This brochure provides information as of 1 January 2018.
Belarus has long been known as a country pursuing a multi-vector foreign policy aimed at building constructive relationships with partners across the world. In recent years, it has earned a solid spot among top global business-friendly reformers. Our country has been ranked for the third year in a row in the top 30 economies leading global trade, leaving behind Eurasian Economic Union partners and a number of EU member countries. Unprecedented measures were taken last year to improve the business environment, develop entrepreneurship and attract foreign investors.

EY’s annual report Doing Business in Belarus is a kind of knowledge compass for both Belarusian and foreign companies. It is a source of up-to-date and useful information about the main advantages of investing in Belarus, presenting a fair view of business opportunities and prospects in our country.

Belarus offers foreign companies a great number of preferences, including tax incentives. In addition, expansion to Belarus means presence in a common EAEU market, one of the fastest growing markets in the world.

You can find more information about these and other advantages of doing business in our hospitable country on the pages of this report. I am confident that information provided here will make you see Belarus as a truly unique and attractive destination for your investments.

I personally would like to note that the Belarusian Chamber of Commerce and Industry, as the biggest business community in the country, is strongly focused on promoting the foreign economic interests of Belarusian companies. We will do everything possible to help you establish robust cooperation and strengthen mutually beneficial relationships with Belarusian partners, and we are ready to provide practical assistance in driving your economic ties and joint projects.

Welcome to Belarus!

Vladimir Ulakhovich
Chairman of the Belarusian Chamber of Commerce and Industry
The Doing Business in Belarus report continues to attract substantial attention from foreign companies. For those who want to explore Belarus for the first time for investment purposes, this report is a convenient source of information to learn more about the country, its investment climate and opportunities. For those who are already familiar with Belarus from an investor’s angle, it is a source of current information about business and investment growth opportunities.

It can be safely said today that Belarus is an attractive spot for investors. Excellent logistics, open and easily accessible EAEU markets, Belarus’ high score in the World Bank’s Doing Business ranking and highly qualified talent are only some of the advantages that Belarus can offer. The Belarus government has made it its agenda to attract investors, above all foreign businesses. This has led to an increased interest in Belarus as a promising destination for investments.

I would like to note that the National Agency for Investment and Privatization is always a reliable partner on behalf of the state. We fully support investors on their entire journey, from the first encounter with Belarus to the implementation of their investment ideas. We share exhaustive information about doing business in Belarus and provide advice and support during the entire life of the investment project.

We are grateful to EY for their all-round support. There is no doubt that this report will give impetus to increased investment activity and new business ideas.

I am confident that the National Agency for Investment and Privatization and EY will continue their bilateral cooperation. We hope that this Doing Business in Belarus report will prove a useful source of information for companies that have chosen our country for implementing investment projects.

Welcome to Belarus!

Denis Meleshkin
Acting Director of the National Agency for Investment and Privatization
The year 2017 was a landmark year for Belarus as regards the emergence of new opportunities for doing business in the country. Decrees issued by the Belarusian President to promote entrepreneurship and the digital economy were enthusiastically welcomed by the business community.

Those who want to implement their ideas in any business activity, from manufacturing to services or the development of new technologies, are always given the green light today. All the necessary conditions have been created to make Belarus a true IT nation.

Favorable investment regimes have been established in all Belarusian regions, including free economic zones and the Great Stone China-Belarus Industrial Park.

This is a good signal for investors to consider not only traditional business areas for their projects but also innovative segments such as e-commerce and big data. There is a wide choice of business options available in Belarus for foreign companies.

We hope that success stories of joint ventures set up in our country to build train cars, passenger vehicles and household appliances will inspire foreign investors to embark on large-scale and bold projects. In particular, electric vehicle manufacturing has immense prospects.

Belarus’ attractive location helps deliver successful projects in transportation and logistics, including under the Silk Road Economic Belt initiative.

The introduction of visa-free travel to Belarus for citizens of 80 countries has contributed to the ongoing improvement of the business climate. New steps are being considered to relax the relevant regulations still further.

Our successes have been recognized by the international community, with Belarus ranked quite highly, 38th, in the World Bank’s Doing Business 2018 report.

Belarus has become a truly wonderful place for both life and business today.

Roman Sobolev
Director, Foreign Economic Activity Department,
Ministry of Foreign Affairs of the Republic of Belarus
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Introduction
We are pleased to present our seventh report Doing Business in Belarus.

EY prepares this annual report to give business executives a brief overview of the Belarusian tax system, corporate forms, business practices, as well as accounting and financial reporting principles.

We live in a stunning time when technology advances rapidly, making the speed and quality of decisions the key to successful integration into regional and global economic processes. This is especially important now that Belarus has embarked on a liberalization and digital transformation path. With new technologies erasing the borders between countries, it is critical to identify priorities, find reliable partners and make informed investment decisions. One should also note Belarus' political focus on promoting union and peace, which has undoubtedly shaped the business climate in the country to a large extent as well.

It is becoming increasingly apparent that the most important elements for business success today are out-of-the-box thinking and the ability to create and try something new to turn challenges into opportunities.

In the current challenging times, EY is strongly committed to innovative solutions to deliver exceptional quality to our clients. Present in Belarus since 2000, EY today provides a broad range of professional services, including audit and advisory, in the local market. Our Minsk office employs more than 400 people.

We hope that this report will give you a comprehensive idea of business opportunities and prospects in Belarus.

Pavel Laschenko
EY Belarus Managing Partner
General information

- Population: 9.5 million people
- Area: 207,600 sq. kilometers
- Capital: Minsk
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 kilometers to Warsaw, 700 kilometers to Moscow, 1,060 kilometers to Berlin and 1,300 kilometers to Vienna.

Belarus covers a total area of 207,600 square kilometers, stretching 560 kilometers from north to south and 650 kilometers 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 meters above sea level), is in the Minsk Region. The country's lowest place is the Neman Valley in the Grodno Region (80-90 meters above sea level). Administratively, the territory is divided into six regions.

Climate
Belarus has a moderate continental climate featuring mild winters with frequent thaws and rainy, warm summers. The average temperature in January is -6°C, and in July it is +18°C. The average annual precipitation is 550-700 millimeters.

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
Belarus' official languages include Belarusian and Russian. The most common languages for business are Russian, English and German.

Time zone
Belarus uses Further-eastern European Time (FET): UTC+3. Belarus does not observe Daylight Saving Time (DST), using UTC+3 all year round.

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

<table>
<thead>
<tr>
<th>City</th>
<th>Flight time, hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frankfurt</td>
<td>2.25</td>
</tr>
<tr>
<td>London</td>
<td>3</td>
</tr>
<tr>
<td>Moscow</td>
<td>1.20</td>
</tr>
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<td>3</td>
</tr>
</tbody>
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Government, public and other holidays
The following government and public holidays are observed in Belarus. The holidays marked in bold are officially non-working 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, there are usually no extra days off. 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, including embassies and consulates, usually observe the national holidays of their countries in addition to Belarusian national holidays.
Belarusian economy
Exports and imports

Belarus currently trades with more than 190 countries. In 2017, five trading partners accounted for an average of 69% of Belarus’ exports, while 88.2% of exports were shipped to 20 countries, with Russia's share accounting for 43.9%. This demonstrates that Belarusian exports are heavily dependent on both the global market environment and the economies of major trading partners. Russia accounts for 50% of agricultural produce, equipment, vehicle and textile exports. However, 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.

Belarus’ trade in goods totaled USD 63,446 million in 2017, with exports amounting to USD 29,212 million and imports to USD 34,234 million, which was up 124%, 124.1% and 124%, respectively, on the 2016 levels at current prices.

Exports and imports of goods increased by 8% and 13.4% in physical terms, respectively, in 2017 year-on-year, while their average prices rose by 14.9% and 9.3%, respectively.

Belarus imports and exports a wide range of goods, but mostly chemical products, machinery, equipment, vehicles, and ferrous and non-ferrous metals. In 2017, Belarus mainly exported minerals (24.6% of total exports), chemicals (18.4%), machinery, equipment and vehicles (18.1%), food products and agricultural produce (16.6%).

Imports were dominated by minerals (29% of total imports), machinery, equipment and vehicles (23.1%), and chemicals (14.6%).

Belarus’ export and import performance largely depends on Russia, its major trading partner, which accounts for 51.1% of Belarus’ total foreign trade. The European Union is the second-largest trading partner. In 2017, Russia accounted for 43.9% of Belarusian exports and for 57.2% of Belarusian imports.

Exports to Russia dropped in 2013-15 due to the devaluation of the Russian ruble, which reduced demand for higher priced Belarusian products in the neighboring country. However, Belarusian exports to Russia increased in 2016-17 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

Source: National Statistical Committee of the Republic of Belarus, 2018
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 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 goods 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 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' current account 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 ruble versus major foreign currencies, by 16.1%, 12.9% and 3% 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 ruble further weakened, by 15%, 18.7% and 4% 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 ruble would weaken further.

Both domestic and external factors continued to negatively affect the economic situation in the country throughout 2015. That year, the Belarusian ruble lost a total of 56.7%, 41.2% and 19% 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 pp 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 Belarusian ruble. Following the depreciation of the Belarusian ruble 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 was at 12% in 2015, close to the 2014 level.

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 spending 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 market concentration 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. With this in view, the Belarusian government and the NBRB took a number of measures to gradually lower the refinancing rate from 25% to 18%, assess the quality of assets across Belarus' major banks and denominate the national currency by dropping four zeros off the Belarusian ruble. These measures helped diminish economic pressures. In 2016, GDP decreased by 2.6% year-on-year and the official exchange rate of the Belarusian ruble dropped by 5.5%, 0.7% and 27.1% against the US dollar, the euro and the Russian ruble, respectively, while the share of toxic assets in the banking sector reached an all-time high of 14.8% as of 1 October 2016.

In 2017, the Belarusian government and the NBRB continued to be focused on the stabilization of the financial market. To increase the effectiveness of the refinancing rate as an instrument of financial and monetary policy, the NBRB gradually reduced rates for liquidity management instruments, from 18% to 11.5%, in 2017.

In October 2017, the NBRB Management Board reduced the foreign currency revenue surrender requirement for Belarusian companies from 20% to 10%.

