

Doing business in Belarus

January 2017



NATIONAL AGENCY
OF INVESTMENT
AND PRIVATIZATION

REPUBLIC OF BELARUS



EY

Building a better
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This brochure contains information
as of 1 January 2017.





The *Doing Business in Belarus* publication has become an important source of information which **the Belarusian Chamber of Commerce and Industry** relies on when working with foreign partners.

He who controls information controls the world. This famous quote has acquired new shades of meaning in the era of global trade: today, up-to-date and credible information is a top priority for business.

This report, which is traditionally prepared by EY, introduces foreign businesses to Belarus' trade and economic potential, its competitive advantages, unique opportunities and investor incentives, providing comprehensive answers to their questions.

Our country is becoming an increasingly attractive destination for foreign investors. The keen interest taken in Belarus by the international business community is no coincidence. The key factors behind this interest include the country's strategical geographic location, stable economic and social environment, highly developed transport infrastructure, highly-educated workforce and innovation potential, as well as the active role that the country plays in integration processes.

Belarus has been steadily moving higher in the World Bank's annual ranking. Its recent business climate reforms include simplifying electricity connection procedures, improving the transparency and reliability of land management, upgrading property transfer rules, developing a credit histories system, and strengthening the rights of minority investors.

We hope that *Doing Business in Belarus* will earn the attention of the foreign business community, increase its interest in establishing partnerships with Belarusian companies, and become a practical guide to launching joint projects.

For my part, I pledge that the Belarusian Chamber of Commerce and Industry will continue to assist both Belarusian and foreign companies in establishing worthwhile contacts, and I wish them every success in their business endeavors.

Vladimir Ulakhovich

Chairman of the Belarusian Chamber of Commerce and Industry



All business success stories have three crucial enablers: a good product, a market niche, and a professional team. If you are interested in doing business in Belarus, you presumably have a good product already. Belarus, for its part, can offer a wide array of vacant market segments, access to all the five EEU markets (Belarus, Russia, Kazakhstan, Armenia and Kyrgyzstan) and the great team that you are looking for.

EY's annual *Doing Business in Belarus* publication provides comprehensive, up-to-date and credible information about Belarus' economic background and regulatory environment for doing business in the country, and is designed to help foreign investors tap the opportunities that the Republic of Belarus has to offer.

The National Agency for Investment and Privatization is ready to help you build your team in Belarus. We will be your reliable partner on behalf of the government. The Agency helps investors that have chosen Belarus as their destination feel at home in the country, providing all-round support to them. We supply investors with reliable information about Belarus' investment opportunities and business climate, and support their projects throughout their life cycle, including at the post-investment stage.

We hope that this overview will mark the beginning of your successful business journey in the Republic of Belarus, and we will be happy to see you among our partners!

Welcome to Belarus!

Natalya Nikandrova

Director of the National Agency for Investment and Privatization



In 2016, Belarus marked its 25th independence anniversary. Belarus has overcome economic decline in a relatively short time-period. This was thanks to the balanced use of the country's industrial potential, coupled with a major overhaul of all sectors and our commitment to building an economy of the future.

We are justly proud of our emerging, cutting-edge industries such as nuclear power, space technology and biochemistry. The Great Stone Chinese-Belarusian Industrial Park, also known as the pearl of the Silk Road Economic Belt, is a bright example of how Belarus is turning innovative ideas into reality. The park will drive the development of new, promising manufacturing technologies in priority areas such as pharmaceuticals, fine chemistry, biotechnologies, machine building and new materials.

Our improved ranking in the World Bank's Doing Business 2017 report testifies to our significant competitive advantages: Belarus moved up 13 places to 37. Belarus was named one of the top business reformers globally. In addition, our country ranked 30th in facilitating cross-border trade for the second year in a row, ahead of all its CIS and EEU partners, as well as EU member countries such as Germany, Finland, Ireland, Malta and Cyprus.

Being an open economy, Belarus exports more than 50% of domestic output. While Belarusian products have traditionally been in high demand in the East, today they are also gaining popularity in the West. The newly updated website [export.by](#), a tool designed to further propel this trend, gives Belarusian manufacturers great opportunities to tap into foreign markets.

The *Doing Business in Belarus* report, prepared by EY, will help readers discover what changed in the country last year and will give a reliable picture of the current situation in Belarus. We hope that it will prove to be a useful manual to the investment community.

Roman Sobolev

Head of the Foreign Trade Department of
the Belarusian Ministry of Foreign Affairs



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Foreword



We are delighted to present our sixth edition of *Doing Business in Belarus*.

EY has prepared this report to give business executives an overview of the Belarusian tax system, company legal structures and approach to doing business, as well as financial accounting and reporting practices.

Belarus is becoming more open and better known around the world. In order to boost the international integration process and enable barrier-free cooperation between countries, the Belarusian government has allowed visa-free stay of 5 days or less for citizens of over 80 countries starting from 12 February 2017. This initiative will certainly contribute to the development of tourism, infrastructure and business in Belarus, which means that more visitors will be able to discover the true Belarus.

Expanding into a foreign market is always a difficult decision that requires deep knowledge of the country's business environment. It is important with respect to Belarus to understand that its business climate and regulations continue to develop across a number of areas. Business executives should be prepared to hear a great diversity of opinions about the situation in Belarus. We strongly recommend that companies operating in Belarus or planning to tap this market obtain up-to-date and detailed information from experts.

In the current challenging environment, EY is committed to providing innovative solutions to our clients. During its successful history in Belarus, which began back in 2000, EY has been helping businesses adapt to new realities, move forward and stay ahead of rapid changes in the economy, financial markets and regulations in the wake of increasing globalization. Today EY is the leading global audit and advisory firm in Belarus, offering a wide range of professional services. EY Minsk currently employs more than 350 people.

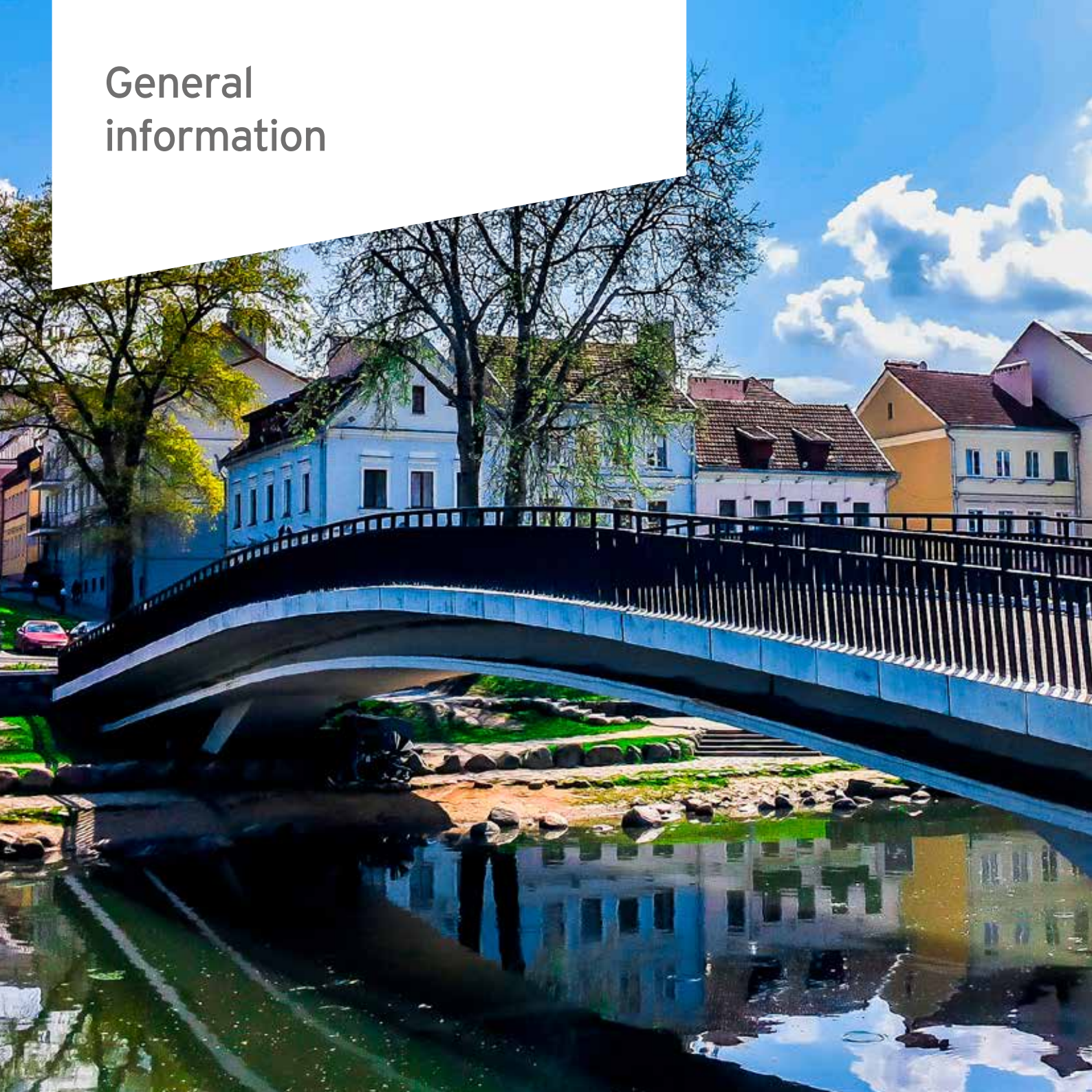
EY's key commitment is to support a favorable business environment in the country by playing its part in boosting sustainable economic growth, fostering talent in all its forms, and promoting close cooperation with all stakeholders.

We hope that this doing business guide will provide you with a general idea of the opportunities and prospects for business development in the Republic of Belarus.

Have a happy journey!

Pavel Laschenko
Country Managing Partner for Belarus

General information



Geography

Belarus is situated in the heart of Europe, at the crossroads of trade routes from west to east and north to south. The shortest transport routes between the CIS and Western Europe run across the country. Belarus borders on Lithuania and Latvia in the north, on Ukraine in the south, on Russia in the east, and on Poland in the west. Belarus has a strategically important geographic position as a transport link between west and east as well as between north and south. From Minsk, it is 500 km to Warsaw, 700 km to Moscow, 1,060 km to Berlin and 1,300 km to Vienna.

Belarus covers a total area of 207,600 sq. km, stretching 560 km (350 miles) from north to south and 650 km (460 miles) from west to east. It is larger than Austria, Ireland, Portugal or Greece. The country's capital, Minsk, is on the same latitude as Hamburg and Dublin. Belarus' highest point, Dzerzhinsky Hill (345 m above sea level), is in the Minsk Region. The country's lowest place is the Neman Valley in the Grodno Region (80-90 m above sea level).

Administratively, the territory is divided into six regions.

Climate

Belarus has a moderate continental climate featuring winters with frequent thaws and rainy, warm summers. The average temperature in January is -6°C , and in July it is $+18^{\circ}\text{C}$. The average annual precipitation is 550-700 mm.

Population

The territory of Belarus is populated by about 9.5 million people. Belarus is a multinational country with an urban population of 70%.

Language

Belarusian and Russian are the official state languages in Belarus. The most common languages for business are Russian, English and German.

Time zone

Belarus is located in Further-Eastern European Time zone: UTC+3. Belarus doesn't observe Daylight Saving Time (DST) and remains on UTC+3 year-round.

The table below shows the flight time between Minsk and some major cities of the world.

City	Flight time
London	3 h
Moscow	1 h 20 min
Paris	3 h
Frankfurt	2 h 25 min

Source: www.timeanddate.com,
www.airport.by.

Government, public and other holidays

The following government and public holidays are celebrated in Belarus. The holidays marked in bold are officially nonworking days in Belarus.

Government holidays:

- ▶ Constitution Day – 15 March
- ▶ Day of Unity of the Peoples of Belarus and Russia – 2 April

- ▶ Victory Day – 9 May
- ▶ Day of the State Coat of Arms and Flag of the Republic of Belarus – the second Sunday in May
- ▶ Independence Day (Republic Day) – 3 July

Public holidays:

- ▶ New Year – 1 January
- ▶ Day of Defender of the Fatherland and the Armed Forces of the Republic of Belarus – 23 February
- ▶ Women's Day – 8 March
- ▶ Labor Day – 1 May
- ▶ October Revolution Day – 7 November

Religious holidays:

- ▶ Orthodox Christmas – 7 January
- ▶ Easter – by the Orthodox and Catholic calendars
- ▶ Radunitsa – by the Orthodox calendar
- ▶ Memorial Day – 2 November
- ▶ Catholic Christmas – 25 December

If any national holiday which is an official non-working day falls on a weekend, usually no extra day of rest is provided. If any of such holidays falls on a Tuesday or Thursday, the preceding Monday or the following Friday, respectively, is as a rule an official non-working day, while the Saturday nearest to the holiday is a working day.

Foreign organizations in Belarus, such as embassies and consulates, usually enjoy the national holidays of their own countries in addition to Belarusian national holidays.

Belarusian economy



Exports/Imports

Belarus currently trades with more than 180 countries. From January through November 2016, five trading partners accounted for 71.0% of the country's total exports, while 90.4% of exports were shipped to 20 countries, with Russia's share accounting for 45.6%. This demonstrates that Belarusian exports are heavily dependent not only on the global market environment but on the economies of the country's major trading partners in particular. For instance, Russia accounts for 77% of agricultural produce, equipment, vehicle and textile exports. On the other hand, the export destinations of minerals and chemicals are more diversified. This dependence is compounded by the structure of Belarusian exports, which are traditionally dominated by petroleum products made from Russian crude.

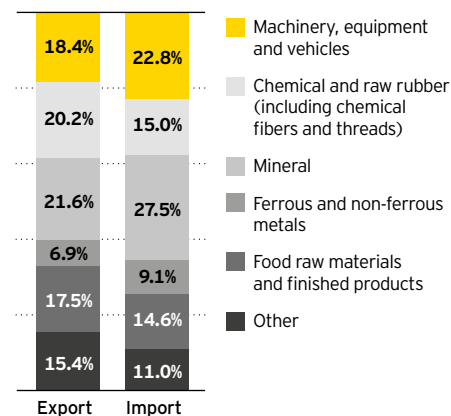
In 2016, goods turnover in Belarus trade with other countries totaled USD 50,985.2 million, with exports amounting to USD 23,415.5 million and imports amounting to USD 27,569.7 million. These amounts were 89.5%, 87.8% and 91.0% of the respective figures for 2015 in current prices.

Goods exports fell by 0.2% year-on-year in volume terms in 2016, while goods imports declined by 2.7%. Average export and import prices fell by 12.0% and 6.5%, respectively.

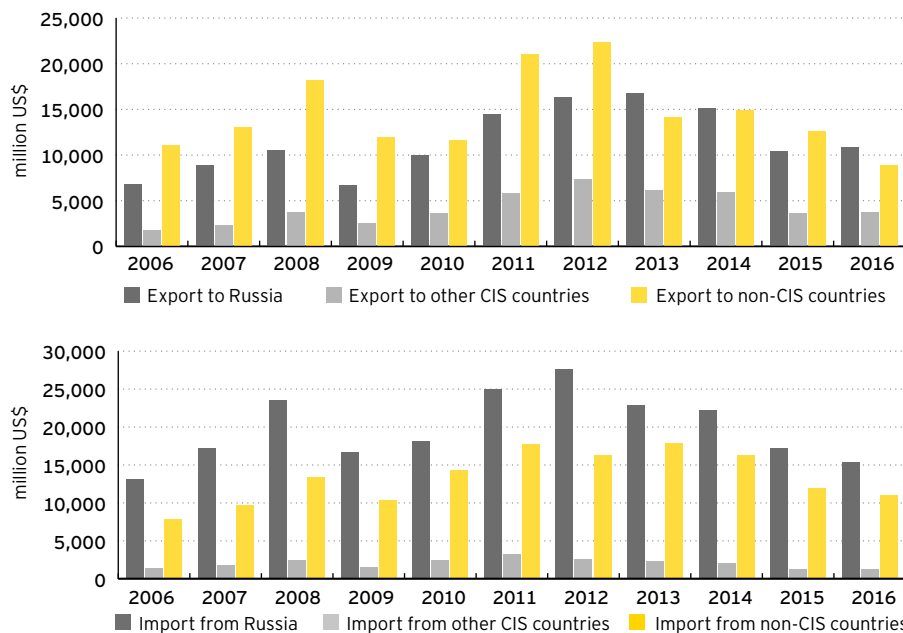
Belarus imports and exports a wide range of goods, but mostly chemical products, machinery, equipment, vehicles, and ferrous and non-ferrous metals. In 2016, Belarus mainly exported minerals (21.6% of total exports), chemicals (20.2%), food raw materials and finished products (17.5%), and machinery, equipment and vehicles (18.4%).

Imports were dominated by minerals (27.5% of all imports), machinery, equipment and vehicles (22.8%), and food raw materials and finished products (14.6%).

Belarus' export and import performance largely depends on Russia, its major trading partner, which accounted for



Source: National Statistical Committee of the Republic of Belarus, 2017.



Source: National Statistical Committee of the Republic of Belarus, 2017

51.2% of Belarus' total foreign trade in 2016. That year, Russia accounted for 46.2% of Belarusian exports and for 55.5% of Belarusian imports. The European Union is the second-largest trading partner.

Exports to Russia dropped over 2013-15. This was due to the depreciation of the Russian ruble, which reduced demand for higher priced Belarusian products in the neighboring country. However, Belarusian exports to Russia increased in 2016 on the back of the stronger Russian ruble.

The structure of Belarus' trade with non-CIS countries has remained unchanged over the last five years. Belarus' non-CIS exports mostly consisted of commodities, which made up over 90% of the country's total exports in the period. Energy (petroleum products, crude and liquefied gas) together with fertilizers accounted for more than 70% of commodities shipped abroad. Belarus also exported other commodities, including ferrous metals, raw timber and other wood-related products.

General economic development trends

After slowing for several consecutive years, economic growth recovered to 1.6% during 2014, driven moderately by domestic demand and improvements in net exports, albeit mainly due to sharply declining net imports. The economic slowdown in Russia, mutual sanctions between Russia and the European Union, tensions in Ukraine, and currency depreciation in Russia and Ukraine have

weakened external demand from these key export markets, which together receive 70% of Belarus' non-mineral exports.

Decline in oil prices in the latter half of 2014 had an adverse effect through lower-than-expected revenues from the export of refined oil products and also caused the further contraction of demand for Belarusian commodities in Russia.

While Russia's ban on a range of food imports opened new opportunities for Belarus to expand food shipments to the neighboring country, with no restrictions imposed on Belarus under the two countries' Union State on the sale of meat and dairy products, this also led to the reexport of EU products. As a result, Russia introduced restrictions on more than 20 Belarusian food producers.

Belarus' current account deficit was massive at the beginning of 2014. This was driven by a combination of factors, including a tightly managed exchange rate and economic policies pursued by the government in recent years to stimulate economic growth and increase wages. To navigate these imbalances, the Belarusian government took the following steps:

- ▶ Shifted to a crawling band exchange rate system that allowed the national currency to depreciate by 1%-1.5% a month against the US dollar (which was hardly a solution given the double-digit inflation)
- ▶ Kept the refinancing rate at a high level (this pushed up borrowing costs for local companies and, with limited access to loans, the government had

to increase support for the national economy through compensating for debt service costs, issuing soft loans, and writing off debts)

- ▶ Took a prudent approach to wage increases

The recovery of potash exports and Russia's USD 2-billion loan used to build up reserves played a crucial role in improving Belarus' trade balance.

However, the depreciation of the Russian ruble in the fourth quarter of 2014 increased the overvaluation of the Belarusian currency, with Belarusian goods continuing to lose price competitiveness in Russia.

In 2015, the NBRB continued its policy of stabilizing the financial market. On 9 January 2015, the NBRB dropped the fee charged to both individuals and legal entities for foreign currency purchases on stock exchanges and simultaneously devalued the Belarusian rubel versus major foreign currencies, by 16.1%, 12.9% and 3.0% against the US dollar, the euro and the Russian ruble, respectively, compared with 31 December 2014. On 9 January 2015, the NBRB also increased its refinancing rate from 20% to 25%. In January 2015, the NBRB began to gradually lower rates on liquidity instruments, reducing them from 50% to 30% in an attempt to increase the effectiveness of the refinancing rate as a monetary policy tool. In February 2015, the NBRB Management Board reduced the foreign currency revenue surrender requirement for Belarusian companies to 40%. In April, this was further lowered to 30%.

In June 2015, the NBRB changed the foreign currency trading regime on the Belarusian Currency and Stock Exchange to switch to the continuous double auction mechanism. According to the new regime only banks and non-banking financial institutions were allowed to buy foreign currency, which they could then sell to their clients. The NBRB also revised its foreign currency exchange policy to make exchange rates more flexible and sensitive to the market environment.

In August 2015, the Belarusian rubel further weakened, by 15.0%, 18.7% and 4.0% against the US dollar, the euro and the Russian ruble, respectively, largely due to worsening external macroeconomic factors such as falling oil prices, the depreciation of the Russian ruble (the national currency of Belarus' key trading partner) and increased demand from individuals for foreign currency cash amid fears that the Belarusian rubel would weaken further.

Both domestic and external factors continued to negatively affect the economic situation in the country throughout 2015. That year, the Belarusian rubel lost a total of 56.7%, 41.2% and 19.0% against the US dollar, the euro and the Russian ruble, respectively. GDP dropped by 3.9% after 1.7% growth in 2014. The recession seriously hit the construction, manufacturing and machine building industries.

In 2015, Russia continued to provide financial support to Belarus by extending government loans. In April of that year, the Government of the Russian Federation granted USD 110 million in a

Russian-ruble 10-year loan to Belarus. Belarus used the funds to repay another Russian loan issued in 2010. In July 2015, Belarus received a long-term loan in an amount equal to USD 760 million from the Government of the Russian Federation, maturing in 10 years, including a four-year grace period. The loan was issued in Russian rubles at the rate of Russia's Central Bank effective at the date of the agreement, but Belarus' liabilities under this agreement are to be calculated in US dollars. Interest on the loan will be charged using the LIBOR rate for six-month US dollar deposits increased by a margin calculated as the difference between the yield of Russian Eurobonds maturing in seven years and the rate of a seven-year US dollar swap. These funds are to be used to service and repay debt on loans issued by Russia and the Eurasian Fund for Stabilization and Development earlier.

On 31 March 2015, the Belarusian government fully repaid its USD 3.5 billion loan issued by the International Monetary Fund and started negotiations on a new USD 3 billion technical assistance program.

Spiraling inflation remained a top concern in the Belarusian economy. Despite efforts to address inflationary pressures by containing liquidity and credit growth, inflation reached 16.2% in 2014, 5.2% higher than projected by the government. This was due to the need to increase regulated utility and public transport tariffs, fiscal revenue enhancing measures (increases in excise taxes), and the depreciation of the rubel. Following the depreciation of the rubel by nearly 30% in response to growing pressures on the balance of payments, inflation spiked in January 2015. As a result of the authorities' tight macroeconomic policies, however, inflation remained unchanged at 12% in 2015, the same level as in 2014.



Thus, the government's focus was on keeping inflation at around 12% in 2016 and bringing it to single digits in 2017. The relevant measures were outlined in the Anti-Inflation Program approved by Directive No. 733/17 of the Council of Ministers of the Republic of Belarus and the NBRB of 31 August 2015.

