

The CEE Law Firm



PRAGUE
BRATISLAVA
KYIV
SOFIA
MOSCOW
BUCHAREST
WARSAW
MINSK
BUDAPEST



Doing Business in Belarus

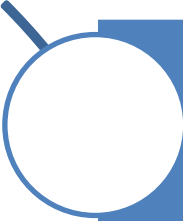
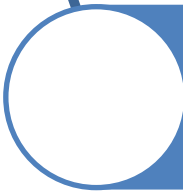
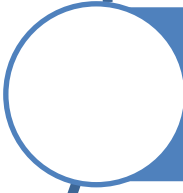

(updated as of April 24, 2015)

Starting business

The Advantages of Doing Business in Belarus

- 1 Single Economic Space and a common customs territory with Russia, Kazakhstan and Armenia
- 2 Privatization is underway
- 3 65 bilateral agreements on avoidance of double taxation have been concluded
- 4 Investor protection - agreements on investor protection, agreements on rendering legal assistance (recognition of foreign judgments)
- 5 Doing Business 2015 (World Bank review) - Belarus – 57th in the world. 3rd for registering property, 7th for enforcing contracts
- 6 Cheap and highly qualified labor (average salary of less than €500)

Restrictions for nonresidents of Belarus

-  Direct prohibitions to nonresidents to act in some industries (security market, gaming, technical protection of information, trade in precious metals and stones, drug production, arms, legal services)
-  Restrictions to act through the Representation Office or concluding direct agreements
-  Taxation in Belarus on income generated in Belarus (some exemptions under bilateral tax agreements)
-  Benefits for products from Belarus, Russia, Kazakhstan, Armenia in public procurement

Restrictions for residents of Belarus

State monopolies

- Set by law (lotteries, exporting mineral fertilizers, forest management)
- Exceptions – set by Presidential acts, concessions

Licensing

- Set by Presidential edict
- 37 types of activity (examples - communication, insurance, banking)

Certification

- Set by acts of Custom Union
- examples - car maintenance and repairs, construction, personal services

Specific Belarusian legislation

- Obligatory sale of revenue in foreign currency (30%)
- Sales and leases of land concluded after auction
- Payment for concluding leases of land
- Foreign trade contracts must be in writing and must be submitted to the bank

Different Types of Doing Business

Subsidiary, Legal Entity

- Difficult process of liquidation
- Limited liability of shareholders

Representative office

- A company is liable for the debts of its representative office
- The fee for permission to open a representative office is larger (€2300 per three years) compared to that for registering a company (one time fee of €35)
- A representative office opens for 3 years with the possibility of extending its validity for the same period
- Some restrictions on employing foreigners (should not exceed 5 employees), which should be administrative ones
- The migration law is applicable
- Restrictions of activity (selling tickets + representation of Company)

