APPENDIX
DECREES No. 49

OF THE USSR COUNCIL OF MINISTERS

ON THE ESTABLISHMENT IN THE TERRITORY OF THE USSR AND OPERATION OF JOINT VENTURES WITH THE PARTICIPATION OF SOVIET ORGANIZATIONS AND FIRMS FROM CAPITALIST AND DEVELOPING COUNTRIES 18

(13 January 1987)

For the purpose of further development of trade, economic, scientific and technical cooperation with capitalist and developing countries on a stable and mutually beneficial basis, the USSR Council of Ministers hereby decrees:

I. GENERAL PROVISIONS

1. Joint ventures with the participation of Soviet organizations and firms of capitalist and developing countries (hereinafter “joint ventures”) shall be established in the territory of the USSR on the basis of agreements concluded by partners therein.

Joint ventures shall be governed in their activities by the Decree of the Presidium of the USSR Supreme Soviet of January 13, 1987, "On Questions Concerning the Establishment in the Territory of the USSR and Operation of Joint Ventures, International Amalgamations and Organizations with the Participation of Soviet and Foreign Organizations, Firms and Management Bodies", by this Decree and other legislative acts of the Union of Soviet Socialist Republics and Union Republics with exceptions provided for by interstate and intergovernmental agreements, which the USSR is a party to.

2. Proposals in respect of the establishment of joint ventures with feasibility studies and draft foundation documents annexed thereto shall be submitted by Soviet organizations concerned to Ministries and government agencies, under which they operate. Ministries and government agencies of the Union Republics shall submit such proposals to the Councils of Ministers of their Republics. 19

Decisions on questions regarding the establishment on the territory of the USSR of joint ventures with firms from capitalist and developing countries will be made independently by the ministries and government agencies of the USSR and the councils of ministers of the of the Union republics. 20

3. Ministries and government agencies, within the system of which Soviet partners in joint ventures operate, shall set up joint ventures with the purpose to satisfy more fully domestic requirements for certain types of manufactured products, raw materials and foodstuffs, to attract advanced foreign equipment and technologies, management expertise, additional material and financial resources to the USSR national economy, to expand the national export sector and to reduce superfluous imports.
II. PARTNERS, PROPERTY AND RIGHTS OF JOINT VENTURES

4. One or more Soviet enterprises (amalgamations and other organizations) which are legal persons, and one or more foreign firms (companies, corporations and other organizations) which are legal persons, may be partners in a joint venture.

5. The share of the Soviet side in the authorized fund of a joint venture shall be not less than 51 per cent. 21

6. Joint ventures are legal entities under Soviet law. They may, in their own name, contract, acquire proprietary and non-proprietary personal rights, undertake obligations, sue and be sued in courts of justice and in arbitration tribunals. Joint ventures shall have an independent balance and operate on the basis of full cost accounting, self-support and self-financing.

7. A joint venture shall have a statute approved by its partners. The statute shall specify the nature of the joint venture, the objectives of its operation, its legal address, the list of partners, the amount of the authorized fund, the shares of partners therein, the procedure for raising the authorized fund (including foreign currency contents), the structure, composition and competence of the venture’s management bodies, the decision-making procedure, the range of issues to be unanimously settled, and the joint venture liquidation procedure. The statute may incorporate other provisions related to the specific character of the joint venture operations unless these are contrary to Soviet law.

8. The period of operation of a joint venture shall be specified by its partners in an agreement on the establishment thereof or in the joint venture’s statute (hereinafter “foundation documents”).

9. As soon as the foundation documents come into force, joint ventures established in the territory of the USSR shall be registered with the USSR Ministry of Finance and acquire the rights of a legal persons at the time of registration. A notification on the establishment of joint ventures shall be published in the press.

10. The authorized fund of a joint venture is formed from contributions made by the partners. It can be replenished by using profits derived from business operation of the joint venture and, if necessary, through additional contributions by the partners.

11. Contributions to the authorized fund of a joint venture may include buildings, structures, equipment and other assets, rights to use land, water and other natural resources, buildings, structures and equipment, as well as other proprietary rights (including those to work inventions and use know-how), money assets in the currencies of the partners’ countries and in freely convertible currencies.

12. The contribution of the Soviet partner to the authorized fund of a joint venture is evaluated, in agreement with the foreign partner, either in Soviet or in foreign currency, on the basis of agreed prices with due regard to world market prices. The contribution of the foreign partner is evaluated in the same manner, with the value of the contribution being converted to rubles at the official exchange rate of the USSR State Bank as of the date of signing the joint venture agreement or as of any other date agreed by the partners. In the absence of world market prices the value of contributed property is agreed by the partners.

13. Equipment, materials and other property imported into the USSR by foreign partners in a joint venture as their contribution to the authorized fund of the venture are exempt from custom duties. 23

14. The property of a joint venture is subject to compulsory insurance with USSR insurance agencies. 24
15. A joint venture is entitled under Soviet legislation to own, use and dispose of its property in accordance with the objectives of its activities and the purpose of the property. The property of a joint venture shall not be requisitioned or confiscated in the administrative order.

The property rights of a joint venture shall be protected under Soviet legislation protecting state-owned Soviet organizations. Execution can be applied to the property of a joint venture only by a decision of bodies empowered under USSR legislation to hear disputes involving joint ventures.

16. Partners in a joint venture shall have the right to assign, by common consent, their shares in the joint venture fully or partially to third parties. In each particular case the assignment is effected with an endorsement of the ministry, government agency or Council of Ministers of the Union Republic which made the decision concerning the establishment of the joint venture.

Soviet partners have the priority right to acquire shares of foreign partners.

If a joint venture is reorganized its rights and obligations shall pass to the beneficiaries.

17. Industrial property rights, belonging to joint ventures are protected by the Soviet law, including protection in the form of patents. The procedure for the assignment of industrial property rights to a joint venture by partners therein and by a joint venture to partners therein, as well as for commercial exploitation of those rights and their protection abroad is defined by the foundation documents.

18. A joint venture shall be liable on its obligations in all of its property.

The Soviet State and the partners in a joint venture shall not be liable for its obligations, nor shall a joint venture be liable for the obligations of the Soviet State and of the partners in the venture.

Affiliates of joint venture established in the territory of the USSR, which are legal persons, shall not liable for the obligations of joint ventures, nor shall joint ventures be liable for the obligations of such affiliates.

19. Joint ventures established in the territory of the USSR may set up affiliates and representation offices provided their foundation documents stipulate their right to do so.

Affiliates of joint ventures set up with the participation of Soviet organizations in other countries shall be established in the territory of the USSR in accordance with the rules which apply to the establishment of joint ventures.

20. Disputes between a joint venture and Soviet state-owned, cooperative and other public organizations, disputes among joint ventures, and disputes among partners in a joint venture over matters related to its activities shall be settled according to the legislation of the USSR either by the USSR courts or, by common consent of both sides, by an arbitration tribunal.

III. OPERATION OF JOINT VENTURES

21. The governing body of a joint venture is the Board consisting of persons appointed by the partners. Its decision-making procedure is defined by the foundation documents.

The operational activities of a joint venture are governed by the Management consisting of Soviet and foreign citizens.

The Chairman of the Board and the Director-General shall be citizens of the USSR.

22. A joint venture shall enter into relations with the central state authorities of the USSR and of the Union Republics through authorities superior to the Soviet partner in the
joint venture. Its contacts with local government authorities and other Soviet organizations shall be direct.

23. A joint venture is independent in developing and approving its business operation programmes. State bodies of the USSR shall not fix any mandatory plans for a joint venture nor shall they guarantee a market for its products.

24. A joint venture is entitled to transact independently in export and import operations necessary for its business activities, including export and import operations in the markets of CMEA member-countries.

The aforementioned export and import operations may also be effected through Soviet foreign trade organizations or marketing networks of foreign partners under contractual arrangements.

Shipping into and out of the USSR by a joint venture of goods and other property is effected under licences issued according to legislation of the USSR.

A joint venture is entitled to maintain correspondence, as well as telegraph, teletype and telephone communications with organizations in other countries.

25. All foreign currency expenditures of a joint venture, including transfer of profits and other sums due to foreign partners and specialists shall be covered by proceeds from sales of the joint venture's products on foreign markets.