These steps helped strengthen the Belarusian ruble as GDP increased by 2.4% in 2017 after falling by 2.6% in the previous year. Inflation also significantly slowed down, to 4.6% compared with 10.6% in 2016. Growth in toxic assets came to a halt.

However, Belarus continued to accumulate foreign debt, which totaled BYN 42.2 billion as of 1 December 2017, which was up BYN 5.2 billion or 14.1% compared with 1 January 2017.

GDP growth in 2017
2.4%

Inflation level in 2017
4.6%
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 to dedicated efforts taken by the authorities and the rapid development of industries such as IT, telecommunications, retail and wholesale. 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.

Belarus’ industrial output totaled BYN 93.042 billion at current prices in 2017. The industrial production index was 106.1% compared with 2016.

The manufacturing industry plays a critical role in the country’s industrial sector, accounting for 88% of total industrial output in 2017.

The output of the manufacturing industry increased in 2017, primarily driven by higher output in the following sectors: machinery and equipment not included in other categories (up 26.5%), wood and paper products (up 14%), and main pharmaceuticals (up 10%).

Other industry sectors had an insignificant impact on the sum total in 2017.

Financial system

Banking regulator

The National Bank of the Republic of Belarus (NBRB) is the main regulator of banking activity. It issues licenses to all banking institutions in Belarus. The NRBR’s licenses allow 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.

Government regulator of stock exchanges and the securities market

The Securities Department of the Ministry of Finance of the Republic of Belarus (Finance Ministry) is charged with regulating the securities market through control, coordination and oversight, controlling and overseeing 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
Currency control

General principles
Currency control issues have historically been a source of uncertainty for foreign investors operating in Belarus. However, state control in this sphere has been decreasing recently.

As a general rule, payments between residents must be in Belarusian rubles. Exceptions where residents may use foreign currency (securities or payment documents denominated in foreign currency) in transactions are set forth in Law No. 226-З of the Republic of Belarus “On Currency Regulation and Currency Control” of 22 July 2003 (Currency Control Law) and other regulations.

Residents may determine a contract’s price in any foreign currency, but they still must make payments in Belarusian rubles only (unless currency legislation explicitly permits otherwise).

Restrictions on transactions between residents and nonresidents
All transactions in foreign currency or Belarusian rubles (transactions involving securities or payment documents in foreign currency or Belarusian rubles) between Belarusian residents and nonresidents are considered currency transactions pursuant to the Currency Control Law, which are further divided 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.

To conduct a capital currency transaction, Belarusian residents are normally required to obtain permission from the NBRB. There are, however, exceptions to this rule under currency legislation.

**Nonresidents under currency legislation**

Under Belarusian currency legislation, nonresidents include:

- Foreign citizens and stateless persons (except for those holding Belarusian residency permits)
- Legal entities incorporated in accordance with the laws of a foreign jurisdiction and registered outside of Belarus, as well as their branches and representative offices in Belarus and other countries
- Organizations which are not legal entities established in accordance with the laws of a foreign jurisdiction and located outside of Belarus, as well as their branches and representative offices in Belarus and other countries
- Diplomatic, consular and other offices of foreign countries in Belarus and other countries
- International organizations, as well as their branches and representative offices
- Foreign countries and their administrative units
- Current currency transactions

**Current currency transactions**

Current currency transactions include the following transactions between residents and nonresidents:

- Transactions involving the export and/or import of goods, protected information, exclusive rights to intellectual property and services (works), excluding cash, securities and immovable property
- Transactions involving operating and/or finance lease of immovable property
- Transfer and receipt of dividends and other income on investments
- Non-trade transactions (cash transfer and receipt toward the payment of salaries or pensions, cash from an inheritance, cash transfers toward state fees, etc.)

**Currency transactions subject to the NBRB’s permission**

The following transactions of Belarusian resident entities (other than banks) require permission from the NBRB:

- Acquisition of property in a foreign jurisdiction that is considered immovable property under Belarusian legislation
- Placement of cash with nonresident banks or cash transfer to nonresidents (except for nonresident banks) for trust management
- Provision of loans
- Settlement of liabilities owed by residents to nonresidents under surety or guarantee agreements where such residents act as the guarantor
- Receipt of loans when any of the following conditions are met:
  - The loan interest rate is higher than the threshold determined by the NBRB (the threshold is currently 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) combined exceed 0.01% per day or 3.65% per annum
  - Other charges (excluding default interest and penalties for overdue loans) must be paid under the loan agreement, apart from interest
  - 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 jurisdiction
- Settlement of liabilities that are owed by residents to nonresidents under cession or debt transfer agreements

In addition, Belarusian residents (other than 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 Belarus’ diplomatic, consular or other missions.
Representative offices of Belarusian residents (except for banks and public institutions) opening accounts with banks in other EAEU member countries in the national currency of the respective EAEU member country are only required to notify the competent authorities of their decision.

**Specific requirements for foreign trade contracts**

**Registration of foreign trade contracts**
Foreign trade contracts require registration with a bank only if the amount of consideration for goods under the contract, including all appendices, equals EUR 3,000 or more. The registration requirement applies only to contracts and does not extend to their appendices.

Foreign trade contracts involving the transfer of protected information, exclusive intellectual property rights or services (works) are not subject to registration as well. Banks do not charge fees for registration (re-registration) of foreign trade contracts.

**Obligations pursuant to foreign trade contracts**
Residents must fully complete any foreign trade transaction within the following time frames:

- Export contracts: within 180 calendar days of the date the goods or services, including protected information and exclusive rights to intellectual property, were supplied.
- Import contracts: within 90 calendar days of the date a payment was made.

This requirement applies only when the resident has made a prepayment.

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

**Mandatory sale of foreign currency**
All residents are required to sell 10% of foreign cash received from foreign trade transactions via the Belarusian Currency and Stock Exchange, unless otherwise specified by legislation. The NBRB may revise the share of foreign currency that must be sold.

**Penalties for currency law violations**
Fines for violating currency regulations can be considerable. The Belarusian Code of Administrative Offenses specifies currency legislation violations that are penalized with varying amounts of fines.

Below are examples of currency legislation violations:

- Illegal acceptance by an individual of foreign currency as a means of payment or any 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 1,240 to USD 2,480), with or without the confiscation of the illegal sum.
- Execution 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 620 to USD 1,240). 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 1,240 to USD 2,480).
- Delay by a company official in selling foreign currency under the mandatory procedure is penalized by a fine ranging from 10 to 40 times the Base Rate (approximately USD 125 to USD 495).
- Unreasonable understatement by a company official of the foreign currency amount subject to mandatory sale is penalized by a fine ranging from 10 to 40 times the Base Rate (approximately USD 125 to USD 495). Fines for individual entrepreneurs and legal entities are equivalent to the understated foreign currency amount.
- Opening by a company official or an individual entrepreneur of a bank account in a foreign jurisdiction and the execution of transactions using this bank account without the NBRB’s permission is penalized by a fine ranging from 20 to 50 times the Base Rate (approximately USD 245 to USD 620).
Transfer by an individual entrepreneur or a legal entity of revenue from exports of goods or services (works) to accounts other than the exporter’s account without the relevant permission is penalized by a fine in the amount of cash transferred.

Failure by a company official to either (i) receive revenue or complete a foreign trade transaction for exports of goods, services, protected information or intellectual property rights, in good time and as permitted by law or (ii) receive goods or services, including protected information and intellectual property rights, or complete a foreign trade transaction for imports in good time and as permitted by law is penalized by a fine of up to 30 times the Base Rate (approximately USD 365). Fines for individual entrepreneurs or legal entities are equivalent to up to 2% of the amount of the foreign trade transaction for every day of the delay, but no more than the total amount of the foreign trade transaction.

Some offenses may also lead to criminal liability for officials 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 key incentives
Investment legislation


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 other legal grounds allowing the investor to dispose 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 shares, participatory interest or property interest in a company established in Belarus and money, including loans and other debt
- Receivables with a monetary value
- Other objects of civil rights with a monetary value, except for assets that are not permitted to be in circulation (objects withdrawn from circulation)

In Belarus, investments may be made:

- By establishing a company
- By acquiring or creating immovable property, including by means of construction
- By acquiring intellectual property rights
- By acquiring shares, participatory interest or property interest in a company, including in the form of equity contributions
- On a concession basis
- In other ways permitted by law

Also, the Law “On Investments”:

- Sets out the basic principles for carrying out investment activities in Belarus
- Sets forth the criteria for compensation paid to investors after the withdrawal of control over assets invested or created under an investment project
- Designates agencies authorized to resolve disputes between foreign investors and Belarus

Below is an overview of how investment activity is regulated in Belarus depending on its type.

Investment agreement with the Republic of Belarus

An investment agreement is a type of contract concluded to provide additional government support for investment projects. Investment agreements are concluded between foreign or domestic investors and Belarus as represented by the Council of Ministers or another central governmental body.

Investment agreements may only be entered into to implement projects in Belarus related to activities or industries 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, the Administrative Affairs Office of the President of the Republic of Belarus, and the Minsk city and regional executive committees
- The Council of Ministers, subject to approval by the President

Incentives under investment agreements

Regardless of the contracting party representing Belarus, all types of investment agreements provide for a number of incentives that can be received based on 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 stages, 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 compensations for the vegetation removed during the
construction of the facilities for the investment project

- Full deduction of Belarusian VAT imposed on the purchase of goods, services (works) or property rights, to construct and equip facilities under the investment agreement (or paid on their import for this purpose)
- Selection of contractors/project documentation developers, 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 public procurement of goods 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 planned under 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 upon decision of the Belarusian Council of Ministers with the permission of the President may offer additional incentives and benefits, not expressly provided for in legislation. Such incentives are provided on a case-by-case basis.

**Free economic zones**

A free economic zone (FEZ) is a bounded territory in Belarus with a special regime comprising a set of incentives and benefits to encourage business activity.

Belarus has six FEZs, established for the period until 31 December 2049: Brest FEZ, Minsk FEZ, GomelRaton FEZ, Vitebsk FEZ, Mogilev FEZ and Grodnoinvest FEZ.
FEZ residents

To obtain FEZ resident status, a Belarusian company must establish its operations in a FEZ and invest at least EUR 1 million in the project or at least EUR 500,000 if the entire sum is invested during a three-year period.