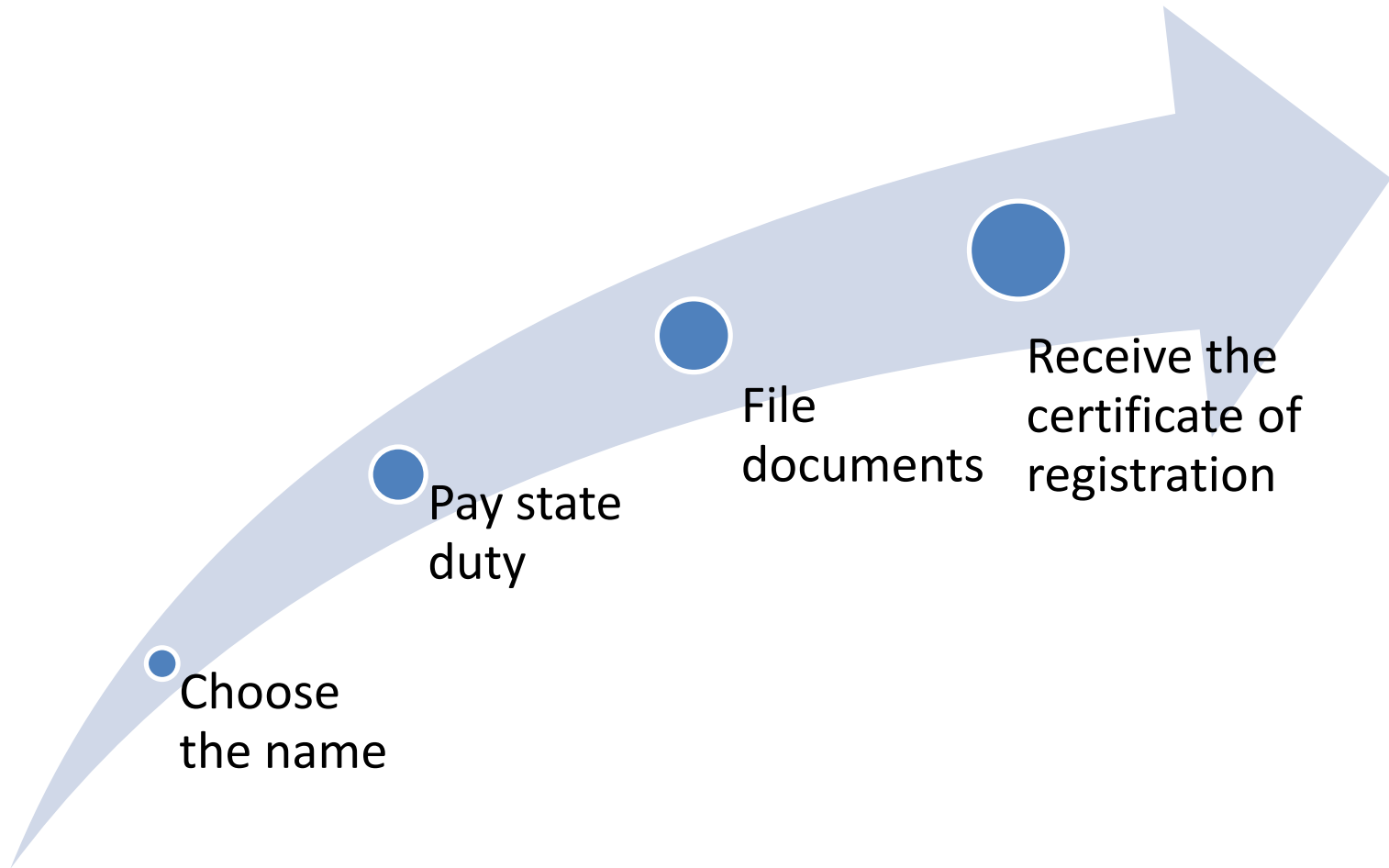
Independent Agent

- It is impossible to perform licensed activities

Conclusion of foreign trade agreements

- No need to have the representative office (sometimes tax permanent establishment is necessary)
- Foreign employees can act on behalf of a company (business trip)

One Day for Starting Business



Subsidiary in Belarus

Corporate structures

- **Nine corporate structures** (farm collective, production cooperative, private unitary enterprise, general partnership, special partnership, additional liability company, limited liability company, open joint-stock company, closed joint-stock company)
- Most popular are LLC and CJSC