26. The principles regarding the sales of products of a joint venture on the Soviet market, and the supply to the joint venture from this market of equipment, raw and other materials, components, fuel, energy and other produce, as well as the kinds of currencies to be paid in settlement for the products sold and goods purchased, shall be determined by the joint venture in agreement with Soviet enterprises and organizations.

27. If necessary, a joint venture may use credits on commercial terms:

   in foreign currency - from the USSR Bank for Foreign Trade or, with its consent from foreign banks and firms;

   in rubles - from the USSR State Bank or the USSR Bank for Foreign Trade.

28. The USSR State Bank or the USSR Bank for Foreign Trade shall be authorized control that credits extended to a joint venture are used for their specified purposes, are secured and repaid in due time.

29. The monetary assets of a joint venture shall be deposited on its ruble account or currency account with the USSR State Bank and the USSR Bank for Foreign Trade, respectively, and shall be used for the purposes of the joint venture's operations. The money on the accounts of the joint venture shall bear interest:

   in foreign currency - depending on the world money market rates;

   in rubles - on terms and according to the procedure specified by the USSR State Bank.

Exchange rate fluctuations regarding foreign currency accounts of joint ventures and their operations in foreign currencies shall be carried to their profit-and-loss accounts.

30. A joint venture shall form a reserve fund and other funds necessary for its operation and for the social needs of its personnel.

Deductions from profits shall be added to the reserve fund until the latter totals 25 per cent of the authorized fund of the joint venture. The amount of annual deductions to the reserve fund shall be defined by the foundation documents.

The list of other funds and the way they are formed and used shall be specified by the foundation documents.

31. The profits of a joint venture, less the amounts to be appropriated by the USSR national budget and sums allocated to form and replenish the joint venture's funds shall
be distributed among the partners in proportion to each partner's share in the authorized fund.

32. Foreign partners in a joint venture are guaranteed that amounts due to them as their share in distributed profits of the joint venture are transferable abroad in foreign currency.

33. Joint ventures shall make depreciation payments under regulations applying to state-owned Soviet organizations unless a different system is stipulated by the foundation documents. The sums thus accumulated shall remain at the joint venture's disposal.

34. The design and construction of joint venture's facilities, including those intended for social needs, shall be effected through contractual arrangements and paid for with the joint venture's own or loan money. Prior to approval, designs shall be agreed upon under the procedure established by the USSR State Building Committee. Orders from joint ventures shall receive priority both as regards limits on construction/assembly work to be carried out by Soviet construction/assembly organizations and as regards material resources required for the construction. 30

35. Cargoes of joint ventures shall be transported under the procedure established for Soviet organizations.

IV. TAXATION OF JOINT VENTURES

36. Joint ventures shall pay taxes at the rate of 30 per cent of their profit remaining after deductions to their reserve and other funds intended for the development of production, science and technology. Sums paid in taxes shall be appropriated to the USSR national budget. 31

Joint ventures shall be exempt from taxes on their profits during the first two years from the moment when profits are declared. 32

The USSR Ministry of Finance shall be authorized to reduce the tax rate or to completely exempt from tax individual payers.

37. The assessment of the profit tax shall be effected by a joint venture.

The amounts of the advance tax payment for a current year shall be declared by a joint venture on the basis of its financial plans for a current year. The assessment of the final tax amount on the profit, actually made during the expired financial year, shall be effected by a joint venture not later than March 15 of the year, following the year under review.

38. Financial authorities are empowered to verify tax calculations prepared by joint ventures.

Overpaid taxes for the expired year can either be set off against current tax payments, or refunded to the payer at the latter's request.

39. The amount of the profit tax declared for the current year shall be transferred to the budget by equal instalments not later than April 1 of the year, following the year under review.

Delayed payments shall be charged at the rate of 0.05 per cent for every day of delay.


40. A joint venture has the right to appeal against actions of financial authorities in regard to tax collection. An appeal is filed with the financial authority which verifies the tax calculation. Each case shall be decided within one month from the day the appeal is filed.
A joint venture is entitled to appeal against this ruling before a superior financial authority within one month from the day of the ruling.

The filing of an appeal does not release from paying the tax.

41. Unless otherwise provided for by a treaty between the USSR and respective foreign state, the part of the profit due to a foreign partner in a joint venture shall be taxed, if transferred abroad, at the rate of 20 per cent. 33

42. The aforementioned taxation procedure is applied to income made by joint ventures established in the territory of the USSR and by in the USSR affiliates of joint ventures set up with the participation of Soviet organizations in other countries, as a result of their operations both in the territory of the USSR, on its continental shelf, in the USSR economic zone, and in the territory of other countries.

43. Regulations regarding the taxation of joint ventures shall be issued by the USSR Ministry of Finance.

V. SUPERVISION OF JOINT VENTURES' OPERATIONS

44. In order to enable partners in a joint venture to exercise their supervision rights, the foundation documents shall stipulate a procedure for providing partners with information related to the operation of the joint venture, the state of its property, its profits and losses.

A joint venture may set up an auditing service to be formed in a manner defined by the foundation documents:

45. Joint ventures shall maintain business, bookkeeping and statistical accounting in accordance with the standards established in the USSR for state-owned Soviet enterprises. The forms of such accounting and bookkeeping shall be jointly specified by the USSR Ministry of Finance and the USSR Central Board of Statistics.

Joint ventures shall be held responsible under Soviet law for complying with the accounting and bookkeeping procedure and for the correctness thereof.

Joint ventures shall not submit any accounting or business information to the state or other authorities of foreign countries.

46. The auditing of finance, business and commercial activities of joint ventures shall be carried out for a consideration by the Soviet auditing organization operating on a self-supporting basis.

VI. PERSONNEL OF JOINT VENTURES

47. The personnel of joint ventures shall consist mainly of Soviet citizens. The management of a joint venture shall conclude collective agreements with trade union organization formed at the enterprise. The contents of these agreements including provisions for the social needs of the personnel are defined by Soviet legislation and by the foundation documents.

48. The pay, routine of work and recreation, social security and social insurance of Soviet employees of joint ventures shall be regulated by Soviet legislation. This legislation shall also apply to foreign citizens employed at joint ventures, except for matters of pay, leaves, and pensions which are stipulated by a contract signed with each foreign employee.

The USSR State Committee for Labour and Social Affairs and the All-Union Central Council of Trade Unions shall be authorized to adopt special rules for the application of Soviet social insurance legislation to foreign employees of joint ventures.

49. A joint venture shall make contributions to the USSR national budget for state-sponsored social insurance of Soviet and foreign employees, as well as payments for pen-
sions for Soviet employees in accordance with rates established for state-owned Soviet organizations. Contributions to cover foreign employees' pensions shall be transferred to respective funds in the countries of their permanent residence (in these countries' currencies).

50. The pay of foreign employees of a joint venture is subject to income tax at the rate and in accordance with the procedure set up by the Decree of the Presidium of the USSR Supreme Soviet of May 12, 1978 "On the Income Tax Levied on Foreign Legal and Physical Persons" (Vedomosti Verkhovnago Soveta SSSR, 1978, No. 20, Art. 313). The unutilized portion of foreign employees' pay may be transferred abroad in foreign currency.

VI. LIQUIDATION OF JOINT VENTURES

51. A joint venture may be liquidated in cases and in the manner stipulated by the foundation documents, and also by a decision of the USSR Council of Ministers if the activities thereof are not consistent with the objectives defined by these documents. A notification of a liquidation of a joint venture shall be published in the press.

52. In the case of liquidation of a joint venture or upon withdrawal from it, the foreign partner shall have the right to return his contribution in money or in kind pro rata to the residual balance value of this contribution at the moment of liquidation of the joint venture, after discharging his obligations to the Soviet partners and third parties.

