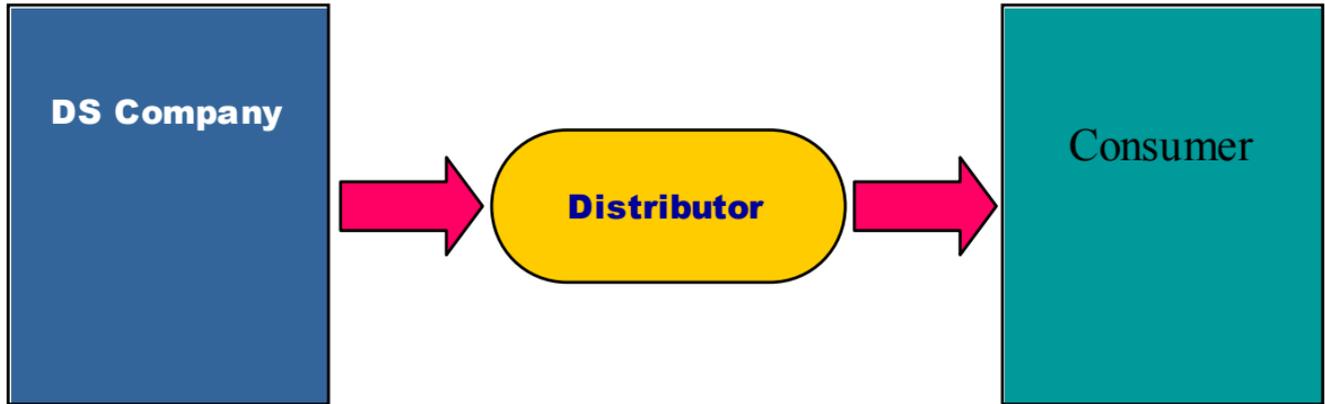


# Tax Realities – Taxpayer's View

Tamara Shokareva  
Executive Director  
Mary Kay ZAO

# Mary Kay Company as a sample of effective interaction between large and small businesses



# Major Tax Regimes

- General Taxation System
- Simplified Taxation System
- Unified Tax on Imputed Income (UTII)

# Simplified Taxation System

## Before January 1, 2003

- Patent replaced income tax
- Tax rates were determined by the regional laws and had no limitations

## After January 1, 2003

- Unified Tax replaces VAT, UST, Property Tax and Income Tax
- Two options - 6% tax from revenues or 15% tax from the difference between revenues and expenses

# Unified Tax On Imputed Income

## Before January 1, 2003

- Tax Base is determined by the regional laws

## After January 1, 2003

- There are tax base limitations established by the Federal legislation

# Unified Tax On Imputed Income

## Before January 1, 2003

- Regions introduce coefficients to increase or to reduce tax base

## After January 1, 2003

- Regions are allowed only to introduce coefficients that reduce tax base
- Deflation coefficient is determined by the Federal legislation

# Trends and Outlook

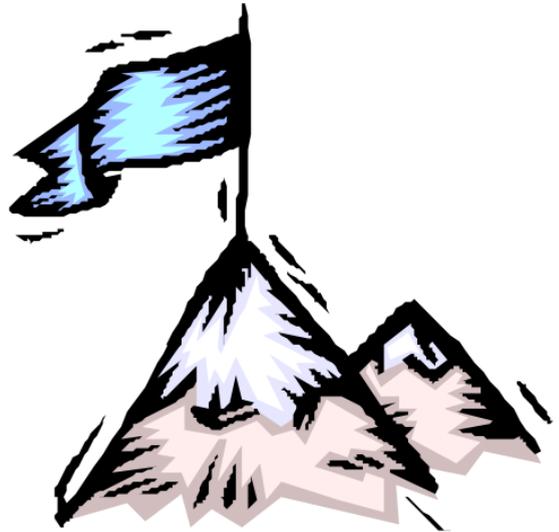
- Simplified and faster registration (“one window” principle)



# Trends and Outlook

Turnover taxes abolishment  
and overall reduction of  
the number of existing  
taxes

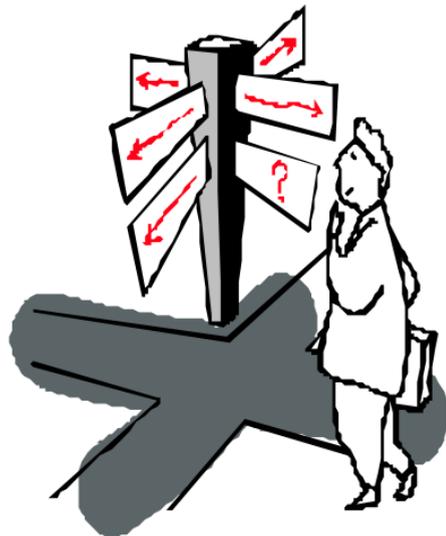
- Sales tax has been abolished since 1.01.2004
- Advertising tax will be abolished since 1.01.2005



# Trends and Outlook

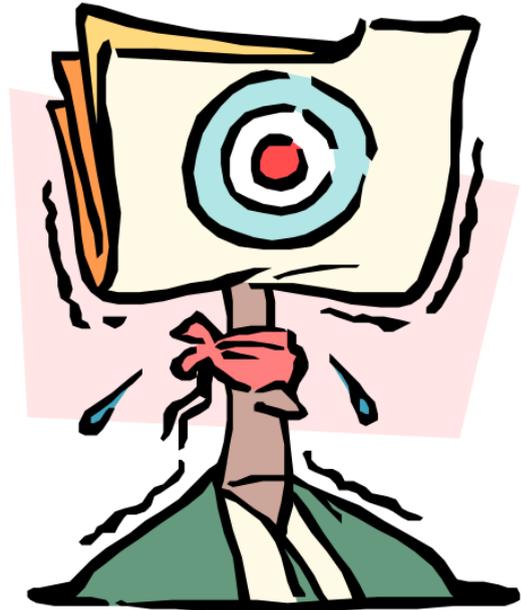
## Tax rates - «somebody loosing and somebody gaining»

- Since January 1, 2004, VAT has been reduced from 20% to 18%.
- Unified social tax rates will be reduced since January 1, 2005
- Base income will be increased for UIET purposes since January 1, 2005.
- There are plans to increase the unified tax rates within the STS



# Issues Remain

- Unclear wording; discrepancy between the newly adopted changes and provisions of the existing legislation



# Issues Remain

- More complicated tax administration  
(tax accounting;  
changing forms of tax  
returns)



# Information for Consideration

- Decisions of the Constitutional Court (Resolution No. 14-Π and Ruling No. 169-O) - political engagement or overzealousness of certain people
- Presumption of guilt
- Arbitrary behavior at the local level – deja vu



# Assessment of the Situation

Is the glass half-full  
or  
half-empty ?