Registration deadline

- **1 working day** (the company may start its activity)
+ **5 working days** for automatic registration in the state authorities

Participation of nonresidents

- Can be founders
- Can be directors (work permit is necessary)

Authorized capital

- Minimum is not stated for most companies
- Should be paid in one year after registration

Costs of establishing a company

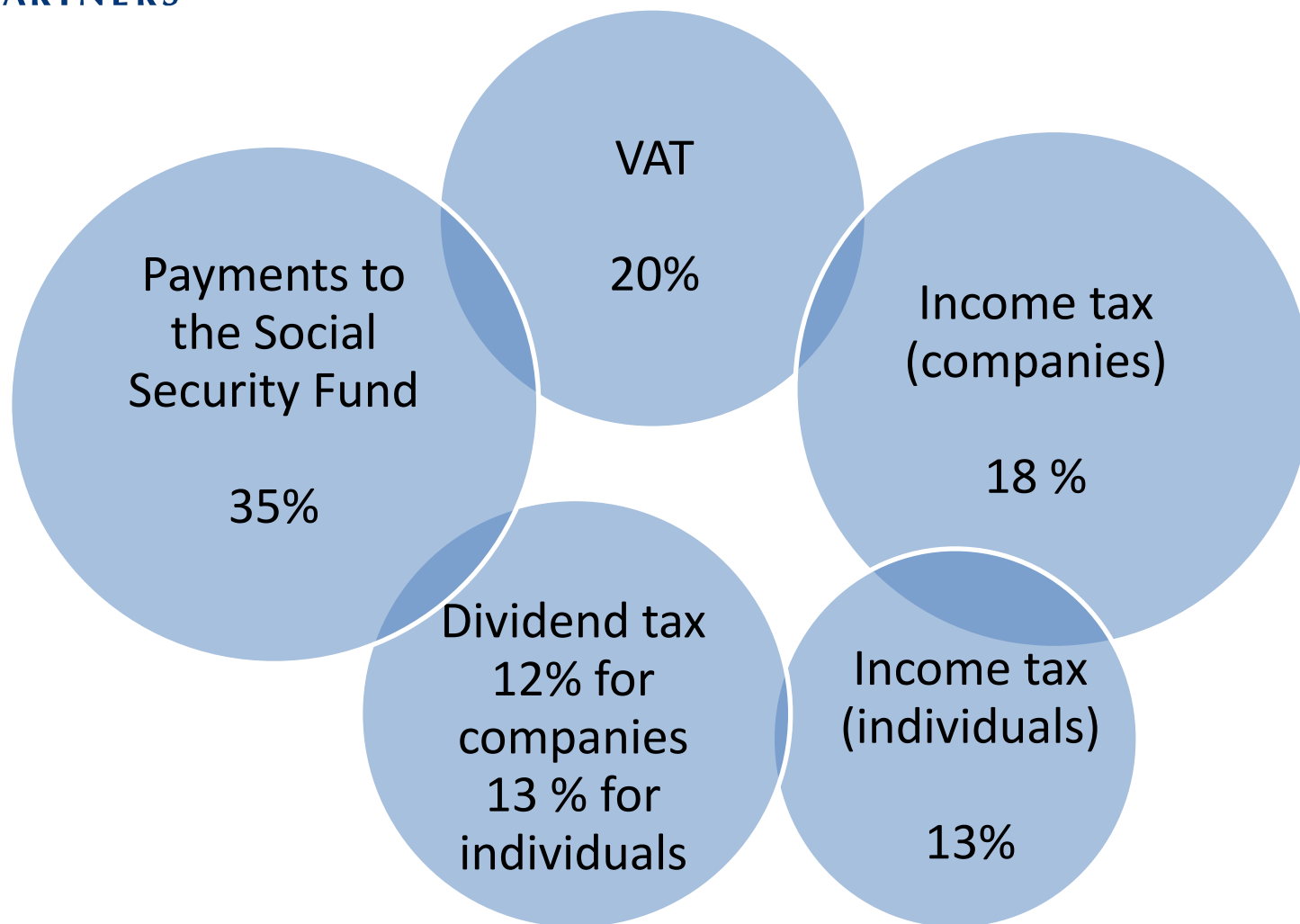
- Translation (plus notarisation of translation) of documents (passports, extracts from register): **€100-€150**, State duty: **€35**, Corporate seal: **€10**
- Verification of shareholders' signatures is not required

