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## Attachment 4 – PIT (see art..26sec.1point 9)

### Chapter 6. Tax Base and Amount of Tax

**Article 26.** 1. The tax base, subject to Article 24, paragraph 3, and Articles 28 to 30, shall be the income assessed pursuant to Articles 9 and 24, subparagraph 1 and 2, and 4 to 7 or Article 25 after the deduction of the following amounts:

1) disability pensions and other permanent burdens based on a legal title, which are not the revenue earning costs, and alimonies, with the exclusion of children's maintenance, at the amount assessed in the court judgment;

2) social insurance premiums of the taxpayer and persons working with him, if they have not been appropriated as the revenue earning costs;

3) fees to organisations membership of which is obligatory for the taxpayer, if they have not been appropriated as the revenue earning costs;

4) refunds, made in a given tax year, of unduly collected retirement and disability pensions and social insurance allowances in amounts including income tax, if not yet deducted by an insurance pension office;

5) refunds, made in a given tax year, of unduly collected performances which have previously increased the income liable to taxation, in amounts including collected income tax, if said refunds have not been yet deducted by the tax remitter:

6) the expenses for the purpose of rehabilitation incurred by a taxpayer who is a disabled person, or a taxpayer who supports the disabled;

7) by which the basic exploitation charge for the extraction of minerals was reduced, in compliance with the Mining Law;

8) expenditures incurred in the tax year for construction of a taxpayer's own or co-owned by him multi-family apartment building where at least five living accommodations are to be let, and expenditures for acquisition of the lot for the construction of the said building. Living accommodations let to persons who in relation to the owner or to at least one of the co-owners are included in the I tax group within the meaning of the provisions of the Inheritance and Donations Tax Act, shall not be deemed the accommodations to be let;

9) donations:

a) for the purposes of science, technical research, education, education and upbringing, culture, physical culture and sports, health protection and social aid, occupational and social rehabilitation of the disabled, supporting social initiatives to build roads and telecommunication networks in rural areas and to supply water thereto - up to the amount not exceeding 15 per cent of the income;

b) for the purposes of religious practice, charitable welfare activities, public security, national defence, environment protection, charity, as well as for the purposes connected with housing for local self-governments and for constructing watchtowers of the units for fire protection as meant by the provisions on fire protection, their equipment and maintenance up to the total amount not exceeding 10 per cent of the income.

2. The total amount of deductions made for the expenditures actually incurred for purposes listed under paragraph 1, subparagraph 8 in the period of validity of this Act cannot exceed the product of 70 sq. metres of usable floor area and the conversion ratio for 1 sq metre of usable floor area of an apartment building, established for the purpose of calculating the- guarantee bonus for the deposits in housing savings books for the 3<sup>rd</sup> quarter of the year preceding the tax year, and the number of apartments designated for lease to persons who are not included in the I tax group referred to in paragraph 1, subparagraph 8;

3. In the case of constructing the co-owned multi-family apartment building referred to in Paragraph 1, subparagraph 8, the amount of deductions to which each of co-owners is entitled within the total amount of deductions mentioned in paragraph 2, shall be assessed

proportionally to their share in such co-ownership; in the absence of evidence proving the amount of the owners' shares it shall be presumed that the shares in the co-ownership are equal.

4. The expenses referred to under paragraph 1, subparagraph 8 above, which are not covered by the yearly income of the taxpayer, shall be deductible from incomes earned during the subsequent years until they are fully deducted, within the limits specified under paragraphs 2 and 3 above.

5. Total amount of deductions specified in paragraph 1, subparagraph 9 cannot exceed 15 per cent of income or revenue liable to lump sum tax pursuant to Article 30, paragraph 1, subparagraph 6, but the deductions may not be made for donations to:

1) natural persons;

2) legal persons and organizational units having no legal personality who perform activities consisting of the production of electronic equipment, fuels, tobacco, spirits, wines, beer and other alcohol products containing more than 1.5 per cent of alcohol, as well as products of noble metals or containing such metals, or trading in such products.

6. Where a donation includes goods or services liable to the goods and services tax, the amount of the donation shall be considered the value of goods including the output tax on goods and services.

7. The amount of expenditures for the purposes listed in paragraph 1 shall be estimated on the basis of documents giving evidence of their having been incurred, provided that the deduction of expenditures for the purposes listed in paragraph 1, subparagraph 8 above with the exception of expenditures for purchasing a lot, can be made if such expenditures were documented by invoices (simplified invoices) drawn up only by a taxpayer of the goods and services tax who is not exempt from this tax or by a customs clearance certificate. In the case of constructing a co-owned multi-family apartment