Customs benefits

A FEZ is a free customs zone where goods may be stored and handled by FEZ residents not subject to customs duties, taxes or special, anti-dumping or countervailing duties pursuant to customs legislation. When goods placed under the free customs zone procedure are removed from a FEZ either as originally admitted raw materials or finished goods, they normally cease to be covered by this regime.

FEZ residents are exempt from VAT imposed by the customs authorities on goods admitted for release into internal consumption with respect to goods manufactured or processed from foreign goods placed under the free customs zone procedure.

Tax benefits

FEZs are designed to encourage investors to produce export-oriented or import-substituting goods or services in Belarus. FEZs offer residents a number of tax incentives with respect to the sale of such goods or services for export and to other FEZ residents.

The tax incentives are the following:

- Exemption from corporate profit tax for 10 years from the date of the first recognition of gross profit for FEZ residents registered as such after 31 December 2011. Subsequently, the tax is paid at a standard rate reduced by 50% (i.e. at 9% at present)
- Exemption from real estate tax on property located in the respective FEZ, provided that the resident is engaged in an activity covered by the FEZ tax regime. In addition, FEZ residents are exempt from real estate tax in the first three years after their registration as such with respect to property acquired or created during this three-year period regardless of whether they were engaged in an activity covered by the FEZ tax regime in this period
- Exemption from land tax and rent on government-owned land plots located within the boundaries of the FEZ which are granted for construction purposes, for the period of construction of all planned assets, but for no longer than five years after registration as a FEZ resident
- Exemption from land tax for the period until 31 December 2021 and from rent on government-owned land plots located within the boundaries of the FEZ regardless of their designated use, provided that the resident is engaged in an activity covered by the FEZ tax regime

Great Stone China-Belarus Industrial Park

The Great Stone China-Belarus Industrial Park (CBIP) was established in 2012 with support from China as a hub for firms at the cutting edge of innovation and technology.

The CBIP is located in the south-west of the Smolevichi District, 25 kilometers from Minsk, occupying a total area of 9,150.1 hectares. The CBIP is a territory with free economic zone policies that encompass tax and other benefits, special rules for the use of land and other natural resources and free customs zone procedures.

CBIP resident status

To obtain CBIP resident status, a Belarusian company must be established or operate in the park to implement an investment project meeting the following criteria:

- The project must focus on setting up operations in the park in areas such as electronics, telecommunications, pharmaceuticals, fine chemistry, biotechnologies, machine building, new materials, integrated logistics, electronic commerce, big data storage and processing, social and cultural events or R&D.
- Minimum investment must be either USD 5 million or, if a R&D project is pursued, USD 500,000.
Tax benefits
A special taxation regime is granted for 50 years. The following main tax benefits are in place for CBIP residents:

- Exemption from corporate profit tax on profit from the sale of goods or services (works) produced by the resident in the CBIP, for 10 years after the first recognition of gross profit. Subsequently, corporate tax is paid on goods or services (works) produced by the resident at a standard rate reduced by 50% (i.e. at 9% at present)
- Zero tax rate on dividends paid by CBIP residents to their founders or shareholders/participants, for five years since the first accrual of dividends. CBIP residents are also exempt from offshore duty on dividends paid to persons in offshore jurisdictions
- Exemption from real estate tax on property located in the park, and from land tax on land plots within its boundaries
- Exemption from VAT and import duty on goods, including equipment, components, spare parts and raw and other materials, brought into Belarus solely for the purpose of an investment project to build and equip CBIP facilities
- Exemption from VAT on the purchase of services (works) or property rights from foreign companies with no permanent establishment in Belarus where the place of supply of the services is determined based on the place of the buyer for VAT purposes
- Full deduction of Belarusian VAT imposed on the purchase of goods, services (works) or property rights in Belarus to construct and equip CBIP facilities or paid on such imports regardless of the amount of VAT on turnover
- Withholding tax at 5% until 1 January 2027 on remuneration received by foreign companies with no permanent establishment in Belarus from CBIP residents for the rights to information relating to industrial, commercial or scientific expertise, including know-how, licenses, patents, drawings, useful models, schemes, formulas, industrial prototypes or processes
- Personal income tax at a reduced rate of 9% for employees of CBIP residents until 1 January 2027. Mandatory insurance contributions may be calculated based on the average salary in Belarus, rather than with reference to the employees’ salaries. Foreign citizens participating in investment projects in the CBIP are exempt from mandatory insurance contributions on their income

In addition, a grandfather clause has been adopted for the period until 1 January 2027 to guarantee CBIP residents that they will continue with activities under the CBIP tax regime effective at the time of their registration as a CBIP resident regardless of any unfavorable changes in Belarusian tax legislation.

Other benefits and incentives
Apart from tax benefits, CBIP residents are eligible for other benefits and incentives regarding land use, construction, employment and migration, and currency and customs regulations, including:

- The right to store and handle goods in the CBIP under the free customs zone procedure pursuant to customs regulations, i.e. exempt from customs duties, taxes or special, anti-dumping or countervailing duties
- Exemption from VAT imposed by the customs authorities on goods admitted for release into internal consumption with respect to goods manufactured or processed from foreign goods placed under the free customs zone procedure
- The right to conduct currency transactions not subject to requirements set forth in Belarus’ currency legislation, including the foreign currency surrender requirement
- The right to conduct foreign trade transactions not subject to restrictions set forth in Belarus’ foreign trade legislation, including when such transactions must be completed
- Visa-free movement for persons involved in CBIP residents’ investment projects in the park as well as for the founders and shareholders/participants of CBIP residents and their employees
- Restrictions on regulatory audits of CBIP residents without approval from the CBIP Administration
Businesses in medium and small-sized cities and rural areas

Businesses set up in medium and small-sized cities and rural areas are eligible for many benefits. Medium and small-sized cities and rural areas in Belarus are settlements of a size smaller than the regional capital cities (Brest, Gomel, Grodno, Minsk, Mogilev and Vitebsk) and several other big cities such as Bobruisk, Zhlobin and Lida.

Businesses in such areas are exempt from corporate profit tax and real estate tax for seven years after registration on their local properties, provided that they produce goods or services (works), which must be certified by the Belarusian Chamber of Industry and Trade.

Apart from these tax exemptions, local businesses are eligible for other benefits as well. They include exemption from import duty on certain types of equipment not older than five years which is brought into Belarus as a non-monetary contribution to the equity of a newly established entity.

Local business units of companies operating in medium and small-sized cities and rural areas which function as stand-alone units maintaining their own accounting records and liable for the company’s taxes may also be exempted from corporate profit tax and real estate tax on local properties on their books for seven years after their establishment, provided that they produce goods or services.

Local business in the retail sector, food services or domestic services are entitled to additional incentives as determined by the regional councils for the period until 31 December 2022. In particular, local companies engaged in retail at markets and fairs, providers of domestic services as well as restaurants and cafes are eligible for:

- Exemption from VAT on the sale of goods or services (work) in rural areas as well as corporate profit tax at 6%
- Exemption from real estate tax on properties in rural areas and land tax and rent on government-owned land on which they are located
Hi-Tech Park

The Hi-Tech Park (HTP) was established in Minsk in 2005 to promote IT in Belarus by offering IT firms a special regime.

On 21 December 2017, the President issued Presidential Decree No. 8 “On the Development of the Digital Economy,” effective starting 28 March 2018, to extend this regime, initially approved until 2022, until 2049 and significantly expand the list of activities in which HTP residents may engage.

HTP residents

Belarusian companies may apply for the HTP regime regardless of whether they are based in the park, provided that they are engaged in business activities listed in Presidential Decree No. 8, including:

- Analysis, design and software support of IT systems, including their development and deployment, as well as implementation, maintenance and database creation services
- Data processing using software
- Technical and/or cryptography systems for data protection
- Development and deployment of IT for finance/financial technologies
- Software publishing and promotion
- Online advertising and intermediary services using software developed by the HTP resident
- Development, maintenance and deployment of software and hardware using blockchain technology
- Cryptocurrency exchange and cryptocurrency converter activities, mining, creation of tokens, coin/token offerings and other activities involving the use of tokens
- Data center services
- Development and deployment of unmanned vehicle driving systems
- Development, implementation and deployment of Internet of Things technologies
- Education programs in ICT and cybersports
- Other business activities as set forth in legislation

To enter the HPT, applicants must submit a package of documents, with a key document being a business project that they intend to implement as a resident. The HTP Supervisory Board is in charge of making a registration decision based on how strongly the business project is focused on the development of new and high technologies. The membership of the

1 More information about Belarus’ IT industry, including the Hi-Tech Park, can be found in EY’s reports *The IT industry in Belarus: 2017 and Beyond* and *HTP 2.0: New opportunities for IT companies in Belarus.*
HTP Supervisory Board is approved by the President of the Republic of Belarus.

**Tax benefits**

Since HTP residents are required to pay 1% of their revenue to the HTP Administration, they are exempt from corporate profit tax and VAT on the sale of goods, services (works) or property rights in Belarus. Under Decree No. 8, tax exemption exceptions include interest income, income from the sale of participatory interest or securities and dividends from sources outside Belarus, which are subject to 9% corporate profit tax.

HTP residents are exempt from customs duty and VAT on certain kinds of equipment imported into Belarus to be used in investment projects involving permitted types of activities. They may also qualify for immovable property tax and land tax preferences with respect to buildings and land within the boundaries of the HTP.

Personal income tax for employees of HTP residents is set at 9%. Compulsory social security contributions are calculated and paid not on an employee's actual pay, but on the national average, which is several times less than in the Belarusian IT industry.

HTP residents are also exempt from offshore duty on dividends paid to their founders/participants registered in offshore jurisdictions. Pursuant to changes introduced by Decree No. 8, tax on dividends paid by HTP residents will be imposed at 9% for individuals and at 5% for foreign companies, unless they may benefit from more favorable provisions of the relevant double tax treaty.

In addition, Decree No. 8 exempts HTP residents from Belarusian VAT on licenses and some services that play an important role for IT business, including advertising, marketing, consulting and database creation, when they are acquired from foreign providers. Income earned by foreign companies from rendering HTP residents services, such as data protection, web hosting, advertising and intermediary services, as well as their interest income and royalties will be subject to withholding tax for foreign companies with no permanent establishment in Belarus at 0%.