Audit

- For companies with non-resident the annual audit is mandatory
- The approximate cost - €700

Advantages and Privileges

Taxation



Tax regimes and privileges



Simplified Tax System

Who

- Number of employees <100 (50 for exemption from VAT) people
- Revenues to 10,3 billion BYR (9,4 billion BYR for exemption from VAT) - ≈ € 675 thousand (€ 615 thousand) per year

Tax rate

- **5% without VAT**
- **or**
- **3% + VAT 20%** (of gross revenue)

Exempt from tax are

- income (excluding dividends, securities ect.)
- VAT (depending on applied system)
- excise
- land rent
- real estate tax (except for unused ect.)
- ecological tax
- tax on extraction of natural resources
- income tax (for individual entrepreneur)
- local taxes and fees

No right to apply

- Producing excise goods
- Lotteries, gaming
- Estate agencies
- Banks, insurance companies, security brokers and others

Single Tax for Agricultural Producers

Who

- farms (agricultural revenue at least 50%)
- agricultural branches (agricultural revenue at least 50 %)

Tax rate

- 1% from gross revenue

Exempt from tax are

- income (excluding dividends; profit from the sale of securities; profits from the alienation of a participant share in the authorized capital of the organization etc.)
- real estate tax (except for unused)
- land rent (excl. organizations, the percentage of revenues that exceed 50%)
- ecological tax (except. wastes acquired under transactions on alienation or waste or committing other actions that demonstrate the conversion waste in the property by the different way)
- local taxes and fees

Medium, small towns, rural settlements

Who

- Companies and individuals registered and operating in residential areas with less than 60,000 people (except for 22 cities)
- Separate divisions (branches, representation)

Exempt from tax for 7 years are

- profit on own production
- real estate (exc. certain organizations, real estate located outside settlements, real estate above construction in progress)

Other benefits

- Exemption from the mandatory sale of foreign currency (7 years)
- Exemption from customs duties on Insertion as a contribution to the authorized fund of the some kind of process equipment
- Installment on acquisitions for production of state property

No right to apply

- Applying the single tax, the simplified system of taxation, a tax on agricultural enterprises, the agroecotourism organizations
- Banks, investment funds, insurance organizations, security brokers
- Realtor organization
- Gamin business, lotteries
- Producing excise goods

Free economic zones

Who

- Residents of FEZ (6 FEZ in Belarus)
- Investments at least €1 million, production export-oriented and import-substituting products

Tax benefits

- Income tax - reduced by 50%
- Exemption from income tax (own production) for 5 years
- VAT of import-substituting products- 10%
- Exemption from real estate tax

Other benefits

- Exemptions: payments for concluding a lease and lease payments
- Financing the construction of infrastructure at the expense of the budget (with an investment of over €10 million)
- The possibility of applying the customs procedure of the free custom zone

Prohibited

- Alcohol production (except for champagne, wine, beer), tobacco products, storage and conversion of radioactive materials