These include:

- ▶ Reducing lending under government programs in 2015-16
- ▶ Adopting a monetary targeting framework
- ▶ Stabilizing the country's foreign exchange market with a more flexible exchange rate regime
- ▶ Increasing utility and transportation tariffs closer to cost recovery levels in line with household income growth
- ▶ Tightening control over the concentration on commodity markets to restrict monopolies
- ▶ Using intervention buying in the consumer market to stabilize prices

Overall, Belarus' key priorities in 2016 were to stabilize the national currency, slow down inflation and improve its balance of trade. For these purposes, the Belarusian government and the NBRB took a number of measures to gradually lower the refinancing rate, which they managed to reduce from 25% to 18%, evaluate asset quality at the country's major banks, and redenominate the national currency by dropping four zeros off the rubel. Overall, these measures helped diminish economic pressures such as the fall in GDP, which decreased by

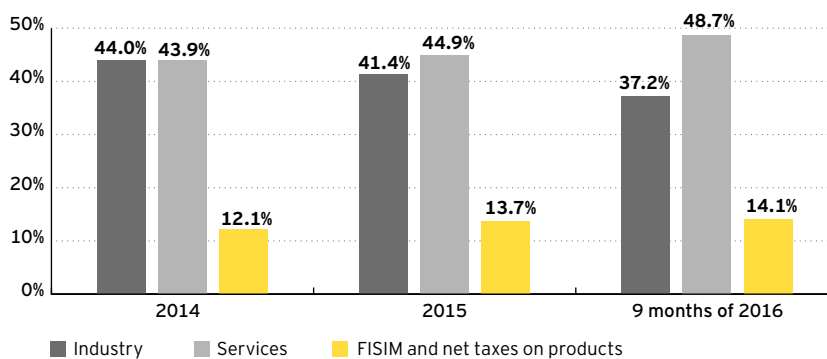
2.6% year-on-year in 2016. The official exchange rate of the Belarusian rubel dropped by 5.5%, 0.7% and 27.1% against the US dollar, the euro and the Russian ruble, respectively, in 2016, while the share of problem assets in the banking sector reached an all-time high of 14.8% as of 1 October 2016.

On 25 March 2016, the Council of the Eurasian Fund for Stabilization and Development approved a USD 2 billion stabilization loan for Belarus. The loan is intended to support economic policy measures and structural reforms implemented by the Belarusian government and the NBRB in 2016-18. The loan is to be disbursed in seven installments, each of which shall be for 10 years, including a five-year grace period, over 2016-18, with the first installment in the amount of USD 500 million provided on 30 March 2016. As of 23 September 2016, Belarus received a total of USD 800 million under the loan agreement.

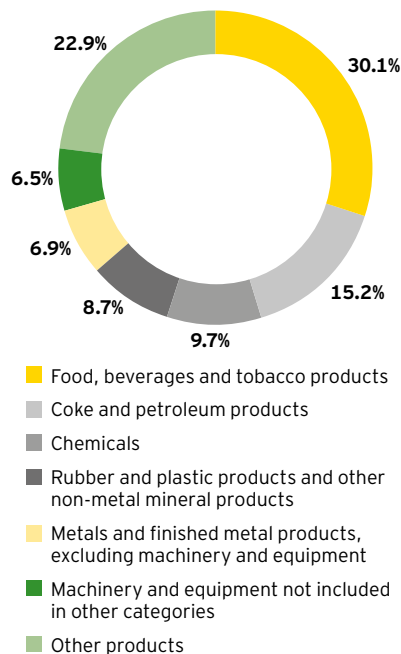
Leading industries during the crisis

Belarus' GDP structure has undergone a number of changes over the last two years, echoing wider economic trends in the country: the services sector became the leading contributor to Belarusian GDP in 2015 for the first time in its independent history. This can be attributed above all to dedicated efforts taken by the country's authorities and the rapid development of IT and communications, as well as the retail and wholesale sector. Belarus' dependence on its major trading partner for commodities, the recent fall in energy prices, and the contraction in Belarus' industrial output in the wake of the economic downturn in Belarus and Russia were also key factors.

In 2015, Belarus' industrial output at current prices totaled BYN 73.830 billion. The industrial production index was 93.4% compared with 2014.



Source: National Statistical Committee of the Republic of Belarus, 2016



Source: National Statistical Committee of the Republic of Belarus, 2016

The contraction of major export markets and sluggish domestic demand drove down output in most industries in 2015.

In 2016, Belarus' industrial output at current prices totaled BYN 79.415 billion. The industrial production index was 99,6% compared with the same period of 2015.

The processing industry plays a critical role in the country's industrial sector, accounting for 86.6% of total industrial output in 2016.

The recession impacted above all the coke and petroleum product manufacturing sectors, as well as the chemical industry, which posted a year-on-year output decline of 16.8% and 3.8%, respectively.

The key reason was that Russia reduced the amount (and the price) of raw energy materials shipped to Belarusian companies for conversion into higher value products. At the same time, Belarus increased the production of food, beverages and tobacco products by 2.7%, as well as the production of machinery and equipment not included in other categories by 5.8%. Movements in other industrial sectors output had an insignificant impact on the sum total in 2016.

Financial system

Banking activity regulator

The NBRB is the main regulator of banking activity. It issues licenses to all banking institutions in Belarus. Such a license allows banks to perform banking operations, including holding deposit accounts for individuals and/or legal entities, opening and maintaining bank

accounts for individuals and/or legal entities, providing settlement and cash services to individuals and/or legal entities, performing currency exchange operations, issuing bank guarantees, and providing fiduciary management and factoring services. There are special requirements for certain types of banking operations.

State regulator of stock exchanges and the securities market

The Securities Department of the Ministry of Finance of the Republic of Belarus (hereinafter, the "Finance Ministry") is engaged in the execution, control, coordination and oversight of state regulation of the securities market, as well as the control and oversight of the issuance, circulation and redemption of securities, as well as the activity of professional participants of the securities market and stock exchanges.



The functions of the Securities Department of the Finance Ministry are:

- ▶ Drafting securities market regulations for consideration by the Finance Ministry
- ▶ State registration of newly issued shares and bonds
- ▶ Maintaining the state registers of shares and bonds
- ▶ Participating in the licensing procedure for professional and stock exchange activities involving securities
- ▶ Accrediting securities market specialists
- ▶ Controlling and overseeing the issuance, circulation and redemption of securities
- ▶ Controlling and overseeing the activity of professional participants of the securities market and stock exchanges
- ▶ Issuing certificates for the placement of shares in/outside Belarus

- ▶ Developing corporate governance standards and rules for joint-stock companies

Currency control

General principles

Historically, currency control issues have been a source of uncertainty for foreign investors operating in Belarus. It is important for foreign investors to address the matter before concluding any significant transactions with Belarusian residents.

In general, residents must make payments to each other in Belarusian rubels. The list of extraordinary instances where residents may use foreign currency (securities or payment documents denominated in foreign currency) in transactions is set forth in the Belarusian Law “On Currency

Regulation and Currency Control” (hereinafter, the “Currency Control Law”) and other regulations. Residents can determine a contract’s equivalent price in any foreign currency, but they still must make payments in Belarusian rubels only (unless currency legislation directly stipulates the possibility of settlements in foreign currency).

Restrictions on transactions between residents and nonresidents

All transactions in foreign currency or Belarusian rubels (transactions made with respect to securities or payment documents in foreign currency or Belarusian rubels) between Belarusian residents and nonresidents are regarded as currency transactions. The Currency Control Law divides them into current transactions and capital transactions.

The list of current currency transactions is closed. All other currency transactions, except for those regarded as current under currency law, are capital currency transactions.

Residents and nonresidents may conduct current currency transactions without any restrictions or permission from the NBRB, except for currency transactions where Belarusian residents (other than banks) transfer cash to nonresidents under gift contracts (including donations), which require the NBRB’s permission.

Generally, to carry out capital currency transactions, Belarusian residents should obtain permission from the NBRB. In some cases, the currency legislation provides exceptions to this rule.



Nonresidents for the purpose of Belarusian currency legislation

Belarusian nonresidents are:

- ▶ Foreign citizens and stateless persons (except for those having Belarusian permanent residency permits)
- ▶ Legal entities incorporated in accordance with the laws of a foreign jurisdiction and located outside of Belarus, their branches and representative offices in Belarus and other countries
- ▶ Companies that are not legal entities incorporated in accordance with the laws of a foreign jurisdiction but are located outside Belarus, as well as their branches and representative offices in Belarus and other countries
- ▶ Diplomatic, consular and other offices of foreign states in Belarus and other countries
- ▶ International organizations, their branches and representative offices
- ▶ Foreign countries, their territorial units

Current currency transactions

Current transactions include the following transactions between residents and nonresidents:

- ▶ Settlements under transactions involving the export and/or import of goods (excluding cash, securities and immovable property), protected information, exclusive rights to intellectual property, as well as services (work)

- ▶ Settlements under transactions involving the transfer and/or receipt of property for rent (lease)
- ▶ Transfer and receipt of dividends and other income on investments
- ▶ Non-trade transactions (transfer and receipt of cash for the payment of salaries or pensions or from an inheritance or toward stamp duties, etc.)

Currency transactions that require the permission of the NBRB

The following transactions of Belarusian resident companies (non-banks), inter alia, require permission from the NBRB:

- ▶ Acquisition of property located outside Belarus that qualifies as immovable property under current Belarusian legislation
- ▶ Placement of funds with nonresident banks or transfer of funds to nonresidents (except for nonresident banks) for trust management
- ▶ Provision of loans
- ▶ Settlement of liabilities that are owed by residents to nonresidents under surety or guarantee agreements where such residents act as the trustor or guarantor
- ▶ Receipt of loans in case of any of the following conditions:
 - The interest rate on the loan exceeds the level determined by the NBRB (for instance, the threshold is currently set at 14% per annum for USD and EUR-denominated loans)
 - The additional interest rate on the loan when it is overdue and other

sanctions (fines and penalty interest) in the aggregate exceed 0.01% per day or 3.65% per annum

- Other charges (except for interest or additional interest and penalties charged when the loan is overdue) must be paid under the loan agreement
- The loan is used to pay the liabilities of the borrower without being received in the borrower's bank account
- Repayment of the loan is not executed from the borrower's bank account
- The lender is registered in an offshore zone
- ▶ Settlement of liabilities that are owed by residents to nonresidents under cession or debt transfer agreements

In addition, Belarusian residents (except for banks) are generally required to obtain the NBRB's permission to open an account with a nonresident bank, except as follows:

- ▶ No permission from the NBRB is required to open loan accounts or accounts opened by Belarusian diplomatic, consular, or other official missions.
- ▶ Representative offices of Belarusian residents (except for banks and public institutions) opening accounts with banks in other EEU member countries in the national currency of the respective EEU member country are only required to notify the competent authorities of their decision.

Specific requirements for foreign trade agreements

Registration of foreign trade agreements

It is only necessary to register a foreign trade agreement with a bank if the agreement, including all appendices, stipulates a payment for goods of the equivalent of at least EUR 3,000. At the same time, only the agreement has to be registered, excluding any appendices.

Further, there is no requirement to register foreign trade agreements involving the transfer of protected information, exclusive intellectual property rights, work or services. Banks do not charge a fee for registration (re-registration) of foreign trade agreements.

Performance of foreign trade agreements

Residents should complete each foreign trade transaction within the following time frames:

- ▶ For export: within 90 calendar days (120 calendar days under commission agreements) of the date of shipment (transfer of protected information or intellectual property rights), performance of work or rendering of services
- ▶ For import: within 60 calendar days of the payment day. This requirement applies only to import transactions where the resident has made an advance payment

These time frames can be extended by the NBRB's decision subject to requirements determined by the Council of Ministers and the NBRB.

Obligatory sale of foreign currency

Every resident should sell 20% of foreign currency received from foreign trade transactions via the Belarusian Currency and Stock Exchange, unless otherwise specified by legislation. The NBRB may revise the amount of foreign currency that must be surrendered on the official foreign exchange market.

Liability for violating currency laws

The penalties for violating currency legislation can be quite significant. The Belarusian Code of Administrative Offenses sets forth currency legislation violations that are penalized with varying amounts of fines.

Examples of Belarusian currency legislation violations are given below:

- ▶ Illegal acceptance by an individual of foreign currency as a means of payment or other illegal use of securities and payment documents denominated in foreign currency is penalized by a fine ranging from 50 to 100 times the Base Rate (approximately USD 590 to USD 1,175, the Base Rate equal to approximately USD 12), with or without the confiscation of the illegal sum. The same offense committed by an individual entrepreneur or a legal entity is penalized by a fine ranging from 100 to 200 times the Base Rate (approximately USD 1,175 to USD 2,350), with or without the confiscation of the illegal sum.

- ▶ Performance by an individual of a capital currency transaction without permission of the NBRB is penalized by a fine ranging from 50 to 100 times the Base Rate (approximately USD 590 to USD 1,175). The same offense committed by an individual entrepreneur or a legal entity is penalized by a fine ranging from 100 to 200 times the Base Rate (approximately USD 1,175 to USD 2,350).
- ▶ Delay in obligatory sale of foreign currency leads to a fine ranging of 10 to 40 times the Base Rate (approximately USD 120 to USD 470) and, for an individual entrepreneur or a legal entity, of up to 1% of the unsold foreign currency for every day of delay, but not more than the total amount of the unsold currency.
- ▶ Unreasonable understatement of the amount of foreign currency that is subject to obligatory sale leads to a fine ranging from 10 to 40 times the Base Rate (approximately USD 120 to USD 470) and, for an individual entrepreneur or a legal entity, a fine in the amount of the unreasonable understatement.
- ▶ The opening of a bank account outside Belarus by an authorized person of a legal entity or by an individual entrepreneur and the performance of transactions using this bank account without the permission of the NBRB leads to a fine ranging from 20 to 50 times the Base Rate (approximately USD 235 to USD 590).

- ▶ Transfer of revenue from export of goods (work, services) without its receipt in the exporter's account and without the required permission leads to a fine in the amount of transferred funds for the individual entrepreneur or the legal entity.
- ▶ The failure to receive revenue on time or to complete a foreign trade transaction on export of goods (protected information, intellectual property rights, work or services)

using means permitted by law; or the failure to receive goods (protected information, intellectual property rights, work or services) or complete a foreign trade transaction on import using means permitted by law leads to a fine of up to 30 times the Base Rate (approximately USD 350) and, for an individual entrepreneur or a legal entity, of up to 2% of the amount of the foreign trade transaction for each day of delay,

but not more than the total amount of the foreign trade transaction.

Some offenses may also lead to criminal liability for executives of a violating legal entity. The non-compliance of banks with currency control regulations may result in the revocation of their licenses.

In this respect, it is strongly recommended that foreign currency regulations be given due attention before any material transactions are concluded.



Investment legislation and main incentives



Investment legislation

Belarus' key investment regulations include the following: Law No. 53-3 of the Republic of Belarus "On Investments" of 12 July 2013, Law No. 63-3 of the Republic of Belarus "On Concessions" of 12 July 2013, and Presidential Decree No. 10 "On the Creation of Additional Conditions for Investment Activity in Belarus" of 6 August 2009.

Pursuant to the Law "On Investments", investments are any assets or other objects of civil rights that belong to an investor by right of ownership or on another lawful basis allowing the investor to manage such assets and that are invested in Belarus as envisaged by this law for the purpose of earning profit (income) and/or achieving other significant results or for other purposes unrelated to personal, family, household or other such use, including:

- ▶ Movable and immovable property, including equity, participatory interest in authorized capital, shares in the assets of a commercial organization established in Belarus and money, including loans, credits and other funds raised
- ▶ Rights of demand that have a valuation
- ▶ Other objects of civil rights that have a valuation, except for objects of civil rights that are not permitted to be in circulation (objects withdrawn from circulation)

In Belarus, investments may be made:

- ▶ By establishing a commercial organization
- ▶ By acquiring or creating immovable property, including by means of construction
- ▶ By acquiring intellectual property rights
- ▶ By acquiring equity, participatory interest in authorized capital and shares in the assets of a commercial organization, including when a commercial organization's authorized capital is increased
- ▶ On a concession basis
- ▶ In other ways not prohibited by Belarusian law

Also, the Law "On Investments":

- ▶ Establishes the basic principles for carrying out investment activities in Belarus
- ▶ Establishes the conditions for compensation for excepted investments or other property developed in the course of performing investments activities
- ▶ Determines the authorized agencies empowered to resolve disputes (disagreements) between a foreign investor and Belarus

Distinctive features of investment activities under different conditions are described below.

Investment agreement with Belarus

An investment agreement is a special type of contract concluded to provide additional government support to investment projects. Investment agreements are concluded between a foreign or national investor (investors) and Belarus as represented by the Council of Ministers or a central government body.

Investment agreements may only be concluded to implement projects in Belarus in areas (or industries) designated with investment priority status. Areas (or industries) are designated with investment priority status by the Council of Ministers.

Two levels of investment agreements

Investment agreements may be concluded pursuant to the respective decision by any of the following competent authorities:

- ▶ Central governmental bodies, other governmental agencies subordinated to the Council of Ministers, Administrative Affairs Office of the President of the Republic of Belarus (hereinafter, the "President"), regional executive committees
- ▶ The Council of Ministers with the permission of the President

Incentives under an investment agreement

Irrespective of the contracting party representing Belarus, all types of investment agreements assume a number of incentives exclusively provided under the agreement. The most important of them are:

- ▶ The option to break down the scope of a construction project into stages and carry out construction work simultaneously with design work for the next stage, subject to approval of the project's architectural design concept
- ▶ Allocation of a land plot that is included in the list of land plots designated for investment projects to an investor, without auctioning the right to lease the land plot, the right to design and construct a permanent building on the plot, or the right to buy the plot
- ▶ The right to remove vegetation without paying compensation for the vegetation removed during construction work under the investment agreement
- ▶ Full deduction of Belarusian VAT assessed for the purchase of goods, work, services and property rights to construct and equip facilities under the investment agreement (or paid on their import for this purpose)
- ▶ Selection of contractors/project documentation development staff, suppliers of goods and providers of services for the construction or reconstruction of facilities under the investment agreement without performing procedures prescribed by legislation (except for state

procurement of goods, work or services)

- ▶ Exemption from customs duty and VAT on the import of production equipment (its components and spare parts) for their exclusive use in Belarus under the investment project
- ▶ Exemption from fees for the right to conclude a land lease
- ▶ Exemption from state duty for the issue (extension) of permits for the employment of foreign workers in Belarus and special work permits issued for foreigners and stateless persons hired to work in Belarus on the investment project; in addition, such foreigners and stateless persons are exempt from state duty for Belarusian temporary residence permits

- ▶ Exemption from compensation for losses sustained by the agriculture and/or forestry industries due to the use of a land plot under the investment agreement
- ▶ Exemption from land tax on land plots in government or private ownership, and from rent on land plots in government ownership, for the period starting from the first day of the month in which the investment agreement took effect until 31 December of the year following the year in which the last of the facilities named in the investment agreement began operating

Investors are entitled to other incentives stipulated in Belarusian legislation and provided on grounds other than investment agreements.



Incentives granted by the President

Investment agreements concluded under the Council of Ministers' decision with presidential approval may provide for more incentives and benefits even though they are not envisaged in the law directly. These incentives are defined individually in each separate case.

Free economic zones

A free economic zone (hereinafter, a "FEZ") is a territory established for the period until 31 December 2049 which offers its residents a special regime for entrepreneurial activity and special incentives for business development, e.g., tax and customs benefits.

Belarus has six FEZs: Brest FEZ, Minsk FEZ, GomelRaton FEZ, Vitebsk FEZ, Mogilev FEZ and Grodnoinvest FEZ.

FEZ residents

Incentives are available for persons registered in a FEZ as its residents.

The applicant must submit a set of documents to the FEZ administration and pay state duty. The mandatory requirements for registration include the development of a business plan for the investment project, which must include investment in the equivalent amount of at least EUR 1 million, or at least EUR 500,000 provided that this lesser amount is invested in full during a three-year period.

The preferential tax regime applies to FEZ residents in the following cases:

- ▶ Export sale of goods (work, services) produced (performed, rendered) by residents in the FEZ
- ▶ Sale of goods produced by residents in the FEZ and shipped outside of Belarus for storage and/or display at a fair or exhibition
- ▶ Sale of goods (work, services) produced (performed, rendered) by residents in the FEZ to other FEZ residents

Benefits for FEZ residents

The preferential tax regime provides for the following benefits:

- ▶ Exemption from corporate profit tax (hereinafter, "CPT") for 10 years from the date of the first gross profit declaration for FEZ residents registered as such after 31 December 2011; for five years from the date of the first profit declaration and for the period from 1 January 2017 until 31 December 2021 for FEZ residents registered as such prior to 1 January 2012. Subsequently, tax is paid at a rate reduced by 50% but at no more than 12% (FEZ residents are to pay CPT at 9% in 2017). Profit from uncovered business activity is subject to CPT at the standard rate of 18%.
- ▶ Exemption from real estate tax on properties located in the respective FEZ irrespective of their use, on condition that the resident engages in an activity covered by the FEZ's preferential tax regime. In addition, FEZ residents are exempt, during a three-year period from the date of their registration as

such, from real estate tax with respect to properties located in the respective FEZ and acquired or constructed during this three-year period irrespective of whether the resident has engaged in an activity covered by the FEZ's preferential tax regime.

- ▶ Exemption from rent and, for the period from 1 January 2017 to 31 December 2021, from land tax on land plots within the boundaries of the FEZ irrespective of their designated use, provided that the resident engaged in business activity covered by the FEZ preferential tax regime in the previous quarter.
- ▶ Exemption from land tax and rent on land plots located within the boundaries of the FEZ and provided for construction purposes, for the period until the last facility begins operating, but for no longer than five years since the date of registration as a FEZ resident.
- ▶ Starting 6 January 2017, exemption from VAT charged by the customs authorities with respect to goods manufactured (obtained) from foreign goods placed under the customs procedure of the free customs zone, and placed by FEZ residents under the customs procedure for release for domestic consumption

FEZ residents pay VAT, excise duties, ecological tax, natural resource extraction tax, state duty, patent duties, offshore duty, stamp duty, customs duties and fees, local taxes and levies and contributions to the Social Security Fund (hereinafter, "social security contributions") according to the general procedure. In addition, they act as tax agents.

Hi-Tech Park



The Hi-Tech Park (hereinafter, the “HTP”) was established in Minsk in 2005 to promote the IT industry in Belarus. The HTP is located east of Minsk and has a special legal regime in effect until 2020.