53. The liquidation of a joint venture shall be registered with the USSR Ministry of Finance.
DECREE
OF THE USSR COUNCIL OF MINISTERS
ON THE FURTHER DEVELOPMENT OF THE EXTERNAL ECONOMIC ACTIVITIES OF STATE, CO-OPERATIVE AND OTHER PUBLIC ENTERPRISES, AMALGAMATIONS AND ORGANIZATIONS
(2 December 1988)

Excerpts

QUESTIONS CONCERNING THE ORGANIZATION AND ACTIVITIES OF JOINT VENTURES, INTERNATIONAL AMALGAMATIONS AND ORGANIZATIONS

31. In order to activate the work on the establishment in the territory of the USSR of joint ventures with the participation of foreign organizations and firms it is decreed that:

- shares of the Soviet and foreign participants in the authorized fund of a joint venture shall be as agreed between them;
- a foreign citizen may act as Chairman of the Board or Director-General of a joint venture;
- fundamental questions regarding the activities of a joint venture shall be decided at meetings of the Board on the basis of unanimity of all Board members;
- matters of recruitment and dismissal, forms and amounts of pay, and of material incentives in Soviet roubles for the employees of a joint venture, shall be decided by the joint venture;
- goods imported in the USSR by a joint venture for production purposes may be subject to minimal customs duties or be exempted from duties;
- payments by foreign employees of a joint venture for housing and other services shall be made in Soviet roubles, with the exception of cases defined in decisions of the USSR Council of Ministers.

In order to further stimulate the establishment of joint ventures in the Far Eastern economic region it was deemed necessary to exempt these enterprises from taxes on their profits during the first three years from the moment of declaring profits.

The USSR Ministry of Finance is instructed:

- to work out and have approved, within a period of three months, a procedure for determining the taxable income of joint ventures, based on the practice adopted in foreign countries;
- to reduce to 10 per cent tax on the profit of joint ventures in the Far Eastern economic region.

32. It is considered expedient to give the USSR Ministry of Finance the right to exempt from taxation, for a definite period of time, part of the profit due to the foreign partner in a joint venture, when the profit is transferred abroad, or to reduce the rate of the tax, if not otherwise provided for in a treaty between the USSR and the respective country. This right is to be used primarily in respect of joint ventures producing consumer goods, medical equipment and medicine and high-technology products which are of priority importance to the national economy, as well as to joint ventures established in the Far Eastern economic region.

33. It is decreed that the transfer of shares in a joint venture, insurance of joint venture risks and auditing of its financial-economic activities shall be effected as agreed between the partners.
34. The Main State Customs Control Department at the USSR Council of Ministers jointly with the USSR Ministry of External Economic Relations and the USSR Ministry of Finance shall ensure that a preferential customs regime is accorded to foreign employees of joint ventures.

35. State enterprises, amalgamations and organizations are given the right to make decisions on the establishment of joint ventures, international amalgamations and organizations with foreign organizations and firms with the consent of the respective superior administrative organ.

Production co-operatives shall establish joint ventures, international amalgamations and organizations with foreign organizations and firms with the consent of the Council of Ministers of a Union Republic which has no provincial ('oblast') structure, or the Council of Ministers of an Autonomous Republic, or the Regional ('Kraevoj') Executive Council, or Provincial ('Oblastnoj') Executive Council, or the Moscow City Executive Council, or the Leningrad City Executive Council, respectively, depending on the domicile of the co-operative, or with the consent of the Ministry (or department) that supervises the enterprise (organization, institution) where the co-operative has been established.

New construction or large-scale reconstruction when founding joint ventures, international amalgamations or organizations shall be made with the consent of the territorial administrative organs.

In other cases Soviet participants in joint ventures, international amalgamations and organizations shall submit to the territorial administrative organs the respective information.

Direct production and scientific-technical ties of production co-operatives with enterprises and organizations of socialist countries, as well as coastal and frontier traffic (performed by such co-operatives) with the respective countries shall be carried out with the consent of the Council of Ministers of a Union Republic with no provincial ('oblast') structure, or the Council of Ministers of an Autonomous Republic, or the Regional ('Kraevoj') Executive Council, or the Provincial ('Oblastnoj') Executive Council, or the Moscow City Executive Council, or the Leningrad City Executive Council (depending on the domicile of the co-operative), taking into account the existing regulations covering these ties.

The USSR Chamber of Trade and Industry jointly with the Ministry of Foreign Affairs and the Ministry of External Economic Relations shall submit, within a period of three months and in accordance with the established procedure, proposals on direct economic relations of enterprises, amalgamations, production co-operatives and other organizations of the Far Eastern economic region with firms and organizations from countries of the Asian Pacific region.

The USSR Chamber of Trade and Industry, with the participation of interested enterprises, amalgamations, organizations, ministries and departments, shall organize, beginning from 1989, international tenders to attract foreign firms and organizations as well as Soviet enterprises, amalgamations, production co-operatives and other organizations, to cooperation projects in the Far Eastern economic region.
REGULATION No. 2241

THE USSR MINISTRY OF FINANCE

CONCERNING THE PROCEDURE OF REGISTERING JOINT VENTURES, INTERNATIONAL AMALGAMATIONS AND ORGANIZATIONS ESTABLISHED IN THE TERRITORY OF THE USSR WITH THE PARTICIPATION OF SOVIET AND FOREIGN ORGANIZATIONS, FIRMS AND AUTHORITIES

(24 November 1987)

I. GENERAL

1. These Regulations shall determine the procedure of registering the establishment and the liquidation of joint ventures, international amalgamations and organizations established in the territory of the USSR in accordance with Decree No. 48 of the Council of Ministers of the USSR of 13 January 1987 “On Procedures Governing the Establishment in the Territory of the USSR and the Activities of Joint Ventures, International Amalgamations and Organizations of the USSR and Other CMEA Member-Countries”, the Decree of the Council of Ministers of the USSR of 13 January 1987 No. 49 “On Procedures Governing the Establishment in the Territory of the USSR and the Activities of Joint Ventures with the Participation of Soviet Organizations and Firms from Capitalist and Developing Countries”, and the Decree of the CPSU Central Committee and the Council of Ministers of the USSR of 17 September 1987 No. 1074 “On Additional Measures of Improving the External Economic Activities in the New Economic Conditions”.

2. Joint ventures, international amalgamations and organization established in the territory of the USSR with the participation of Soviet and foreign organizations, firms and authorities as well as affiliates of joint ventures and organizations shall be subject to registration.

3. State-owned, cooperative and other public enterprises and economic organizations shall be prohibited from entering into any transactions or contracts with joint ventures, international amalgamations and organizations before to the latter’s registration.

Banks of the USSR shall open payment and current accounts for joint ventures, international amalgamations and organizations, grant money thereto and carry out operations of crediting and settling payments therewith only after the latter’s registration has been properly effected.

4. Registration shall be effected by the Administration of State Revenues of the USSR Ministry of Finance.

5. Registration shall be effected on the basis of a written application by one of the participants in a joint venture, international amalgamation or organization.

The application for registration shall be accompanied by:

(a) when establishing a joint venture, international amalgamation or organization;

- a copy of the decision of a ministry or department of the USSR or the Council of Ministers of a Union Republic concerning the establishment in the USSR of that joint venture, international amalgamation or organization;
- notarized copies of the articles of establishment;

(b) when establishing an affiliate of a joint venture or organization - notarized copies of the articles of establishment of the joint venture or organization, and a copy of the Statute of the affiliate, approved by the highest body of the joint venture or organization.
Joint ventures, international amalgamations and organizations shall be obliged to submit, upon request from the Administration of State Revenues of the USSR Ministry of Finance, other documents certifying the information entered into the Register as well.

When registering the opening in the USSR of affiliates of joint ventures or organizations established in the territory of other countries with the participation of a Soviet organization, the general procedure of registration shall apply.

6. Each joint venture, international amalgamation and organization shall be obliged to inform the Administration of State Revenues of the USSR Ministry of Finance in a timely manner about any amendment in its articles of establishment or about any other amendments and additions which are subject to registration.

7. The Administration of State Revenues of the USSR Ministry of Finance shall inform the fiscal body exercising control over payments between the joint venture and the budget about the registration of the joint venture within 5 days following the date of such registration.

8. Provisions of these Regulations shall be extended to affiliates of joint ventures and organizations as well as to joint ventures, international amalgamations and organizations established in the territory of the USSR with socialist countries other than CMEA members (subject to the particularities of application of the Decrees mentioned in para. 1, above, of the Council of Ministers of the USSR, as determined by the State Foreign Economic Commission of the Council of Ministers of the USSR).

II. REGISTRATION PROCEDURES

9. After checking the completeness and compliance with existing requirements of the documents submitted for registration, the Administration of State Revenues of the USSR Ministry of Finance shall effect the registration of a joint venture, international amalgamation or organization. For each of them a separate sheet in the Register shall be opened, into which the information specified by the columns of the Register (Annexes 1, 2, 3 and 4 to these Regulations) shall be issued to the registered joint venture, international amalgamation or organization.