Hi Tech Park

Who	<ul style="list-style-type: none">• Residents of Hi Tech Park (software development)
Fee	<ul style="list-style-type: none">• 1 % from revenue
Exempted from tax	<ul style="list-style-type: none">• Income tax• VAT• import VAT and customs duties on equipment for activity (PC, laptop, printer etc.)• Offshore tax on dividends
Other benefits	<ul style="list-style-type: none">• Income Tax (Employees) - 9%• Contributions to the Social Security Fund are not calculated on a wage above the average wage• Tax on dividends, royalty - 5%• Exemption from the mandatory sale of foreign currency

Industrial Park “Great Stone”

Who

- Investments of at least \$5 million in production in areas such as electronics, fine chemistry, biotechnologies, mechanical engineering and new materials

Tax benefits

- Exempt from tax for 10 years - profit on own production, real estate, land tax
- After 10 years (within 10 more years) income tax, real estate and land tax - reduced by 50 %
- Tax on dividends of foreign organizations - 0 % within 5 years
- Tax of foreign organizations from royalties (licenses, patents etc.) - 5 % - until 2027
- Income Tax (Employees) - 9% - until 2027
- Contributions to the Social Security Fund are not calculated on a wage above the average wage
- Contributions to the Social Security Fund are not paid concerning foreign workers
- Exemption from import VAT and customs duties on the process equipment
- Full VAT deduction in implementing an investment project

Other benefits

- Possibility to receive lands in ownership
- Exemption from the mandatory sale of foreign currency - until 2027
- Exemption from compensation for agricultural production losses due to withdrawal of a land plot
- Acquiring land in property without an auction
- Determining general contract organisation without tender
- Guarantee of no levies of a new tax

Investment agreement

Field of application

- Investing activities (construction, reconstruction, modernization)

Investors are exempt from

- Fee for the conclusion of the lease contract
- rent for land (land tax) at the time of construction
- Compensation for agricultural production losses due to withdrawal of the land plot
- import VAT and customs duties on the process equipment

Other benefits

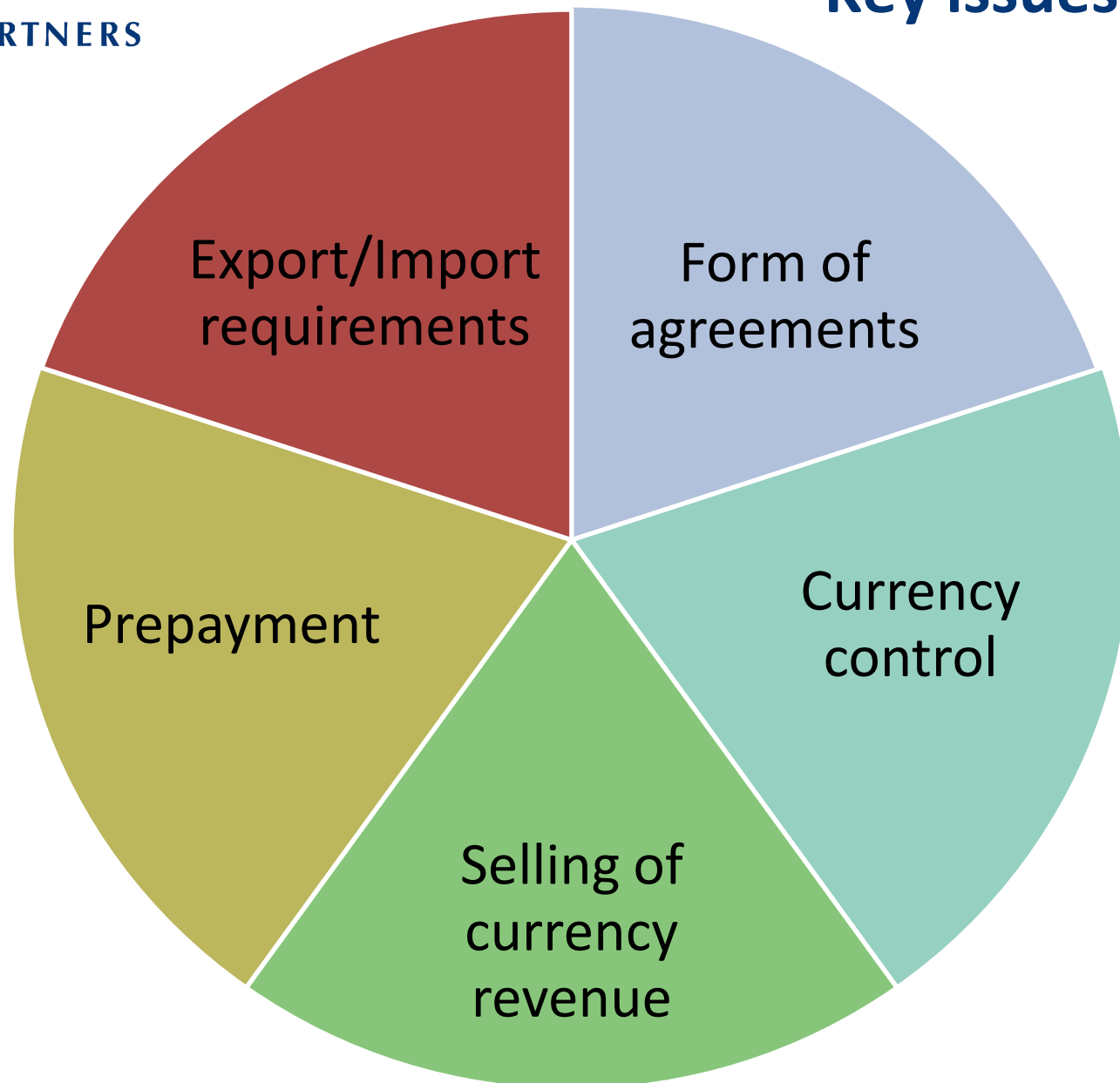
- Parallel designing and construction
- Acquiring land without auction
- Full VAT deduction in implementing an investment project
- Determining general contract organization without tender

