

TAXES AT A GLANCE

Taxes	Rates
CPT for banks and insurance companies	25%
CPT for other companies	18%
Income tax rates for foreign companies not engaged in activity in Belarus through a permanent establishment	6% / 10% / 12% / 15%
Value added tax	20% / 10% / 0%
Real estate tax	1% / 2%
Social security contributions	35%

1. CORPORATE TAXATION

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

1.1 Taxes on entities

Legal entities are subject to company income tax on their profits and to land and property tax.

1.2 Residence and non-residence

A legal entity registered in the Republic of Belarus is considered to be resident in Belarus.

A foreign company shall be considered to be resident in Belarus if:

- this follows from the appropriate double taxation treaty of the Republic of Belarus;
- the place of its effective administration is located in the Republic of Belarus if the opposite does not follow from the appropriate double taxation treaty of the Republic of Belarus.

The legal entity being resident in the Republic of Belarus is charged on all worldwide income, unless the income is exempted under a double taxation agreement.

If there is no double taxation agreement, the fully liable taxpayer may charge the tax to be paid abroad to the corporate income tax to be paid in the Republic of Belarus in order to cushion the effect of the double taxation. This setoff shall be made on the basis of an approved tax payment certificate issued by a taxation body of a country where the payments have been actually processed.

Foreign legal entities which have neither their headquarters nor effective administration in Belarus are liable for tax due to their economic attachment within the Republic of Belarus with deductions concerned to be an appropriate double taxation agreement.

1.3 Tax year and filling

The tax year for the CPT in Belarus is one calendar year. The reporting period for CPT is one calendar quarter.

Generally a corporate income tax return must be filed by 20 March. Corporate income tax reports for every reporting period (quarter) must be filed within 20 days after an end of an appropriate quarter. Tax returns (except for returns for CPT on dividends) must be filed even when there was no taxable income.

Tax value for every reporting (taxation) period is calculated by a taxpayer as a percentage of a taxable profit for the period using an appropriate rate of Tax.

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.

So, tax is payable 22 March, 22 April, 22 July, 22 October and 22 December.

1.4 Types of income

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

Tax assessment is based on the profits received during the financial year (taxation period), sometimes increased some non-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.

All legal entities may deduct a total sum of profit related to their commercial activities, for an annual amount of depreciation of fixed assets, intangible assets and capital result of scientific researches and production.

Land property and share do not attract depreciation allowance.

1.5 Capital gains

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.

1.6 Losses

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).

1.7 Rates

The standard CPT rate is 18%.

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

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.

1.8 Double tax relief

Double taxation relief acts due to the appropriate double taxation conventions of the Republic of Belarus.

1.9 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.

1.10 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).

2. PERSONAL INCOME TAXATION

2.1 Taxes on income

Personal income tax (PIT) is levied on all individuals being the residents of the Republic of Belarus (according to all income received) and on other individuals who receive income arising from the Republic of Belarus.

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.

There are also social security contributions which are paid by the employee and the employer.

2.2 Residence and non-residence

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.

2.3 Tax year and filing

The tax year is the calendar year.

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.

2.4 Types of income and rates

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.

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 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%

2.5 Losses

There exist several types of deductible expenditures applicable to the calculation of the taxable income:

- (i) 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

- (ii) 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
- (iii) 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)
- (iv) 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.

2.6 Exemptions

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

2.7 Social securities

In the Republic of Belarus, there are compulsory contributions for:

- Pension provisions;
- Social insurance for sickness and motherhood liabilities (including pregnancy and after-birth baby care);
- Accident insurance.

Contributions are payable by the employers.

Rates for the contributions are:

- Pension contributions 29%. The amount includes 1% payable by an employee.
- Social insurance for sickness and motherhood liabilities: 6%
- Accident insurance 0.6%

2.8 Expatriates

There are no special rules for the taxations of expatriates.

2.9 Partnership

Partnerships (which are named as “Full partnership” in RP Civil Code and joint arrangements) are treated as fiscally transparent, the tax being levied on the individual members of those partnerships.

2.10 Pensions

State pensions are exempt from taxation. Where an individual contributes to a pension fund the pension received is also exempt.

3. INHERITANCE AND GIFT TAX

There is no inheritance or gift tax. However, in certain cases gifts in the form of real estate and shares received from persons other than close relatives might be subject of taxation in the form of an ordinary personal income tax.

4. WEALTH TAX

There is no wealth tax.

5. VALUE ADDED TAX

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

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.

VAT applies to:

- The sale of goods (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

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).

Place of provision of services depends on the kind of services provided (e.g. the place of provision of services related to tourism and sports is the place of their actual provision; the place of provision of a certain scope of consulting services is the place of residence of their customer etc.).

5.1 Rates

The normal rate is 20%.

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%.

6. OTHER TAXES

6.1 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.

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 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.

6.2 Real estate tax

Real estate tax is paid by companies and individuals. Real estate tax taxable assets are buildings, structures and parking places.

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.

The real estate tax 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 tax period is one calendar year.

An real estate tax 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.

6.3 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.

6.4 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.

6.5 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 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.

7. FOREIGN INCOME

Subject to double taxation conventions, tax is levied on all income. The income derived from activities carried out abroad, of permanent establishments and real estate located abroad, are nevertheless exempt. However they are, with regard to the rate of taxation, taken into consideration.

8. SPECIAL TAXATION REGIMES

8.1 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%.

8.2 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.

8.3 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

8.4 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

9. 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.

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.
- 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 social security contributions according to the general procedure. In addition, they act as tax agents.

10. 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 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)
- Dividend payments are not subject to an offshore duty
- 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.

11. 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.

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.
- 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.

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