A certificate of registration attested by the signature of the director of the Administration of State Revenues of the USSR Ministry of Finance or his deputy and by the stamp of the Administration of State Revenues (Annex 5 to these Regulations) shall be issued to the registered joint venture, international amalgamation or organization.

On the basis of the said certificate the joint venture, international amalgamation or organization shall publish a communication concerning its establishment. The information entered into the Register and published shall be regarded as known to third parties, and no disputes concerning this issue shall be considered by the USSR Ministry of Finance.

Amendments subject to registration shall be entered into the Register according to the general procedure.

Each entry in the Register as well as amendments or additions made thereto shall be attested by the signature of the director of the Administration of State Revenues of the USSR Ministry of Finance or by his deputy and by the stamp of the Department of State Revenues.

10. All pages in the Register Book should be numbered stringed through, sealed with the stamp of the Administration of State Revenues of the USSR Ministry of Finance, and signed by the director of the Administration of State Revenues or his deputy.

Entries in the Register shall be made in a shortened form accompanied by references to documents on the basis of which the respective entry has been made. Corrections to entries should be endorsed.

11. There shall be separate Register Books for joint ventures, international amalgamations and organizations. Thus, in the first book joint ventures involving Soviet and foreign organizations shall be registered; in the second one international amalgamations of the USSR and other CMEA member-countries; in the third one joint organizations of the
USSR and other CMEA member-countries; and in the fourth one affiliates of joint ventures and organizations.

12. The USSR Ministry of Finance shall have the right to suspend or refuse registration of a joint venture, international amalgamation or organization, where documents submitted do not comply with the USSR legislation concerning the establishment and activities of joint ventures, international amalgamations and organizations with the participation of Soviet and foreign organizations, firms and authorities within the USSR.

13. In case of liquidation, a joint venture, international amalgamation or organization shall be obliged to file a statement to this effect with the Administration of State Revenues of the USSR Ministry of Finance. Accordingly, the registration shall be effected on the basis of an excerpt from the minutes of the meeting of the highest body of the entity in liquidation or an excerpt from the resolution of the Council of Ministers of the USSR.

14. All documents submitted for registration shall be kept in a separate file at the Administration of State Revenues of the USSR Ministry of Finance.

The contents of documents submitted for registration may be disclosed to third parties only with the consent of the registered joint venture, international amalgamation or organization.

15. With the entry into force of these Regulations, the Regulations of the USSR Ministry of Finance of 12 February 1987 No. 34 “On the Procedure Governing Registration of Joint Ventures, International Amalgamations and Organizations Established in the Territory of the USSR with the Participation of Soviet and Foreign Organizations, Firms and Authorities” shall become null and void.
REGULATION No. 124
OF THE USSR MINISTRY OF FINANCE
ON TAXATION OF JOINT VENTURES
(4 May 1987)

I. GENERAL PROVISIONS

1. These Regulations define the procedure for settling taxes with the USSR State budget by joint ventures as well as by foreign partners in joint ventures set up in the USSR territory in compliance with the Decree of the USSR Supreme Soviet Presidium of 13 January 1987 “On Questions Concerning the Establishment in the USSR Territory and Operation of Joint Ventures, International Amalgamations and Organizations, Firms and Management Bodies”, as well as with Decree No. 48 of the USSR Council of Ministers of 13 January 1987 “On the Establishment in the USSR Territory and Operation of Joint Ventures, International Amalgamations and Organizations of the USSR and other CMEA Member Countries”, and Decree No. 49 “On the Establishment in the USSR Territory and Operation of Joint Ventures with the Participation of Soviet Organizations and Firms from Capitalist and Developing Countries”.

2. These Regulations cover the taxation procedure of profits made by joint ventures set up in the territory and situated in the USSR and by branches of joint ventures set up with the participation of Soviet organisations and management bodies in other countries from their activities both in the USSR territory, on its continental shelf, in the USSR economic zone, as well as in the territory of other countries. The Regulations also extend to the taxation of profits made by branches of joint ventures situated in the USSR and which are legal entities.

3. Profit tax is paid by joint ventures operating on a profit-and-loss basis and maintaining independent balance sheet and a current account with a bank.

4. A joint venture shall pay taxes amounting to 30 per cent of taxable profits according to the procedure stipulated in Para. 6 of this Regulation.

5. Calculation of sums due as profit taxes and payment thereof shall be made by a joint venture. A joint venture is liable for accurate calculation, timely payment of taxes to the budget and timely provision to finance bodies of prescribed reports.

II. CALCULATION AND PAYMENT TO THE BUDGET OF TAXES ON PROFITS

6. Profits of a joint venture liable to a tax shall be calculated as the difference between the balance profit and deduction to the joint venture’s reserve fund and those other funds intended for the development of production, science and technology.

The amount of annual deductions to the reserve fund shall be defined in the foundation documents. Deductions to the reserve fund shall be limited to 25 per cent of the authorized fund of a joint venture.

The list of other funds intended for the development of production, science and technology, as well as the procedure for raising and spending them shall be stipulated in the foundation documents of a joint venture.

7. The amounts of advance tax payment for a current year shall be determined by a joint venture on the basis of its fiscal plan for the current year.

The amount of profits under the plan for the current year and amounts of advance payments in accordance with the specific dates of payment are notified by a joint venture to its local finance body not later than 15 January of the current year.
Profit tax under the plan for the current year shall be paid to the USSR State budget by equal instalments or 25 per cent of their annual amount due not later than 15 days prior to the expiry of each quarter, that is say before 15 March, 15 June, 15 September and 15 December.

8. The calculation of profit tax actually paid for an expired calendar year shall be effected by a joint venture not later than 15 March of the year following the year of account, on the basis of an accounting report (balance) for the expired year. The amount of any additional payment as a result of the recalculation is paid to the USSR budget prior to 1 April following the year of account.

When as a result of auditing a joint venture by a finance body or auditing firm the latter recalculates the profit tax, the additional amount of profit tax due shall be paid to the budget within 5 days after the date of receipt of the notification from the finance body.

An overpayment of tax can either be deducted from the current year's tax payments, or returned within 5 days to the payer at the latter's request.

9. A joint venture shall be obliged prior to 15 March following the year of account to submit to its local finance body the annual accounting report (balance), calculation of taxes according to the form attached thereto as Annex 1, as well as any other materials requested by finance body which are necessary to calculate profit tax.

10. The tax on joint venture profits shall be paid in roubles; the amount of tax is to be allocated to the USSR budget under Section 12, Para. 25 entitled Other revenues of the classification of revenues and expenses.

When a profit tax is transferred to the budget the following record should be made in the column Type of payment on the face page of the payment order: Tax on profits of joint venture.

11. If the payment of profit tax to the budget is overdue a joint venture shall pay a fine amounting to 0.05 per cent per day of the overdue sum, for every day following the assigned date of payment until the date of actual payment of the tax.

Overdue payments shall be exacted in accordance with the procedure specified for foreign legal entities by the Rules for Exacting Overdue Taxes and Non-tax Payments of 26 January 1981, endorsed by the Decree of the Presidium of the USSR Supreme Soviet (1981 r., No. 4, CT 122).

III. TAXATION OF THE FOREIGN PARTNER'S SHARE OF PROFITS WHEN TRANSFERRED ABROAD

12. If transferred abroad, the part of the profit due to a foreign partner in a joint venture shall be liable to a tax equal to 20 per cent of that part unless a different arrangement is stipulated by an agreement between the USSR and the partner's country.

13. A joint venture files simultaneously with the USSR Bank for Foreign Trade an application for the transfer abroad of the part of profits together with the payment order to the USSR budget of the tax in the currency of transfer.

The tax on the foreign participant's share of profits of a joint venture to be transferred abroad is to be allocated to the USSR budget under Section 12, Para. 25 entitled Other revenues of the classification of revenues and expenses.

When the tax on the part of profits to be transferred abroad is carried to the budget, the following record should be made in the column Type of payment on the face page of the payment order: tax on profits of foreign partner in the joint venture.

