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# ***The Draft Code on Subsoil and Subsoil Use***

*February 2017*

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## ***In brief***

The Draft Code on Subsoil and Subsoil Use as of 22 December 2016 envisages significant changes.

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## ***In detail***

The Draft Code on Subsoil and Subsoil Use provides for simplification of different procedures for subsoil users.

Main changes include the following:

- 1) State control over purchase of goods, works and services of subsoil users will be eliminated;
- 2) In addition to the contract on subsoil use, a license will also be used as a basis for the subsoil use right;
- 3) The Australian method “first come – first receives” for granting a right of subsoil use will be applied;
- 4) Subsoil users undertaking hydrocarbon production on deposits with low investment potential are exempt from the obligation on annual financing of scientific research.

The proposed changes to the subsoil use legislation will entail associated changes to the tax regulatory framework for subsoil users.

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## ***The takeaway***

- Simplification of procedures for subsoil users and investors;
- Introduction of the Australian method “first comes – first receives” for awarding of a subsoil use right;
- Elimination of state control over purchases of goods, works and services by subsoil users;
- Some categories of subsoil users will be exempt from the obligation to finance scientific research.

*[Source: Draft Code on Subsoil and Subsoil Use]*

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***Let's talk***

For a detailed discussion of how this issue might affect your business, please contact:



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