Investment agreement conclusion

- First level – executive committee, ministries, departments
- Second level – The Council of Ministers in consultation with the President (possibility to receive any privileges)

Foreign Trade

Key issues



Foreign Trade contracts



Writing form

The diagram consists of three horizontal blue bars, each preceded by a white circle. A thin blue line connects the top-right of each circle to the start of the corresponding bar. The circles are positioned to the left of the bars, and the text is centered within each bar. The bars are stacked vertically with small gaps between them.

Must be submitted to the bank

Essential terms of the contract

Registration of the contract

When

- Export / import
- 3000 Euro

Term

- Before performance of obligation (paying/receiving payment; export/import)
- 1 day for registration

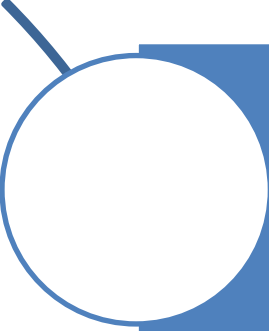
Fee

- Free of charge

Penalty

- Up to 20 % of the amount of transaction

Termination of Foreign Trade Operation (time limits)



exporting foreign trade operation, not later than 90 calendar days

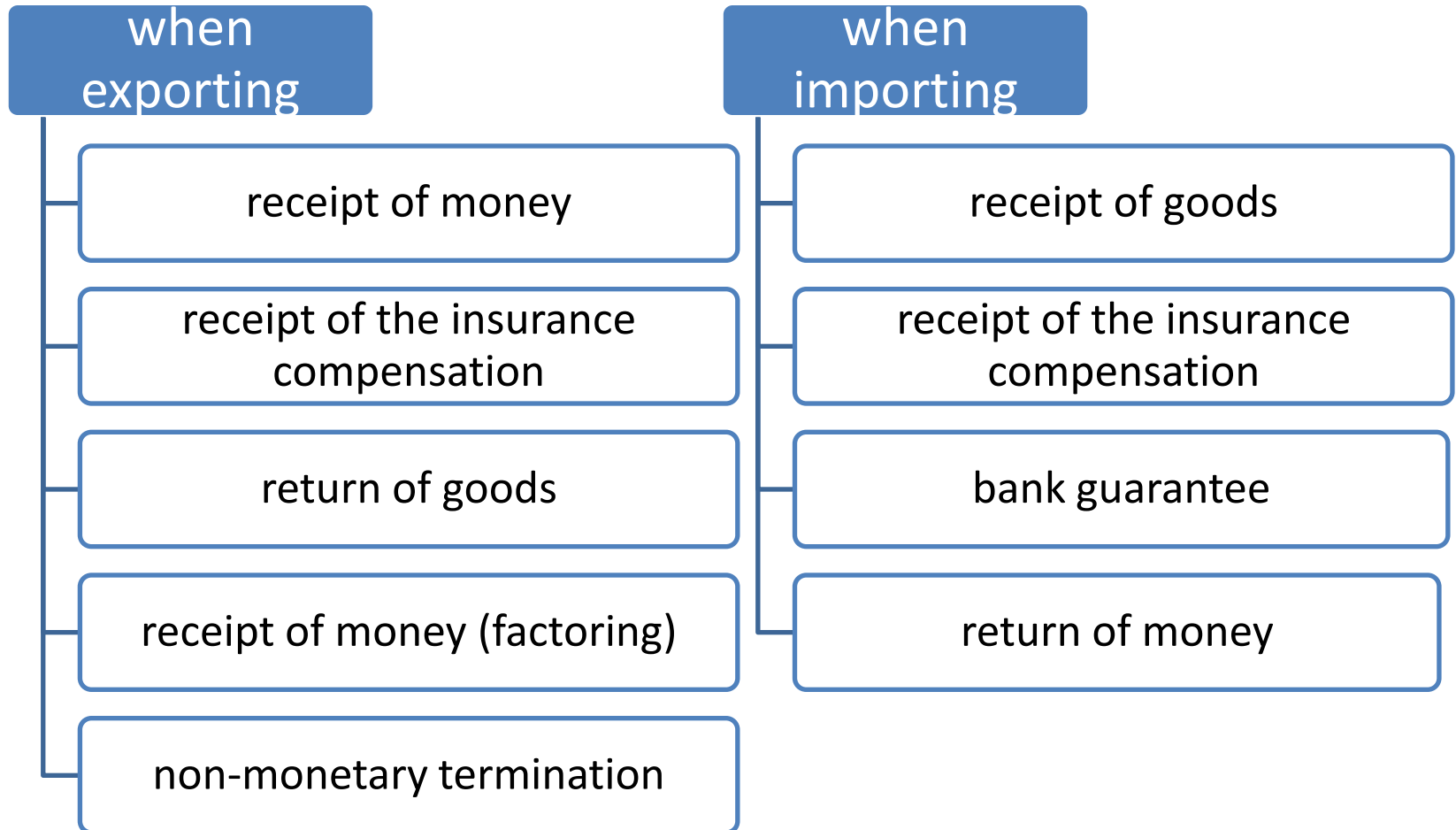


importing foreign trade operation, not later than 60 calendar days



time limits for termination of foreign trade operation may be prolonged by National Bank

Termination of Foreign Trade Operation (ways)



Prepayments

The Problem

an advance payment to the nonresident is forbidden

The Solution

- Loan agreements from the nonresident
- Revenue in foreign currency
- Payment to the Russian Federation, Kazakhstan

Currency transactions

current transactions

- export/import, lease
- dividends
- non-trade operations

capital transactions (NB permit is necessary)

- purchase of shares, securities of non resident
- purchase real-estate abroad
- putting money into the banks-non-residents
- giving loans to non residents (all loans)
- reception of credits and/or loans (some conditions)
- payments on the ground of guaranty agreement
- payments to a non-resident on the ground of a transfer of debt contract or an assignment contract

capital transactions (simple notification)

- all others

Customs clearance

Customs procedure
(regime)

- 17 Customs procedure (regime)

Place

- country of destination

Term

- 1 working day

Custom duties

- Common customs tariff in all territory of the CU

Registering Property

Registering Property

Doing Business

- 3 place in the world

Non-encumbrance certificate

- 3 days
- 5 EUR

Registration

- 5 business days (1 business day speed up procedure)
- 30 EURO (+ 15 EURO speed up procedure)

Labor relationship

General Information

Labour agreement

- Written form + essential terms of the contract
- Two forms (agreement and contract)
- Belarusian legislation

Working hours

- 40 hours per week
- 2 days off

Annual vacation

- 24 calendar day (contract +1 day)

Term

- Defined term (contracts 1-5 years)
- Non defined term (agreement)
- Term of performance the current job

Salary

- Minimum salary is 135 Euro
- Should be paid at least 1 time per month (contracts) or 2 times per month (agreements)

Labour Relationship with Foreigners

Necessary

- Work permit;
- License (if more than 10 foreign employee)
- Registration of labour contract
- Permanent residence + long term visa