14. A foreign partner in a joint venture who can benefit under international agreements signed by the USSR from the right to have taxes mentioned in Para. 12 of these Regulations reduced must file with the Administration for State Revenues of the USSR Ministry of Finance an application for the return of the amount of tax, or a part of it, in accordance with the form attached as Annex 2 hereto. Such an application should be accompanied by a copy of the document testifying the payment of taxes when profits due to a foreign partner in a joint venture have been transferred abroad.
An application should be filed within one year of the date when the tax was exacted. Applications filed upon expiry of this period will not be considered.

The USSR Ministry of Finance shall on the basis of filed documents take a decision on the return of the tax or a part of it to a foreign partner in a joint venture according to the established procedure.

IV. EXEMPTIONS FROM TAXATION OF JOINT VENTURES

15. A joint venture shall be exempt from profit tax during the first two years of operation.

16. The USSR Ministry of Finance is authorized to reduce the amount of tax payments, or completely exempt individual joint ventures from taxes. To enjoy such an exemption a joint venture shall submit to its local finance body together with the documents enumerated in Para. 9 of these Regulations in an application for the extension of the tax exemption substantiating the necessity to obtain such exemption.

Upon the receipt of this application the finance body shall check whether it is well founded and send the submitted materials as well as its decision to the USSR Ministry of Finance.

A decision on this issue is made by the USSR Ministry of Finance within one month of receipt of all documents mentioned thereabove.

V. AUDITING BY FINANCE BODIES OF ACCURATE CALCULATION AND TIMELY PAYMENT TO THE BUDGET OF PROFIT TAX BY A JOINT VENTURE AND OF TAX ON THE PART OF PROFITS OF A FOREIGN PARTNER IN A JOINT VENTURE WHEN TRANSFERRED ABROAD

17. Local finance bodies are obliged:

• to audit accurate calculation, timely and full payment to the budget of profit taxes as well as timely reporting by taxpayers in the prescribed manner;
• to audit accurate and timely payment to the budget of taxes on a foreign partner's share of profits in a joint venture when they are transferred abroad;
• to instruct employees of enterprises subject to auditing and payment of profit taxes to the budget on issues pertaining to payments to the budget by joint ventures.

On the basis of information received from a joint venture on the amount of profit under the plan for the current year and the amounts of advance tax payments in conformity with the dates of payment, a finance body shall open a personal account where all advance amounts of tax are set down and carried to, as well as where all the results of recalculations are fixed.

Finance bodies have the right to require additional materials from taxpayers when auditing payments of profit tax.

18. On the receipt from a joint venture of an annual accounting report (balance) and tax calculation a finance body must audit the accuracy of the calculated and paid sums of profit tax and where there are mistakes in the tax calculation - notify the joint venture on the results of its audit within 15 days of receipt of the above materials.

Additional tax payments, deduction of overpaid taxes from the current year payments or returning such payments are carried out according to Para. 8 of these Regulations.

VI. APPEALING AGAINST THE ACTIONS OF FINANCE BODIES

19. A joint venture has the right to appeal against actions of finance bodies in connection with charging tax. An appeal must be lodged with the finance body auditing the tax calculation within one month of receipt by a joint venture of notification of the auditing results by the finance body. Where a joint venture fails to notify its disagreement with the
auditing results within the prescribed period on the amount of taxes shall be considered as final and actions of finance bodies cannot be claimed.

A finance body must pass a judgement on the appeal of a joint venture within one month of the date of application.

A joint venture is entitled to appeal against the judgement of a finance body to the USSR Ministry of Finance within one month.

Lodging an appeal does not mean that the appellant may refrain from paying the tax.
USSR MINISTRY OF FINANCE
USSR BOARD OF STATISTICS

ACCOUNTING AND BOOKKEEPING OF JOINT VENTURES,
INTERNATIONAL AMALGAMATIONS AND ORGANISATIONS
ESTABLISHED IN THE USSR TERRITORY

(27 February 1987)

The two Decrees of the USSR Council of Ministers of 13 January 1987 No. 48 "On the Establishment in the USSR Territory and Operation of Joint Ventures, International Amalgamations and Organisations of the USSR and other CMEA Member Countries" and No. 49 "On the Establishment in the USSR Territory and Operation of Joint Ventures with the Participation of Soviet Organisations and Firms from Capitalist and Developing Countries" stipulate that joint ventures, international amalgamations and organisations undertake operational accounting and bookkeeping in accordance with the procedure in force in the USSR for Soviet state-owned enterprises. Forms for such accounting and bookkeeping shall be approved by the USSR Ministry of Finance together with the USSR Central Board of Statistics.

The above-mentioned Decrees specify that joint ventures, international amalgamations and organisations are liable under the USSR legislation for accurate and authentic accounting and bookkeeping.

In conformity with the foregoing the USSR Ministry of Finance and the USSR Central Board of Statistics set out the following:

1. When organising primary costs and financial accounting joint ventures, international amalgamations and organisations must use model forms of primary documents, approved in accordance with the procedure established in the USSR for relevant Soviet state-owned enterprises.

2. Accounting is carried out at joint ventures, international amalgamations and organisations according to the forms and methods in force in the USSR for Soviet state-owned enterprises.

3. Accounting and bookkeeping at joint ventures, international amalgamations and organisations will be carried out by accountants directed by the accountant general, whose activities are governed by the Statute on Accountants General approved by the Decree of the USSR Council of Ministers No. 59 of 24 January 1980.

4. Joint ventures, international amalgamations and organisations when recording economic operations in keeping accounts should do so in conformity with the Plan of bookkeeping accounts of production and economic activities of amalgamations, enterprises and organisations and its operative regulations approved by the Directive of the USSR Ministry of Finance No. 40 dated 28 March 1985 upon agreement with the USSR Central Board of Statistics.

The following specific activities of joint ventures, international amalgamations and organisations should be taken into account when applying the above-mentioned Plan of accounts:

• income derived from selling products, labour and services shall be recorded in account 46 Sale;
• payments of profit tax and salary tax shall be recorded in account 68 Payments to the budget;
• payments in connection with the compulsory insurance of joint ventures' property made to USSR insurance offices shall be recorded in account 69 Insurance payments;
• partners' contributions in joint ventures, international amalgamations and organisations shall be recorded in account 83 Authorised fund. These contribu-
utions should be recorded in the analytic account in respect of every partner in roubles and in foreign currency;

- assets of the reserve and other funds necessary for the operation of a joint venture and elevation of social level of its personnel shall be recorded in account 88 Special-purpose funds. Movement of assets in regard to each separate fund shall be recorded in similar sub-accounts;
- movement of monetary assets (including payments) in foreign currency shall be recorded in the framework of cost accounting.

5. Accounting of export and import operations shall be carried out in accordance with the procedure established for foreign trade associations of ministries and agencies.

6. Book-keeping and statistical reports must be filed by joint ventures, international amalgamations and organisations in accordance with the procedure established in the USSR for relevant Soviet state-owned enterprises.
DECREE NO. 74
OF THE STATE COMMITTEE FOR SUPPLIES

SUPPLIES OF MATERIALS AND EQUIPMENT TO JOINT VENTURES
ESTABLISHED IN THE USSR TERRITORY WITH THE PARTICIPATION
OF OTHER COUNTRIES AND FOREIGN FIRMS AND MARKETING
OF THEIR PRODUCTS

(4 June 1987)

Note: By the Decree of the USSR State Committee for Supplies of 4 November 1987
Sections 1 and 3 of this document were made applicable to joint ventures established in the
USSR territory with participation of firms from capitalist and developing countries so as to
allow joint ventures to choose different forms of marketing their products on the Soviet
market and of obtaining deliveries of goods from that market.

1. Supplies of material and technological resources produced in the USSR to joint
ventures of the USSR and other CMEA member countries established in the Soviet Union
territory shall be effected through the Soviet system of supplies of materials and technical
means by way of wholesale trade on the basis of agreements with territorial agencies of the
USSR State Committee for Supplies or through the interested ministries and government
agencies founders in accordance with the established procedure for them.

Supplies of material resources produced in the USSR for joint ventures set up by the
USSR ministries and government agencies and Councils of Ministers of Union Republics,
whose enterprises and organisations now come under the system of supplies on the basis
of wholesale trade, shall be effected in conformity with the Statute on Wholesale Trade in
Industrial and Engineering Products approved by the Directive of the USSR State Com­
micle for Supplies No. 85 of 13 June 1986, except for some specific types of products
which are identified by the USSR State Committee for Supplies and the USSR State
Planning Committee which shall be supplied through the ministries and government
agencies-founders.