**Other benefits and incentives**

Apart from expanding the list of tax benefits, Decree No. 8 will also ease the doing business conditions for HTP residents.

HTP residents will be entitled to enter into convertible loan agreements, option contracts and an agreement on providing option to enter into contracts, issue an irrevocable power of attorney and take advantage of certain legal mechanisms, including indemnity and warranties and representations provisions. For the purpose of regulating relationships between shareholders/ participants, HTP residents will be entitled to enter into shareholders' agreements governed by the laws of a foreign jurisdiction and refer disputes arising under such agreements to courts and arbitration in a foreign jurisdiction.

HTP residents will also be entitled to enter into non-competition agreements with their employees and non-solicitation of employees agreements with third parties. Foreign nationals who are hired by HTP residents under employment contracts or are founders of HTP residents or are employed by such founders will be eligible for visa-free entry into Belarus for a stay of up to 180 days during a year. Foreigners entering into employment contracts with HTP residents will not require working permit in Belarus and will be entitled to apply for a temporary residence permit for the duration of the contract.

HTP residents will be entitled to conduct foreign trade transaction not subject to restrictions set forth in Belarus’ foreign trade legislation, including when and how such transactions must be completed. HTP residents will be eligible to use a simplified document management procedure when accounting for transactions with nonresidents.

The foreign currency surrender requirement does not apply to HTP residents. After the entry into force of Decree No. 8, HTP residents will only be required to notify the competent authorities of their capital currency transactions that normally require the NBRB’s permission.

Regulators will not be allowed to run audits on HTP residents without the prior consent of the HTP Administration.
Companies
Legal 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 common forms of business structures in Belarus are limited liability companies, closed joint-stock companies and unitary enterprises. Other legal 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 (LLC, or “OOO” 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 authorized capital of an LLC consists of the nominal values of its participants’ participatory interests. There is no minimum authorized capital requirement for an LLC. Payments for participatory interests may be in the form of cash and/or in-kind contributions (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 do not require registration 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 Articles of Association (AoA) 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 participatory 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 participatory 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 directorate) 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.

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

<table>
<thead>
<tr>
<th>Limited liability company</th>
<th>Closed joint-stock company</th>
<th>Unitary enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard registration procedures</td>
<td>Standard registration procedures plus registration of shares with the Securities Department of the Finance Ministry</td>
<td>Standard registration procedures</td>
</tr>
<tr>
<td>Profit can be allocated both proportionately and disproportionately to participatory interest, if directly permitted by the AoA</td>
<td>Profit can be allocated only in proportion to shares (except for privileged shares)</td>
<td>Profit is distributed by the owner in the owner’s favor</td>
</tr>
<tr>
<td>Transfer of participatory interest to a third party can be restricted/prohibited by the AoA</td>
<td>Transfer of shares of closed joint-stock company to third parties is only permitted with the other shareholders’ consent</td>
<td>Since the enterprise is 100% owned by one person, transfer is carried out through the disposal of the asset portfolio</td>
</tr>
<tr>
<td>The registration procedure is not very complicated and usually takes about a week</td>
<td>The registration procedure is more complicated than for an LLC because of the requirement to issue shares and register this emission</td>
<td>The registration procedure is the same as for a limited liability company</td>
</tr>
</tbody>
</table>
Unitary enterprise
A private unitary enterprise (UE, or “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 interests or shares). Both an individual (or spouses jointly) 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 AoA). Any disposal of real estate (including sale, lease, mortgage, etc.) can be carried out only by the founder’s decision.

There is no minimum authorized capital requirement for a UE. Payments into the authorized capital may be both in cash and in kind (shares of other companies, assets, equipment, etc.) can be carried out only by the founder’s decision.

The maximum number of participants in a UE is one.

The governing body of a UE is the director, who is 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 the property belonging to it by right of economic management. It does not bear liability for the obligations of the owner of its property.

Joint-stock company
A joint-stock company (JSC, or “АО” in Russian) might appear to be a more complicated business structure. JSCs 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 authorized capital 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 incorporated by one person or consist of one participant.

Joint-stock companies can distribute two types of shares: ordinary (voting) and privileged shares. Privileged shares entitle their holders to fixed dividends and to a share in equity upon the liquidation of the company, but they do not entitle them to vote on management decisions. The nominal value of such privileged shares that are distributed must not exceed 25% of the company’s authorized capital.

An open JSC must comply with a number of 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 by way of privatization (with the government continuing to be the owner of its shares).

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 from 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 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 agencies, Belgosstrakh – Belarusian National Unitary Insurance Company, etc.

A representative office must obtain accreditation from the Belarusian Ministry of Foreign Affairs. After that, it is required to apply for registration with the following authorities: the tax authorities, the Social Security Fund, statistics agencies and Belgosstrakh – Belarusian National Unitary Insurance Company.

On the whole, setting up a representative office is much more burdensome, in particular:

If any documents attached to the registration application 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 or 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 36 such activities (including around 200 types of work and services). The most important are banking transactions, gambling, the manufacture and wholesale of alcoholic beverages and tobacco products, retail of alcoholic beverages and tobacco products, wholesale and retail of petroleum products, and health care activity.

The licensing authorities issue licenses within 15 working days after the receipt of all required documents.

Mergers and acquisitions

Antitrust control

In accordance with competition legislation, some transactions (including M&A, business incorporation and the sale/purchase of shares or assets) are subject to antitrust review. The antitrust 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 Belarus’ 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 protected for their historical and cultural value), public order, morality, public health and the rights and liberties of individuals.

Shareholders’ agreements

Under Belarusian legislation, shareholders of a company may conclude shareholders’ agreements or, if it is a limited liability company, participants’ agreements.

Such agreements enable shareholders/participants to agree on the exercise of their rights and/or withholding from exercising such rights. In particular, they may agree on a voting process for a general meeting of shareholders/participants, voting choices or concerted actions related to the establishment, management, operations, reorganization or liquidation of the company. There are, however, restrictions under Belarusian legislation which stipulates that all shareholders/participants of a company may not enter into the same shareholders’ agreement.

Tax overview

Tax policy

The President, the National Assembly (Belarus’ parliament) and the Finance Ministry are responsible for determining and developing the country’s tax policy. The Belarusian Tax and Duties Ministry and its local offices are responsible for the ongoing monitoring of tax compliance.

Presidential Decree No. 7 “On Entrepreneurship Development,” issued on 23 November 2017, has established a ban until 2020 on increases in tax rates, except for their adjustment for inflation, and the introduction of new taxes and duties, unless such decisions are necessary for Belarus to comply with its international commitments. The ban will be effective since 26 February 2018.

Type of taxes

Belarus has a two-tier tax system comprising national and local taxes, duties.

National taxes, duties are established by the Tax Code of the Republic of Belarus (Tax Code) and presidential edicts or decrees and must be paid by all taxpayers throughout Belarus.

Local taxes, duties are established by regulations issued by local councils in accordance with the Tax Code and must be paid only in the respective regions.

National taxes and duties include:
- Corporate profit tax
- Withholding tax
- Personal income tax
- Value-added tax
- Excise taxes
- Real estate tax
- Land tax
- Environmental tax
- Tax on extraction of natural resources
- Road tax on foreign-registered vehicles traveling on Belarus’ public roads
- Offshore duty
- Stamp duty
- Consular fee
- State duty
- Patent fee
- Customs duties
- Car recycling duty

Local taxes and duties include:
- Dog tax
- Resort fee
- Tax on processors of wildly grown products
Pursuant to the Tax Code, taxpayers engaged in some business activities are eligible for special taxation regimes that differ from generally established tax calculation and payment rules.

Apart from taxes, there are also compulsory social security contributions that must be paid into the Belarusian Social Security Fund.

### Tax audits

In Belarus, regulatory audits are prohibited on newly established companies for two years after their establishment. Subsequently, companies may face audits run by the tax authorities according to schedule using a risk-based approach. Unscheduled audits may also be performed, but they must have reasonable grounds.

### Rates of main taxes

<table>
<thead>
<tr>
<th>Tax</th>
<th>Rate</th>
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<tbody>
<tr>
<td>Corporate profit tax</td>
<td>18%</td>
</tr>
<tr>
<td>Value added tax</td>
<td>20%</td>
</tr>
<tr>
<td>Withholding tax:</td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>12%</td>
</tr>
<tr>
<td>Interest</td>
<td>10%</td>
</tr>
<tr>
<td>Royalty</td>
<td>15%</td>
</tr>
<tr>
<td>Personal income tax</td>
<td>13%</td>
</tr>
<tr>
<td>Real estate tax</td>
<td>1%</td>
</tr>
<tr>
<td>Compulsory social security ...</td>
<td>35%</td>
</tr>
<tr>
<td>Contributions toward retirement,</td>
<td>29% *</td>
</tr>
<tr>
<td>disability and loss of breadwinner benefits (pension insurance)</td>
<td></td>
</tr>
<tr>
<td>Contributions toward temporary disability, maternity, under three-year-old child care and other benefits (social insurance)</td>
<td>6%</td>
</tr>
</tbody>
</table>

* 1% of this amount is payable by the employee, but the contribution is withheld and paid by the employer.

Information on scheduled audits is published every six months on the site of the State Control Committee no later than 15 December and no later than 15 June. A controlling authority may perform a scheduled audit of a company only once in three years. No audits have yet been scheduled for 2018.

As a rule, periods covered by tax audits on companies may not exceed five calendar years. Tax audits may last for up to 30 business days.

### Statute of limitations on taxes

The statute of limitations for the tax authorities to collect taxes will be five years after their due date starting 26 February 2018.

### Corporate profit tax

#### Taxpayers

Taxpayers of corporate profit tax (CPT) include Belarusian companies and foreign companies operating in Belarus through a permanent establishment.

#### Belarusian companies

Belarusian companies pay tax on income earned in Belarus and abroad.

Taxes for a group of companies or in the event of consolidation cannot be reduced, because each company in the group is a separate taxpayer. A branch with its own balance sheet and bank account set up by the company for the branch’s transactions is liable for the company’s taxes.

#### Permanent establishments of foreign companies

Foreign companies are subject to CPT on income earned through a permanent establishment in Belarus from selling goods, services (works) or property rights, plus non-operating income reduced by non-operating expenses.