HTP resident status

A legal entity and an individual entrepreneur receive HTP resident status if their activities include:

- ▶ Analysis and design of information systems and software
- ▶ Data processing based on client or proprietary software
- ▶ Fundamental and applied research, experimental R&D in the field of natural and technical sciences (R&D involving HTP activity) and utilization of R&D results
- ▶ Development of micro, opto and nano-electronic and microelectromechanical materials, technologies, instruments and systems; mechatronic technologies, instruments and systems; embedded systems, software and hardware,

computer systems, components and tools; data transfer equipment; radio location, radio navigation, radio communication, radio control and radio frequency identification technologies, instruments and systems; and the utilization of such R&D results

- ▶ Technical information protection and data processing centers
 - ▶ Management and business consultations, and comprehensive management services for the design and implementation of information technologies and systems
 - ▶ Creation of databases for IT systems and applications at the design phase,
- ▶ including forms for data, providing access to such databases and their support
 - ▶ Audit of IT systems and applications at the design, implementation and deployment phases in accordance with technical requirements or the customer's information needs under contracts with Belarusian legal entities and individual entrepreneurs
 - ▶ Services for the implementation and support of corporate IT systems across the life cycle or at any stages
 - ▶ Other activity as determined by the Council of Ministers after approval by the President



Benefits for HTP residents

HTP residents pay 1% of their revenue to the HTP Administration and enjoy the following benefits:

- ▶ Exemption from CPT
 - ▶ Exemption from VAT on the sale of goods, work or services or from the transfer of property rights in Belarus (a few exceptions include rent received from leased immovable property and the sale of goods placed under the customs procedures of export or exported to member states of the Customs Union without an obligation to return such goods to Belarus)
 - ▶ Exemption from land tax (but not for more than three years) within the HTP during the construction by HTP residents of buildings and structures for their own activity
 - ▶ Exemption from real estate tax on properties which are in the HTP, except for when they are leased out
 - ▶ Personal income tax rate of 9% is applied to the income of an HTP resident's employees (except for administrative staff, e.g., security guards, cleaners, etc., who pay income tax at the general rate of 13%) as well as of individual entrepreneurs who are HTP residents
 - ▶ The social security contribution is calculated on the basis of an amount which is not more than the average salary in Belarus for the preceding month (except for administrative staff, e.g., security guards, cleaners, etc., from whose payroll social security contributions are paid on general terms)
- ▶ Payments by HTP residents to foreign companies in the form of dividends, royalty and interest are subject to withholding tax at a rate of 5% (if a lower rate is not set in the relevant double tax treaty)
 - ▶ The lease rates for state-owned immovable property are half the general rates
 - ▶ Dividend payments are not subject to an offshore duty
 - ▶ The requirement to sell foreign currency revenue received from the above-mentioned activities does not apply to HTP residents
 - ▶ An exemption from customs duties and VAT charged by the customs authorities on the importation of goods for the above-mentioned types of activity (a list of these goods is approved by the President). HTP residents cannot transfer the imported goods to third parties or use them in a way other than for the above-mentioned types of activity for two years from their release date. Otherwise, customs payments should be made and other requirements set forth in customs legislation should be met

Great Stone China-Belarus Industrial Park

The Great Stone China-Belarus Industrial Park (hereinafter, the "CBIP") was created with the support of the People's Republic of China in accordance with the Agreement between the Council of Ministers and the Government of the People's Republic of China. The CBIP is located in the southwest part of Smolevichi Region (25 km from Minsk) and occupies 9150.1 hectares. The CBIP is a territory with a special regime in effect for entrepreneurial activity until 2062.

CBIP resident status

A Belarusian company can receive CBIP resident status if it meets the following conditions:

- ▶ It is actually located on CBIP territory
- ▶ It is registered with the CBIP Administration as a resident of the CBIP
- ▶ It is contemplating developing an investment project in a sphere that accords with the Regulations of the CBIP (manufacturing of electronics, pharmaceuticals, fine chemicals, biotechnologies, machinery and new materials, as well as logistics)
- ▶ Declared investments in the investment project amount to the equivalent of at least USD 5 million (for projects involving R&D, the minimum investment requirement is set at USD 1 million)

Benefits for CBIP residents

The following main tax benefits exist:

- ▶ Exemption for 10 years from the date of state registration from CPT on the manufacture of goods (performance of work, rendering of services) in the CBIP (as certified by the Belarusian Chamber of Commerce and Industry). After this 10-year period expires, tax is paid for another 10 years at half the general

rate (9%). Profit from other activities is subject to CPT at the general rate (currently 18%).

- ▶ Exemption for 10 years from the date of state registration from real estate tax on properties located on CBIP territory, irrespective of their designated use. After the 10-year period expires, tax is paid for another 10 years at half the general rate.



- ▶ Exemption for 10 years from the date of state registration from land tax on land located on CBIP territory. After the 10-year period expires, tax is paid for another 10 years at half the general rate.
- ▶ Profits tax and tax on income earned by foreign companies with no permanent establishment in Belarus from dividends and dividend equivalents is applied at a zero rate for five calendar years starting from the first calendar year in which gross profit arose.
- ▶ A personal income tax rate of 9% applies to the income of a CBIP resident's employees (this provision is in effect until 1 January 2027).
- ▶ Payments by CBIP residents to foreign companies in the form of royalties are subject to withholding tax at a rate of 5% (this provision is in effect until 1 January 2027).
- ▶ The social security contribution is calculated on the basis of an amount that is not more than the average salary in Belarus for the preceding month. Amounts payable to foreign citizens temporary residing in Belarus and engaged in investment projects in the CBIP are exempt from mandatory contributions.

After the expiration of the respective periods of benefits, all taxes are paid by CBIP residents at the general rates.

Other benefits:

- ▶ Exemption from paying state duty for obtaining permission for the engagement of foreign labor in Belarus and special work permissions for foreign individuals

- ▶ Exemption from paying compensation for agricultural and forestry-based losses derived from acquiring a land plot for the execution of the investment project
- ▶ Exemption from the obligatory sale of foreign currency gained from activity in the CBIP (this provision is effective until 1 January 2027)
- ▶ Exemption from import duties and import VAT charged by the customs authorities on goods (technological equipment, spare parts and materials) imported for the implementation of investment projects and construction on CBIP territory. These goods should be used only for the indicated purposes; otherwise, import duties and VAT must be paid in full

Business activities in medium and small-sized cities and rural areas

There are a number of benefits for the companies and individual entrepreneurs doing business in medium and small-sized cities and rural areas except for those that are directly listed by legislation (among areas where the regime is not applicable are regional cities - Brest, Vitebsk, Gomel, Grodno, Minsk, Mogilev - and certain others).

Companies doing business in medium and small-sized cities and rural areas under this regime are exempt from:

- ▶ CPT for seven years after registration of the business, provided that it maintains separate accounting for revenue/expenses received/incurred from operations in medium and small-sized cities and rural areas, and has obtained a certificate of own production from the Belarusian Chamber of Commerce and Industry which it has shown to the tax authorities
- ▶ Real estate tax on properties (except for buildings, structures and transmitters that are classified as construction in progress beyond the completion date, and permanent buildings and structures on the list of idle/ inefficiently used properties) located in medium and small-sized cities and rural areas
- ▶ State duty to obtain special permits (licenses), introduce changes to the special permits (licenses), and their extension
- ▶ Obligatory surrender of foreign currency received under transactions with nonresidents
- ▶ Customs duty on imported equipment (the list of such equipment is closed to amendments) in case of the contribution of the given equipment to the charter capital of a newly established company, provided that this company uses the equipment for business purposes for five years

Certain other benefits are provided in addition to these exemptions.

The exemption period is seven years from the state registration date of the business in a medium or small-sized city or rural area.

The following tax incentives are available for standalone business units established by companies in medium and small-sized cities and rural areas no later than 31 December 2018:

- ▶ Exemption from CPT
- ▶ Exemption from real estate tax that is usually calculated based on the value of permanent buildings, structures and parking spaces, provided that the given real estate is on the books of the standalone business unit (the tax relief is not applied to buildings, structures or transmitters that are classified as under construction in progress beyond the completion date, or to permanent buildings and structures on the list of idle/ inefficiently used properties)

Companies and their standalone business units engaged in entrepreneurial activity in medium and small-sized cities and rural areas and rendering cargo, passenger and luggage transportation services are entitled to tax benefits only if:

- ▶ The departure (loading) point and/ or destination (discharging) point is located in a medium or small-sized city or a rural area, and
- ▶ The transport used for such services is registered with authorized agencies in a medium and small-sized city or a rural area

Companies



Corporate forms

A foreign company can operate in Belarus either through:

- ▶ A separate Belarusian legal entity, or
- ▶ A representative office of a foreign company

The most commonly used types of Belarusian legal entities are limited liability companies, closed joint-stock companies and unitary enterprises. Other corporate forms (e.g., full or limited partnerships) are theoretically available to foreign investors, but they are rarely used.

Limited liability company

A limited liability company (hereinafter, a “LLC” (ООО in Russian)) seems to be the most popular corporate form in Belarus. In practice, the majority of foreign companies starting their activities in Belarus prefer to establish an LLC.

The charter fund of an LLC consists of the nominal values of its participants’ participatory interests. The minimum charter fund of an LLC is currently not set. Payments for participatory interests may be in the form of cash and/or in-kind payment with shares of other companies, assets, equipment, etc. Participatory interests of LLCs differ from shares of joint-stock companies, because participatory interests are not securities and should not be registered with a governmental body.

The number of participants in an LLC can be up to 50. An LLC may be incorporated by one person or have one participant.

An LLC’s charter may contain certain restrictions related to the transfer of a participant’s rights, such as a prohibition on the full or partial sale of participatory interests to third parties. A participant may not withdraw from the LLC, if such withdrawal leaves the LLC without a single participant. The withdrawal of a sole participant is not permitted either. In case of a participant’s withdrawal, its interest goes to the LLC, while the withdrawing participant is paid the actual value of its participatory interest in the authorized capital of the LLC, as well as profit attributable to that interest and received by the LLC in the period between the withdrawal date and the settlement

date. The sole participant in an LLC is not allowed to sell its interest in the authorized capital to the LLC.

The governing bodies of an LLC are the general meeting of participants and the board of directors (optional). An individual executive body (director) is responsible for day-to-day operations: there can also be a collective executive body (managing board or director) performing this function.

The members of an LLC are not responsible for the LLC’s obligations and bear the risk of loss only within the limits of their participatory interests.

Table. Comparison of limited liability company, unitary enterprise and closed joint-stock company

Limited liability company	Closed joint-stock company	Unitary enterprise
Standard registration procedures	Standard registration procedures plus registration of shares with the Securities Department of the Finance Ministry	Standard registration procedures
Profit can be allocated both proportionately and disproportionately to participatory interest, if that is directly allowed by the charter	Profit can be allocated only in proportion to shares (except for privileged shares)	Profit is distributed by the owner in the owner’s favor
Transfer of participatory interest to a third party can be restricted/prohibited by the charter	Transfer of shares of closed joint-stock company to third parties is only permitted with the other shareholders’ consent	Since the enterprise is 100% owned by one person, transfer is carried out through disposal of the asset portfolio
The registration procedure is not very complicated and usually takes about a week	The registration procedure is more complicated than for an LLC because of the requirement to issue shares and register this emission	The registration procedure is the same as for a limited liability company

Unitary enterprise

A private unitary enterprise (hereinafter, a "UE" (УП in Russian)) is also a very popular corporate form in Belarus. The main difference from an LLC is that a UE's founder remains the direct owner of its property.

The property of a UE is indivisible and may not be divided into contributions (participatory interest, shares). Both an individual (jointly owned by spouses) and a legal entity can privately own the assets that belong to a UE by right of economic management. Common ownership of a UE's assets is prohibited.

The UE has the right to dispose of all the property that belongs to it by right of economic management except for real estate (if other restrictions are not set by the founder in the charter). Any disposal of real estate (including sale, lease, mortgage, etc.) can be carried out only by the founder's decision.

The minimum charter fund of a UE is currently not set. Payments into the charter fund may be both in cash and in kind, when it is paid with shares of other companies, assets, equipment, etc.

The maximum number of participants in a UE is one.

The governing body of a UE is the director, who shall be appointed by the owner or by a body authorized by the owner and accountable to it.

A UE is liable for its obligations, with all of the property belonging to it by right of economic management. It doesn't bear liability for the obligations of the owner of its property.

Joint-stock company

A joint-stock company (hereinafter, a "JSC" (АО in Russian)) might look more complicated. JSCs generally fall into two categories: closed and open. The difference between them is that in an open JSC, shares may be freely sold to third parties, while in a closed JSC, share transfers are subject to the preemptive rights of other shareholders.

The minimum charter fund requirement for incorporation is currently:

- 100 times the Base Rate (approximately USD 1,175) for a closed JSC
- 400 times the Base Rate (approximately USD 4,700) for an open JSC

The maximum number of shareholders cannot exceed 50 for a closed JSC but is unlimited for an open JSC. The JSC may be founded by one person or consists of one participant.

Joint-stock companies can distribute two types of shares: ordinary (voting) and preference shares. The owner of a preference share receives fixed dividends and has the right to equity when a company is being liquidated, but does not get the right to vote in managing the company. The nominal value of such preference shares that are distributed must not exceed 25% of the company's charter fund.

An open JSC must comply with a number of information disclosure requirements. For this reason, a closed JSC is generally preferred and may be used for setting up a joint venture with a Belarusian partner. In most cases, if a company is an open JSC, it means that previously it was a state

unitary enterprise and was transformed into an open JSC in the course of privatization (the state continues to be the stakeholder).

Representative offices

Foreign companies may also operate in Belarus without creating a legal entity by establishing a representative office. A representative office is understood to be a unit of a foreign legal entity that represents the company's interests in Belarus, and not a separate legal entity.

Effective 1 January 2014, representative offices of foreign companies are not permitted to engage in entrepreneurial activity.

Unless otherwise provided for in international agreements signed by Belarus, a foreign company may open a representative office in Belarus only for preparatory and auxiliary activities on behalf of the foreign company, including the following activities:

- Study of Belarusian commodity markets
- Study of investment opportunities in Belarus
- Establishment of a company in partnership with foreign investors in Belarus

Registration of companies in Belarus

Companies must be registered with the state registration authority, which takes care of further registration with the tax authorities, the Social Security Fund, statistics bodies, the Belarus Republican Unitary Insurance Company Belgosstrakh, etc.

A representative office should be accredited with the Belarusian Ministry of Foreign Affairs. After that, it should separately apply for registration with the tax authorities, the Social Security Fund, statistics bodies and the Belarus Republican Unitary Insurance Company Belgosstrakh.

On the whole, setting up a representative office is much more burdensome, i.e.:

	Legal entity	Representative office of a foreign company
Time of registration (setting up)	About 1.5-2 weeks	About 1-1.5 months
State duty amount	One time the Base Rate (approximately USD 12)	195 times the Base Rate (approximately USD 2,030) for each three years of operation for which a permit is granted to open a representative office

If any documents submitted in connection with registration are unsatisfactory, the applicant may need to re-file them. Also, certain registration procedures must take place in a prescribed sequence; thus, a delay at one stage of the process can delay subsequent stages.

A newly created company (a representative office) should take additional steps to be fully operational, e.g., open bank accounts, manufacture a corporate seal and register the shares issuance (for JSCs only) with the securities authorities.



Licensing

A special permit (license) is required for certain business activities. Currently, there are 34 such activities (including around 200 types of work and services). The most important are banking transactions, gambling, the production and wholesale of alcoholic products and tobacco goods, the retailing of alcoholic products and tobacco goods, distributive trade in petroleum products, and medical activity.

The licensing authorities issue licenses within 15 working days from the date of submission of all required documents.

Mergers and acquisitions

Antimonopoly control

In accordance with competition laws, some transactions (including M&A, business incorporation and the sale/purchase of shares or assets) are subject to anti-monopoly regulation. The anti-monopoly authorities' approval must be obtained before the contemplated transaction is closed or a new business is registered.

Restrictions applicable to strategic companies

Investments in assets of legal entities holding a dominant position on Belarusian goods markets may not be made without the permission of the antitrust body in cases stipulated by antitrust law. The same is true for investments in other activities prohibited by Belarusian legislation.

Investment activity may also be legislatively restricted in the interests of national security (including to protect the environment and sites of historical and cultural value), public order, morality, public health and the rights and liberties of individuals.

Shareholders' agreements

Belarusian legislation allows concluding shareholders' agreements and participants' agreements for limited liability companies.

Such agreements will allow shareholders (participants) to agree on the exercise of their rights and/or withholding from exercising such rights, including the obligations to vote in a specific manner at a general meeting of shareholders (participants), coordinate with other shareholders (participants) on how to vote, and take other concerted actions related to the management, operations, reorganization or winding-up of the company.

Taxes at a glance

Main tax rates

Taxes (a)	Rates
CPT	18%/25%(b)
Capital gains tax	18%
Branch remittance tax	0%
Income tax rates for foreign companies not engaged in activity in Belarus through a permanent establishment:	
Charges for transportation or freight, demurrage charges or other charges arising in connection with international transportation, as well as charges for transport forwarding services	6%
Income derived from any debt obligations, including income in connection with credits, loans, securities issued on terms that envisage interest (discount) income, and the use of temporarily available resources in accounts in Belarusian banks)	10%
Dividends	12%
Royalty, income from licenses and other income according to the list set forth in legislation	15%
Value added tax	20%
Real estate tax	1%/2% (c)
Social security contributions:	35%
Compulsory social insurance/pension insurance (retirement, disability or a wage-earner's death)	29% (d)
Compulsory insurance premiums for temporary incapacity, maternity, etc.	6%

- (a) The list of taxes is not exhaustive. Additional information is given further on.
- (b) The tax rate is 25% for banks and insurance companies and 18% for other companies.
- (c) The tax rate for construction in progress beyond the completion date is 2%. The local authorities may set an increasing or decreasing coefficient of up to 2.5 and in certain instances, of up to 10.
- (d) The amount includes 1% payable by an employee. In this case, tax is withheld and paid by the employer.

Tax system

The President, the Belarusian National Assembly and the Finance Ministry are responsible for determining the basic principles of taxation and developing the tax policy in Belarus. The Belarusian Ministry of Taxes and Levies (hereinafter, the "Taxation Ministry") and its territorial (regional, district) inspectorates practice operative control over taxation.

Today, Belarus has a two-tier tax system:

- ▶ National taxes and levies that are established by the Tax Code of the Republic of Belarus (General and Special Parts) (hereinafter, the "Tax Code") and presidential decrees and must be paid throughout Belarus
- ▶ Local taxes and levies that are established by legislation issued by local councils in accordance with the Tax Code and must be paid only in the respective regions or cities

Tax audits

The Tax Code envisages several types of tax audits, including in-house (desk) and on-site (field) audits. An audit should not take more than 30 workdays. A planned audit can be prolonged by not more than 15 workdays. Generally, the Belarusian tax authorities do not conduct repeat audits. Belarus has a ban on audits for two years from the registration date of a new company.

The periodicity of audits depends on the risk group to which a taxpayer belongs. The tax authorities plan audits depending on the risk profile of a company:

- ▶ A high risk group - not more than once a calendar year. If there are no identified

tax law violations, they plan the next audit in two years at the earliest (including the year in which the audit was performed).

- ▶ An average risk group - not earlier than once in three years. If there are no identified tax law violations, they plan the next audit in five years at the earliest (including the year in which the audit was performed).
- ▶ A low risk group - when the need arises, but not more than once in five years.

Planned audits are semiannually placed on the website of the Belarusian State Control Committee no later than 15 December and 15 June (see Appendix 1).

Corporate profit tax

Taxpayers

CPT payers are (i) Belarusian companies and (ii) foreign companies engaged in activity in Belarus through a permanent establishment.

Belarusian companies

Belarusian companies pay tax on profit received in Belarus and abroad.

Taxes for a group or in the event of consolidation cannot be reduced, because each company in the group is a separate taxpayer. A branch that has a separate balance sheet and for which a legal entity has opened a bank account entitling the branch to dispose of funds on the account and perform transactions, calculates taxes and levies (duties) and meets the tax liabilities of such a legal entity.

Permanent establishment of foreign companies

Foreign companies pay CPT on profit received through a permanent establishment in Belarus by selling goods (work, services) and property rights as well as on non-operating income reduced by non-operating expenses.

A foreign company's permanent establishment in Belarus is:

- ▶ A permanent establishment through which a foreign company wholly or partially conducts entrepreneurial or other activity in Belarus involving:
 - Construction work and/or services stipulated by agreement(s) as well as the installation, assembly, adjustment, servicing and use of equipment (other assets) and computer programs
 - Sales of goods from warehouses in Belarus
 - Work and/or services Belarus and other activity not prohibited by law
- ▶ A company or individual engaged in activity on behalf of a foreign company and/or in its interests, and/or having and using the foreign company's authority to enter into contracts or agree on their material terms (dependent agent)

If a foreign company performs work or renders services in Belarus, the place of performance of the work or provision of the service is deemed to be the permanent establishment of the foreign company, provided that it has engaged in this activity for 90 days continuously or in the aggregate in any 12-month period beginning or ending in the respective tax period.

A construction, installation or assembly site is also deemed to be the permanent establishment of a foreign company if this site has been in existence in Belarus for more than 180 days in any 12-month period beginning or ending in the respective tax period.

A place used only for one or several of the following purposes is not a foreign company's permanent establishment:

- Storage, exhibition or supply of own made goods ("supply" means delivery and shipment of goods without selling them in Belarus through a permanent establishment)
- Procurement of goods for a foreign company
- Gathering or distributing of information for a foreign company
- Involvement in other types of activity if the activity is, on the whole, preparatory or auxiliary

A legal entity or an individual is not deemed to be the permanent establishment of a foreign company if it conducts business on behalf of this foreign company or in its interests in the course of its normal business. Normal business refers to business that a legal entity or an individual runs on its own without being instructed or controlled by a foreign company and bears the business risks associated with its results, rather than the foreign company it represents.

Double tax treaties signed by Belarus with other states may have other rules for determining a permanent establishment.

Foreign companies are required to keep accounting records and prepare financial statements in accordance with

Belarusian laws and regulations with respect to activities that give rise to a permanent establishment in Belarus.

Taxable income. Tax base

CPT applies to (i) gross profit and (ii) dividends accrued by Belarusian companies.

Belarusian companies

Gross profit of a Belarusian company is determined as profit from the sale of goods (work, services), property rights and non-operating income decreased by non-operating expenses incurred in Belarus and abroad, including from business that the Belarusian company performs as a foreign tax resident.

Permanent establishment of foreign companies

Gross profit of the permanent establishment of a foreign company is determined as profit earned by the foreign company through its permanent establishment in Belarus from the sale of goods (work, services), property rights and non-operating income decreased by non-operating expenses.

$$\text{GROSS PROFIT} = \text{Profit from the sale of goods (work, services) and property rights} + \text{Non-operating income} - \text{Non-operating expenses}$$

Revenue from the sale of goods (work, services) and property rights is recorded as of the date on which such revenue is recognized in the accounting records based on the accrual method, taking into account certain provisions of law, regardless of the date on which settlement is made.



CPT rate

The standard CPT rate is 18%.

A CPT rate of 12% applies to dividends paid by Belarusian companies.

High-tech parks, technology transfer parks and residents of high-tech parks pay CPT at a rate of 10% (except when CPT is charged, withheld or transferred in connection with the performance of obligations as a tax agent).

Banks and insurance companies pay CPT at 25%.

Profit of companies from the production of goods included in the list of high-tech goods is taxed at 10%.

Reduced CPT rates can also be applied in many other instances.

Tax benefits

CPT exemptions:

- ▶ Up to 10% of gross profit donated to Belarusian-registered (i) companies to construct and/or reconstruct sports facilities, (ii) government-funded health care, educational, cultural or sports organizations, (iii) religious organizations, (iv) social services providers, or (v) selected public associations.
- ▶ Profit of companies from the production of prosthetic or orthopedic appliances (including dental prostheses) or rehabilitation and support equipment for the disabled.
- ▶ Gross profit (except for profit from procurement or intermediary activities) earned by companies that employ disabled people, if the average number

of disabled employees in the period from the beginning of the year through the reporting period was at least 50% of the average headcount.

- ▶ Profit of companies from the production of baby food.
- ▶ Profit of companies from the production of goods included in the list of innovative goods approved by the Council of Ministers.
- ▶ Other profit of companies as determined by the President.

If a taxpayer has legal grounds for the application of a tax benefit, the taxpayer has the discretion to decide whether to use it. If the taxpayer decides to apply the tax benefit, the taxpayer is not required to submit any supporting documents to the tax authorities (unless such documents are required during a tax audit).

Tax deductible expenses

The list of tax deductible expenses is not exhaustive. All expenses (except for those that are not deductible or deductible within certain limits) should be fully deducted if they are economically justified and have been incurred in connection with the production/sale of goods (work, services, property rights) or if they are regarded as non-operating expenses.