Joint venture requirements in material resources produced in the USSR shall be met
by the ministries and agencies-founders on the basis of orders from these ventures, drawn
up in accordance with the pre-planned volume of production. Joint venture orders shall
be taken into consideration by ministries and government agencies-founders when they
develop supply plans for various branches of the economy. Such orders are executed ac­
cording to the procedure established for supplies to enterprises of corresponding ministries
and agencies.

Joint ventures shall pay for the supplied resources on the basis of wholesale or con­
tractual prices.

2. Supplies of imported products to joint ventures of the USSR and other CMEA
member countries established in the Soviet Union territory shall be carried out by way of
purchases made by these ventures in external markets independently, or under agreements
through relevant Soviet foreign trade associations for their own or borrowed foreign ex­
change on foreign trade prices.

Where joint ventures have no own or borrowed foreign exchange to buy the required
imported products, corresponding ministries and government agencies shall provide for
such products in accordance with the procedure established for importing products on
wholesale or contractual prices.
3. The sale of products by joint ventures of the USSR and other CMEA member countries in the Soviet Union shall be effected in the framework of wholesale trade on wholesale or contractual prices in accordance with the Directive of the USSR State Committee for Supplies No. 85 of 13 June 1986, or through relevant Union Administrations for Supplies.

Such ventures shall market their products in external markets either independently, or under agreements through relevant Soviet foreign trade associations on foreign trade prices.

4. Supplies to joint ventures established in the Soviet Union territory with the participation of firms from capitalist and developing countries shall be effected:

- with regard to commodities, materials and engineering goods produced in the USSR - on the basis of contracts to be concluded with relevant Soviet foreign trade organizations in the framework of the range of goods and commodities allotted thereto; in accordance with USSR legislation, products shall be paid for in roubles on contractual prices with regard to world market prices;
- in respect of local materials and services - under agreements with territorial agencies of the USSR Committee for Supplies system and other local economic organizations, products and services shall be paid for in roubles on wholesale and contractual prices;
- in respect of imported products - by way of purchases made by joint ventures independently in external markets or under agreements through relevant Soviet foreign trade associations for their own or borrowed foreign exchange on contractual prices with regard to world market prices.

5. The sale of products from joint ventures set up with the participation of capitalist and developing countries in the Soviet Union shall be effected under agreements to be concluded with Soviet foreign trade associations in the framework of the range of goods and commodities allotted thereto and in accordance with USSR legislation; products shall be paid for in roubles on contractual prices with regard to world market prices. Soviet foreign trade associations shall sell joint venture products either directly to customers, or in accordance with the prescribed procedure through corresponding Union Administrations of Supplies.

Joint ventures shall sell their products in external markets either independently, or under agreements through Soviet foreign trade associations on foreign trade prices.
EXECUTIVE ORDER
OF THE STATE BANK OF THE USSR AND THE BANK FOR FOREIGN TRADE OF THE USSR

ON THE PROCEDURE FOR CREDITING AND SETTLEMENT OF ACCOUNTS OF JOINT VENTURES, INTERNATIONAL AMALGAMATIONS AND ORGANIZATIONS OF THE USSR AND OTHER CMEA MEMBER-COUNTRIES, AS WELL AS OF JOINT VENTURES WITH THE PARTICIPATION OF SOVIET ORGANIZATIONS AND FIRMS FROM CAPITALIST AND DEVELOPING COUNTRIES

(22 September 1987)

In accordance with the Decrees of the Council of Ministers of the USSR of 13 January 1987 Nos. 48 and 49, and for the purposes of deepening the socialist economic integration, closer consolidating the scientific and technical potentials of the countries of the Socialist community, further developing the trade, economic, scientific and technological co-operation with capitalist and developing countries, joint ventures, international amalgamations and organizations of the USSR and other CMEA member-countries as well as joint ventures with the participation of Soviet organizations and firms from capitalist and developing countries (hereinafter referred to as "joint ventures") may be established in the territory of the USSR.

This procedure shall govern the mode of settlement of accounts and crediting in roubles and in foreign currency of production and marketing requirements of joint ventures, as well as the financing and crediting of capital investments.

Section 1. Short-term crediting in roubles

1.1 Working capital requirements of a joint venture shall be met from its own assets (authorized capital) or through short-term bank credits in roubles.

1.2 Rouble assets of joint ventures shall be held on their accounts opened in local offices where the respective ministries have their balance accounts.

In order to open a current account, a joint venture shall submit to the bank the following documents;

• an application of the joint venture for opening an account;
• notarized copies of the agreement between the parties on the establishment of the joint venture, and of its statutes;
• a notarized copy of the certificate issued by the Department of State Revenues of the USSR Ministry of Finance attesting the registration of the joint venture;
• a card with the notarized patterns of signatures and an impression of the stamp.

Interest at the rate of 0.5 per cent per annum shall be paid by the bank on the joint venture's current account.

1.3 Banks shall extend short-term credits in roubles to joint ventures to pay for, and against the remainder of, raw materials, uncompleted production, expenses of future periods, other stocks and expenditures; against domestically shipped goods in respect of which payment is not yet due; and for opening letters of credit.

A loan against inventories shall be secured by a lien.

1.4 Joint ventures shall pay interest to the banks for the use of a credit according to rates specified for the corresponding field of the economy.
1.5 Credits shall be extended from loan accounts. In order to open a loan account, a joint venture shall submit a statement of undertaking (Annex 1) and its opening balance-sheet to the bank.

1.6 For the purpose of determining the amount of the credit required, the enterprise shall submit to the bank a credit application for the coming year, subdivided into quarters (Annex 2).

The amount of credit determined by the bank and the enterprise shall be the limit of crediting.

In case of a change in the terms of manufacturing, raw material supplies, or marketing of products the enterprise shall submit an amended calculation to the bank.

Bank offices shall communicate the specified limits of crediting joint ventures for the coming year, subdivided into quarters, to the credit department of the higher-level bank.

1.7 Payment of invoices for inventories or services and opening letters of credit shall be effected, in the absence of funds on the current account, from the loan account within the limit of free crediting. Repayment of the loan shall be effected within the time limits determined in the agreed credit application or, before the expiration of same, upon instructions from the enterprise.

1.8 The credit security shall be checked monthly, according to the form given in Annex 4, on the basis of the balance sheet of the enterprise and accompanying information (Annex 3).

1.9 The following shall not be accepted for crediting:

- the remainder of finished goods intended for sale to the domestic market over and above the own sources allocated for same, except in cases of delays in deliveries of goods due to transportation difficulties or the termination of deliveries to unpunctual payers;
- goods shipped and services rendered where documents have not been presented to the bank for repayment of loans within the specified time limits, or not paid for by customers within the time limits;
- inventories in transit for more than 5 months.

1.10 Credits against a surplus of the security shall be extended within the limit of crediting and shall be used to settle overdue liabilities; its remainder, upon request from the enterprise, may be transferred to the enterprise's current account.

1.11 Any deficiency in the loan security shall be recovered from the enterprise's current account, and in the absence of funds on the account, the deficiencies shall be transferred to the overdue loan account.

1.12 No new loans shall be granted to enterprises having overdue debts on bank loans in excess of two months. The incoming receipts shall be used for settlement of overdue loan repayments.

In such cases extension of new credits to a joint venture may be resumed, on receipt by the crediting bank of a guarantee from a foreign bank to the effect that any amounts on repayment of credits overdue now or in the future shall be settled by the joint venture.

1.13 Crediting of a joint venture against export transactions in case of its direct operations in foreign markets (without co-ordination services of Soviet foreign trade organizations) shall be effected against export goods in transit within the USSR and abroad as well as against export goods stored at ports and warehouses in the USSR whether sold or not.

Periods for which export goods shall be accepted for crediting shall depend on the terms of payment specified in a contract between the joint venture and a foreign customer, or determined by agreement with the bank office.

1.14 Crediting of export transactions shall be effected from a separate unlimited loan account.
For the purpose of opening such an account the enterprise shall submit a statement of undertaking to its bank in accordance with the form given in Annex 5.

1.15 To secure payment of goods sold abroad where payments are made by instalments, joint ventures should submit foreign bank guarantees (as a rule, those of correspondent banks of Vneshtorgbank, USSR, or, where this is impossible, guarantees from insurers, large firms or the founders of the joint venture.