A foreign company’s permanent establishment in Belarus is defined as following:

- A fixed place of business through which a foreign company carries out business or other activities in Belarus, involving:
  - Construction services (works) under a contract as well as mounting, installation, assembly, adjustment, maintenance and operation of equipment (other assets) or computer programs

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– Sale of goods from warehouses in Belarus
– Services (works) in Belarus and other activities permitted by Belarusian legislation

A company or individual engaged in activity on behalf of a foreign company and/or in its interests, and/or having and exercising the foreign company’s authority to enter into contracts or agree on their material terms (dependent agent)

The place of supply of services by a foreign company in Belarus is deemed to be its permanent establishment if 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 a foreign company’s permanent establishment 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.

Foreign companies are required to keep accounting records and prepare financial statements in accordance with Belarusian laws and regulations in respect of activities that give rise to a permanent establishment in Belarus.

Scope of taxation. Tax base

<table>
<thead>
<tr>
<th>Taxpayers</th>
<th>Scope of taxation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belarusian company</td>
<td>▶ Gross profit earned by a Belarusian company</td>
</tr>
<tr>
<td></td>
<td>▶ Dividends recorded by a Belarusian company</td>
</tr>
<tr>
<td></td>
<td>Gross profit is determined as income from the sale of goods, services (works) or property rights, plus non-operating income decreased by non-operating expenses recognized in Belarus and abroad, including from business activities that the Belarusian company conducts as a foreign tax resident.</td>
</tr>
<tr>
<td>Permanent establishment of a foreign company</td>
<td>▶ Gross profit earned by a permanent establishment of a foreign company</td>
</tr>
<tr>
<td></td>
<td>Gross profit is determined as the amount of profit earned by a foreign company through its permanent establishment in Belarus from the sale of goods, services (works) or property rights, plus non-operating income decreased by non-operating expenses.</td>
</tr>
</tbody>
</table>

\[
\text{GROSS PROFIT} = \text{Income from the sale of goods, services (works) or property rights} + \text{Non-operating income} - \text{Non-operating expenses}
\]

Revenue from the sale of goods, services (works) or property rights, is recognized based on the accrual accounting principle as specified in legislation no matter when cash is received.
Exemption from CPT

CPT exemption applies to:

- Profit (in the amount of up to 10% of gross profit) donated to (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

- Income (except for income from buy-sell or intermediary activities) earned by companies that employ disabled people, if the average share of disabled employees is at least 50% of the average headcount

- Income of companies from the sale of baby food that they produce

- Income of companies from the sale of goods that they produce on the list of high-tech products as determined by the Council of Ministers subject to the President's approval

- Income from trade in state securities issued by the Belarusian Ministry of Finance and bonds issued by the NBRB as well as income from trade in bonds issued by Belarusian companies between 1 January 2016 and 31 December 2018

- Other income in some cases

Deductible expenses

The following list of deductible expenses is not exhaustive. All expenses (except for expenses that are either irrelevant for tax purposes or are deductible within limits prescribed by law) may be fully deducted if they are economically justified and have been incurred in connection with the production/sale of goods, services (works) or 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:

- Goods (intangible assets) failed to arrive or services were not rendered (works were not performed or property rights were not transferred).

- Services were rendered (works were performed) by an individual entrepreneur who also had an employment contract with the taxpayer, in circumstances where such services should be rendered as part of this individual's employment duties.

- Services were rendered to (works were performed for) the taxpayer by a company that is a founder of, or participant in, the taxpayer or vice versa, if such services were rendered as part of the employment duties of an employee who had an employment contract with the taxpayer.

In practice, form often prevails over substance in the tax authorities' audits and, therefore, certain expenses may be declared to be non-deductible if the taxpayer fails to produce supporting documents, such as a contract, an acceptance certificate or an invoice.

Thin capitalization rule

The thin capitalization rules limit the deductibility of expenses relating to controlled debt due to a foreign or Belarusian founder/participant.
Debt obligations deemed as controlled debt:

- Debt obligation to a foreign or Belarusian founder/participant whose direct or indirect equity interest in the taxpayer exceeded 20% as of the end of the tax period
- Debt obligation to a Belarusian or foreign company (individual) related with such foreign or Belarusian founder/participant
- Debt obligation to other parties where such related foreign company (individual) and/or such foreign founder/participant acts as a surety or guarantor or has otherwise undertaken to guarantee the repayment of the taxpayer’s controlled debt

The thin capitalization rules apply if as of the end of the tax period the taxpayer:

- Has a controlled debt
- Has a ratio of controlled debt to equity at 1:1 (for debt obligations to Belarusian participants) or 3:1 (for debt obligations to foreign participants)

For the purpose of applying the thin capitalization rules, equity is determined as the amount of equity that corresponds to direct or indirect interest held by a foreign or Belarusian founder/participant in a Belarusian company on the last day of the tax period.

<table>
<thead>
<tr>
<th>Expenses covered by the thin capitalization rules</th>
<th>Associated with controlled debt to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan interests</td>
<td>Belarusian founder/participant</td>
</tr>
<tr>
<td>Cost of engineering, marketing, consulting, intermediary and management services, information services, staff recruitment and leasing for operations in Belarus</td>
<td>✓</td>
</tr>
<tr>
<td>Fees for the transfer (assignment) of property rights to industrial property</td>
<td>✓</td>
</tr>
<tr>
<td>Fines, interest charges and other sanctions, including damages and penalties for contract breaches</td>
<td>–</td>
</tr>
</tbody>
</table>

"✓" refers to expenses covered by the thin capitalization rules
"–" refers to expenses not covered by the thin capitalization rules
To apply the thin capitalization rules, a taxpayer must determine the maximum amount of certain costs that can be recognized as deductible expenses:

<table>
<thead>
<tr>
<th>Maximum amount of deductible expenses</th>
<th>Expenses by type associated with controlled debt in the tax period</th>
<th>Capitalization ratio</th>
</tr>
</thead>
</table>

The thin capitalization rules do not apply to banks, insurers and lessors, including property lessors that receive more than 50% of total revenue from leasing activity.

**Interest expense**

Interest expense on overdue loans is not deductible for CPT purpose.

Interest expense on loans issued for the purchase of fixed assets are capitalized before they are put into operation and are taken to expenses on financing activities after they are put into operation.

**Investment deduction**

Investment deduction is determined based on the cost of fixed assets to be used in business operations or the book value of investment in their reconstruction, upgrade and renovation.

Taxpayers can apply the following investment deductions, i.e. to include immediately into deductible expenses the cost of fixed assets and the book value of investment in their reconstruction, upgrade and renovation for the CPT purpose as follows:

- No more than 10% for buildings and constructions
- No more than 20% for machinery, equipment and vehicles

Despite any investment deductions, fixed assets continue to be depreciated based on their historical cost.

**Other expenses**

Under current legislation, restrictions apply to the amount of certain expenses that may be deducted, including business travel, energy/fuel, payroll and insurance expenses.

**Dividends**

Dividends received by Belarusian companies from residents and nonresidents are subject to CPT at 12%.

Dividends paid by Belarusian companies are taxed at source. Tax on income from dividends is withheld and paid by companies that distribute them.

Dividends paid by a foreign company may be taxed in the foreign jurisdiction. The amount of tax withheld in a foreign jurisdiction may be offset against CPT due in Belarus (see Section “Offset of taxes paid in foreign jurisdictions”).

Tax on income from dividends distributed by Belarusian companies is recognized in each month in which dividends were distributed and is paid no later than the 22nd of the following month.
Doing Business in Belarus

Loss carry forward

Loss carry forward is a mechanism that allows companies incurring a loss in a tax period to carry it forward entirely or partially to a future tax periods, reducing the tax base in the future tax periods by the entire or partial amount of the loss.

Losses can be carried forward for 10 years, starting with losses incurred in 2011 (the rules took effect in 2012).

Losses are carried forward by type of transaction against the respective type of income:

- Group 1: financial derivatives and securities
- Group 2: disposal of fixed assets, construction in progress, uninstalled equipment and the company as a portfolio of assets

Further, the remaining losses are carried forward regardless of the type of transaction or activity that has given rise to them. To apply loss carry forward, a company must maintain separate accounting records and keep documents confirming the amount of losses.

Profit/loss from capital gains

Income from the sale of fixed and intangible assets is determined as sales revenue less the following: indirect taxes, selling costs and the net book value of the asset, if it is depreciable, or the acquisition cost of the asset, if it is not depreciable (e.g., construction in progress sites or a land plot). Losses from the sale of fixed and intangible assets reduce the tax base.

Income from the sale of securities (except for cases indicated in the Section “Exemption from CPT”) is taxed at the standard rate. There are special rules for calculating income from REPO transactions.

Tax filing and paying

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.

Tax accounting

Tax accounting is based on financial accounting with necessary adjustments. The tax accounting process must be stipulated in the taxpayer’s accounting policies. Deferred tax assets and liabilities arise when the amounts of income and expenses are the same for both financial and tax accounting purposes but they are recorded in different reporting periods.

Deadlines for tax return filing and payment

<table>
<thead>
<tr>
<th>Quarter</th>
<th>I</th>
<th>II</th>
<th>III</th>
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</tr>
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Tax returns (except for returns for tax on income from dividends) must also be filed even when there is no taxable income or assets.

* Two-thirds of the CPT liability determined for the third quarter
** Subsequent adjustment of the CPT liability for the fourth quarter to correct tax underpayments or overpayments for the entire tax period

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Offset of taxes paid in foreign jurisdictions

Belarusian companies are also subject to Belarusian CPT on income from operations in foreign jurisdictions where they are tax residents. To avoid double taxation, tax paid by a Belarusian company abroad may be offset against tax due in Belarus. The offset amount may not be greater than the amount payable in Belarus.

Belarusian companies paying tax abroad are required to submit in Belarus a tax certificate issued by the tax authorities in the foreign jurisdiction sustaining the amount of tax paid abroad. They may also submit other supporting documents as prescribed by the tax or other competent authorities in a foreign jurisdiction to confirm that they have paid tax abroad.

Transfer pricing

Transfer pricing rules entered into force in Belarus in 2012.

Transactions are considered at arm’s length with no subsequent adjustments required to the CPT base, if its price is within the market range and does not deviate upward or downward by more than 20% from market prices.