Expenses may not be recognized as economically justified for the purpose of reducing the tax base if at least one of the following conditions is met:

- ▶ The goods (intangible assets) failed to arrive, work was not performed, services were not rendered or property rights were not transferred

- ▶ Work was performed or services were rendered by an individual entrepreneur who also had an employment contract with the taxpayer, in circumstances where such work or services should have been performed/rendered as part of employment duties of such individual
- ▶ Work was performed or services rendered to the taxpayer (other than a joint-stock company) by a company (other than a joint-stock company) where such company is a founder of (participant in) the taxpayer or vice versa, if such work or services was part of the employment duties of an employee who had an employment contract with the taxpayer

In practice, form prevails over substance in tax authorities' audits and, therefore, certain expenses may be non-deductible if the taxpayer cannot confirm them by an agreement, an acceptance certificate, an invoice, etc.

Thin capitalization rules

The thin capitalization rules that came into force in 2013 limit the deductibility of expenses relating to controlled debt due to a foreign or Belarusian founder (participant).

Controlled debt owed to a foreign founder (participant) comprises the total of the following debts in the given tax period (including any amounts outstanding at the beginning of the current tax period):

- ▶ Loans received
- ▶ Engineering, marketing, consulting, management and intermediary services, information services, personnel search, selection and recruitment services,

employee secondment to Belarus, and fees for the transfer (assignment) of property rights to industrial properties

- ▶ Fines, penalty interest or other sanction charges, including damages or amounts due for contractual breaches

Controlled debt owed to a Belarusian founder (participant) comprises the total of debts in the given tax period (including any amounts outstanding at the beginning of the current tax period) for engineering, marketing, consulting, intermediary and management services, information services, personnel search, selection and recruitment services, employee secondment to Belarus, and fees for the transfer (assignment) of property rights to industrial properties.

A foreign founder (participant) shall mean:

- ▶ A non-resident foreign company or individual owning, directly or indirectly, more than 20% of shares (interest) as at the last day of the tax period
- ▶ A Belarusian or foreign company that is a related party of this foreign founder (participant)
- ▶ Other person for which this related party and/or the foreign founder (participant) acts as a surety or guarantor or otherwise undertakes to guarantee the repayment of the controlled debt

Thin capitalization rules apply when the ratio of controlled debt to a foreign founder (participant) to equity at the end of a tax period is 3:1 or when the ratio of controlled debt to a Belarusian founder to equity is over 1:1.

The formula to calculate total deductible expenses also depends on the residency of the lender:

- ▶ If controlled debt is owed to a *foreign founder (participant)*, total deductible expenses are calculated by dividing interest, expenses on fines and penalty interest, and other expenses on such debt (their cumulative total since the beginning of the tax period) by the capitalization ratio.

$$\text{TOTAL DEDUCTIBLE EXPENSES} = \frac{\text{Interest, expenses on fines and penalty interest, and other expenses}}{\text{Capitalization ratio}}$$

The capitalization ratio is determined by dividing controlled debt by equity attributable to (direct or indirect) interest held by the foreign founder (participant) in the authorized capital of the Belarusian company on the last day of the tax period divided by three.

$$\text{CAPITALIZATION RATIO} = \frac{\text{Controlled debt}}{\frac{\text{(Equity} \times \text{Foreign founder's (participant's) interest in equity)}}{3}}$$

- ▶ If controlled debt is owed to a *Belarusian founder (participant)*, total deductible expenses are calculated by dividing all expenses on such debt (their cumulative total since the beginning of the tax period) by the Belarusian company's capitalization ratio.

The capitalization ratio is determined by dividing controlled debt by equity attributable to (direct or indirect) interest held by the Belarusian founder (participant) in the authorized capital of the Belarusian company on the last day of the tax period.



Thin capitalization rules do not apply to banks or insurance companies, or to lessors or landlords provided that lease (rental) payments exceed 50% of total revenue from the sale of goods (work, services), property rights or income from property lease (rent).

Interest expenses – other specific features

Interest expenses on overdue loans do not reduce the CPT base.

Interest expenses on loans for the acquisition of fixed assets are capitalized before the assets are put into operation, while they are capitalized or accounted as non-operating expenses after the assets are put into operation.

Investment deduction

An investment deduction is an amount based on the initial value of fixed assets used in entrepreneurial activity as well as the book value of investments made in fixed assets in connection with their reconstruction, modernization or restoration.

A taxpayer may immediately deduct a part of the initial value of fixed assets as well as the book value of investments in fixed assets in connection with their reconstruction, modernization and restoration for CPT purposes as follows:

- ▶ Not more than 10%, for buildings and structures
- ▶ Not more than 20%, for machinery, equipment and vehicles

The use of an investment deduction does not affect the depreciation of fixed assets. After taking an investment deduction, the

taxpayer may accrue depreciation on the initial value of fixed assets.

The investment deduction is not permitted with respect to fixed assets whose initial value fully or partially consists of costs incurred without compensation on constructing a facility.

Other expenses

Current legislation limits the deductibility of business trip expenses, fuel and energy expenses, payroll expenses, insurance expenses and some other expenses.

Loss carry forward

If total costs associated with the production and sale of goods (work, services), property rights, the net book value of fixed assets and intangible assets, and non-operating expenses exceed revenue and non-operating income, less taxes and levies paid out of revenue, losses may be carried forward up to the amount of such excess.

Losses can be carried forward over 10 years, providing that they were not incurred before 2011 (the rules took effect in 2012).

Losses do not include losses incurred from the sale of goods (work, services) or property rights either:

- ▶ From activity outside of Belarus which the Belarusian company engages in as a foreign tax resident; or
- ▶ In a tax period (tax periods or a part of a tax period) in which the Belarusian company had the right to apply Belarusian legislation providing for CPT exemption (the right not to pay CPT) in

more than one tax period as provided for in these legislative provisions.

Losses are carried forward in groups of operations against identical types of income:

- ▶ 1st group – operations with financial derivatives and securities
- ▶ 2nd group – disposal of fixed assets, construction in progress sites, uninstalled equipment and the company as the asset portfolio

Further, the remaining losses are carried forward irrespective of the operations and activity from which they were incurred.

To apply loss carry forward rules, a company should maintain separate accounting and keep documents confirming the amount of losses.

Dividends

Dividends received by Belarusian companies from residents and nonresidents are subject to CPT at a rate of 12%. Dividends distributed by Belarusian companies are taxed at source. CPT on dividends is withheld and paid by the companies that pay the dividends.

When dividends are paid by foreign companies, income tax may be withheld in a foreign state. Actually, the amount of tax withheld in a foreign state may be offset when paying CPT in Belarus (see the section “Offset of taxes paid in a foreign state”).

The reporting period for CPT on dividends distributed by Belarusian companies is one calendar month. This means that CPT on dividends distributed by Belarusian

companies is assessed in each month in which dividends are distributed and is paid no later than the 22nd of the month following the tax assessment month.

Profit/loss from capital gain

Profit from the sale of tangible and intangible assets is defined on the basis of sales revenue less revenue taxes, assets' net book value (for depreciable/amortizable assets) or acquisition cost (for non-depreciable assets, e.g., construction in progress sites and land lots) and sale costs. The loss from the sale of tangible and intangible assets reduces the tax base.

The CPT rate on profit from the sale of securities (except for cases indicated in the section "Tax benefits") is standard. Special rules apply to the calculation of profit in REPO transactions.

Tax return filing and tax payment

The tax period for CPT is one calendar year. The reporting period for CPT is one calendar quarter. The reporting period for CPT on dividends distributed by Belarusian companies is one calendar month. The amount of CPT for a reporting period is calculated on a cumulative basis starting the beginning of the tax period.

Taxpayers should submit CPT returns no later than the 20th of the month following the reporting period. CPT returns for a tax period (one year) are filed no later than 20 March of the year following this tax period.

Tax returns (except for returns for CPT on dividends) must be filed even when there was no taxable income.

CPT is paid no later than the 22nd of the month following the reporting period.

The return is filed with the tax authority at the place of registration of the taxpayer.

Starting the 2016 tax period, CPT for the fourth quarter of a tax period is paid no later than 22 December of the tax period in the amount of two-thirds of the CPT liability assessed based on the amount of CPT for the third quarter of the tax period, with the CPT tax liability for the entire tax period subsequently adjusted upward or downward no later than 22 March of the year following the tax period.

Tax accounting

Tax accounting is based on financial statements with necessary adjustments. A taxpayer's accounting policies should stipulate the tax accounting procedure.

Deferred tax assets and liabilities arise when the same income and expenses are recognized for both financial and tax accounting purposes, but they are recorded in different reporting periods. Deferred tax assets and liabilities are accounted in accordance with the instructions of the Finance Ministry.

Typical cases when deferred tax assets and liabilities arise are:

- Loss carry forward
- Receipt of free assistance

Deferred tax assets and liabilities arise due to deductible and taxable temporary differences, respectively.

Deductible temporary differences arise when:

- Expenses are recognized for books in the current reporting period, while for tax purposes they are recognized in future reporting periods
- Income is recognized for books in future reporting periods, while for tax purposes it is recognized in the current reporting period

Taxable temporary differences arise when:

- Expenses are recognized for books in future reporting periods, while for tax purposes they are recognized in the current reporting period
- Income is recognized for books in the current reporting period, while for tax purposes it is recognized in future reporting periods

Analytical accounting for temporary differences is managed through analytical tables, selected off-balance accounts or using other methods. The chosen method shall be set out in accounting policies.

The amount of deferred tax assets is determined by multiplying the deductible temporary difference of the current reporting period by the CPT rate effective on the reporting date. The amount of deferred tax liabilities is determined by multiplying the taxable temporary difference of the current reporting period by the CPT rate effective on the reporting date.

Deferred tax assets and liabilities are recognized for books in the reporting period when the temporary differences arose.

Deferred tax assets are reconsidered annually at the reporting date to determine whether they can be recognized. Deferred tax assets are recognized when there are taxable temporary differences or when it is very likely that deductible temporary differences may reduce taxable profit in the future. Previously recognized deferred tax assets are written off when there are no taxable temporary differences or it is unlikely that deductible temporary differences will reduce the taxable profit in the future.

Offset of taxes paid in a foreign state

The taxable profit of a Belarusian company includes profit from activity outside Belarus, in relation to which it is registered as a taxpayer in a foreign state. To avoid double taxation, profits tax actually paid in the foreign state may be offset against CPT payable in Belarus. The offset amount should not be greater than the amount payable in Belarus.

A Belarusian company must submit a certificate to the local tax authorities from the foreign tax body confirming payment of the relevant amount in the tax period when the certificate was issued. The certificate should include the following information:

- ▶ Taxpayer's name
- ▶ Name of tax
- ▶ Date of tax payment and the period for which it is paid
- ▶ Tax base
- ▶ Tax rate and amount of tax paid to the foreign government

To qualify for an offset, a taxpayer may also submit confirmation or another document in the form established by the foreign tax body or other competent authority if it confirms the amount of CPT paid in that state.

Transfer pricing

Transfer pricing rules entered into force in Belarus in 2012.

The tax authorities are entitled to verify the market level of prices used by taxpayers either in foreign trade transactions or transactions entered into with Belarusian residents to sell or buy goods, other property or property rights, or perform (purchase) work or services, or provide (obtain) property for use.

The price of a transaction is considered a market price with no subsequent adjustments required to the CPT base, if a tax audit establishes that the price used by the taxpayer is within an arm's length range of prices for comparable transactions and does not deviate upward or downward by more than 20% from market prices.

The tax authorities are entitled to check whether the tax base determined and presented by the taxpayer in its tax return (calculation form) based on prices used by the taxpayer is consistent with the tax base determined by the tax authorities based on market prices in the following transactions:

Foreign trade transactions:

- 1) Transactions made with one nonresident during one tax period to buy or sell goods, work or property rights in a total amount exceeding BYN 100,000 (approximately USD 50,000), excluding indirect taxes, where such transactions are made with:
 - ▶ A nonresident related party
 - ▶ A nonresident based in an offshore zone



- ▶ A nonresident related party or a resident of an offshore zone through the intermediary services of a third party or third parties as part of a series of transactions, provided that this third party is not a related party of the taxpayer, does not perform any additional functions in this transaction (apart from reselling goods (work, services) to the taxpayer's related party) and has not contributed any assets to this transaction

2) Transactions made with one nonresident during one tax period to buy and sell goods, work or services in a total amount exceeding BYN 1 million (approximately USD 500,000), excluding indirect taxes, in particular:

- ▶ Transactions to sell or buy goods on the list of strategic goods determined by the Belarusian government (crude oil and petroleum products, gases, raw timber, iron bars, etc.)
- ▶ Transactions to sell or buy goods (work, services) by companies on the List of Major Taxpayers determined by the Belarusian Tax Ministry

Real estate transactions:

- ▶ Transactions to sell or buy real estate (or part thereof)
- ▶ Transactions to transfer property built under cost-sharing contracts to an individual investor, or residential and/or nonresidential premises to a holder of housing bonds
- ▶ Transactions to sell or buy housing bonds on the market (except for

transactions by issuers with respect to their bonds), which are entered into after the state registration of newly constructed properties

Domestic transactions:

- ▶ Transactions to sell or buy goods, work or property rights in a total amount exceeding BYN 100,000 (approximately USD 50,000), excluding indirect taxes, executed in Belarus with a Belarusian resident related party (including as part of a series of transactions made through the intermediary services of a third party (parties) as specified above), where this Belarusian resident is entitled to CPT exemption in the tax period in which the transaction was made.

The following methods are consequently used when determining, for tax purposes, the conformity of transaction prices to market prices:

- ▶ **Comparable uncontrolled price method.** This compares the transaction price with the market price range for identical (or, if unavailable, homogeneous) goods in similar economic circumstances. The market price range includes two or more market prices determined with the available data on prices for the relevant period or for the nearest date prior to the transaction.
- ▶ **Resale minus method.** The market price is determined as the difference between the price at which the goods were resold by the purchaser and the expenses for resale and promoting the goods on the market, as well as the purchaser's ordinary profit on the resale

of goods (without taking into account the purchase price of the goods).

- ▶ **Cost plus method.** The market price is determined as the sum of the incurred expenses and the usual level of profit (margin) for such activity. Usual expenses incurred in such activity for the production and/or sale of goods (work, services), transportation, insurance, storage, etc. are taken into account under this method.
- ▶ **Comparable profit method.** This method is used to determine whether the profits made by a taxpayer in a transaction are comparable to profits made in similar arm's length transactions. The comparison is based on objective measures of profitability derived from taxpayers in similar circumstances (gross profits, gross return on costs, return on sales, return on costs, return on management expenses and selling expenses, return on assets, etc.). The profit level indicators are determined based on the financial statements prepared in accordance with Belarusian accounting legislation.
- ▶ **Profit split method.** This method may be used when it is impossible to use the above methods. It evaluates whether the actual allocation of combined profit attributable to one or more tested transactions is arm's length by reference to the allocation of profit between parties to comparable transactions.

For the purpose of controlling transfer prices in transactions, starting 1 January 2016 taxpayers are required to notify the tax authorities of all transactions

made in the tax period by providing the respective details in electronic VAT invoices to be submitted after 1 July 2016 (the details are provided in these VAT invoices irrespective of the value of the transactions or whether such transactions were at arm's length).

For the purpose of controlling transfer prices in transactions, starting 1 January 2016 the tax authorities may also request the following transfer pricing reports during field or desk audits:

- ▶ From taxpayers, except for major taxpayers and taxpayers undertaking transactions with strategic goods: economic justification of the applied price
- ▶ From taxpayers on the list of major taxpayers and taxpayers undertaking transactions with strategic goods: transfer pricing documentation for the economic justification of the applied price

A statement on the economic justification of the applied price should be prepared only when requested by the tax authorities. Transfer pricing documentation for the economic justification of the applied price should always be prepared, whether or not requested by the tax authorities.

In case of a desk audit, the taxpayer must present the economic justification of the applied price or the relevant documentation within the period specified by the tax authorities in the respective notification, which should be no less than 10 business days since the date of the notification. In case of a field audit,

such period should be no less than five business days since the date of the notification.

Withholding tax

Taxpayers

Taxpayers paying withholding tax (hereinafter, "WHT") are foreign companies, including organizations that are not legal entities, which receive Belarusian-sourced income without carrying out activity in Belarus through a permanent establishment.

Taxable income. Tax base

The following Belarusian-sourced income is taxable:

- ▶ Charges for transportation or freight, demurrage charges or other charges arising in connection with international transportation (except for the international transportation of passengers or charges for transportation, freight, or dispatch, or demurrage charges arising in connection with international transportation by sea), as well as charges for transport forwarding services (except for such services provided in the event of international transportation by sea)
- ▶ Dividends or comparable income
- ▶ Income on debt
- ▶ Royalty (except for lease payments for international (continental or intercontinental) telecommunications channels or networks)

- ▶ Income from the sale of goods in Belarus under agency, commission or other similar civil law contracts
- ▶ Income from the organization or conduct of cultural or entertainment events in Belarus and/or participation in such events, or from operating amusement parks or wild animal shows in Belarus
- ▶ Income from fines, penalty interest or other sanctions for contractual breaches
- ▶ Income from R&D activities, the development of design or technological documentation for prototypes (pilot batches) of goods, the fabrication or testing of prototypes (pilot batches) of goods, or from pre-project or project activities (feasibility studies, design and engineering, or other similar activities)
- ▶ Income from guarantee and/or surety agreements
- ▶ Income from the disposal of immovable property, an enterprise (or part thereof) in the form of an asset portfolio, securities or interest in charter capital (units or shares)
- ▶ Income from the provision of services, including:
 - consulting, accounting, audit, marketing, legal or engineering services
 - trust management of immovable property located in Belarus
 - courier or intermediary services
 - management services, personnel search, selection and recruitment services, employee secondment

- to Belarus, educational services or property storage services
- advertising services (except for income paid to foreign companies in connection with the participation of Belarusian companies or individual entrepreneurs in exhibitions or fairs held in foreign countries, whether or not the exhibition or fair participant paid for participation directly or through another legal entity or individual entrepreneur)
- services relating to the installation, setup, examination, maintenance, measurement or testing of connections, mechanisms, equipment, instruments, appliances, structures or intangible assets in Belarus (except for income received from training or advisory and/or services relating to the installation, setup, examination, measurement or testing of connections, mechanisms, equipment, instruments, appliances or structures whose provision is stipulated by a foreign trade agreement on their purchase or temporary use)
- cargo escort or security services (except for income from cargo escort or security services that are mandatory in accordance with the legislation of the country in which the goods are transported, and which are provided by residents of this foreign jurisdiction)
- ▶ Income from immovable property located in Belarus and placed under trust management

systems for data and/or payment transfer

The tax base is usually determined as total income less documented expenses. If income is received in kind, tax is calculated based on its cash amount.

The tax base for income in the form of payment for transportation, freight or transport forwarding service charges is determined as total income paid (accrued) by a foreign company.

The tax base for income of foreign companies must be calculated using the Belarusian rubel at the exchange rate set by the NBRB as of the WHT liability date.

The WHT liability date is the date the foreign company recognizes income. That date is the earliest of the following:



- ▶ The date of accounting of the completion of work (services), the acquisition of immovable property, and the acquisition of shares (participatory interest in a charter capital) or part of it
- ▶ The date of accounting of obligations to pay dividends, interest, royalties, or income from the sale/redemption of securities (apart from shares), the sale of goods under assignment, commission, and other related agreements
- ▶ The date of accounting of income payment

Tax rates

The tax rates are as follows:

- ▶ 6% on charges for transportation, freight, demurrage charges or other charges arising in connection with international transportation, as well as charges for transport forwarding services
- ▶ 10% on interest income from any debt obligations, irrespective of how they arose
- ▶ 12% on dividends or comparable income as well as income from the disposal of all or part of Belarusian shares (participatory interest in the charter capital of Belarusian companies) (this rate is not applied when UEs are sold)
- ▶ 15%, which is the generic rate applicable to other types of income subject to WHT

The double tax treaties of Belarus with other states may contain more preferential terms.

For information on the applicable WHT rates under double tax treaties and Belarusian legislation, see Appendix No. 4.

Tax agents

WHT is calculated, withheld and paid by Belarusian legal entities and individual entrepreneurs that accrue and pay income to foreign companies.

When foreign companies that do not have a permanent establishment in Belarus receive the following types of income from other foreign companies, they must submit a tax return and pay tax (it is not clearly regulated how a foreign company can meet such a requirement):

- ▶ Income from the disposal of all or a part of immovable property in Belarus
- ▶ Income from the disposal of all or a part of Belarusian shares (participatory interest in the charter capital of Belarusian companies)
- ▶ Income from leasing out assets (financial leases), rent and other uses of assets that are in Belarus
- ▶ Income from immovable property in Belarus that is placed under fiduciary management
- ▶ Income from fiduciary management services provided with respect to immovable property in Belarus
- ▶ Income from the use of, or provision of the right to use in Belarus, property rights to works of literature, art and science, software and other works concerning copyright and/or related rights
- ▶ Income from securities sale (redemption) transactions in Belarus
- ▶ Income from the organization or conduct of cultural or entertainment events in Belarus and/or participation in such events, or from operating

amusement parks or wild animal shows in Belarus

Individuals can also be regarded as tax agents in several transactions.

Provisions of double tax treaties

To apply the provisions of double tax treaties, a company must obtain confirmation that it is a resident in a foreign state with which Belarus has a valid double tax treaty. Such confirmation may be provided in the form established by the Taxation Ministry or in any other form set by the government of a foreign state.

In the latter case, such confirmation should contain the following mandatory data:

- ▶ Date of issue (or term of validity)
- ▶ Full name of the foreign company and its registered address
- ▶ Confirmation that the foreign company was (is) a tax resident of a certain state for the purposes of provisions of international double tax treaties in the period under consideration

Confirmation should be submitted to the tax authorities either directly or through a company that withholds income tax.

If the foreign company does not meet this requirement, the tax agent withholds the tax at the rates set by the Tax Code. This tax, however, can be offset or reimbursed when the foreign company presents the relevant documents.

Tax return filing and tax payment

WHT returns must be generally filed by tax agents and, sometimes, by the taxpayer, if it has taxable income.

WHT returns (calculation forms) must be filed either by:

- ▶ Tax agents, including:
 - Belarusian legal entities, foreign companies and Belarusian individual entrepreneurs paying income to foreign companies not engaged in activity in Belarus through a permanent establishment
 - Individuals paying income from loans, from the disposal of certain types of property or from immovable property located in Belarus and placed under fiduciary management to foreign companies not engaged in activity in Belarus through a permanent establishment
- ▶ Foreign companies not engaged in activity in Belarus through a permanent establishment that receive income from the organization or conduct of cultural or entertainment events in Belarus or participation in such events, or from operating amusement parks or wild animal shows in Belarus (unless such activity is pursuant to agreements with legal entities or individual entrepreneurs registered in Belarus and considered to be tax agents where such agreements provide for the transfer of revenue to the accounts of such agents)

A tax period is one calendar month.

A tax agent submits a WHT return no later than the 20th of the month following the tax period. Tax should be paid no later

than the 22nd of the month following the tax period.

A foreign company is considered the beneficial owner of Belarusian-sourced income if it receives such income from business activity, is entitled to claim tax relief on such income as its actual recipient (beneficial owner) and has the authority to use such income at its sole discretion. Beneficial ownership criteria for foreign companies include the functions that they perform to receive such income, their powers and risks.

Value added tax

Taxpayers

VAT payers are:

- ▶ Companies
- ▶ Individual entrepreneurs (subject to certain conditions)
- ▶ Trustees
- ▶ Individuals obligated to pay VAT, which is collected when goods are imported into Belarus

Tax registration

There is no separate registration for VAT purposes. A company is registered for tax purposes when state registration is issued to the company or its representative office. The registration is effective for all taxes.