1.16 Banks shall exercise control over the purposeful use of credits extended to joint ventures, securities and timely repayment of same with visits to certain locations, if necessary.

1.17 Banks may extend credits to Soviet participants in international amalgamations and organizations for the period of up to 3 years for the purpose of contributing to the financial fund of an international amalgamation (organization), created for financing its activities, including the cost of maintenance of its staff and expenses on business trips relating to items of joint activities. The said credits shall be extended against guarantees from respective higher-level organizations.

In order to obtain such credits, the Soviet participant in an international amalgamation (organization) shall submit to the bank a calculation of the credit requirement and its repayment with the indication of sources.

Section 2. Financing and crediting of capital investments

2.1 Designing and capital construction of joint ventures, including social projects, shall be carried out under contracts and from their own capital and loan capital. Prior to their approval by a joint venture, projects shall be subject to approval as prescribed by the USSR State Committee for Construction (Gosstroi).

2.2 Financing and settlement of accounts for capital investments from a joint venture's own capital shall be effected in the manner prescribed from its current account. Upon request from the enterprise a separate bank account may be opened for accumulating and spending funds for these purposes (it is opened with the same balance account that maintains the current account).

2.3 When carrying out construction work involving the drawing of a credit, a credit agreement (Annex 6) shall be concluded between the bank office and the joint venture. The credit requirement shall be determined according to a calculation of the credit necessary for capital investments (Annex 2a).

2.4 Bank offices shall extend credits in roubles to joint ventures for the purposes of:

- constructing industrial projects within the limits of the approved estimated costs for a period of up to 6 years following the date of granting the first loan, provided that the works will be carried out and the credit repaid within the specified period;
- developing the material and technical basis of the social sphere in the amount of up to 75 per cent of the cost of construction works for a period of up to 6 years following the date of completion of the work, subject to repayment of the credit from the total revenues of the joint venture.

The bank shall exercise control over the purposeful use of the credit. Where a credit is not used for the intended purposes, it shall be withdrawn before expiration of the time limit and the credit agreement shall be cancelled.

Credits for new projects shall not be granted where there are overdue repayments under previously granted loans.

2.5 For use of long-term credits joint ventures shall pay interest to banks at the rates fixed for the respective branches of the economy.

2.6 Upon completion of a project, separate liability notes shall be drawn up for repayment of arrears of the loan within specified time limits.

Bank officers may allow deferred repayment of loan arrears within the total time limit for which the loan was granted.
Section 3. Crediting in foreign currency

3.1 A joint venture shall meet its foreign currency requirements in transactions with foreign contractors from its authorized capital.

A joint venture may use credits in foreign currency obtained on commercial terms from Vneshtorgbank, USSR, or by approval of the latter, from foreign banks and companies. The source of repaying such credits shall be the revenue from export sales.

3.2 Short-term credits in foreign currency to purchase raw and other materials, components etc. shall be extended by the USSR Vneshtorgbank for a period of up to 2 years.

3.3 Joint ventures may be given medium-term and long-term credits to pay for imported equipment, machines, licenses and other goods as well as services, required for the modernization and expansion of production. The periods of repaying such credits shall be determined by the USSR Vneshtorgbank depending on the payback of the object of crediting.

3.4 Internationally accepted currency assets belonging to a joint venture may be used as credit securities.

In cases where the security is insufficient, a credit in foreign currency may be extended under guarantees of the founders of a joint venture or under guarantees of foreign banks and companies.

Where a joint venture has unsecured debt the USSR Vneshtorgbank shall be entitled to draw any currency reserves available on the account of the joint venture at the USSR Vneshtorgbank in order to redeem such debt.

3.5 Credits in foreign currency shall be extended by the USSR Vneshtorgbank on usual commercial terms and subject to charging an interest in foreign currency on the unpaid part of the debt under a credit.

The rates of interest shall be determined by the USSR Vneshtorgbank on the basis of existing world money market rates for the respective currencies.

3.6 When extending a credit in foreign currency, the USSR Vneshtorgbank shall charge a liability commission to the borrower at the rate of 0.5 per cent per annum from the unused part of the said credit.

The enterprise-borrower shall compensate USSR Vneshtorgbank for the commission paid by the latter, as well as any cable and other expenses in foreign currency relating to the drawing of the credit.

In cases where the exchange rate of the currency in which the foreign trade contract was concluded using the credit facilities is altered, the difference in the exchange rates shall be borne by the borrower.

The interests charged and the differences in rates of exchange arising while using a credit shall not be included in the overall limit of the credit extended in foreign currency.

3.7 In order to obtain a credit, the enterprise-borrower shall submit an application to the USSR Vneshtorgbank which should contain the following information:

a) the purpose for which the credit is requested, its amount, and the period over which the credit is required;

b) the specification of the goods purchased abroad and their value, the name of country where the purchase will be made, and the currency of payment;

c) the economic effect of using the machines, equipment materials, and other merchandise, licenses intended for purchase on account of the credit, and payback periods for projects which are to be carried out with the use of the credit.

The application of the enterprise-borrower shall be accompanied by documents made up in accordance with the forms contained in Annexes 8, 9 and 10.
The USSR Vneshtorgbank may require from the enterprise-borrower the submission of a report on the financial status of the enterprise as well as additional information concerning the purposes for which the credit was used, on the repayment of same, and on the performance of the equipment purchased with the credit.

3.8 When the extension of a credit is agreed to, the USSR Vneshtorgbank and the enterprise-borrower shall enter into a credit agreement governing the procedure of granting loans in foreign currency, the use of same, the manner of payments, the terms of calculating interests and of paying off the indebtedness of the enterprise-borrower. Such credit agreement shall be signed:

- for the Bank for Foreign Trade of the USSR: by the Chairman of the Board or his Deputy or other authorized persons;
- for the enterprise-borrower: by its director or his deputy.

The form of a credit agreement is contained in Annex 7.

3.9 Credits shall be obtained on the basis of remittance orders or orders for opening letters of credit, or on the basis of a communication from a foreign bank on the payment made to a foreign exporter on account of the credit extended by that bank to the USSR Vneshtorgbank.

3.10 Orders for remitting currency abroad (for opening letters of credit) submitted by an enterprise-borrower to the USSR Vneshtorgbank shall contain, in addition to the usual requisites, a note "on account of credit in foreign currency", and the number of the respective loan account of the enterprise-borrower.

3.11 Records on the use of credits in foreign currency extended to enterprises for opening letters of credit and for payments of imported goods shall be kept on separate loan accounts.

3.12 Where an enterprise-borrower fails to repay any outstanding credit amounts within the prescribed time limits, the USSR Vneshtorgbank shall consider the reasons for the delay in repaying the credit and shall have the right to redeem what is due from the enterprise-borrower of the credit in foreign currency (main debt and interest) by using the funds available on his foreign currency account.

3.13 Where there are no such funds available on the currency account of a joint venture, the amount not repaid in time shall be transferred to the account of overdue debt under credits in foreign currency with an additional interest of 3 per cent per annum in addition to the interest specified in the credit agreement. In such circumstances, the bank may declare the whole existing debt under a given credit as due for repayment and charge it with an additional interest of 3 per cent per annum; the bank shall also be entitled to take recourse against any other sources and channel all the incoming revenues for repayment of the credit.

3.14 The USSR Vneshtorgbank shall exercise control over the purposes and efficiency of using the credits extended in foreign currency. Such control shall be exercised, in particular, by carrying out on site inspections.

3.15 The on site inspections shall be carried out by the USSR Vneshtorgbank, as a rule, with representatives of the founders of the enterprise-borrower. Representatives of other Soviet banks may also be involved in such inspections.

3.16 Where an enterprise-borrower systematically fails to fulfil the terms of a credit agreement, or to comply with requirements and recommendations of the bank, the USSR Vneshtorgbank, in accordance with the terms of the credit agreement, shall have the right:

- to suspend further use of the credit;
- to demand from the enterprise-borrower repayment of all foreign currency credits extended earlier ahead of schedule.

3.17 The USSR Vneshtorgbank, upon application from joint ventures, may issue guarantees and warranties in accordance with its Statutes and existing bank rules.
Section 4. Settlement of accounts

4.1 Joint ventures involving Socialist countries, international amalgamations and organizations shall settle their accounts with Soviet suppliers and customers in the same manner as prescribed for internal settlement of payments.