Work permit

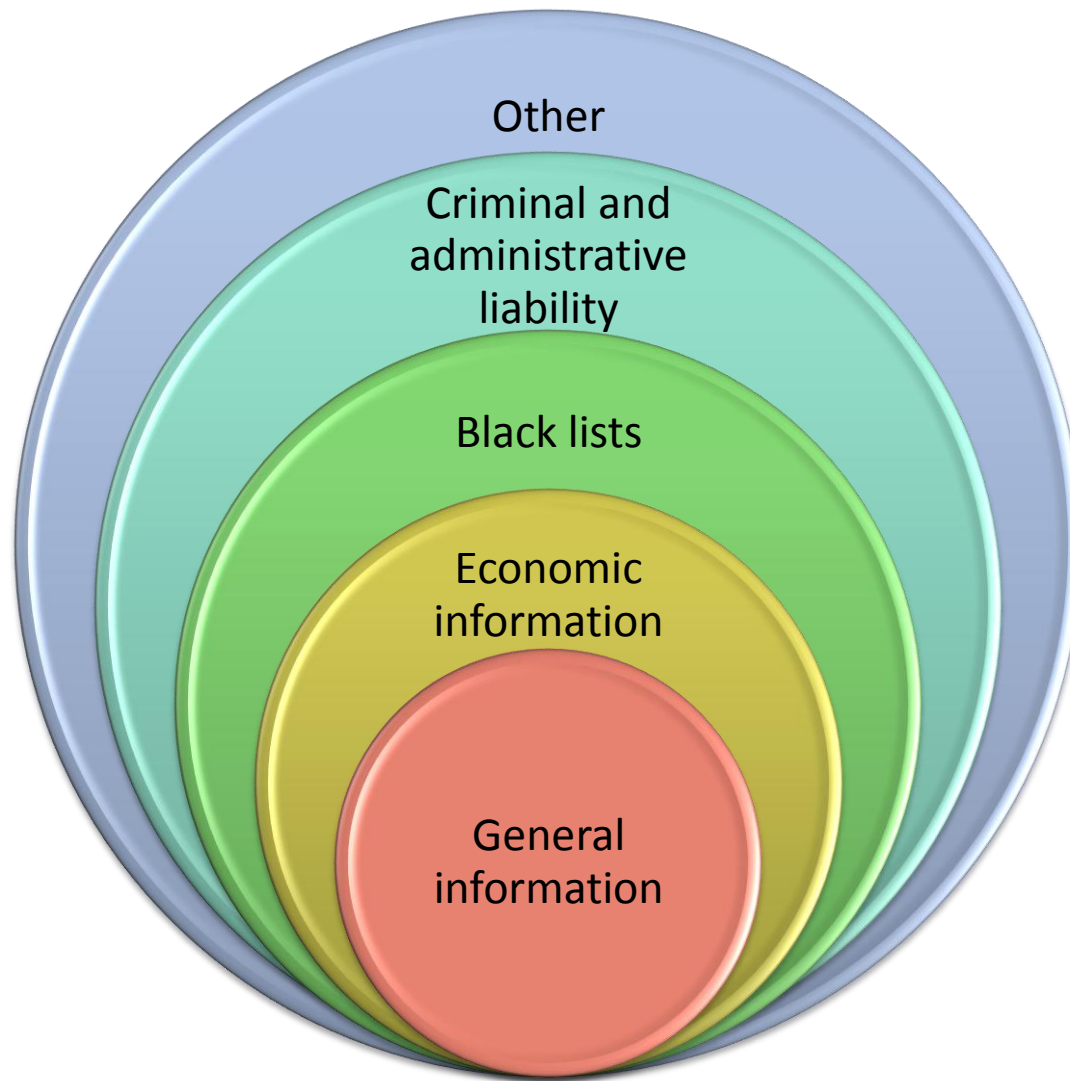
- 15 days
- Fee 60 EUR

Aspects

- Prove necessity of foreign employee
- Necessary to have local director first
- Representative office – local contract in accordance with Belarusian legislation