Controlled transactions

Domestic transactions

Transactions with related parties that are Belarusian tax residents entitled to CPT exemption or other tax benefits (including transactions made through independent intermediaries with no substantial functions)

Cross-border transactions

Transactions with related parties that are residents in foreign or offshore jurisdictions (including transactions made through independent intermediaries with no substantial functions party)

Large transactions:
- Transactions made by large taxpayers
- Transactions to sell or buy “strategic goods,” such as oil products, wood products, potash fertilizers, etc.

Real estate transactions

The total amount of transactions with one person to sell or buy goods, services (work) or property rights should exceed BYN 100,000 (approximately USD 50,000) in a tax period

The total amount of transactions with one person to sell or buy goods, services (works) or property rights, should exceed BYN 1 million (approximately USD 500,000) in a tax period

Domestic transactions

Cross-border transactions

Real estate transactions
The following methods are consistently used when determining, for tax purposes, the conformity of transaction prices to market prices:

- Comparable uncontrolled price method (transactional net margin method)
- Resale minus method
- Cost plus method
- Comparable profit method
- Profit split method

For transfer pricing control purpose, starting 1 January 2016 taxpayers are required to notify the tax authorities of all transactions made in a tax period by providing the respective details in electronic VAT invoices (irrespective of the value of the transactions) and submit transfer pricing documentation upon the tax authorities’ request to support the arm’s-length nature of their transactions.

**Withholding tax**

**Taxpayers**

Taxpayers of withholding tax (WHT) are foreign companies, including organizations that are not legal entities, that do not have a permanent establishment in Belarus but receive Belarusian-sourced income.

**Scope of taxation**

The following Belarusian-sourced income is taxable:

- Dividends
- Income from debt obligations of any type, including loans and interest-bearing and discount securities
- Royalties
- Income from the disposal of immovable property, a company as a portfolio of assets, securities or participatory interest (units or shares)
- Income from consulting, accounting, audit, marketing, legal, engineering, intermediary, management, educational or advertising services, staff recruitment and leasing for operations in Belarus
- Income from services relating to the installation, setup, examination, maintenance, measurement or testing of lines, mechanisms, equipment, instruments, appliances, structures or intangible assets in Belarus
- Income from fines, interest charges or other sanctions for contract breaches
- Other income from sources in Belarus as provided for in the exhaustive list prescribed by law

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**Documentation required under the Tax Code**

<table>
<thead>
<tr>
<th>Documentation</th>
<th>Types of controlled transactions</th>
<th>Filing deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer pricing documentation</td>
<td>Transactions made by large taxpayers and transactions involving “strategic goods”</td>
<td>On the 5th or 10th day at the earliest after receiving the relevant request from the tax authorities depending on the type of tax audit (field or desk audit)</td>
</tr>
<tr>
<td>Economic justification of the applied price (limited scope of transfer pricing documentation)</td>
<td>Other controlled transactions</td>
<td></td>
</tr>
</tbody>
</table>

---
**Tax base**

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 WHT liability date is generally the date of recognition of the foreign company’s income. That date is the earliest of the following:

- The date the tax agent accounted for the provision of services (performance of works), the acquisition of immovable property or shares (participatory interest)
- The date the tax agent accounted for liabilities to pay dividends, interest, royalties or income from the sale/redemption of securities (except for shares) or from the sale of goods under agency, commission or similar agreements
- The date the tax agent accounted for the payment of income

**Tax agents**

WHT is calculated, withheld and paid in Belarus by Belarusian companies and individual entrepreneurs that pay income to foreign companies. Foreign companies may be required to file tax returns and pay tax in Belarus on the following types of income received from other foreign companies:

- Income from selling immovable property in Belarus, wholly or partially
- Income from selling shares (participatory interest) in a Belarusian company, wholly or partially
- Income from property in Belarus (finance or operating leases, other uses)
- Income from the use or transfer of the right to use in Belarus property rights to works of literature, art and science, software and other works covered by copyright and/or allied rights law
- Income from the sale/redemption of securities in Belarus

**Double tax treaties**

To apply relief provisions of a double tax treaty, a nonresident must obtain confirmation that it is a resident in a foreign jurisdiction with which Belarus has an effective double tax treaty.

Such confirmation may be provided as prescribed by the Belarusian Tax and Duties Ministry or as agreed upon between the ministry and the competent authorities in the foreign jurisdiction or in any other form the taxpayer may find appropriate. In the latter case, such confirmation must contain the following information:

- Issue day (period of validity)
- Full name of the foreign company and its registered address
- Confirmation that the foreign company was/is a tax resident in a foreign jurisdiction for the purpose of applying the double tax treaty between this jurisdiction and Belarus in the respective period

The confirmation must be submitted to the tax authorities either directly or through the company that has withheld tax.

**Tax rates**

<table>
<thead>
<tr>
<th>Rate</th>
<th>Type of income</th>
</tr>
</thead>
<tbody>
<tr>
<td>6%</td>
<td>Transport, freight, demurrage or other charges paid for shipments, including international shipments as well as charges for forwarding services</td>
</tr>
<tr>
<td>10%</td>
<td>Income from debt obligations of any kind</td>
</tr>
<tr>
<td>12%</td>
<td>Dividends and income from the disposal of shares (participatory interest) in a Belarusian company</td>
</tr>
<tr>
<td>15%</td>
<td>Royalties and other taxable Belarusian-sourced income of foreign companies</td>
</tr>
</tbody>
</table>

Belarus’ double tax treaties may provide for more favorable tax treatment (see Appendix 4).
If a foreign company has not presented such a confirmation, the tax agent
withholds tax at rates set by the Tax Code. This tax, however, may be offset
or recovered after the foreign company presents the necessary documentation.

Beneficial owner of income
In case a tax relief under a double tax
treaty is conditioned upon the beneficial
owner status a foreign company claiming
the relief with respect to Belarusian-
sourced income may be required to
present documentary evidence that it
meets Belarus’ beneficial ownership
requirements.

A foreign company is considered the
beneficial owner of Belarusian-sourced
income if it receives such income from
business operations, is entitled to claim
tax relief on such income as its actual
beneficiary and has the authority to
use such income at its sole discretion.
Beneficial ownership status for foreign
companies is determined taking into
consideration the functions that they
perform to receive such income, their
powers and risks.

Value-added tax

Taxpayers
Taxpayers of value added tax (VAT) in
Belarus include both Belarusian and
foreign companies.

Tax registration
There is no separate tax registration for
VAT purposes. A company gets registered
for all taxes, including VAT, upon its state
registration or the state registration of its
representative office.

This, however, does not apply to foreign
companies supplying electronic services to
individuals in Belarus (see below).

Scope of taxation. Tax base
VAT applies to:
- The sale of goods, services (works) or
  property rights in Belarus. This includes,
  inter alia, exchange, gratuitous transfer,
  sale of goods by a company to its
  employees, asset leases and transfer of
  intellectual property rights
- Import of goods into Belarus

The VAT tax base is monetary value
of taxable items and is determined in
accordance with principles set forth in tax
legislation. As a general rule, the VAT tax
base on sale of goods, services (works)
or property rights is determined based on
prices (tariffs), including excise taxes (if
the goods are excisable) net of VAT.

Exempt items
VAT exempt items include:
- Insurance services and banking
  transactions
- Property rights to inventions, utility
  models, design solutions, selective
  breeding results, integrated circuit
  layouts and know-hows
- Goods and services (works) produced by
  companies in which disabled employees
  account for at least of 50% of the
  headcount
- Medicines and medical equipment on
  the list approved by the President if
  such goods are on state registers or
  have permissions issued by the Ministry
  of Health
- Health care and veterinary services
  included in the list approved by the
  President
- Goods produced by a vendor under a
  sale-and-purchase agreement with a
  lessor that buys them to transfer abroad
  under a lease-purchase agreement,
  both being Belarusian tax residents
- Others

The following imports are also exempt
from VAT:
- Goods donated as foreign aid or
  received under international technical
  assistance programs or acquired with
  international technical assistance
  funds for purposes designated by
  the respective international technical
  assistance program, subject to
  exemption as prescribed by the President
• Medicines and medical equipment on the list approved by the President if such goods are on state registers or have permissions issued by the Ministry of Health

• Equipment, devices, materials and components intended for R&D which are imported into Belarus, subject to exemption as prescribed by the President

Place of supply
It is important to correctly determine the place of supply for VAT purposes, because tax is paid on sale of goods, services (works) or property rights in Belarus.

Belarus is considered the place of supply of goods, if the goods are in Belarus and are not dispatched/shipped to the customer/recipient or if the goods are in Belarus when being dispatched/shipped to the customer/recipient.

Belarus is considered the place of supply of services (works) or property rights if:

> Services are directly related to immovable property (including assets under construction) in Belarus (except for aircraft, marine and inland vessels and spacecraft). This rule applies to immovable property finance and operating leases, valuation services as well as engineering, design, and designer and technical supervision

Tax rates

<table>
<thead>
<tr>
<th>VAT rate</th>
<th>Scope of taxation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>20%</strong></td>
<td>This is a standard VAT rate applied to most goods, services (works) and property rights sold in Belarus as well as import of goods</td>
</tr>
<tr>
<td><strong>25%</strong></td>
<td>Sale of telecommunication services</td>
</tr>
<tr>
<td><strong>10%</strong></td>
<td>The sale of agricultural produce (plant and animal products) and import and/or sale of baby food and children's goods on the list approved by the President</td>
</tr>
<tr>
<td><strong>0%</strong></td>
<td>Export of goods and transport services for exports</td>
</tr>
</tbody>
</table>

Taxpayers engaged in retail and food services may calculate the applicable VAT rate based on the tax base and the share of VAT on goods recognized in a reporting period in the cost of these goods.
services directly related to such property

- Services are related to movable property in Belarus, excluding finance and operating leases, including vehicles
- Services are actually provided in Belarus in areas such as culture, arts, education, sports, tourism and entertainment
- The buyer of services (works) or intellectual property rights operates in Belarus and/or is a Belarusian resident

The latter rule applies to the sale/transfer of intellectual property rights; audit, consulting, marketing, legal, accounting, engineering, advertising and design services; information collection and processing services; electronic services; movable property rental services, excluding vehicles; HR services (staff recruitment and leasing in the place of the buyer’s operations); software and database development, adjustment, modification and support; disk space in servers; collection and/or provision of information about potential customers; and some other services.