The parties may provide by agreement for the following forms of payment:

- by payment orders (the acceptance procedure shall be outlined in the agreement; the corresponding endorsements shall be made on the payment orders);
- by payment instructions;
- by letters of credit;
- by limited book cheques.

In cases where supplies to the said joint ventures, international amalgamations and organizations, as well as sales of their products, are effected through foreign trade organizations, accounts shall be settled in the same manner stipulated for such settlements with Soviet exporters and importers.

Joint ventures involving Soviet organizations and firms from capitalist and developing countries shall settle their accounts with Soviet suppliers and customers through foreign trade organizations at world market prices; and where goods are purchased and services rendered at domestic market prices, settlements shall be effected in the manner provided for domestic payments.

4.2 Joint ventures, directly operating in foreign markets shall settle their accounts under export-import transactions in accordance with terms of contracts by methods of collection, documentary letters of credit, bank remittances and other methods accepted in international banking practice.

Joint ventures may enter foreign markets through Soviet foreign trade organizations, and those with participants from capitalist or developing countries additionally through sales network of foreign partners in the joint ventures.

4.3 For the purpose of keeping currency funds and settling international accounts, separate currency accounts shall be opened for joint ventures with the USSR Vneshtorgbank or its branches in accordance with procedures set out in Para. 1.2 of this document.

Interest at rates fixed by the USSR Vneshtorgbank shall be paid on such foreign currency accounts.

4.4 Cable and other expenses incurred in the course of executing instructions given by joint ventures shall be borne by them at their actual cost and shall be charged in the currency of payment. Banks shall collect a commission for rendering their services to joint ventures according to their tariffs.

This procedure shall also apply to crediting, and settlement of payments of joint ventures, international amalgamations and organizations with the participation of socialist countries other than CMEA members.
INSTRUCTIONS ON THE PROCEDURE GOVERNING THE INSURANCE OF THE ASSETS AND INTERESTS OF JOINT VENTURES

(5 June 1987)

I. GENERAL

1. These Instructions establish the procedure for insurance of joint ventures, international amalgamations and organisations set up in accordance with the Decree No. 48 of the USSR Council of Ministers of 13 January 1987 “On the Establishment in the Territory of the USSR and Operation of Joint Ventures, International Amalgamations and Organisations of the USSR and Other CMEA Member Countries”, as well as with Decree No. 49 of the USSR Council of Ministers of 13 January 1987 “On the Establishment in the Territory of the USSR and Operation of Joint Ventures with Participation of Soviet Organisations and Firms from Capitalist and Developing Countries”.

2. The assets and property interests of joint ventures, international amalgamations and organisations set up in the territory of the USSR with the participation of Soviet and foreign organisations, firms and management bodies and of the affiliates of joint ventures and organisations shall be insured.

3. The insurance of the assets and property interests of joint ventures shall be effected by the Insurance Company of the USSR (Ingosstrakh).

II. TYPES OF INSURANCE

4. Insurance cover shall be taken out in respect of the following types of joint venture assets and property interests:

4.1 Fixed assets owned or leased by the joint venture:

4.1.1 For the period of the construction of buildings, structures and installations of equipment - on all risks of construction and all risks of installation conditions;

4.1.2 after commencement of operations - against fire and natural hazards.

4.2 Parts of working assets, viz.: stocks of materials and finished stock in storehouses of an enterprise; semi-finished products of own making - against fire and natural hazards.

4.3 Losses due to a downturn in production or economic activities, resulting from a fire.

4.4 Civil liabilities of a joint venture:

4.4.1 for causing injury to health or property of Soviet workers and officers employed at the joint ventures during the performance of their professional duties;

4.4.2 for polluting the environment;

4.4.3 for causing injury to health or property of third parties;

4.4.4 in connection with the operation of motor vehicles owned by the joint venture.

5. In addition to the above types of insurance and depending on the nature of economic activities of the joint venture, the following types of insurance may be effected:

5.1 Insurance of the equipment and machinery against failure, and insurance against losses due to a downturn in production, resulting from a failure in machinery.

5.2 Goods-in-transit insurance.

5.3 Insurance of the property and stocks of commodities against burglary.
5.4 Property insurance against water damage.

5.5 Insurance of electronic equipment.

5.6 Insurance of animals.

5.7 Insurance of other risks connected with the specific economic activities of a joint venture, i.e., storing and transporting products under special circumstances, special types of civil liability, etc.

6. Insurance of the types stated in para. 5 shall be effected by a joint venture at its own discretion, depending on the specific requirements of its economic activities.

III. PROCEDURE FOR TAKING OUT INSURANCE

7. The insurance contract shall be concluded in the form of an insurance policy signed by the authorized representatives of the Ingosstrakh and the joint venture on the basis of a written application for insurance filed by the joint venture with Ingosstrakh within the following time limits:

7.1 in respect of insurance of the types stated in para. 4.1.1, not later than one month prior to the starting date of the construction work or installation of the equipment;

7.2 in respect of insurance of the types stated in paras. 4.1.2, 4.2, 4.3, 4.4.2, not later than one month prior to the date of putting the buildings and the equipment into operation;

7.3 in respect of insurance of the type stated in para. 4.4.4, not later than three days prior to the date of transfer of the motor vehicles for operation;

7.4 in respect of insurance of the types stated in paras. 4.4.1 and 4.4.3, within one month after the date of registration of the joint venture, international association or their affiliates.

8. Applications for insurance shall be drafted according to the prescribed forms contained in Annexes ... to these Instructions and shall be integral parts of insurance contracts. Joint ventures shall be liable for the authenticity of the information given in insurance applications in accordance with the rules and conditions of insurance.

9. A joint venture shall be bound, upon request from Ingosstrakh, to submit schemes of layout of individual objects of the joint venture, information on fire-extinguishing systems or fire-alarm systems and any other information necessary for assessing the degree of risk.

10. Upon consideration of an application for insurance, Ingosstrakh shall send the joint venture a draft insurance policy which states the rules or conditions of insurance, the amounts of insurance, the liability limits of Ingosstrakh, the time limits, the cost of insurance (insurance premium), and other necessary information. A draft insurance policy shall be prepared within 14 days following the date of receipt of all necessary information from the joint venture and shall be signed by Ingosstrakh's authorized officers.

11. The joint venture shall send to the Ingosstrakh within 30 days following the date of receipt of a draft policy, one copy of that document signed by its authorized officers; the contract of insurance (insurance policy) being considered thereafter as having entered into force, or shall inform the Ingosstrakh of its observations and proposals concerning the draft policy.

12. In the latter case, upon the consideration of such observations, Ingosstrakh shall prepare and send to the joint venture an insurance policy to be signed by the authorized officers of the joint venture within a time limit of 30 days.

13. Insurance of the risks given in paras. 5.1 to 5.7 shall be effected on the basis of a written application for insurance (letter, telex, cable) with the indication of the data necessary for the preparation of an insurance policy. For example, while applying for goods-in-transit insurance (para. 5.2), the application shall indicate the type of cargo, its packing, the amount and weight, the place of loading and the place of destination of the cargo, the type of vehicle transporting the cargo, the number and date of the shipping document (bill
of lading, waybill, invoice of road haulage, etc.), the amount of insurance, and the conditions of insurance.

On the basis of this data Ingosstrakh shall prepare, within three days, a goods-in-transit insurance policy and shall send to the joint venture the original together with a debit note for payment of the insurance premium.

14. The joint venture shall be bound to inform Ingosstrakh of all significant alterations concerning insured objects, the sums of insurance and the degree of risk. Ingosstrakh shall be entitled to review the conditions of insurance or require payment of an additional insurance premium on the basis of such alterations.

15. The alterations of the signed contract of insurance shall be made in the form of an addendum signed by Ingosstrakh; such an addendum shall be an integral part of the insurance contract and the insurance policy.

16. Where the insurance premium is not paid within the time limits stipulated in the insurance policy, the insurance contract shall lapse with regard to the liabilities of Ingosstrakh.

17. The procedure for filing claims upon the insurance cover indicated in paras. 4 and 5 with Ingosstrakh and the procedure for Ingosstrakh to consider such claims and pay compensation shall be defined in the corresponding rules and conditions of insurance which are an integral part of the insurance contract. Compensation shall be paid in the same currency given in the insurance contract and used for the payment of the insurance premium.