Taxable income. Tax base

VAT applies to:

- ▶ The sale of goods (work services) and property rights in Belarus, including

exchange, gratuitous transfers, the sale of goods by a company to its employees, the leasing out of assets, and the pledge of goods as collateral against the failure to fulfill obligations

- ▶ The import of goods into Belarus

When goods (work, services) and property rights are sold, the VAT base is:

- ▶ The sale prices (tariffs) of goods (work, services) and property rights, including excise duties (if applicable) less VAT
- ▶ Regulated retail prices, including VAT

For tolling operations using customer-supplied raw materials, the VAT base is the cost of treatment, processing or other transformation of the raw materials less VAT.

When conducting intermediary activity, the VAT base is the amount received as remuneration under assignment, commission and other similar agreements.

When a subject of lease is transferred by the lessor to the lessee, the tax base is the amount of lease payments.

Tax rate

The basic VAT rate is 20%. It applies to most goods and services sold in Belarus.

Telecommunications services are taxed at 25%.

The sale of domestically produced farm products (excluding flowers and decorative plants), animal products (excluding furs), fish and bee products, as well as the import and/or sale of baby food and children's goods in accordance with the list approved by the President, are subject to VAT at 10%.



Goods for export and forwarding services for exports are subject to VAT at 0%.

Place of sale of goods (work, services) and property rights

The place of sale of goods is considered to be Belarus if the goods are in Belarus and are not being shipped or transported to their purchaser (or the recipient indicated by the purchaser), or if the goods are in Belarus immediately before being shipped or transported to the purchaser (or the recipient indicated by the purchaser).

Belarus is the place of sale of work, services or property rights if:

- ▶ Such work or services directly relate to immovable property, including property under construction (except for aircraft, marine vessels, inland ships and spacecraft), located in Belarus (this provision also applies to immovable property under lease). Such services include (i) immovable property valuation by experts or agents, (ii) engineering and design or (iii) design supervision and technical supervision of construction work, where such services

are directly related to immovable property

- ▶ Such work or services relate to movable property in Belarus, unless such movable property, including vehicles, is under financial lease
- ▶ Such services are actually rendered in Belarus in following areas: culture, art, education, physical training, tourism, recreation and sports
- ▶ The purchaser of such work, services or intellectual property rights is engaged in activity in Belarus or the purchaser is based or resides in Belarus

The last paragraph applies to the sale (transfer) of intellectual property rights; audit, advisory, marketing, legal, accounting, engineering, advertising and design services; information processing and sharing; R&D activities; server-based space storage; web page design, development, graphic design and modification, database creation and access to databases; employee secondment and recruitment where such employees work at the purchaser's

premises; movable property lease (except for vehicles); computer application and database (software, IT product and computer) development, adaptation, modification and support; potential customer (consumer) information search and sharing with the client, and certain other services.

If the sale of certain work or services is a secondary business, the place of their sale is considered the place of sale of the primary work or services.

Starting 2018, Belarus will be considered the place of sale of services provided by a foreign company using information technologies via the Internet (hereinafter, "electronic services"), if such services are bought by Belarusian consumers. Electronic services will include but will not be limited to (i) the granting of usage rights to software, databases, e-books, graphic information, or audiovisual works, (ii) online advertising, or (iii) the granting of access to online search engines. A foreign company will be required to register with the Belarusian tax authorities if it provides or plans to sell electronic

services to individuals residing in Belarus or if this foreign company engages or plans to engage in intermediary activity where such individuals are involved in settlements.

Recognition of sales revenue

The time of the actual sale of goods (work, services) and property rights is determined as the day in the reporting period on which goods are shipped (work is performed, services are rendered) and property rights are transferred, regardless of the date on which settlement is made, with the exception of certain cases set down in law.

Goods are regarded as shipped on:

- ▶ The date of their release to the purchaser (to the consignee or a company (individual entrepreneur) that transports (forwards) the goods or handles their delivery), if the vendor does not deliver (transport) the goods or does not incur the costs of their delivery (transportation)
- ▶ In other cases, the date determined in the company's accounting policies (or by decision of the individual entrepreneur), but no later than the date when transportation begins

The date of the supply of work or services is deemed the date of their transfer under supporting documents (delivery and acceptance statements and other similar documents).

The date of transfer of property rights is the date on which the right to receive payment arises under contract.

VAT-exempt turnover

The following sales turnovers are VAT-exempt:

- ▶ Medicines and medical equipment set out in lists approved by the President, provided that they are on state registers or have permissions issued by the Ministry of Health
- ▶ Insurance services, bank operations
- ▶ Medical services and veterinary interventions according to the lists approved by the President
- ▶ Cultural services according to the list approved by the President
- ▶ Goods (work, services) produced (performed, provided) by taxpayers whose industrial production staffs average at least 50% disabled persons in the period under consideration (except for excisable goods, broker and other intermediary services, property rental and leasing)
- ▶ R&D activities entered in the state register according to the procedure determined by the President
- ▶ Property rights to inventions, utility models, design solutions, selective breeding results, integrated circuit layouts, and know-hows
- ▶ Goods produced by the vendor (a Belarusian tax resident) under a sale/purchase agreement with a lessor (a Belarusian tax resident) that acquires the goods to subsequently transfer them under an international lease agreement outside Belarus with right of repurchase



The following are also VAT-exempt when imported into Belarus:

- ▶ Copies of films on any media and items of cultural value imported by companies engaged in cultural activities
- ▶ Goods intended for official use by diplomatic missions and consulates of foreign states or for personal use by the diplomatic and/or administrative and technical staff of these missions and consulates, and by international organizations and their representations; diplomatic mail and consular valises
- ▶ Goods donated as foreign aid and goods obtained under an international technical assistance project or program or acquired with international technical assistance funds for purposes designated by the international technical assistance project or program, subject to exemption according to the procedure and on the terms prescribed by the President
- ▶ Equipment, devices, materials and components intended for R&D which are imported into Belarus, subject to exemption according to the procedure and on the terms prescribed by the President

Import of goods

Import operations are subject to VAT.

In the event of import from countries that are not members of the EEU, the tax base is determined as the amount that includes the customs value of goods for which customs duties and excise duties (when excisable goods are imported) are to be paid. VAT is collected by the customs authority.

Calculation of VAT

Payable VAT is calculated as the difference between the total VAT at sale and the VAT credit.

VAT credit is available for input VAT amounts that are:

- ▶ Charged by sellers registered as taxpayers with the Belarusian tax authorities to the taxpayer upon the acquisition of goods (work, services) or property rights in Belarus
- ▶ Paid by the taxpayer when goods are imported into Belarus
- ▶ Paid when goods (work, services) or property rights are acquired in Belarus from foreign companies that are not registered with the Belarusian tax authorities

The taxpayer is entitled to credit input VAT if:

- ▶ Goods (work, services) or property rights were acquired for a VATable transaction purpose
- ▶ The VAT charged upon acquisition, or paid upon the importation of goods, is recorded by the taxpayer in its accounting records and purchase ledger (if any)
- ▶ The taxpayer duly received and electronically signed electronic VAT invoices from suppliers of goods (work, services) or property rights
- ▶ The amount and rate of VAT are indicated in the electronic VAT invoice and primary accounting (payment) documents submitted by the supplier to the purchaser of the goods (services)

- ▶ VAT is paid to the seller of goods (services) (when the taxpayer recognizes the revenue upon payment)

If the amount of VAT credit is greater than the amount of VAT calculated upon the sale of goods (work, services) or property rights, the difference should be deducted from the total amount of VAT in the next tax period, or in some cases refunded to the taxpayer.

In the period until 31 December 2017, VAT paid on the import of goods from non-EEU countries becomes deductible 60 calendar days after their manufacturing date in accordance with the customs declaration. This restriction applies when the imported goods are sold in unchanged condition.

VAT on goods (work, services) acquired from foreign companies

When a foreign company without a permanent establishment or tax registration in Belarus sells goods (work, services) or property rights to Belarusian companies and individual entrepreneurs, VAT on such goods (work, services) or property rights must be paid by their purchaser.

VAT paid by Belarusian taxpayers in such cases is deducted in accordance with the generally established procedure.

Electronic VAT administration

An electronic VAT invoice is a mandatory electronic document that must be submitted by all VAT payers with respect to their taxable income and that forms the basis for VAT payments under contracts between sellers and purchasers, and for

VAT credit. Electronic VAT invoices are managed electronically through the Web Portal of the Belarusian Tax Ministry. The taxpayer must issue an electronic VAT invoice with respect to each transaction involving the sale of goods (work, services) or property rights no later than the 10th of the month following the month in which the goods (work, services) were provided or property rights were transferred and either present this invoice to the purchaser or upload it to the Web Portal.

Tax return filing and payment of VAT

The tax period is one calendar year. VAT payers submit a VAT return monthly or quarterly (at the taxpayer's choice) on a cumulative basis no later than the 20th of the month following the reporting period. VAT must be paid no later than the 22nd of the month following the reporting period.

VAT on transactions with companies based in other EEU member states

The EEU's legislation sets forth a special procedure for paying VAT on the sale of goods (work, services) between EEU-based companies.

Export of goods

When exporting goods, taxpayers are entitled to apply the 0% VAT rate in their country of registration, but they must submit supporting documents to the tax authorities within 180 days from the goods dispatch (transfer) date.

Import of goods

Importers are obliged to pay VAT. The tax base is determined based on the value of the imports, including excise duties (for excisable goods), where their value is the supplier's price. VAT is collected by the tax authorities (unlike the generally established procedure in which VAT is collected by the customs authorities).

Export and/or import of work and services

VAT is collected in an EEU member state which is considered the place of sale of work or services. The tax base, VAT rates, VAT collection procedure and VAT benefits are determined in accordance with the local legislation.

Real estate tax

Taxpayers

Real estate tax (hereinafter, "RET") is paid by companies and individuals in instances described below.

In relation to buildings and structures (except for those put under fiduciary management or acquired when under fiduciary management) situated in Belarus and leased or otherwise used by companies for a fee or free of charge, RET payers are:

- ▶ For Belarusian companies: companies that have such buildings, structures or parking places on their books under a financial lease contract
- ▶ For foreign companies not engaged in activity in Belarus through a permanent establishment, and for individuals (not

discussed in this report): leaseholders (lessees, borrowers)

- ▶ For Belarusian companies: companies entrusted with the business and operating management of permanent buildings and structures, parts thereof or parking places by their owner
- ▶ For Belarusian companies: companies whose permanent buildings, structures, parts thereof or parking places subject to state registration upon creation, change or transfer to another party are on their books prior to such registration
- ▶ For Belarusian companies: borrowers incorporated as a result of transformation of rented, collective (public), state or state unitary enterprises which have been given permanent buildings, structures, parts thereof or parking places in government ownership for free-of-charge use

Taxable assets. Tax base

RET taxable assets are:

- ▶ Buildings, structures and parking places that are owned, possessed or under the business or operating management of the taxpayer
- ▶ Buildings, structures and parking places in Belarus that belong to individual taxpayers or detached houses or apartments in Belarus held by individuals under financial lease purchase agreements
- ▶ Buildings and structures situated in Belarus that are leased by individual entrepreneurs if, under the contractual terms of the leasing agreement, the assets are not on the books of the leasing company

- ▶ Buildings, structures and parts thereof as well as parking places that are located in Belarus and provided to companies for rental (financial leasing) and other chargeable or free-of-charge use by foreign companies that do not do business in Belarus via a permanent establishment, or by individuals
- ▶ Buildings, structures, parts thereof or parking places subject to registration when (i) they are created or changed, or (ii) rights to them are transferred to another party, which were placed on the taxpayer's books prior to their state registration
- ▶ State-owned buildings, structures and parts thereof as well as parking places provided for free-of-charge use to joint-stock companies established in the process of transforming rented, collective (public), state and state unitary enterprises
- ▶ Buildings, structures and transmitters under construction in progress beyond the completion date that belong to companies

The tax base is the net book value of buildings, structures and parking places recorded in the accounts as fixed assets and income-bearing investments in material assets as of 1 January of the calendar year.

Tax rates

The RET rate is 1%. For construction in progress beyond the completion date, it is 2%. Local government bodies may increase or decrease tax rates on immovable property for certain categories of taxpayers, but by no more than 150%,

and such increases or decreases take effect on 1 January of the year following the year in which this decision was made. The Minsk city and regional councils have the right to raise RET rates (but no more than tenfold) on permanent buildings, structures or parts thereof on the list of idle (inefficiently used) property, with increased rates taking effect on the first of the first month of the quarter following the quarter in which this decision was made.

Tax benefits

RET exemptions apply to:

- ▶ Buildings and structures that are intended to protect and improve the environment according to the list approved by the President
- ▶ Agricultural buildings and structures that are either used or to be used by companies to produce fruits and vegetables, meat, fish and bee products
- ▶ Newly built buildings and structures for one year after their commissioning date (except for buildings that are still under construction in progress beyond the completion date specified in the construction plans)
- ▶ Buildings and structures of research companies and scientific and technological facilities (until 1 January 2020)

Several other assets are exempt from RET, such as buildings and structures deemed to have material, historical or cultural value as well as public railways and roads.

Tax return filing and tax payment

The tax period is one calendar year.

An RET return is submitted to the tax authorities no later than 20 March of the reporting year. Tax is paid at the discretion of the taxpayer either once a year in the amount of the annual tax no later than 22 March of the reporting year or in quarterly installments in the amount of one-quarter of the amount of annual tax no later than the 22nd of the third month of each quarter.

Other taxes

Land tax

Land tax payers are companies and individuals that have permanent or temporary use, ownership or lifetime inheritable possession rights to land.

The land tax base is determined on the basis of the land's value in the State Land Register as well as by its purpose and size.

Double tax rates apply to land lots (or parts thereof) under construction in progress beyond the completion date. A taxpayer must apply a double tax rate from the first of the month following the month in which the construction was to be completed according to the design documentation.

Local government bodies may increase or decrease land tax rates for certain categories of taxpayers, but not more than by 150%, and such increases or decreases take effect on 1 January of the year following the year in which this decision was made. The Minsk city and

regional councils have the right to raise tax rates (but no more than tenfold) on land plots (or parts thereof) on which permanent buildings, structures or parts thereof on the list of idle (ineffectively used) property are located, with increased rates taking effect on the first of the first month of the quarter following the quarter in which this decision was made.

The land tax period is one calendar year.

Taxpayers file tax returns to the tax authorities annually by 20 February of the current year. They pay tax either once a year no later than 22 February of the current year or in quarterly installments no later than the 22nd of the second month of each quarter.

Offshore duty

The following transactions are subject to an offshore duty:

- ▶ Transfer of cash by a Belarusian resident to an offshore resident or to another person (under commitment to an offshore resident), or to an account opened in an offshore zone
- ▶ The fulfillment of non-cash obligations to an offshore resident, except for cross obligations when an offshore resident transfers cash to the account of a Belarusian resident
- ▶ Transfer of property rights or obligations in the course of a person's substitution, if the parties to the initial transaction are Belarusian and offshore residents

The transfer of funds by Belarusian banks to nonresidents is not subject to offshore duty under agreements concluded with these nonresidents if such nonresidents

are the owners of international payment systems using VISA, MasterCard and American Express bank cards which are registered in an offshore zone or/and hold accounts in an offshore zone.

The list of offshore zones includes the British Virgin Islands, Gibraltar, the state of Delaware (USA), etc.

The offshore duty rate is 15%. The tax period is one calendar month. Offshore duty is charged either before the transfer of cash or no later than the day following the day that non-cash obligations are fulfilled or liabilities are transferred. Tax returns must be filed no later than the 20th of the month following the reporting tax period.

The Tax Code establishes certain exemptions from offshore duty, e.g., offshore duty does not apply when a Belarusian resident returns loan principal and interest to an offshore resident.

Ecological tax

The ecological tax base is the actual volume of:

- ▶ Pollutants released into the atmosphere
- ▶ Waste water produced
- ▶ Industrial waste that must be stored or buried

The Tax Code establishes different ecological tax rates depending on the type of waste. The tax rate may vary from BYN 0.08 (approximately USD 0.04) to BYN 769.97 (approximately USD 390) per ton/cubic meter of the pollutant. In some cases, taxpayers must apply special coefficients to calculate environmental tax.

The ecological tax period is one calendar quarter. Taxpayers must file ecological tax returns no later than the 20th of the month following the reporting quarter and pay the tax no later than the 22nd of the month following the reporting quarter.

Excise duties

The following are subject to excise duties:

- ▶ Excisable goods produced and sold by the taxpayer in Belarus
- ▶ Excisable goods upon their importation into Belarus
- ▶ Excisable imported goods upon their sale in Belarus

Excisable goods include alcohol products, tobacco products, motor fuel, etc. The Tax Code establishes excise duty rates in a fixed amount per physical unit of excisable goods (specific rate) or in a percentage of their value (ad valorem rates).

The excise duty period is one calendar month. Taxpayers must file tax returns no later than the 20th of the month following the reporting month and pay the excise duty no later than the 22nd of the month following the reporting month.

Other national taxes

These taxes include:

- ▶ Tax on the extraction of natural resources
- ▶ Duty for the use of public roads in Belarus by motor transport vehicles of foreign states
- ▶ Scrappage fee
- ▶ Stamp duty
- ▶ Consular duty
- ▶ State duty

- Patent fee
- Levy collected to finance government expenses

Local taxes and levies

The local government bodies set local taxes and levies. The Tax Code regulates the general rules applicable to these taxes and levies. Local taxes and levies include:

- Dog tax
- Resort duty
- Procurement duty

Special taxation regimes

Unified tax for manufacturers of agricultural products

Unified tax applies to (a) companies with revenue from the sale of manufactured agricultural products of at least 50% for the previous calendar year, and also to (b) companies with branches or other units which manufacture agricultural products and have a separate balance sheet and bank account, provided that their sales revenue from the manufactured agricultural products is at least 50%. The tax rate is 1%.

Simplified tax system

Companies may apply a simplified tax system provided that their average headcount is no more than 100 employees and their gross revenue is no more than BYN 1,159,800 (approximately USD 592,000) in the first nine months of the year preceding the year in which the taxpayer wants to apply the simplified tax system. Individual entrepreneurs

may apply when their gross revenue in the specified period is no more than BYN 126,700 (approximately USD 64,000). The tax base is the total amount of revenue from the sale of goods (work, services) and property rights as well as non-sale income.

Tax rates in the simplified tax system are the following:

- 5% for companies and individual entrepreneurs that do not pay VAT
- 3% for companies and individual entrepreneurs that do pay VAT
- 16% for companies and individual entrepreneurs with respect to goods (work, services) or property rights, other assets or cash received for free

Gambling tax

Gambling tax applies to game tables, game machines, pari-mutuel betting, bookmaker offices, and positive differences between bets accepted and

winnings paid (bet refunds). The Tax Code sets fixed tax rates for the gaming business per tax unit, excluding positive differences between bets accepted and winnings paid. The taxpayer must register these units with the tax authorities before their installation (use).

The income from gambling activity is not subject to:

- VAT, except for importation VAT
- Corporate profit tax

Lottery tax

The lottery tax base is the difference between the amount of income received from organizing and holding lotteries and the amount of the lottery prize. The lottery tax rate is 8%. Income from organizing and holding lotteries and sales turnover from lottery tickets (taking lottery bets) are not subject to:

- Corporate profit tax
- VAT



Unified tax on the activity of individual entrepreneurs and other individuals

Payers of the unified tax are individual entrepreneurs as well as individuals who are not engaged in entrepreneurial activity. The Tax Code establishes a list of taxable activities and basic rates in Belarusian rubels per month. The local authorities set the unified tax rates per month within these basic rate limits.

The Tax Code also provides for several unified tax benefits.

In addition to the special tax regimes already indicated, the law also envisages:

- Levy on handicraft activity
- Levy on farm tourism services
- Tax on income from gambling winnings
- Unified tax on imputed income

Customs

Overview

Customs regulation in Belarus is based on international standards. Belarus is a member of the World Customs Organization, the International Convention on Harmonized Commodity Description and Coding System (Brussels, 1983), the Convention on Temporary Import (Istanbul, 1990) and the International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Convention, Kyoto, 1973). Belarus is expected to enter the World Trade Organization (hereinafter, the "WTO"). In addition, Belarus is a party to the Eurasian Economic Union.

EEU Customs Code

The Customs Union was established in 1995. The main provisions of Customs Union legislation, however, were introduced only in 2009-2010. The Customs Union actually started to function on 1 January 2010 when the Unified Customs Tariff (a set of import duties applied by all three member states) and the unified system of non-tariff measures (licensing requirements on importation) were adopted.

The most significant changes took effect on 6 July 2010, when the Customs Code of the Customs Union went into effect. Currently, goods manufactured or released for domestic consumption in one member state may circulate in the other member states free of customs clearance and without payment of customs duties and VAT or any economic limitations. Such goods do not have to be placed under customs procedures.

There are several exceptions to the Customs Union rules. Certain goods must still be declared to the customs authorities when they are imported from one member state to another.

The agreement on the establishment of the Eurasian Economic Union (EEU) took effect on 1 January 2015. The EEU member countries include Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia. The EEU Customs Code will come into effect in mid-2017, replacing the Customs Union's Customs Code.

According to the draft EEU Customs Code, key customs provisions imposed by the Customs Union's Customs Code will remain in force in the EEU member countries.

In particular, goods manufactured or released for domestic consumption in an EEU member country can be freely moved within the EEU exempt from customs duties and without any customs clearance formalities or any other economic restrictions. Such goods are not subject to any customs procedure.

In addition, the draft provides for the introduction of mandatory electronic customs declarations, which will mostly replace written declarations that will be used only on rare occasions, along with an automated customs declaration registration procedure.

Import duties

Imported goods are generally subject to import customs duties and import VAT. Certain categories of goods (such as alcohol, tobacco and gasoline) are also subject to excise duties (see the section "Other national taxes" above).

Customs duty rates generally vary from 0% to 80% of the customs value of the goods. VAT is payable at the standard rate of 20%, which is calculated on the basis of the customs value and the customs duty. Import VAT paid by the importer is generally creditable against its output VAT.

The current customs tariff sets zero duty rates for books, some kinds of medicines, certain technological equipment and other goods. Humanitarian aid, goods needed to rectify the consequences of natural calamities, accidents or disasters as well as diplomatic goods are exempt from customs duties and VAT.

Export duties

Certain categories of goods (e.g., oil and petroleum products) are subject to export customs duties.

Customs value

Customs valuation in Belarus is based on WTO rules. The customs value of imported goods is usually determined as the value of the goods as indicated in the invoice plus certain other costs related to the importation of the goods, but not included in the transaction price. These additional costs are typically the costs of delivery of the goods to the border (e.g., transportation and insurance costs), royalties or other payments for the use of intellectual property, the costs of materials provided free of charge by the purchaser to the seller, etc. This method of calculation of the customs value of imported goods is called the transaction value method.

Normally, the customs value is based on CIP delivery terms (Incoterms 2010 - Carriage and Insurance Paid To). If the customs value cannot be estimated using the transaction value method, other methods may apply: the price of a transaction involving identical or similar goods, the deduction cost method, the summation cost method, or the reserve method.

Customs coding

At present, the Unified Customs Nomenclature of the Eurasian Economic Union applies in Belarus. This nomenclature is based on the Harmonized Commodity Description and Coding System of goods. In principle, the first

six digits of the commodity code should be identical in Belarus and in the EU, although there are sometimes differences in practice. It is possible to obtain a binding decision from the customs authorities concerning the classification of goods.

Customs procedures

All cross-border transfers of goods and vehicles in Belarus are carried out under customs procedures prescribed by the EEU's legislation. Each customs procedure has different clearance requirements. This has a considerable effect on the tariff and non-tariff barriers under import and export transactions. Below is a summary of the main customs procedures.