In other cases not mentioned above, Belarus is considered the place of supply of services (works) or property rights, excluding intellectual property rights, if the seller operates or is a resident in Belarus.

**Time of supply**

To determine the reporting period in which VAT must be accounted for it is necessary to determine the tax point. The tax point for a supply of goods, services (works) or property rights is the date they were shipped or performed, or transferred in a reporting period regardless of the date on which settlement is made, except in cases stipulated by law.

The tax point for goods is:

- The date the goods were sent to, or taken by, the customer (the recipient, forwarding agent or carrier), provided that the seller is not responsible for transporting the goods or paying the transport costs
- The date as determined according to the accounting policies of the company, but no later the day the transportation begins (in other cases)

The tax point for services is the date the services were performed in accordance with supporting documents (acceptance certificates and similar documents)

The tax point for property rights is the date consideration for them becomes payable in accordance with the agreement.

**Calculation of VAT**

VAT payable is determined by subtracting deductible amounts from the entire VAT payable for a reporting period.

Taxpayers may deduct:

- VAT paid in Belarus on the purchase of goods, services (work) or property rights from foreign companies that are not Belarusian tax residents

The taxpayer is entitled to deduct input VAT if:

- The goods, services (works) or property rights were purchased for VAT-taxable transactions
- The taxpayer has accounted for VAT charged or paid on imports in its accounting records and purchase ledger (if any)
- The taxpayer has duly received and electronically signed electronic VAT invoices from suppliers of goods, services (works) 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 goods, services (works) or property rights

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

**Electronic VAT administration**

An electronic VAT invoice is a mandatory electronic document that must be submitted by all VAT payers with respect to taxable transactions that give rise to VAT on purchases, and to deductions.
Electronic VAT invoices are signed with a digital signature and managed electronically through the Electronic VAT Invoice Web Portal run by the Belarusian Tax and Duties Ministry.

Taxpayers are required to issue an electronic VAT invoice on each transaction involving the sale of goods, services (works) or property rights and either send this invoice to the purchaser or upload it to the Web Portal. As a general rule, such invoices should be issued no later than the 10th of the month following the date the goods were shipped or the services were performed (or the property rights were transferred).

**Tax reporting and paying**

The tax period is one calendar year. VAT payers must submit VAT returns 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.

**Purchase of goods or services (works) from foreign organizations**

When goods, services (works) or property rights are supplied by foreign companies that do not have a permanent establishment in Belarus and are not registered as Belarusian taxpayers, VAT must be accounted for and paid in Belarus by their buyers registered as Belarusian tax residents, including both companies or individual entrepreneurs.

VAT paid by Belarusian companies in Belarus may be deducted in accordance with the generally established procedure.
Import of goods from non-EAEU member countries

For imports of goods from non-EAEU member countries, the VAT tax base includes the customs value of the goods, customs duty and excise tax (if the goods are excisable). In this case, VAT is charged by the customs authorities as and when prescribed in customs legislation.

VAT paid in the EAEU

The EAEU has adopted EAEU-wide rules for VAT payment in trade in goods and services between member countries.

The rate of VAT on goods depends on the country of destination: goods are taxed at 0% when they are exported and at standard rates when they are imported. This means that Belarusian companies apply a 0% rate when exporting goods to other EAEU member countries, provided that they are able to present documentary evidence that they have taken out the goods from Belarus, and pay VAT when importing goods from other EAEU member countries. The tax base for imports is determined as the cost of the goods, including excise taxes (for excisable goods). In this case, VAT is charged by the tax authorities and must be paid no later than the 20th of the month following the recognition of the imports.

VAT on electronic services supplied by foreign companies to individuals in Belarus

Starting 1 January 2018, foreign companies supplying electronic services to individuals in Belarus or engaged in intermediary activity where such individuals are involved in settlements, are required to register as VAT taxpayers in Belarus and pay VAT at 20%.

Electronic services are services that are provided with the aid of information technologies via the Internet. Such services include the assignment of the rights to use software, databases, e-books, graphics, music and audiovisual works online, online advertising (sale of time and space for advertising on the Internet) and access to online search engines, other.

Individuals are considered buyers of electronic services in Belarus if one of the following conditions is met:

- Belarus is the place where individuals are residing
- Belarus is the place where the bank or electronic money operator processing payment for the services is registered
- IP address of the device used to buy the services is allocated to Belarus
- The country code of the telephone number used to buy the services is assigned to Belarus

Real estate tax

Taxpayers

Companies may be subject to real estate tax (RET) in cases stipulated by Belarusian tax legislation.

Scope of taxation

RET is paid on:

- Buildings, structures, parts thereof and parking sites that are owned by the taxpayer or are under the taxpayer’s economic or operating management
- Buildings, structures, parts thereof and parking sites in Belarus provided by Belarusian companies under finance lease agreements, on condition that they are not on the lessor’s books any longer
- Buildings, structures, parts thereof and parking sites in Belarus provided under lease agreements or under other arrangements, either for consideration or for no consideration, by foreign companies with no permanent establishment in Belarus or by individuals
- Buildings, structures and transmitters under construction in progress beyond the completion date that belong to the taxpayer
- Buildings, structures, parts thereof and parking sites in some other cases

Tax rates

The rate is 1% for companies. Tax on construction in progress beyond the completion date is paid at 2%.
Local councils may increase or decrease RET rates for certain categories of taxpayers, but by no more than 150%. The Minsk city and regional councils have the right to raise RET rates (but no more than tenfold) on buildings, structures or parts thereof on the list of idle (inefficiently used) property.

**Tax benefits**

RET exemptions apply to:
- Buildings and structures designated as historical and cultural heritage on the list approved by the Council of Ministers
- Buildings and structures which are used or are designed to be used for agriculture (crop and animal production)
- Buildings and structures designated for environmental protection and enhancement purposes on the list approved by the President
- Newly built buildings and structures, for one year after their commissioning date (except for buildings completed beyond the completion date stipulated by the project documentation)
- Buildings and structures mothballed as prescribed by the Council of Ministers
- Other assets as set forth in legislation

**Tax reporting and paying**

The tax period is one calendar year.

RET returns must be submitted to the tax authorities no later than 20 March of the reporting year. Tax is paid at the discretion of the taxpayer either in the amount of tax payable for the entire year no later than 22 March of the reporting year or in the amount of one-quarter of the annual amount in quarterly installments no later than the 22nd of the third month of each quarter.

**Scope of taxation**

<table>
<thead>
<tr>
<th>Scope of taxation</th>
<th>Tax base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings, structures, parts thereof and parking sites</td>
<td>Net book value</td>
</tr>
<tr>
<td>recognized as fixed assets or income-bearing investments</td>
<td></td>
</tr>
<tr>
<td>in tangible assets</td>
<td></td>
</tr>
<tr>
<td>Other buildings, structures, parts thereof and parking sites</td>
<td>Book value</td>
</tr>
<tr>
<td>Construction in progress beyond the completion date</td>
<td>Direct and indirect construction</td>
</tr>
<tr>
<td></td>
<td>expenses recognized for such</td>
</tr>
<tr>
<td></td>
<td>assets</td>
</tr>
</tbody>
</table>

**Other taxes**

**Land tax**

Companies that either hold the permanent or temporary use rights to land or own land are subject to land tax. The land tax base is determined on the basis of the land plot's cadastral value, its designated use and size.

Double tax rates apply to land plots (or parts thereof) under construction in progress beyond the completion date. Local councils may increase or decrease land tax rates for certain categories of taxpayers, but no more than by 150%. The Minsk city and regional councils have the right to raise tax rates (but no more than tenfold) on land plots (or parts thereof) occupied by buildings, structures or parts thereof on the list of idle (ineffectively used) property.

The tax period is one calendar year. Tax returns must be filed annually no later than 20 February of the current year. Tax is paid either once a year no later than 22 March of the reporting year or in quarterly installments no later than the 22nd of the second month of each quarter.

**Environmental tax**

Companies may be subject to environmental tax. The tax base is determined based on the actual amount of environmental damage caused by the taxpayer, including:
- Air pollutants
- Waste water
Doing Business in Belarus

• Industrial waste that must be stored or buried

Tax rates, established by the Tax Code, differ depending on the type of waste. In particular, they vary from BYN 0.09 (approximately USD 0.05) to BYN 826.95 (approximately USD 420) per metric ton or cubic meter of the pollutant. In some cases, reduced rates apply.

The tax period is one calendar quarter. Taxpayers must file environmental 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.

Offshore duty

Belarusian companies are subject to offshore duty on the following transactions:

• Payment of cash by a taxpayer to an offshore resident or another person (toward obligations owed to an offshore resident) or an account opened in an offshore jurisdiction

• The performance of non-cash obligations owed to an offshore resident, unless they are performed in return for cash paid to the Belarusian resident’s account

• Transfer of property rights and/or obligations due to a change of parties bound by a contract between a Belarusian resident and an offshore resident

The list of offshore jurisdictions includes the British Virgin Islands, Gibraltar, Liechtenstein, the US state of Delaware, etc.

Duty is paid at a fixed rate of 15%. The tax period is one calendar month. Offshore duty must be paid either prior to a cash payment or no later than the day following the day non-cash obligations were performed or parties to a contract were changed. Tax returns must be filed no later than the 20th of the month following the tax period.

In some cases, taxpayers may be exempt from offshore duty. For instance, it is not imposed on a loan principal and interest paid by taxpayers to offshore residents.

Excise tax

Companies may be subject to excise tax on certain transactions involving excisable goods such as alcohol products, tobacco products and motor fuel. Excise tax is paid on:

• Excisable goods produced and sold by the taxpayer in Belarus

• Excisable goods imported into Belarus

• Excisable imports upon their sale in Belarus

• Gas sold in Belarus as a motor fuel

Excise tax rates are fixed, set under the Tax Code per unit of the product (specific rates) or as a percentage of their value (ad valorem rates).

