and shall be collected all over Ukraine's territory.

3. Procedures of transfer of payments of general state taxes and duties (mandatory payments) to the State Budget of Ukraine, Budget of the Autonomous Republic of the Crimea, and local budgets and state target funds shall be adopted in keeping with the laws of Ukraine.

4. Taxes and duties (mandatory payments) indicated in Clauses (vii), (viii), (x), (xi), (xiii), and (xiv), Section 1 hereinabove, shall be instituted in the Autonomous Republic of the Crimea by the Supreme Council of the Autonomous Republic of the Crimea. The rates of taxes and duties (mandatory payments) shall be adopted within the boundaries established by the laws of Ukraine.

Article 15

Local Taxes and Duties (Mandatory Payments)

1. Local taxes and duties shall include:

- (i) Advertising tax;
- (ii) Local [property] tax.

2. Local duties (mandatory payments) shall include:

- (i) Hotel duty;
- (ii) Parking duty;
- (iii) Market duty;
- (iv) Duty on authorization to an apartment;
- (v) Resort duty;
- (vi) Duty on betting in horse races;
- (vii) Duty on race wins;
- (viii) Pari-mutuel duty;
- (ix) Duty on use of local symbolism;
- (x) Fee for television and movie on-location shootings;
- (xi) Duty on local auctions, tenders, and lotteries;
- (xii) Border area transit duty;
- (xiii) Market and service place duty;
- (xiv) Duty levied on dog-owners.

3. Local duties and taxes, as well as the mechanism and procedures of their payment shall be instituted by villages, settlement, and city Councils as per lists and boundaries of rates established by the laws of Ukraine, except the border area transit duty which shall be set by regional Councils. Taxes and duties indicated in Clause (ii), Section 1, and in Clauses (ii) - (iv), (xiii) and (xiv), Section 2 hereinabove shall under all conditions be established by village, settlement, and city Councils in the presence of taxation objects or under conditions relating to the institution of these taxes and duties.

4. The sums of taxes and duties (mandatory payments) indicated in this Article 15 shall be transferred to local budgets in keeping with procedures adopted by village, settlement, and city Councils, unless otherwise provided by the laws of Ukraine.

Article 16.

Sources of Payment of Taxes and Duties (Mandatory Payments)

1. Sources of finance of taxes and duties (mandatory payments) shall be established by relevant laws on taxes and duties (mandatory payments).

2. State and other target funds not covered by this Law shall be financed exclusively by enterprises' incomes after paying taxes and duties (mandatory payments) stipulated by Articles 14 and 15 hereinbefore. Deductions to said funds shall be made on a voluntary basis.

Article 17.

Procedures of Payment of Taxes and Duties (Mandatory Payments)

Taxes and duties (mandatory payments) shall be made in keeping with procedures set forth by this Law and other laws of Ukraine.

Taxes and duties (mandatory payments) included in the price of goods (works, services) as per current legislation or which are referred to their prime cost shall be payable regardless of the given enterprise's performance.

Article 18.

Prevention of Double Taxation

1. The sum total of revenues of an entity, auxiliary companies, branches or foreign representatives thereof shall be included in the total amount of incomes taxable in Ukraine and shall be taken into account when calculating taxes.

Revenues received outside Ukraine, its continental shelf and the exclusive economic zone, and paid as income tax by entities

exceed the sum of income tax payable in Ukraine as compared to the revenues received abroad.

2. Revenues received outside Ukraine by individuals being permanent residents of Ukraine shall be included in the aggregate income taxable in Ukraine.

Income tax paid by an individual abroad as per foreign legislation shall be discounted when accruing his income tax in Ukraine, provided

this individual is a permanent resident of Ukraine. This discount shall not, however, exceed the sum of income tax levied on individuals in Ukraine.

3. The amount of property tax paid by an individual permanent resident of Ukraine beyond its borders, as levied on taxation objects outside Ukraine, shall be discounted when accruing this individual's tax levied on property in Ukraine. This discount shall not, however, exceed the amount taxable in Ukraine.

4. The amounts of taxes paid beyond Ukraine's borders, as indicated in Sections 1-3 hereinabove, shall be discounted in the presence of written affidavits of relevant foreign internal revenue authorities attesting to such payments and when covered by international treaties against double taxation and tax evasion.⁴

Article 19.

International Treaties

If an international treaty to which Ukraine is a party contains rules other than those set forth by the tax laws of Ukraine, the rules of this international treaty shall have precedence.

Article 20.

Supervision of Collection of Taxes and Duties (Mandatory Payments)

Supervision of timely and correct payments of taxes and duties (mandatory payments) shall be the responsibility of state revenue authorities and other organs of the state within their respective competence provided by law.

Executives and other officials of state revenue authorities guilty of exacting taxes and duties (mandatory payments) not provided by this Law shall be liable under Ukraine's legislation. [unquote]

II. PROCEDURES OF ENACTMENT OF THE LAW OF UKRAINE ON CHANGES IN THE LAW OF UKRAINE "ON TAXATION SYSTEM"

1. The Law of Ukraine *On Changes in the Law of Ukraine "On Taxation System"* shall come into force on the date of publication thereof.

2. This Law shall apply to relevant legal relationships in the sphere of social insurance, concerning duties collected for social insurance programs, until such time as laws of Ukraine on social insurance come into force.

3. Arrears of payers of taxes and duties (mandatory payments), including payments to branch and other funds, which payments are not embraced by Articles 14 and 15 hereinbefore, shall be written off as of the date of enactment of this Law and shall not be payable.

⁴ In the Ukr. text: "... treaties on avoidance of double taxation of incomes and property and prevention of evasion of tax payments" — Transl.

4. The Cabinet of Ministers of Ukraine shall:

- Within one month submit proposals to the Supreme Council of Ukraine concerning such changes in Ukraine's legislative acts as may ensue from the Law of Ukraine *On Changes in the Law of Ukraine "On Taxation System"*
- Bring decisions of the Government of Ukraine in conformity with this Law before April 1, 1997.

Leonid Kravchuk,
Chairman of the Supreme Council of Ukraine
June 25, 1991
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