How to check your business partner in Belarus

Information about business partner



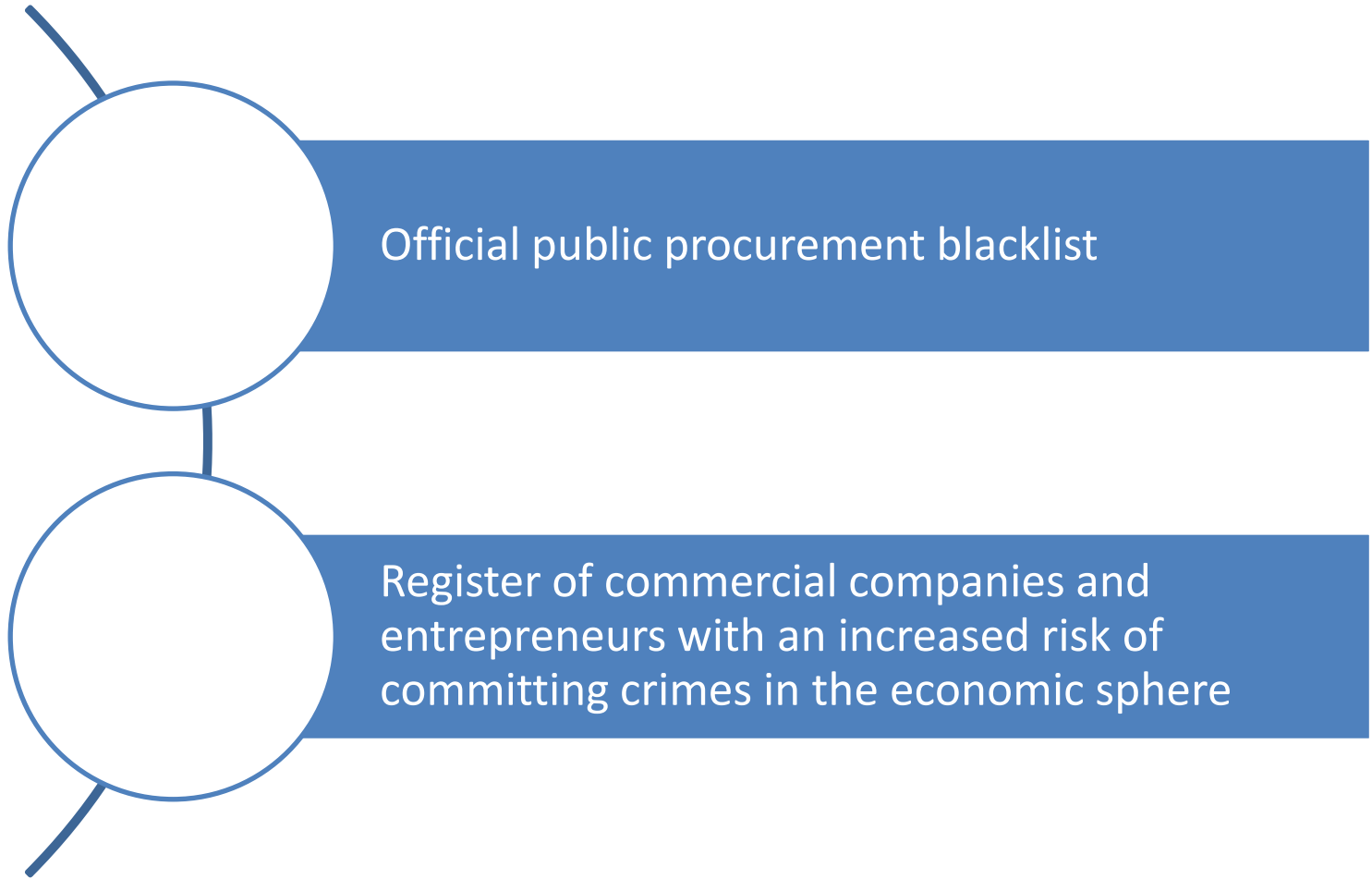
General information

- 1 Full business name, address, identification number, current status
- 2 Registration details
- 3 Information on insolvency, liquidation procedure
- 4 Director
- 5 Involvement of the director in other companies
- 6 Authorized capital
- 7 Founders names (business names) and percentage of each one in the authorized capital (not applicable to JSC)

Economic information



Black lists



Other



The CEE Law Firm

**Thank you for your
attention!**

Peterka and Partners LLC
Pobediteley ave., 103-1303,
Minsk, Belarus
phone + 375 17 236 47 11

- Corporate and Commercial
- Investment and Privatisation
- Employment
- IP law
- Banking and Finance
- Real estate and construction
- Telecommunications
- Energy
- Litigation
- Public procurement

PETERKA & PARTNERS is a leading independent full-service business law practice with a special commitment to Central and Eastern Europe.

Since its establishment in 2000 the firm has proudly advised many local and international industrial and commercial companies and financial institutions on their legal and business issues in the Region and has become recognised for its expertise in several practice areas and deep industry insight.

A pioneer among Central and Eastern European law firms in expanding abroad, the firm pools its own entrepreneurial experience and authentic business know-how to offer special added value to clients looking to set up and expand in the Region or to develop their operations in several countries.

Having a direct presence in key locations in the region, namely the Czech Republic, Slovakia, Poland, Ukraine, Russia, Bulgaria, Romania and Belarus, and covering also Hungary, Serbia, the firm provides clients from different industry sectors with an integrated regional service and a single point of contact, maintaining a broad vision for all their regional assignments.

Practices

- Capital Markets, Banking and Finance
- Corporate/M&A
- Criminal law
- EU Law and Competition
- Family law
- Insolvency and Restructuring
- Intellectual Property and New Technologies
- Labour Law
- Litigation and Arbitration
- Public Procurement, PPP and EU Funds
- Real Estate, Construction and Development
- Tax and Tax disputes
- French desk

Industries

- Automotive
- Banking, Finance and Financial services
- Chemicals and Pharmaceutical Services
- Construction and Real Estate Development
- Consumer Products, Retail and Wholesale
- Energy, Utilities and Infrastructure Projects
- Food and Agriculture
- Industrial Products
- Information Technology
- Sport, Media and Entertainment
- Transportation and Logistics

Integrated services in the CEE region

- Coordination of Legal Services
- Corporate Restructuring
- Debt Recovery
- Compliance





PRAGUE

Karlovo namesti 671/24, 110 00
Prague 1
T.: +420 246 085 300

BRATISLAVA

Kapitulska 18/A
SK – 811 01 Bratislava
T.: +421 2 544 18 700

SOFIA

96, Georgi S. Rakovski
BG – 1000 Sofia
T.: +359 2 984 11 70

BUCHAREST

52 Aviatorilor Blvd
1st District
RO – 011854 Bucharest
T.: +40 21 310 48 82

KYIV

Saksahanskoho str. 40/85,
8th floor 01033 Kyiv
T.: +380 44 581 11 20

MOSCOW

Armyansky pereulok 1/8 – 3
RU – 101000 Moscow
T.: +7 499 754 01 01

WARSAW

Śniadeckich 10
PL - 00-656 Warsaw
T.: +48 22 696 72 01

MINSK

Pobeditely ave., 103-1303
BY – 220020 Minsk
T.: +375 17 236 47 11

BUDAPEST

Apáczai Csere János utca. 11
1051 Budapest
Tel.: +36 1 235 1090

GLOBAL CONTACT

Ondrej Peterka, managing partner