Release for domestic consumption

The customs procedure for release for domestic consumption is used when goods are imported into the customs territory of the EEU without the intention to re-export them. This is the most frequently used and the most straightforward procedure. Under this procedure, after the payment of customs duty, import VAT and customs clearance fees, the goods are in free circulation on the customs territory of the EEU.

Bonded warehouse

When goods are imported under the bonded warehouse customs procedure, they are kept in a special warehouse under the supervision of the customs authorities (customs bonded warehouse). The goods are kept under supervision until their sale to the final customers, their final use on the customs territory of the EEU or their re-export outside of the EEU. The payment

of customs duties and import VAT is postponed until the goods are removed from the customs bonded warehouse and sold to the final customers on the customs territory of the EEU.

Goods kept in a customs bonded warehouse must remain in an unchanged condition, i.e., it is prohibited to manufacture, assemble or transform goods stored in a customs bonded warehouse.

The period of storage of goods in a customs warehouse cannot exceed three years. After the expiration of the storage period, the goods should be placed under another customs procedure. If the goods are released for domestic consumption, customs duties and VAT are due. If the goods are re-exported outside of the territory of the EEU, no customs duties or import VAT are due.

Temporary importation

The temporary importation procedure is the customs procedure where goods may be used on the customs territory of the EEU either partially or fully exempt from customs duties and import VAT.

Goods may be brought into the customs territory of the EEU under the temporary importation procedure for up to two years (or 34 months for leased fixed assets).

Full exemption is granted in limited cases for goods that are intended to be used in non-sales operations. Typical examples of temporary importation with full exemption are the importation of goods for an exhibition or for testing on the customs territory of the EEU.

Partial exemption is granted in other instances where goods are to stay on the customs territory of the EEU for a limited period of time to be subsequently re-exported. In such instances, the importer makes customs payments in monthly installments of 3% of the total amount that will be payable as if the goods had been released for free circulation. These amounts are not refunded if the goods are re-exported.

Once the period of temporary importation has expired, the goods can be either re-exported out of the EEU or released for domestic consumption on the customs territory of the EEU. If the goods are

released for domestic consumption, accrued customs payments and penalty interest should be paid.

This procedure is widely used in practice, in particular in the case of importation for leasing in Belarus as well as by general contractors for construction projects.

Customs processing procedures

There are three different processing procedures.

Customs processing procedure on the customs territory. Companies use this procedure if their business involves processing goods on the customs territory

of the EEU. Under certain conditions, they are not subject to customs duty and import VAT with respect to goods imported into the customs territory of the EEU for processing. A bank guarantee may be required to secure the payments of customs duty and taxes that can be due in case of violation of the conditions for this procedure.

Once the goods have been converted into finished products, they should be exported. If the finished products are released for domestic consumption on the customs territory of the EEU, customs duty and import VAT, determined based on the value of the raw materials, and penalty interest should be paid.

Processing of goods for domestic consumption. Under this customs procedure, customs duty is payable only if finished products are released for domestic consumption on the customs territory of the EEU. Customs duty is determined based on the customs value of finished products. Raw materials imported for processing are exempt from customs duty, but are subject to import VAT. This procedure applies only to certain types of finished goods as determined by legislation.

Processing of goods outside the customs territory. The customs procedure for the processing of goods outside of the customs territory of the EEU allows exporting goods for processing and subsequent re-importation into the customs territory of the EEU. Customs duty and import VAT are due only on the added value, not the value of the imported goods. This procedure is very convenient



for goods that need to be exported for repair outside of the customs territory of the EEU.

CIS free trade regime

The free trade regime that is currently in force in the CIS means that customs duties are not applicable to the import of goods originating from the CIS countries to Belarus. It is necessary to import goods from another CIS country under an agreement between two CIS residents in order to use this benefit. VAT and excise duties are charged in this respect.

Eight CIS countries (Belarus, Russia, Armenia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan and Ukraine) signed the Free Trade Zone Treaty in St. Petersburg on 18 October 2011. Uzbekistan announced its intention to be a party to the treaty. The treaty took effect on 20 September 2012. On 31 May 2013, the parties signed a protocol with Uzbekistan on the implementation of the Free Trade Zone Treaty.

The Free Trade Zone Treaty abolishes import and export duties. It provides guarantees of the nondiscriminatory application of nontariff regulations and the national regime.

The document also provides for the abolition of quantitative restrictions in mutual trade and equalizes the parties in their rights in the event of state procurements. It also envisages freedom of transit and the possibility to apply special protective measures in mutual trade. It regulates the issues of providing subsidies, establishing technical trade barriers, applying sanitary measures and

introducing restrictions to ensure the balance of payments.

The Free Trade Zone Treaty replaced the current bilateral and multilateral free trade agreements between the member-countries.

The treaty differs significantly from the agreements effective in the CIS because it has an instrument obliging parties to honor their commitments if they do not meet their contractual obligations. The rules for resolving disputes, which are in the appendix to the treaty, are such an instrument.

Financial reporting and auditing

The general provisions of the accounting standards, including the Law "On Accounting and Reporting", envisage that the main aim of accounting is to establish full and accurate information about the activity of a company, its assets and liabilities.

The Law "On Accounting and Reporting" applies to legal entities of Belarus, their branches, representative offices and other units with their own balance sheet, foreign companies' representative offices, holding companies and simple partnerships (parties to a joint venture agreement).

Foreign companies' representative offices in Belarus base their accounting policies on the accounting and reporting principles stipulated in the Law "On Accounting and Reporting".

The Law "On Accounting and Reporting" does not apply to taxpayers covered by the simplified taxation regime.

The new Chart of Accounts and instructions on its application, as well as other regulatory documents based on International Financial Reporting Standards (IFRS), took effect on 1 January 2012. It allows for a gradual transition to the new accounting methodology and the convergence of Belarusian accounting with IFRS.

Key concept

The basic principles of accounting and financial reporting include going concern assumption, business entity concept, accruals, matching, accuracy, substance over form, prudence, neutrality, completeness, comprehensibility, comparability and relevance.

The application of these principles, however, may differ from the application that is common in other countries. For example, in practice Belarusian accounting tends to focus on form rather than substance; the laws are very specific as to the form of documents required to support a transaction. This emphasis on the legal form may override the application of other accounting principles.

The going concern assumption is relevant in Belarusian emerging market due to the possibility that some companies may not continue their business activity in their current financial position.

Accounting methods

Belarusian companies are required to keep accounting records in accordance with their accounting policies, signed by the chief accountant and the chief executive of the company or the individual entrepreneur providing accounting and financial reporting services, and approved by the chief executive of the company. Such policies stipulate the types of accounting estimates to be used, the company's chart of accounts, primary accounting forms developed for use by the company, the form of accounting used by the company, the procedure for stock-take of assets and liabilities, and other means of organizing and maintaining accounts that the company will use throughout the year.

Effective from 1 January 2013, companies use only the accrual method to recognize revenue from sales of products, goods, work performed and services rendered (proceeds are recorded in the reporting period in which the transactions were actually made, regardless of the date of settlement).

Foreign-currency transactions

Companies should make accounting entries and prepare financial statements in the national currency of Belarus.

For accounting purposes, foreign currency-denominated cash, financial investments (except for financial investments in the charter capital of other companies), receivables and liabilities (except for advances received and issued, and prepayments) should be converted into the Belarusian rubel at the official

rate set by the NBRB as of the date of the business transaction and the reporting date. The NBRB determines the exchange rate of the most widely used foreign currencies on the basis of trading on the Belarusian Currency and Stock Exchange during the previous day.

Fixed assets

Fixed assets are recognized at their historical cost or revalued amount or reappraised value. One of the following methods can be used to depreciate fixed assets:

- Linear method
- Nonlinear method (calculated by the direct sum-of-the-years' method, the inverse sum-of-the-years' method or the diminishing balance method with an acceleration multiplier of 1 to 2.5)
- Production method

A company independently determines the methods of depreciation and indicates them in its accounting policies.

The linear method is the most frequently used. Companies define a fixed asset's useful life on the date of its acquisition. The useful life frequently corresponds to a fixed asset's presumed lifespan, which can be adjusted for changes in the condition of the fixed asset. Although the methods and means of charging depreciation can be chosen somewhat freely, the range of available options has become narrower due to several legislative restrictions.

For accounting purposes, companies may determine the useful lives of fixed assets on their own, subject to statutory thresholds.

Whether there is a need to revalue fixed assets, construction in progress or uninstalled equipment (which are considered non-current assets) is determined based on the index published by the Belarusian National Statistical Committee. If this index attains the level of 100% or more, a reappraisal is done:

- For buildings, structures and transmitters - by all companies
- For other fixed assets, construction in progress and uninstalled equipment - by decision of the company or the owner of its assets

Fixed assets are revalued as at 1 January of the year following the reporting year and cover the period between the date of the previous revaluation and 31 December of the reporting year. A company must use one of the following three acceptable methods:

- Direct method
- Index method
- Currency value conversion method

The revaluation of homogeneous groups of fixed assets may be performed not more than once a year. Revaluation is not required for:

- Land and other environmental facilities, residential houses and libraries, movie stock, heritage and cultural items, theatrical equipment and supplies, leased property, and residential premises in apartment buildings
- Property located in areas contaminated by the Chernobyl nuclear accident
- Assets of consumers' cooperatives involved in the construction and/or operation of parking sites and individual



garages which belong to housing cooperatives, and other tenants' associations, constructors, horticultural societies and gardeners' partnerships (cooperatives)

- ▶ Disposable assets in the period from the date of the disposal decision until the actual disposal or the revocation of the disposal decision
- ▶ Construction in progress, except for installed equipment and ready-to-operate equipment within construction in progress

When companies are permitted by legislation to revalue assets, they may apply to:

- ▶ The entire property, except for buildings, structures and transmitters
- ▶ Selected fixed assets, income-bearing investments in tangible assets which belong to certain groups and subgroups or which are classified by certain fixed asset codes
- ▶ Selected fixed assets and income-bearing investments in tangible assets

- ▶ Equipment for installation, installed equipment and ready-to-operate equipment within construction in progress, which will be recorded as separate inventory item of fixed asset or income-bearing investments in tangible assets and assigned to a certain group, subgroup or fixed assets code

Inventories

Companies recognize inventories at their actual cost.

When inventories are released into production or otherwise disposed of, they are assessed using one of the following methods:

- ▶ Average cost
- ▶ Cost of the first inventories to be acquired (FIFO)
- ▶ Cost of each unit

One method for a group (type) of inventories is used during the reporting year, as determined in a company's accounting policies.

The first method is the most frequently used. The actual cost of inventories should include the cost of inventories at their purchase prices, including customs duties and levies, as well as the company's actual expenses for having the inventories delivered and rendered suitable for use.

Disclosure requirements

Companies must prepare annual statements and, in cases stipulated by the laws of Belarus, interim (quarterly, monthly) statements.

Commercial organizations' annual and interim statements (with the exception of monthly statements) consist of:

- ▶ Balance sheet
- ▶ Profit-and-loss statement
- ▶ Equity statement
- ▶ Cash flow statement
- ▶ Notes on the statements, as required by the laws of Belarus

Commercial organizations' monthly statements consist of the balance sheet.

The Ministry of Finance establishes the format for financial statements' presentation. Financial statements are drawn up in Belarusian and/or Russian languages. The reporting currency is the official currency of Belarus.

Reporting requirements

The reporting year for all (except newly established, reorganized or wound-up) companies is the calendar year from 1 January to 31 December. For newly established companies, it is from the date of their state registration to 31 December of the same year.



Companies present annual financial statements by 31 March of the year following the reporting year to the following:

- ▶ Owners of the companies' assets
- ▶ State bodies and organizations that have jurisdiction over them
- ▶ Other organizations in cases stipulated by Belarusian legislation

Starting 2014, companies are also obligated to submit annual financial (accounting) statements prepared in accordance with Belarusian legislation to the local tax authorities within the above mentioned time frames.

Annual financial statements should be considered and approved as prescribed by a company's founding documents.

According to Directive No. 185 of the NBRB of 27 September 2007, starting 2008, Belarusian banks must prepare annual financial statements in accordance with IFRS together with statutory financial statements in accordance with

Belarusian legislation. The NBRB relies on the IFRS financial statements to gain a comprehensive understanding of the company's financial and non-financial risk management, ownership structure, related party transactions and other aspects of their business.

Public-interest entities (open joint stock companies that are founders of unitary enterprises and/or parents of subsidiary companies, banks and nonbanking credit and financial institutions, and insurance companies) must prepare annual consolidated IFRS statements in the official currency of Belarus for 2016 and subsequent years. The annual statements of such organizations, along with related audit report, must be submitted by 30 June of the year following the reporting year to the Ministry of Finance of the Republic of Belarus (banks should submit it to the National Bank of the Republic of Belarus) and published on the Internet site of the public-interest entity by 31 July of the year following the reporting year.

The NBRB issued Directive No. 657/20 on 19 August 2016 to introduce a technical legislative framework on 1 January 2017 comprising 42 IFRS Standards and 26 Interpretations issued by the International Financial Reporting Standards Foundation. Thus, Belarus has established the statutory requirement for a number of Belarusian companies to prepare their financial statements in compliance with IFRS in an attempt to increase corporate reporting transparency for investors and lenders.

Annual financial statements of the following companies should be made public:

- ▶ Banks and nonbanking credit and financial institutions
- ▶ Insurance and reinsurance companies, insurance brokers
- ▶ Open joint-stock companies
- ▶ Issuers of securities

All companies registered with the Belarusian Currency and Stock Exchange present quarterly financial statements (balance sheet, profit-and-loss statement, etc.) and additional information to the Ministry of Finance within 30 calendar days after quarter end. They also present annual financial statements within 30 calendar days after the end of the financial year.

Audit requirements

The following organizations are subject to obligatory statutory audit of financial statements:

- ▶ Joint-stock companies that must release annual reports for the general public in accordance with Belarusian legislation
- ▶ National Bank of the Republic of Belarus
- ▶ Banks, banking groups and bank holding companies
- ▶ Stock-exchanges
- ▶ Insurance companies and insurance brokers
- ▶ HTP (high-tech park) residents
- ▶ Institutions that provide individual deposit insurance coverage
- ▶ Professional participants of the securities market
- ▶ Other companies whose revenue in the previous reporting year exceeds the equivalent of EUR5 million at the official rate of the NBRB at 31 December of the previous reporting year

Annual IFRS financial statements are subject to a statutory audit, if such financial statements have to be prepared in accordance with Belarusian legislation.

Discrepancies between IFRS and the Belarusian statutory accounting principles

The Belarusian requirements for commercial companies are based on the Civil Code, the Law "On Accounting and Reporting", the company's chart of accounts, incorporate accounting regulations and legal acts of the Ministry of Finance and the NBRB. While a number of requirements formally follows IFRS, their application and interpretation may be materially different.

Despite the existence of accounting standards in the banking system and in legal acts of the Ministry of Finance, Belarusian statutory accounting depends on various orders and letters issued by the Ministry of Finance and the NBRB that prescribe accounting methods and approaches.

These and other circumstances may result in departures from the standard requirements and consequently in more inconsistencies with IFRS in addition to those outlined below. The major differences are as follows:

- ▶ Definition of reporting and functional currency (financial statements for Belarusian statutory purposes must be prepared in the official currency of Belarus only)
- ▶ The mandatory existence of supporting documentation prepared in accordance with the prescribed format for both accounting and tax purposes
- ▶ The impact of hyperinflation is not reflected in the Belarusian accounting system

- ▶ In spite of the existing guidance for the preparation of consolidated financial statements, which requires parent company to prepare separate and consolidated financial statements if it has subsidiaries, the order is not fully complied with and enforced. With IFRS, on the other hand, the consolidation concept must be fully applied
- ▶ The regular revaluation of entire classes of fixed assets under the Belarusian statutory accounting principles is allowed under the prescribed rules
- ▶ Differences in the accounting for equity and reserves

Accounting and reporting in the banking system is more developed in terms of IFRS concepts (e.g., goodwill).

The use of different national statutory accounting standards and legal acts makes the comparison of opportunities and financial decisions more difficult and costly for the potential investor or user of the financial statements. Differences in accounting standards between IFRS and the Belarusian statutory accounting principles also result in additional costs on companies that must prepare financial information based on multiple reporting models in order to raise capital in different markets. The differences also create potential confusion as to which numbers are real. Both the gradual transition to IFRS under the guidance of the Council of Ministers and the future adoption of new laws on the preparation of consolidated financial statements in accordance with IFRS are extremely important steps for the development of accounting in Belarus and for the global convergence of accounting principles.

Individuals



Employment

The Belarusian labor market has become, to a large extent, an employee's market. The lack of qualified employees in some industries has become critical, making for intense competition. There are a variety of reasons for this, including a decrease in the Belarusian population and a certain loss of educational level. Together, these factors have led to a decrease in the qualified labor force in Minsk and other regions.

The situation radically changed fairly recently due to the economic crisis. Many companies have had to reduce their headcount or introduce part-time employment in addition to cutting employee benefits.

The Belarusian Labor Code

The Belarusian Labor Code (hereinafter, the "Labor Code") forms the basis of labor relations in Belarus. It establishes procedures for the hiring and dismissal of employees, as well as regulations concerning working time, vacations, business trips, salary payment, etc. The Labor Code continues to be very protective of employees. The Decree of the Belarusian President No. 29 of 26 July 1999 operates along with the Labor Code and sets the details of fixed-term employment agreements.

Belarusian labor law covers not only Belarusian citizens, but also expatriates working in Belarus, provided that the employment agreement is entered into in Belarus.

Normal working hours in Belarus are eight hours per day and 40 hours per week. Belarusian law is stringent in limiting overtime hours. Under the Labor Code, overtime work may technically be required only with the employee's consent and should be compensated at an increased rate or by provision of additional days off. The maximum duration of overtime work within a year is 180 hours, provided that an employee does not work more than 10 hours of overtime per working week. A working day which includes overtime work should not be longer than 12 hours. It is possible to establish a non-standard work schedule without fixed hours, but the employee must then be provided with up to seven days of additional annual vacation.

In general, employees must be granted at least 24 calendar (as opposed to working) days of paid vacation a year.

Maternity leave (generally 126 calendar days) is compensated by the Social Security Fund usually in the amount of 100% of average pay, but it shall not be higher than three times the average pay in Belarus in the month preceding maternity leave. Upon giving birth to a child, mothers are entitled to receive a onetime allowance of approximately USD 890 or more (depending on the number of children in the family). Employees are also eligible to take childcare leave for children under three years old. In this case, the employer must pay a monthly allowance of about USD 128 per month or more (depending on the number of children in the family), which is financed by the Social Security Fund.

Employees are also compensated for periods of illness by the Social Security Fund: 80% of their average salary for working days of the first six calendar days of illness and 100% for the rest of the days of illness.

Labor regulations in Belarus guarantee additional vacation time and several other benefits for individuals working in hazardous and/or dangerous conditions.

Recruitment

In addition to a written employment agreement with an employee, recruitment must be supported by internal documentation through the issuance of a formal appointment order by the employer. This order states the name, position and date of appointment of the new employee. According to the labor law, it is normal for an employment agreement to be entered into for an indefinite term.

In fact, entering into a fixed-term employment agreement under the above-mentioned Decree No. 29 is used even more often in Belarus because it provides notable benefits for employers. These benefits include, inter alia, the possibility of entering into an agreement for one year (and up to five years) irrespective of the employer's industry and the type of work to be done, as well as broader grounds for an employer to terminate a contract on its own initiative.

An employer hiring an employee may usually establish a probation period with a maximum duration of three months.

The employer is also responsible for the proper maintenance of labor books for each employee. If the place of employment is the first one for the employee, the employer must arrange for the issue of a labor book and a social security certificate for the employee.

Termination

An employee may be terminated for one of the reasons listed in the Labor Code. The procedure for termination is also provided in the Labor Code and should be strictly followed to reduce the risk of challenge in court. The Labor Code provides for the following general grounds for employment termination:

- ▶ Mutual consent of the parties
- ▶ The expiry of the term of the employment agreement (in case of a fixed-term agreement)
- ▶ The employee's initiative
- ▶ The employer's initiative
- ▶ Circumstances beyond the parties' control (force majeure) and other reasons

As for the employer's right to terminate the employment agreement, the employer may terminate employment only if certain conditions are met. An employment agreement may be terminated by the employer in the event of certain violations committed by the employee or a repeated failure by the employee to perform his or her job duties properly. The employer may also terminate an agreement in the case of events such as the liquidation of a company, staff reduction, and the unsuitability of the employee for the position held or work performed. In the

latter case, the unsuitability should be confirmed by the results of attestation, which is also a statutory regulated procedure.

The Labor Code envisages the right of the employer to terminate an employment agreement with an employee during the probation period if the results of the probation are unsatisfactory. The employer must give at least three days' notice in case of early termination. It is also possible to give notice on the last day of the probation period.

Remuneration

The remuneration of employees depends on their level of qualification and the complexity, content, specifics and general conditions of the work.

Until recently, commercial companies and individual entrepreneurs were obliged to use the Unified Wage Tariff system to calculate remuneration. This restrained competition on the labor market.

Since 1 June 2011, commercial companies (both state and private) and individual entrepreneurs are no longer obliged to apply the Unified Wage Tariff system and may use it in their own discretion.

The Unified Wage Tariff system is a tool for setting tariff rates on the basis of a system of wage grades and corresponding tariff indexes. Based on the Unified Wage Tariff system, an employer must set a unified first rate tariff that will be multiplied by the tariff index for employee salary settings.



At present, many employers have begun to establish salaries and wages without using the Unified Wage Tariff system (e.g., in the Belarusian rubel equivalent of conventional units or foreign currency). Salaries and wages must be paid in Belarusian rubels irrespective of the established procedure for determining them.

Work under a civil law agreement

Besides an employment agreement, an employee can also enter into a civil law agreement for performing work or providing services. The Labor Code does not apply to such agreements. The Civil Code and Presidential Decree No. 314 of 6 July 2005 regulate civil law agreements and the legal relations arising from them. Certain guarantees provided under the Labor Code, including paid leave, do not apply to relations that arise from civil law agreements.

A civil law agreement must be in writing and provide for, inter alia, the following items:

- ▶ A procedure for settlements by the parties, including the amounts to be paid
- ▶ The obligation of the client (in other words, of the employer) to pay social security contributions for individuals (in other words, for employees)
- ▶ Obligations of the parties to ensure safe working conditions and liability for failing to maintain them
- ▶ Grounds for the early termination of the civil law agreement

- ▶ Obligations on the part of the client to pay a penalty amounting to at least 0.15% of the unpaid amount for every day of delay if the client fails to pay on time

Migration

Entering and staying in Belarus for foreign individuals

To enter Belarus, a foreign citizen must obtain a visa. Different types of visas are outlined below.

Belarus is due to introduce five-day visa-free travel for citizens of 80 countries on 12 February 2017, including EU member states.

The visa-free procedure will be in effect for foreigners entering Belarus for a temporary, five-day stay via a border crossing at Minsk National Airport.

According to the general rule, foreigners arriving in Belarus are required to register with the Belarusian Foreign Ministry, the local police station, their hotel, spa center or other place of temporary stay within five days of the entry date, excluding Sundays and public holidays that are official nonworking days. Russian citizens are exempt from the registration requirement if they stay in Belarus for fewer than 90 days after the entry date. For citizens of Kazakhstan, Armenia, Kyrgyzstan, the UAE, Lithuania, Ukraine and Latvia, this period is 30 days.

Foreign citizens who have a valid permanent residency permit don't need to obtain any visa to enter and exit Belarus.

I. Entry visas

The entry visa gives a foreign citizen the right to enter, stay in and depart from Belarus. As a rule, it is issued by Belarusian diplomatic missions and consulates in foreign states. A foreign citizen can also apply for a Belarusian visa in the airport upon arrival.

Entry visas are classified into transit visas (issued for transit across Belarus), short-term visas (issued for up to 90 days) and long-term visas (issued for up to one year with the right to stay for 90 days). There are single-, double- and multiple-entry visas.

A short-term entry visa (category "C") is issued for the requested period, but for not more than 90 days, inter alia, for the following purposes:

- ▶ A business trip, on the basis of an invitation from a Belarusian legal entity
- ▶ Private matters, on the basis of, inter alia, an invitation from an individual
- ▶ Work (the right to be employed), on the basis of a notarized copy of a special working permit

A long-term entry visa (category "D") is issued for multiple entries into Belarus, inter alia, for the following purposes:

- ▶ Maintaining business contacts, on the basis of a request from a Belarus legal entity and other visa-support documents confirming the existence of business contacts with the host company

- ▶ Private matters, on the basis of, inter alia, an invitation from an individual
- ▶ Work (the right to be employed): for citizens of “migration safe countries”, on the basis of a relevant request from the Belarusian representative office of a foreign company (including a bank), as well as a notarized copy of a special work permit and other documents

II. Temporary residency permit

A temporary residency permit is a document that allows a foreign citizen to reside in Belarus during its validity.

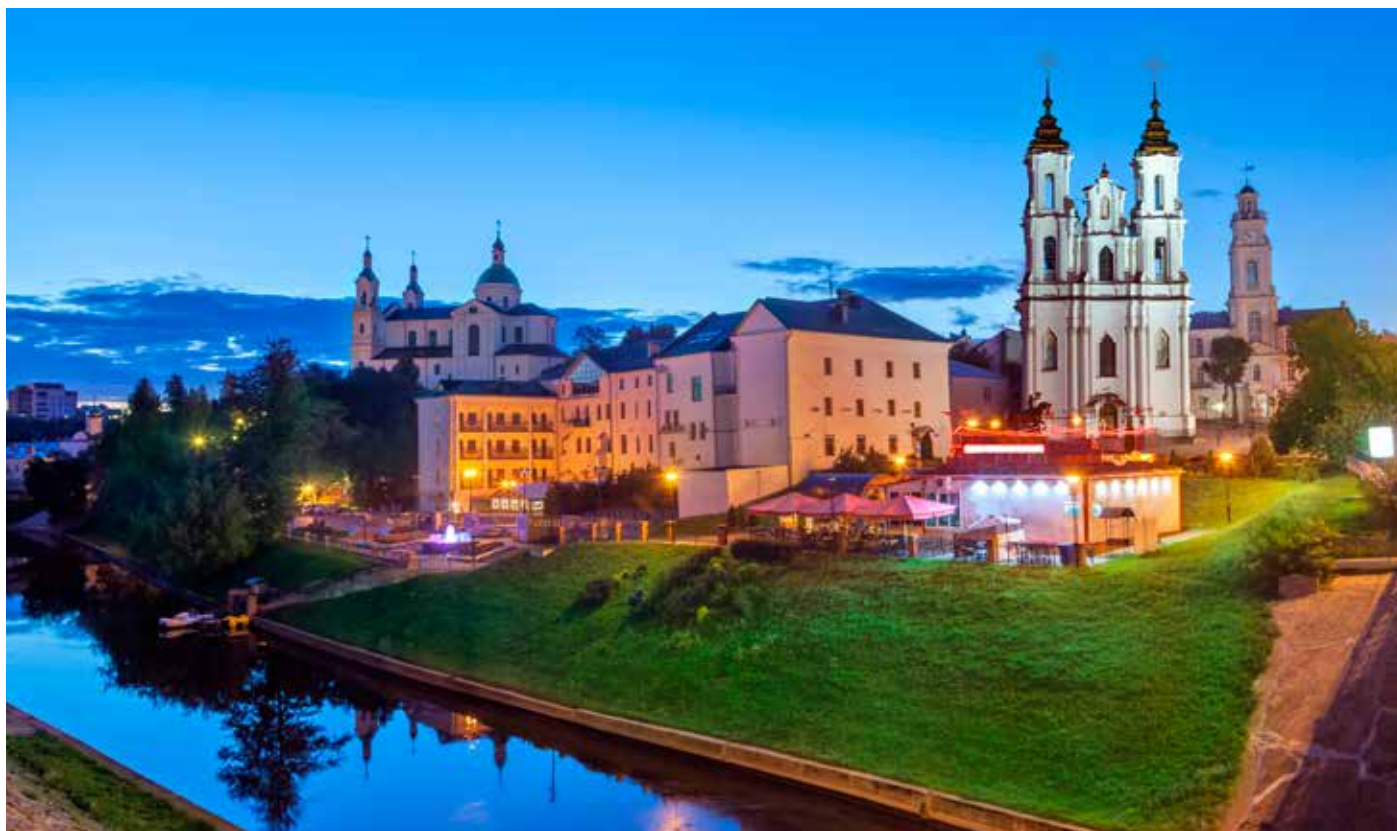
A foreign citizen may obtain a temporary residency permit, inter alia, if he or she comes to Belarus to work or carry out entrepreneurial activity. A temporary residence permit is given for a period of up to one year and allows foreign citizens to stay in Belarus without a visa. A temporary residence permit may also be issued to family members of a foreign citizen who has received a temporary residence permit, provided that there is a legal source of income that will allow the foreign citizen and his or her family members to maintain a minimum

subsistence level as established in Belarus during his or her temporary residence.

III. Visa for exiting and entering Belarus

A foreigner who has a temporary residency permit can periodically leave Belarus and re-enter if he or she has a valid visa.

If an entry visa has expired, a foreigner can receive an exit-entry visa. It is issued by the Citizenship and Migration Department of the Ministry of Internal Affairs at the place of the foreigner’s temporary residence.



A multiple exit-entry visa is issued to foreign citizens who have received a temporary residence permit for one year, but for not longer than the validity period of the temporary residency permit.

Employment of foreign individuals

The employment of a foreign individual who has no permanent residency permit and intends to come to Belarus for the purpose of employment must undergo a multi-stage procedure that both the employer and the foreign individual must complete.

The employment of foreign individuals includes the following steps:

- ▶ The employer receives a permit to engage foreign manpower (see the section “Permission to hire foreign workers” below)
- ▶ The employer receives a special permit for each foreign employee to work in Belarus (see the section “Special permission to work as an employee in Belarus for a particular employee” below)
- ▶ The employer concludes an employment agreement with the employee and registers it (see the section “Registration of employment agreements” below)
- ▶ The employee receives a Belarusian entry visa (see the section “Entry visas” above)
- ▶ The employee is registered with the local bodies of internal affairs upon arrival in Belarus. Subsequently, the employee may obtain a permanent residence permit (see the section “Temporary residency permit” above)

I. Permission to hire foreign workers

To hire more than 10 foreign workers, excluding highly skilled workers and a founder of a company hired to fill the position of CEO at this company, the employer should apply for a special permit to employ foreign workers in Belarus.

To receive this permission, the employer must submit original and notarized copies of all required documents to the Citizenship and Migration Department of the Ministry of Internal Affairs. The permission is valid for one year.

II. Special permission to work as an employee in Belarus for a particular employee

After the above permission is obtained (if required), the Belarusian employer should obtain special permission for each employee to work as an employee in Belarus. If a foreign individual plans to work for several Belarusian employers, he or she must receive a special permit to work for each of them.

The Belarusian Ministry of Internal Affairs issues this permission for a period of one year, and it may be extended by one year. For highly skilled foreign workers, such permits may be granted for two years and may be extended for the same period.

A foreign citizen or stateless person is considered a highly skilled worker if they have special professional knowledge, skills and abilities as certified by education certificates, and relevant work experience of no less than five years, with such employees’ monthly pay set in the employment contract at more than 15 times the statutory minimum wage (at around USD 2,030 a month).

III. Registration of employment agreements

The employer must register employment agreements and any amendments to them regarding binding conditions, termination clauses, the modification or extension thereof, as well as conditions for the movement of the immigrant employee to Belarus and their package (meals, accommodation and health care) within one month of the signing date. The term of the labor agreement must not exceed the term of the special permission for employment.

Personal income tax

Taxpayers

Individuals pay personal income tax (hereinafter, “PIT”).

Taxable income

The following are subject to PIT:

- ▶ Income from sources inside and outside Belarus received by Belarusian tax residents
- ▶ Income from sources in Belarus received by Belarusian tax nonresidents

Belarusian tax residents are individuals who have been on Belarusian territory for more than 183 days in a calendar year. Individuals who do not meet that requirement are tax nonresidents.

Income from sources in Belarus

Income from sources in Belarus includes:

- ▶ Compensation for the performance of the job and other duties, work performed, services rendered, action or

inaction paid by Belarusian companies, Belarusian individual entrepreneurs, foreign companies operating in Belarus through a permanent establishment or representative offices opened by foreign companies in Belarus, irrespective of where these taxpayers fulfilled their obligations or from where such compensation has been sourced

- ▶ Pension, benefits, stipends and other similar payments received in accordance with Belarusian legislation
- ▶ Dividends and interest received from a Belarusian company and/or interest received from a Belarusian individual

entrepreneur and/or a foreign company in connection with its activity through a permanent establishment in Belarus

- ▶ Insurance compensation and/or support in the event of an insurance case received from a Belarus insurance company and/or a foreign company engaged in activity through a permanent establishment in Belarus
- ▶ Income from intellectual property use in Belarus
- ▶ Income from the lease or other use of Belarusian property
- ▶ Income from the sale of Belarusian immovable property

- ▶ Income from the sale on Belarusian territory of securities or shares (participatory interest in the charter capital of companies) and income from the sale of Belarusian shares (participatory interest in the charter capital of Belarusian companies), etc.

Tax rates

Standard tax rate	13%
Income in the form of winnings (or returned stakes on events that did not take place) received by individuals from a Belarusian company engaged in the gambling business	4%
Income received by employees of HTP residents under employment contracts (apart from employees engaged in the maintenance and security of buildings, premises and land)	9%
Income received by individual entrepreneurs who are HTP residents	9%
Income received by individuals participating in the implementation of a qualifying business project in the field of new technologies and high tech from HTP nonresidents under employment contracts	9%
Income of individuals in the form of compensation paid under employment agreements by legal entities or individual entrepreneurs registered in southeastern areas of the Mogilev region in the period from 1 July 2015 through 31 December 2020 and engaged in the manufacture of goods (or otherwise working or providing services) in such areas	10%
Income received by Belarusian individual entrepreneurs (notaries, advocates) from entrepreneurial (notarial, private advocacy) activities	16%
Income calculated by the tax authorities based on the amount by which expenses exceed income in accordance with legislation	16%

Tax collection procedure

In most cases, PIT is calculated, withheld and paid by tax agents. Tax agents are Belarusian companies, Belarusian individual entrepreneurs (notaries and lawyers), foreign companies engaged in activity in Belarus through a permanent establishment and Belarusian-based representative offices of foreign companies from which the taxpayer has received income.

Tax agents pay PIT no later than the day following the day on which the income was paid.

Individuals have to submit a tax return to the tax authorities and pay PIT themselves in the following cases:

- ▶ When income is received from individuals who are not tax agents
- ▶ When income is received by a Belarusian tax resident from a source outside Belarus
- ▶ When tax agents do not withhold income tax from an individual's income
- ▶ When income is received from entrepreneurial activity after an individual entrepreneur has lost his status

Individuals submit an annual tax return no later than 1 March of the year following the reporting calendar year and pay the tax no later than 15 May of the year following the reporting year.

Tax deductions

PIT payers may apply tax deductions as follows:

- ▶ In the amount paid for education in Belarusian educational institutions when receiving a first higher, a first secondary specialized or a first vocational technical education, and also in the amount used to repay loans received from Belarusian banks and/or from Belarusian companies and/or from Belarusian individual entrepreneurs (including interest in the majority of cases). The amounts paid by a taxpayer to train persons closely related to him or her are also deductible
- ▶ In the amount that does not exceed BYN 2,874 (approximately USD 1,467) during a tax period, paid to Belarusian insurance companies (refunded by the taxpayer to the tax agent) as insurance premiums under voluntary life insurance and additional pension agreements entered into for at least three years, and under agreements for voluntary insurance of medical expenses
- ▶ In the amount of the expenses actually borne by the taxpayer and his or her family members who are registered as persons in need of better living conditions in connection with construction, including through acquiring housing bonds or a single-family house or apartment in

Belarus, including under rent-to-own agreements, and the repayment of loans to Belarusian banks or Belarusian companies or Belarusian individual entrepreneurs (including interest, except for interest on overdue loans and overdue interest)

- ▶ In the amount of the documented expenses actually incurred on the acquisition of property or its disposal (except for the sale of securities and fixed-term financial instruments or interest in the charter capital of a company deemed to be an asset portfolio)

These tax deductions are granted by the tax agent (employer at the main place of work) or by the tax authorities when an individual submits a tax return. A taxpayer may apply several standard tax deductions. For example, most taxpayers may apply a standard tax deduction of BYN 93 (approximately USD 47) per month if they receive income of no more than BYN 563 (approximately USD 287) per month and of BYN 27 (approximately USD 14) per month for each child under 18 years old and/or each dependent.



Tax exempt income

The following income of Belarusian tax residents is exempted:

- ▶ Benefits for state social insurance and state social security, except for temporary disability benefits (e.g., there is no income tax on maternity and childcare benefits until the child is three years old) and unemployment benefits
- ▶ Pension received according to Belarusian legislation and/or the legislation of foreign states
- ▶ All types of compensation envisaged by legislative acts and resolutions of the Council of Ministers (except for compensation for unused work leave and the deterioration of transport vehicles, equipment, instruments and devices belonging to an employee)
- ▶ The amounts of material aid provided in accordance with legislation
- ▶ Income from individuals who are not individual entrepreneurs that is not over BYN 5,555 (roughly USD 2,836), and in the amount received from all sources during the tax period as gifts or gratuitously as real estate under a rental agreement
- ▶ Income from the payable disposal of one house, one apartment, one cottage and one land lot (or other similar real estate) within five calendar years
- ▶ Income from the payable disposal of one automobile within one calendar year
- ▶ Income from the sale of inherited property
- ▶ Income from the sale of other assets (subject to certain limitations)
- ▶ Alimony payments and other types of income



Payroll taxes

Examples of payroll tax calculation

The example is prepared on the assumption that a company employs a qualified welder at USD 24,000 gross per annum.

Contributions to the Social Security Fund

Payers of social security contributions

Payers of social security contributions are:

- ▶ Legal entities, their representative offices, branches, individual entrepreneurs, notaries engaged in notarial activity in a notary's office, and lawyers providing legal services and/or employing individuals under employment or civil law contracts for the provision of services, performance of work, and creation of intellectual property, as well as representative offices of foreign companies operating in Belarus
- ▶ Individuals employing other individuals under employment contracts, as well as individuals running a rural tourism business as individual entrepreneurs not subject to state registration (this report does not provide further comments on this matter)
- ▶ Legal entities providing work on the basis of membership (participation) in other legal entities of any organizational and legal form
- ▶ Working individuals who are Belarusian citizens, foreign citizens or stateless

persons working under employment contracts and/or civil law contracts or on the basis of membership (participation) in legal entities of any organizational and legal form or individuals who are property owners (participants, members, founders) of a legal entity and act as its manager

- ▶ Individuals independently paying social security contributions and individuals without individual entrepreneur status running a rural tourism business (this report does not provide further comments on this matter)

Earnings subject to social security contributions

All payments in cash or in nonmonetary form are subject to social security contributions, including payments under civil law contracts. The tax base for social security contributions is limited to five times the average salary in Belarus the previous month.

Types of payments which are exempt from social security contributions are stipulated by law. These include certain types of material aid, compensation and one-time payments.

Expenses	USD
I. Employer's expenses	
1. Social security contribution The rate is set at 34%, gross salary but not higher than USD 1,832 per month (average salary in Belarus multiplied by five)*	7,475
2. Obligatory insurance contributions for cases of casualty at work or work-related diseases The rate is set at 0.6%, the base rate at the equivalent of gross income	144
3. Obligatory contributions for professional pension insurance The maximum rate is set at 9%, the base rate at the equivalent of gross salary but not higher than USD 1,099 per month (average salary in Belarus multiplied by three)*	1,187
4. Total annual expenses of the employer per each employee	32,806
II. Employee's expenses	
1. Social security contribution The rate is set at 1%, the base rate at the equivalent of gross salary but not higher than USD 1,832 per month (average salary in Belarus multiplied by five)*	220
3. Personal income tax withheld from employee (13% of gross income)	3,120
4. Net annual income per each employee	20,660

* To calculate, we used the average salary in Belarus in November 2016, which amounted to BYN 717.6, and the NBRB's rubel exchange rate of BYN 1.9585 against the US dollar.

Foreign citizens who are employed or registered as individual entrepreneurs in Belarus must pay social security contributions in the same manner as Belarusian nationals in accordance with Belarusian legislation.

Social security contribution rates

Taxpayers pay the following social security contributions as a lump sum:

- ▶ Mandatory social security contributions for retirement, disability and loss of a breadwinner (pension insurance) at 29%. These contributions include 28% paid by the employer and 1% by the employee; in this case, an employer directly withholds and pays the tax.
- ▶ Mandatory social security contributions for temporary disability, maternity, etc. at 6%.

Other social security contribution rates for retirement, disability and loss of a breadwinner are set for certain categories of taxpayers (e.g., employers engaged in agricultural production, consumer cooperatives, social associations for disabled persons, etc.).

Payment of social security contributions and reporting

Taxpayers file a report on social security contributions quarterly no later than the 20th of the month following the reporting quarter.

Taxpayers providing work under employment contracts pay contributions no later than the day set for paying salaries for the preceding month.

Taxpayers providing work under civil law contracts based on membership

(participation) in legal entities of any organization and legal forms pay contributions on days when remuneration is paid under the contracts, but no later than the day set for paying salaries for the preceding month. Should the day for paying salaries for the preceding month be later than the 29th of the month following the preceding month, the contributions are paid no later than the 20th day of the month following the preceding month.

Companies with an average headcount of up to 100 employees in a single calendar year must pay such contributions at least once a quarter but no later than the 20th of the month following the reporting quarter.



Professional pension insurance contributions

Professional pension insurance covers employees engaged for a full workday in underground work or in work in especially harmful and hard conditions, as well as employees of certain professions.

Contributions are paid for all types of payments made in cash or nonmonetary form. The base is limited by three average salaries of employees in Belarus for the month preceding the month for which these contributions are paid. Exemptions similar to exemptions established for the social security contribution apply to professional pension insurance contributions.

The professional pension insurance contribution rate varies from 1.5% to 9%.

The payment and reporting requirements are similar to those established for social security contributions.

Compulsory insurance contributions to the Belarusian Republican Unitary Insurance Enterprise "Belgosstrakh" for work-related injuries and occupational illnesses

The tax base is all types of payments made to individuals subject to compulsory insurance against work-related injuries and occupational illnesses. Contributions are not charged for payments that are exempt from social security contributions.

The payroll serves as the tax base for compulsory insurance against work-related injuries and occupational illnesses. The tax rate is 0.6%. The Belarusian Republican Unitary Insurance Enterprise "Belgosstrakh" may increase or decrease the rate for each taxpayer depending on the type of professional risk.

Contributions should be paid no later than the 25th of the month following the reporting quarter in which employees receive payment. Foreign citizens residing in Belarus may not refuse to participate in this compulsory insurance program.



Appendices



Appendix 1: Useful addresses and contact information

When making international phone calls, dial the Belarus code: + 375.

Presidential Administration

K. Marksa st. 38
Minsk, 220016,
Belarus
Tel.: + 375 17 222 3741
www.president.gov.by

Council of Ministers

Sovetskaya st. 11
Minsk, 220010
Belarus
Tel.: +375 17 222 6046
www.government.by

National Agency for Investment and Privatization

Bersona st. 14
Minsk, 220030
Belarus
Tel.: +375 17 200 8175
www.investinbelarus.by

Belarusian Chamber of Commerce and Industry

Kommunisticheskaya st. 11
Minsk, 220029
Belarus
Tel.: +375 17 290 7249
www.cci.by

National Bank of the Republic of Belarus

Nezavisimosti ave. 20
Minsk, 220008
Belarus
Tel.: +375 17 306 0002
www.nbrb.by

Ministry of Economy

Bersona st. 14
Minsk, 220030
Belarus
Tel.: +375 17 222 6048
www.economy.gov.by

Finance Ministry

Sovetskaya st. 7
Minsk, 220010
Belarus
Tel.: +375 17 222 6137
www.minfin.gov.by

Ministry of Foreign Affairs

Lenina st. 19
Minsk, 220030
Belarus
Tel.: +375 17 327 2922
www.mfa.gov.by

Ministry of Internal Affairs

Gorodskoy Val st. 4
Minsk, 220030
Belarus
Tel.: +375 17 218 7989
www.mvd.gov.by

Ministry of Taxes and Levies

Sovetskaya st. 9
Minsk, 220010
Belarus
Tel.: +375 17 229 7929
www.nalog.gov.by

State Customs Committee

Mogilevsakaya st. 45/1
Minsk, 220007
Belarus
Tel.: +375 17 218 9000
www.customs.gov.by

Ministry of Justice

Kollektornaya st. 10
Minsk, 220004
Belarus
Tel.: +375 17 306 3730
www.minjust.gov.by

Ministry of Agriculture and Food

Kirova st. 15
Minsk, 220030
Belarus
Tel.: +375 17 327 3751
www.msph.minsk.by

Ministry of Communications and Informatization

Nezavisimosti ave. 10
Minsk, 220050
Belarus
Tel.: +375 17 287 8706
www.mpt.gov.by

Ministry of Health

Myasnikova st. 39
Minsk, 220048
Belarus
Tel.: +375 17 222 6547
www.minzdrav.gov.by

Ministry of Education

Sovetskaya st. 9
Minsk, 220010
Belarus
Tel.: +375 17 327 4736
www.edu.gov.by

Ministry of Emergency Situations

Revolutsionnaya st. 5
Minsk, 220050
Belarus
Tel.: +375 17 229 3401
www.mchs.gov.by

National Statistical Committee

Partizansky ave. 12
Minsk, 220070
Belarus
Tel.: +375 17 367 5200
www.belstat.gov.by

State Security Committee

Nezavisimosti ave. 17
Minsk, 220030
Belarus
Tel.: +375 17 219 9230
www.kgb.by

State Control Committee

K. Marksa st. 3
Minsk, 220030
Belarus
Tel.: +375 17 327 4711
www.kgk.gov.by

Appendix 2: Currency exchange rates (as of the end of the period) adjusted for the 2016 redenomination

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
USD/BYN	0.2140	0.2150	0.2200	0.2863	0.3000	0.8350	0.8500	0.9510	1.1850	1.8569	1.9585
EUR/BYN	0.2817	0.3166	0.3077	0.4106	0.3972	1.0800	1.0990	1.3080	1.4380	2.0300	2.0450
100 RUB/BYN	0.8113	0.8761	0.7689	0.9466	0.9844	2.6100	2.7500	2.9050	2.1450	2.5533	3.2440

Source: National Bank of the Republic of Belarus

Appendix 3: Economic indicators

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Nominal GDP (USD billion)	45.3	60.8	49.2	55.1	58.8	63.3	72.8	75.8	54.9	n/a
Real annual GDP growth (%)	108.6	110.2	100.2	107.7	105.5	101.7	101.0	101.7	96.2	97.4
Inflation rate (%)	108.4	114.8	113.0	107.8	153.3	159.3	118.3	118.1	113.5	110.58
Industrial output growth (%)	108.6	111.3	96.9	111.7	109.1	105.8	95.2	102.0	93.4	99.6
Unemployment rate (%)	1.0	0.8	0.9	0.7	0.6	0.5	0.5	0.5	1.0	0.8

Source: National Bank of the Republic of Belarus, National Statistical Committee of the Republic of Belarus

Appendix 4: Withholding tax rates for companies that do not operate through a permanent establishment in Belarus, in accordance with double tax treaties

Belarus has double tax treaties with the following countries: Armenia, Austria, Azerbaijan, Bahrain, Bangladesh, Belgium, Bulgaria, China, Croatia, Cyprus, the Czech Republic, Egypt, Estonia, Finland, Georgia, Germany, Hungary, India, Iran, Ireland, Israel, Italy, Kazakhstan, Kuwait, Kyrgyzstan, Laos, Latvia, Lebanon, Lithuania, Macedonia, Moldova, Mongolia, the Netherlands, North Korea, Oman, Pakistan, Poland, Qatar, Romania, the Russian Federation, Saudi Arabia,

Singapore, the Slovak Republic, Slovenia, the Republic of South Africa, South Korea, Sri Lanka, Sweden, Switzerland, Syria, Tajikistan, Thailand, Turkey, Turkmenistan, Ukraine, the United Arab Emirates, Uzbekistan, Venezuela, Vietnam and Yugoslavia (effective for Serbia).

Belarus also signed a double tax treaty with Indonesia and Libya, but they have not yet taken effect.

Belarus has double tax treaties as a legal successor to the USSR with the following countries: Denmark, France, Japan, Malaysia, Spain, the UK and the USA. According to the Ministry for Taxes and Levies, the treaties with Canada and Norway are no longer in force.

The following table gives the income tax rates for foreign companies in accordance with double tax treaties and effective Belarusian tax legislation.



	Dividends, %	Interest income, %	Royalty, %
Armenia	10/12 (a)	0/10 (v)	10/15 (tt)
Austria	5/12 (e)	0/5/10 (gg)	5/15 (uu)
Azerbaijan	12	0/10 (v)	10/15 (tt)
Bahrain	5	0/5 (vv)	5
Bangladesh	10/12 (ggg)	0/7.5 (vv)	10
Belgium	5/12 (e)	0/10 (z)	5
Bulgaria	10/12 (ww)	0/10 (v)	10/15 (tt)
China	10/12 (ww)	0/10 (u)	10/15 (tt)
Croatia	5/12 (e)	10	10/15 (tt)
Cyprus	5/10/12 (d)	5/10 (xx)	5/15 (uu)
Czech Republic	5/10 (jj)	0/5 (vv)	5
Denmark (q)	12	0	0
Egypt	12	10	15
Estonia	10/12 (ww)	0/10 (s)(vv)	10/15 (tt)
Finland	5/12 (e)	0/5/10 (hh)	5/15 (uu)
France (q)	12	0/10 (r)	0
Georgia	5/10 (jj)	0/5 (hhh)	5
Germany	5/12 (dd)	0/5/10 (ee)	3/5/15 (ff)
Hungary	5/12 (e)	5	5
India	10/12 (g)	0/10 (bb)(vv)	15
Iran	10/12 (g)	0/5/10 (v)(xx)	5/15 (uu)
Ireland	0/5/10 (oo)	5	5
Israel	10/12 (ww)	0/5/10 (t)	5/10/15 (cc)
Italy	5/12 (e)	0/8/10 (mm)	6/15 (zz)
Japan (q)	12	0/10 (ss)	0/10/15 (n)
Kazakhstan	12	0/10 (v)	15
Kyrgyzstan	12	0/10 (v)	15
Kuwait	0/5 (x)	0/5 (vv)	10
Laos	5/10/12 (aaa)	0/8/10 (bbb)	5/15 (uu)
Latvia	10/12 (ww)	0/10 (s)(vv)	10/15 (tt)
Lebanon	7.5	0/5 (v)	5
Lithuania	10/12 (ww)	0/10 (s)(vv)	10/15 (tt)
Macedonia	5/12 (e)	10	10
Malaysia (q)	12	0/10 (s)(v)(bb)	10/15 (o)
Moldova	12	0/10 (bb)	15
Mongolia	10/12 (ww)	0/10 (nn)	10/15 (tt)

	Dividends, %	Interest income, %	Royalty, %
Netherlands	0/5/12 (e)(w)	0/5 (yy)	3/5/10/15 (f)
North Korea	10/12 (ww)	0/10 (s)(v)	10/15 (tt)
Oman	0/5 (ii)	0/5 (ii)	10
Pakistan	10/12 (g)	0/10 (s)(v)(bb)	15
Poland	10/12 (a)	0/10 (bb)	0
Qatar	5	0/5 (v)	5
Romania	10/12 (ww)	0/10 (v)	15
Russian Federation	12	0/10 (v)	10/15 (tt)
Saudi Arabia	5	5	10
Singapore	0/5/12 (ccc)	0/5/10 (ddd)	5/15 (uu)
Slovak Republic	10/12 (g)	0/10 (v)	5/10/15 (i)
Slovenia	5	0/5(pp)	5
South Africa	5/12 (e)	0/5/10 (l)	5/10 (m)
South Korea	5/12 (e)	0/10 (p)	5
Spain (q)	12	0	0/5 (y)
Sri Lanka	7.5/10/12 (eee)	0/10 (fff)	10/15 (tt)
Sweden	5/10/12 (b)	0/5/10 (rr)	3/5/10/15 (c)
Switzerland	5/12 (e)	0/5/8/10 (aa)	3/5/10/15 (c)
Syria	12	10	15
Tajikistan	12	0/10 (bb)	15
Thailand	10	0/10 (qq)	15
Turkey	10/12 (g)	0/10 (v)	10
Turkmenistan	12	0/10 (v)	15
Ukraine	12	10	15
United Arab Emirates	5/10 (j)	0/5 (s)	5/10/15 (k)
UK (q)	0	0	0
USA (q)	12	0	0
Uzbekistan	12	0/10 (v)(bb)	15
Yugoslavia (effective for Serbia)	5/12 (e)	8/10 (h)	10/15 (tt)
Venezuela	5/12 (e)	0/5 (kk)	5/10 (ll)
Vietnam	12	0/10 (v)	15
Countries with which the Republic of Belarus has no double tax avoidance treaties	12	10	15

- (a) A 10% rate is applied when the recipient is the actual owner of dividends and owns at least 30% of the capital of the company that pays an income. Otherwise, a 12% rate is applied.
- (b) A 5% rate is applied when the recipient is the actual owner of dividends and owns at least 30% of the capital of the company that pays an income. A 10% rate is applied in other cases when the recipient is the actual owner of dividends. Otherwise, a 12% rate is applied.
- (c) A 3% rate is applied when the recipient is the actual owner of royalty concerning the amounts paid for the use or grant of the right to use patents, secret formulas or processes, or for information on industrial, business or scientific experience. A 5% rate is applied when the recipient is the actual owner of royalty concerning the amounts paid for the use or grant of the right of use of industrial, business or scientific equipment. In all other cases, a 10% rate is applied when the recipient is the actual owner of royalty. Otherwise, a 15% rate is applied.
- (d) A 5% rate is applied when the recipient is the actual owner of income and has invested at least 200,000 ECU in the equity of the company that pays the income. A 10% rate is applied when the recipient is the actual owner of income and owns at least 25% of the capital of the company that pays the income. Otherwise, a 12% rate is applied.
- (e) A 5% rate is applied when the recipient of income is the owner of at least 25% of the capital of the company that pays the income. Otherwise, a 12% rate is applied. (In the case of the Netherlands, refer to note [w].)
- (f) A 3% rate is applied to the amounts paid for the use or grant of the right of use of patents, trademarks, design, models, plans, secret formulas or processes, or for information on industrial, business or scientific experience. A 5% rate is applied to the amounts paid for the use or grant of the right to use industrial, business or scientific equipment (including road transport vehicles). A 10% rate is applied to the amounts paid for the use or grant of the right of use of copyright for works of literature, art or science, including cinema films as well as films or recordings used in TV or radio programs. Otherwise, a 15% is applied.
- (g) A 10% rate is applied when the recipient is the actual owner of income and owns at least 25% of the capital of the company that pays the income. Otherwise, a 12% rate is applied. (In the case of Pakistan and Turkey, there is no requirement for the recipient of income to be the actual owner of income in order to apply the 10% rate.)
- (h) An 8% rate is applied when the recipient is the actual owner of interest. Otherwise, a 10% rate is applied.
- (i) A 5% rate is applied to the amounts paid for using the copyright of works of literature, art or science, including cinema films as well as films or recordings and other means for the transmission of images or sound. A 10% rate is applied to the amounts paid for patents, trademarks, designs, charts, models, plans, secret formulas or processes, for information on industrial, business or scientific experience, for the use or cession of the right to use industrial, business or scientific equipment, or for transport vehicles. Otherwise, a 15% rate is applied.
- (j) A 5% rate is applied when the actual owner of dividends is a company owning USD100,000 or more in a company that pays dividends. Otherwise, a 10% rate is applied.
- (k) A 5% rate is applied to the amounts paid for the use or grant of the right to use copyrights of scientific works, patents, trademarks, designs, models, plans, secret formulas or processes, for the right to use information on industrial, business or scientific equipment or transport vehicles, or for information on industrial, business or scientific experience.
A 10% rate is applied to the amounts paid for the use or grant of the right to use copyrights for works of literature or art, including cinema films as well as films or recordings used in TV or radio programs. Otherwise, a 15% rate is applied.
- (l) A 0% rate is applied when the recipient of the interest income is the government, a government body or a company that is fully owned by the state. A 5% rate is applied when the interest income recipient is a bank or other financial institution. Otherwise, a 10% rate is applied.
- (m) A 5% rate is applied to the amounts paid for industrial, business or scientific equipment or transport vehicles. Otherwise, a 10% rate is applied.
- (n) A 0% rate is applied to the amounts paid for the use or grant of the right to use copyrights of works of literature, art or science, including cinema films as well as films or recordings used in TV or radio programs. A 10% rate is applied to the amounts paid for the use or grant of the right to use patents, trademarks, designs, charts, models, plans, secret

- formulas or processes, for information on industrial, business or scientific experience, and for the use or grant of the right to use industrial, business or scientific equipment. Otherwise, a 15% rate is applied.
- (o) A 10% rate is applied when the recipient is the actual owner of royalty concerning the amounts paid for the use or grant of the right to use patents, trademarks, designs, models, plans, secret formulas, processes, or copyrights of scientific works; for the use or grant of the right to use industrial, business or scientific equipment; and for the use or grant of the right to use information on industrial, business or scientific experience. Otherwise, a 15% rate is applied.
- (p) A 0% rate is applied to interest income from the sale on credit terms of industrial, commercial or scientific equipment or when the interest income recipient is the government, the central bank, local government bodies or financial institutions performing state functions, or when interest is paid on loans that are guaranteed or indirectly financed by those bodies or institutions.
- (q) Belarus abides by the double tax avoidance treaty between the former USSR and that state. The table shows the tax rates in compliance with the treaty.
- (r) A 0% rate is applied to interest on bank and commercial loans. Otherwise, a 10% rate is applied.
- (s) A 0% rate is applied to interest on government-guaranteed loans.
- (t) A 0% rate is applied when the interest income recipient is a government, a local government body or the central bank. A 5% rate is applied when the recipient and the actual owner of interest income is a bank or other financial institution or when interest is paid as any industrial, business or scientific equipment is sold on credit terms. Otherwise, a 10% rate is applied.
- (u) A 0% rate is applied when the recipient of interest income is a government, local government body, central bank or other financial institution that is wholly state-owned. Otherwise, a 10% rate is applied.
- (v) A 0% rate is applied when the interest income recipient is the government or the central bank. (In the case of Turkey, a 0% rate is also applied when interest accrues in Belarus and is paid by Eximbank of Turkey on loans for the purchase of industrial, business, commercial, medical or scientific equipment.) Otherwise, higher rates are applied.
- (w) A 0% rate is applied when one of the following requirements is met:
- The dividend recipient owns more than 50% of the dividend-paying company's capital, provided that the dividend recipient's contribution to the company's capital is at least 250,000 ECU
- or
- The dividend recipient owns over 25% of the dividend-paying company's capital, and its contribution to the company's capital is guaranteed or insured by the government
- (x) A 0% rate is applied when the dividend recipient is the government, the central bank, other government agencies, or financial institutions. Otherwise, a 5% rate is applied.
- (y) A 0% rate is applied to the amounts paid for the use or cession of the right to use copyrights for works of literature, music, art or science, except for cinema films as well as films or recordings used in TV or radio programs. Otherwise, higher rates are applied.
- (z) A 0% rate is applied when one of the following requirements is met:
- A loan was approved by the government
 - Interest is charged on the sale on credit terms of industrial, medical or scientific equipment and related services
- or
- A loan intended to promote export that involves the delivery of industrial, medical or scientific equipment and related services has been granted, insured or guaranteed by the state
- Otherwise, a 10% rate is applied.
- (aa) A 0% rate is applied when one of the following requirements is met:
- A loan was approved by the government
 - Interest was received due to the sale on credit terms of industrial, commercial, medical or scientific equipment
- or
- Interest income is interest on state securities
- A 5% rate is applied to interest income relating to bank loans. An 8% interest rate is applied when the recipient is the actual owner of interest income. Otherwise, a 10% rate is applied.
- (bb) A 0% rate is applied when a loan has been approved by the government.
- (cc) A 5% rate is applied only to the amounts paid for using copyrights of works of literature, art or science (except for cinema films) or the right to use

industrial, commercial or scientific equipment or transport vehicles. A 10% rate is applied when the recipient is the actual owner of royalties. Otherwise, a 15% rate is applied.

(dd) A 5% rate is applied when the recipient is the actual owner of income and owns over 20% of the income-paying company's capital, and has made a contribution of at least EUR81,806.70. Otherwise, 12% is applied.

(ee) A 0% rate is applied when interest originates in Belarus and is paid to the government of the Federal Republic of Germany, to the bank Deutsche Bundesbank, the bank Kreditanstalt für Wiederaufbau or Deutsche Finanzierungsgesellschaft für Beteiligungen in Entwicklungsländern; when the interest income originates due to the loans secured by export loan guarantees (Hermes-Deckung) provided by the German government; when the interest income recipient is the government or the central bank of the Republic of Belarus; or when the recipient is the actual owner of income and the interest income is paid due to the sale on credit terms of any industrial, business or scientific equipment. A 5% rate is applied when the recipient is the actual owner of the interest income. Otherwise, a 10% rate is applied.

(ff) A 3% rate is applied when the recipient is the actual owner of royalties in relation to the amounts paid for the use or cession of the right to use copyrights of scientific works, patents, trademarks, designs, models, plans, secret formulas or processes, or the right to use information on industrial, commercial or research experience. A 5% rate is applied when the recipient is the actual

owner of royalties in relation to the amounts paid for the use or cession of the right to use copyrights of works of literature and art, including cinema films as well as films or recordings used in TV or radio programs, or for the use or cession of the right to use all types of equipment and transport vehicles. Otherwise, a 15% rate is applied.

(gg) A 0% rate is applied when the loan was approved by the government, when the interest income recipient is the government, local authorities or the central bank, or when the interest income paid had originated due to a lending or a loan guaranteed or insured by state companies with a view to promoting export and is associated with the delivery of industrial, commercial, medical or scientific equipment (including Österreichische Kontrollbank Aktiengesellschaft). A 5% rate is applied when the recipient is the actual owner

of the interest income. Otherwise, a 10% rate is applied.

(hh) A 0% rate is applied when the interest income recipient is the government, the central bank, the Finnish Fund for Industrial Cooperation (FINNFUND) or the Finnish export credit agency FINNVERA. A 5% rate is applied when the recipient is the actual owner of the interest income. Otherwise, a 10% rate is applied.

(ii) A 0% rate is applied when the income recipient is the government, the central bank or the State General Reserve Fund of the Sultanate of Oman and, in the event of interest income, any company that fully or largely belongs to the state. Otherwise, a 5% rate is applied.

(jj) A 5% rate is applied when the recipient is the actual owner of the income and owns at least 25% of the capital of the company paying the income. Otherwise, a 10% rate is applied.



- (kk) A 0% rate is applied when the recipient is the actual owner of the interest income and when one of the following requirements is met:
- The interest income recipient is the government, a state body, the central bank, or a company that fully or largely belongs to the state
- or
- Interest is paid on a government-guaranteed loan
- or
- Interest is paid on a loan that is intended to promote export and that is connected with the delivery of all types of equipment and transport vehicles by an enterprise of another treaty state
- or
- Interest is paid due to the sale on credit terms of all types of equipment and transport vehicles
- Otherwise, a 5% rate is applied.
- (ll) A 5% rate is applied to the amounts of royalty if royalty was received as remuneration for the use or cession of the right to use any copyrights of works of science or a computer application, or for the use or cession of the right to use all types of equipment and transport vehicles..
- Otherwise, a 10% rate is applied.
- (mm) A 0% rate is applied when one of the following requirements is met:
- Interest is paid by the government or a state body
- or
- Interest is paid to the government, a government body, a local agency or body (including financial institutions) that fully belongs to the state or a government body
- or
- Interest is paid to any other agency or body (including financial institutions) on loans granted due to the application of the interstate treaty
- An 8% rate is applied when the recipient is the actual owner of the interest income. Otherwise, a 10% rate is applied.
- (nn) A 0% rate is applied to loans granted to the government or the central bank. Otherwise, a 10% rate is applied.
- (oo) A 0% rate is applied to dividends whose recipients are:
- The National Treasury Management Agency of Ireland
 - The National Reserve Pension Fund of Ireland
- or
- Any company, including an agency or an institution, that fully or partially belongs to the state
- A 5% rate is applied to dividends whose recipient owns at least 25% of the income-paying company's capital. Otherwise, a 10% rate is applied.
- (pp) A 0% rate is applied when the payer or the payee of the interest income is the government, a political and administrative division, a local government body, or the central bank. Otherwise, a higher rate is applied.
- (qq) A 0% rate is applied when interest is paid to the government, the central bank, or institutions whose capital belongs fully to the state or local government bodies. Otherwise, a 10% rate is applied.
- (rr) A 0% rate is applied in the following cases:
- The payer or the payee of the interest income is the government, a political and administrative division, a local government body, or the central bank
 - A loan is approved by the government
 - A loan is granted and guaranteed by the state financial body to promote export, if lending is provided or guaranteed on preferential terms
 - A loan is granted by a bank to promote export
 - Interest is paid on the debt that arises in the event of sale on credit terms of any items or industrial, business or scientific equipment
- A 5% rate is applied when the recipient is the actual owner of the interest income. Otherwise, a 10% rate is applied.
- (ss) A 0% rate is applied when one of the following requirements is met:
- Interest is paid to the state, a local government body, the central bank, or a financial institution that fully belongs to the state
 - Interest is paid on a loan that is guaranteed, insured or indirectly financed by the government, the local government body, the central bank, or a financial institution that fully belongs to the state.
- Otherwise, a 10% rate is applied.
- (tt) A 10% rate is applied when the recipient is the actual owner of royalty. Otherwise, a 15% rate is applied.

- (uu) A 5% rate is applied when the recipient is the actual owner of royalty. Otherwise, a 15% rate is applied.
- (vv) A 0% rate is applied when the recipient of the interest income is the government or local government body, the central bank or other government company or financial institution. Otherwise, a higher rate is applied.
- (ww) A 10% rate is applied when the recipient is the actual owner of dividends. Otherwise, a 12% rate is applied.
- (xx) A 5% rate is applied when the recipient is the actual owner of the interest income. Otherwise, a 10% rate is applied.
- (yy) A 0% rate is applied in the following cases:
- ▶ The payer or the payee of the interest income is the government, a political and administrative division, a local government body, or the central bank
 - ▶ A loan was approved by the government
 - ▶ A loan was provided, guaranteed or insured by the government, the central bank or other body under state control
 - ▶ A loan was provided or guaranteed by a financial institution to promote development, or interest is paid on a loan or lending designed to acquire industrial, business, commercial, medical or scientific equipment
- (zz) A 6% rate is applied when the recipient is the actual owner of royalty. Otherwise, a 15% rate is applied.
- (aaa) A 5% rate is applied when the actual owner of dividends is a company that directly owns at least 20% of the capital of the company paying the dividends. A 10% rate is applied when the recipient is the actual owner of dividends. Otherwise, a 12% rate is applied.
- (bbb) A 0% rate is applied when the actual owner of interest income is:
- a) In Belarus:
 - (i) The Government of Belarus
 - (ii) The National Bank of Belarus
 - (iii) A Belarusian local government body
 - b) In Laos:
 - (i) The Government of Laos
 - (ii) The Bank of Laos
 - (iii) A Laotian local government body
- A rate of 8% is applied when the recipient is the actual owner of interest income. Otherwise, a 10% rate is applied.
- (ccc) A 0% rate is applied to dividends received by:
- a) In Belarus:
 - (i) The Government of Belarus
 - (ii) The National Bank
 - (iii) A legal body
 - (iv) Any institution wholly or predominantly owned by the Government of Belarus; a list of such institutions may be approved from time to time by the Government of Belarus, bodies authorized thereby and by a competent Singaporean body
- b) In Singapore:
 - (i) The Government of Singapore
 - (ii) The Monetary Authority of Singapore (Central Bank)
 - (iii) The Government of Singapore Investment Corporation
 - (iv) A legal body
 - (v) Any institution wholly or predominantly owned by the Government of Singapore; a list of such institutions may be approved from time to time by a competent Singaporean body, the Government of Belarus or bodies authorized by the Government of Belarus
- A rate of 5% is applied to dividends received by the actual owner of the dividends. Otherwise, a rate of 12% is applied.
- (ddd) A 0% rate is applied to interest received by:
- a) In Belarus:
 - (i) The Government of Belarus
 - (ii) The National Bank
 - (iii) A legal body
 - (iv) A bank
 - (v) Any institution wholly or predominantly owned by the Government of Belarus; a list of such institutions may be approved from time to time by the Government of Belarus, bodies authorized thereby, and by a competent Singaporean body

b) In Singapore:

- (i) The Government of Singapore
- (ii) The Monetary Authority of Singapore (Central Bank)
- (iii) The Government of Singapore Investment Corporation
- (iv) A legal body
- (v) A bank
- (vi) Any institution wholly or predominantly owned by the Government of Singapore; a list of such institutions may be approved from time to time by a competent Singaporean body, the Government of Belarus or bodies authorized by the Government of Belarus

A rate of 5% is applied to interest received by the actual owner of the interest income. Otherwise, a rate of 10% is applied.

- (eee) A rate of 7.5% is applied when the actual owner of dividends is a company that directly owns at least 25% of the capital of the company paying the dividends. A rate of 10% is applied when the recipient is the actual owner of dividends. Otherwise, a rate of 12% is applied.
- (fff) A 0% rate is applied when the actual owner of interest income is:
 - (i) The Government or a local government body
 - (ii) The National (Central) Bank
 - (iii) Financial organizations (institutions) that are wholly owned by the Government; a list of such organizations (institutions) may be approved from time to time by the governments of

treaty states or bodies authorized thereby.

Otherwise, a 10% rate is applied.

- (ggg) A 10% rate is applied when the recipient is the actual owner of dividends and owns at least 10% of the capital of the company paying the dividends. Otherwise, a rate of 12% is applied.

- (hhh) The 5% rate applies to interest that is paid to the actual owner of the interest income. The zero rate applies in instances where the actual income recipient is either the Government, a regional governmental authority, a local governmental authority, the central bank, or any other company or institution whether partially or wholly owned by the Government.



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