The tax 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 tax no later than the 22nd of the month following the reporting month. Excise tax reporting and paying rules are different for imports.
Special taxation regimes

**Single tax on agricultural produce**

To qualify for single tax, a company must meet the following requirement: revenue from the sale of its agricultural products in the previous calendar year must be at least 50% of its total revenue. Alternatively, this requirement may be met by their branches or stand-alone business units engaged in agriculture, provided that they maintain their own balance sheet and bank account. The tax rate is 1% of gross revenue. The single tax is paid instead of income tax.

**Gambling tax**

Gambling tax applies to game tables, slot machines, betting pools (parimutuel betting and bookmaking) and positive differences between bets accepted and winnings paid (bet refunds). Gambling tax rates are fixed. Taxpayers are required to obtain registration certificates for the total number of taxable gambling assets by type (except for positive differences between bets accepted and winnings paid) before they are installed or put into use. Such certificates are issued upon application in writing.

Income earned by taxpayers from gambling business is not subject to income tax or VAT, except for VAT imposed on goods imported into Belarus.

Belarusian legislation also provides for the following special taxation regimes: tax on income from electronic interactive games, lottery tax, single tax on individual entrepreneurs and other individuals, tax on crafts business, tax on rural tourism business and single tax on imputed income.

**Simplified tax regime**

The simplified tax regime is available subject to annual average headcount and revenue requirements. Simplified tax replaces corporate profit tax and may replace VAT.

<table>
<thead>
<tr>
<th>Simplified tax regime</th>
<th>Average headcount</th>
<th>Gross revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simplified tax regime plus VAT</td>
<td>No more than 100 employees</td>
<td>No more than BYN 1,851,100 (approximately USD 940,000)</td>
</tr>
<tr>
<td>Simplified tax regime without VAT</td>
<td>No more than 50 employees</td>
<td>No more than BYN 1,270,100 (approximately USD 640,000)</td>
</tr>
</tbody>
</table>

Simplified tax regime rates are set at 5% and 3% for VAT non-payers and VAT payers, respectively. The tax base is determined as the amount of gross revenue, including income from the sale of goods, services (works) or property rights and non-operating income.

Customs regulation

**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 (WTO). In addition, Belarus is a party to the Eurasian Economic Union (EAEU).

**EAEU Customs Code**

The agreement on the establishment of the EAEU took effect on 1 January 2015. The EAEU member countries include Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia.

The EAEU Customs Code came into force on 1 January 2018, incorporating key customs provisions that were introduced in the EAEU by the Customs Union’s Customs Code. In particular, goods made or released for domestic consumption in an EAEU member country may freely move in the EAEU 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 new Code provides for the introduction of mandatory electronic customs declarations, which are to replace written declarations to be used only on rare occasions, along with an automated customs declaration registration procedure.

**Import duty**

Imported goods are generally subject to import duty and VAT. Certain categories of goods, such as alcohol, tobacco and gasoline, are also subject to excise taxes (see the Section “Other taxes” above).

Customs duty rates 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. VAT paid on the import of goods or services is mostly offset against output VAT.

Currently, zero import duty applies to books, some types of medicines, innovative equipment and some other goods. Humanitarian aid, goods imported for the management of natural or man-made disasters and goods imported by diplomatic missions are exempt from customs duty and VAT.

**Export duty**

Certain categories of goods, including crude oil and petroleum products, are subject to export duty.

**Customs value**

Belarus’ customs valuation rules are based on the WTO’s principles. 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 typically include the cost 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 cost 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. In theory, the first six digits of the commodity code should be identical in Belarus and in the EU, but they may differ in practice. However, the customs authorities can issue a binding decision concerning the classification of goods.

**Customs procedures**

Any transfer of goods, including vehicles, across the Belarusian border is subject to customs procedures prescribed by the EAEU's legislation. Customs procedures have different clearance requirements, which 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 EAEU 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 released for free circulation on the customs territory of the EAEU.

**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 EAEU or their re-export outside of the EAEU. The payment of customs duty 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 EAEU.

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 must be placed under another customs procedure. If the goods are released for domestic consumption, customs duty and VAT are due. If the goods are re-exported outside of the territory of the EAEU, no customs duty or import VAT are due.

**Free warehouse**

Unlike a customs warehouse, a free warehouse is intended for processing goods placed under the free warehouse customs procedure to add value or get a new product. Owners may transfer the ownership, use and management rights to goods placed under the free warehouse customs procedure and products made from such goods.

Foreign goods are stored and handled at free warehouses exempt from customs duty, taxes or special, anti-dumping or countervailing duties but subject to limitations imposed on foreign goods under this customs procedure.

**Temporary importation**

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

Goods may be brought into the customs territory of the EAEU 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 EAEU.

Partial exemption is granted in other instances where goods are to stay on the customs territory of the EAEU for a limited period of time to be subsequently reexported. 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 reexported out of the EAEU or released for domestic consumption on the customs territory of the EAEU. If the goods are released for domestic consumption, accrued customs payments and penalty interest must 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 customs 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 EAEU. Under certain conditions, they are not subject to customs duty and import VAT with respect to goods imported into the customs territory of the EAEU 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.

- **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 EAEU. 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 EAEU allows exporting goods for processing and subsequent re-importation into the customs territory of the EAEU. 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 EAEU.

**CIS free trade regime**

Under the free trade regime that is currently in force in the CIS, the import of goods originating from the CIS countries to Belarus is exempt from customs duties. 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 taxes 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 non-discriminatory application of non-tariff regulations and the national regime.

The document also provides for the abolition of quantitative restrictions in mutual trade and grants the parties equal rights to participation in public procurement processes. It also envisages freedom of transit and the possibility to apply special protective measures in mutual trade. It regulates issues such as subsidies, technical barriers to trade, sanitary measures and the introduction of restrictions to ensure the balance of payments.

The Free Trade Zone Treaty replaced 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

According to Belarus’ accounting legislation, including the Law No. 57-З of the Republic of Belarus “On Accounting and Reporting” of 12 July 2013, the main aim of accounting is to provide full and accurate information about the company’s operations, assets and liabilities.

The Law “On Accounting and Reporting” applies to Belarusian legal entities, their branches, representative offices and other units maintaining their own balance sheets as well as foreign companies’ representative offices, holding companies and simple partnerships (parties to a joint venture agreement).

Belarusian-based offices of foreign companies are required to adopt accounting policies that meet the accounting and reporting requirements stipulated in the Law “On Accounting and Reporting.”

This law, however, 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. They are designed to provide a framework for a gradual transition to a new accounting methodology and the convergence of Belarus’ national accounting principles 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.

These principles, however, may be applied in Belarus in a way than differs from international practices. In particular, accounting practices in Belarus may focus on form rather than substance to comply with legislative requirements, which, for instance, are very specific as to the form of accounting source documents. This emphasis on form may interfere with the application of other accounting principles.

The going concern assumption is an issue that often causes concern for businesses in Belarus as some companies may encounter financial difficulties in this emerging market with continuing their operations.

Accounting methods
Belarusian companies are required to keep accounting records in accordance
Doing Business in Belarus

with their accounting policies, signed by the chief accountant, 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 are adopted to outline the accounting principles and rules the company will follow throughout the year, including types of accounting estimates, a structure of the chart of accounts, templates of accounting source documents, a form of the accounting ledger and procedures for stock-taking assets and liabilities.

Effective from 1 January 2013, companies use only the accrual method to recognize revenue from sales of goods and services (work), required to recognize it for the reporting period in which the transaction was actually made, not when the cash was received.

Foreign currency transactions

Accounting entries and financial statements must always be in Belarusian rubles.

For accounting purposes, foreign currency-denominated cash, financial investments (except for financial investments in the equity of another company), receivables and liabilities (except for advances received and issued, and prepayments) must be converted into Belarusian rubles at the NBRB's exchange rate as of the date of the transaction and as of the reporting date. The NBRB sets the Belarusian ruble's exchange rates against major foreign currencies on the basis of quotes on the Belarusian Currency and Stock Exchange on the previous day.

Fixed assets

Fixed assets are recognized at their cost or revalued amount and are depreciated using one of the following methods:

- Linear method
- Nonlinear method (calculated by the direct sum-of-the-years' digit 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 has the discretion to choose between the depreciation methods but must specify its choice in its accounting policies.

The linear method is used most often. Companies determine a fixed asset's useful life on the date of its acquisition and normally based on its estimates, which can be adjusted for changes in the condition of the fixed asset. Although there is a certain degree of freedom for choosing depreciation methods and practices, the list of available options has become narrower due to 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 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

Where the law allows, companies may revalue the following assets:

- All properties, 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 fixed asset inventory items 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 removed for production or other purposes, they are recognized using one of the following methods:

- Average cost
- FIFO
- Cost of each unit

Companies use one method for a group/type of inventory items during one reporting year, as determined in a company’s accounting policies. The first method is used most frequently. The actual cost of inventories must be based on their acquisition cost, including customs duties and other charges, and actual expenses incurred by the company to deliver the inventories and bring them to the condition suitable for use.

**Disclosure requirements**

Companies must prepare annual financial statements and, if required by Belarusian legislation, interim (quarterly and/or monthly) financial statements.

Annual and interim financial statements (except for monthly financial statements) must include:

- Balance sheet
- Income statement
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, as stipulated by Belarusian legislation

Monthly financial statements prepared by companies comprise a balance sheet.

The format of financial reporting is determined by the Belarusian Ministry of Finance. Financial statements are prepared in Belarusian or Russian. The reporting currency is the national currency of Belarus.

**Financial 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 registration to 31 December of the same year.

Companies must present annual financial statements no later than 31 March of the year following the reporting year to:

- Owners of the company’s assets
- Governmental bodies and a company with a controlling stake
Other entities as stipulated by Belarusian legislation

Starting 2014, companies have also been obliged to submit annual financial statements prepared in accordance with Belarusian legislation to the local tax authorities by the above date.

Annual financial statements are subject to review and approval as prescribed in the 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 along with statutory financial statements in accordance with Belarusian legislation. The NBRB relies on 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 its business.

Public interest entities (open joint stock companies that are either the founders of unitary enterprises and/or parents of subsidiary companies, banks and nonbanking credit and financial institutions, and insurance companies) must prepare annual IFRS consolidated financial statements in the national currency, with the first reporting year being 2016. Such entities, excluding banks, must submit their annual financial statements along with the auditor’s report by 30 June of the year following the reporting year to the Belarusian Ministry of Finance. Banks are required to file them with the NBRB. All of them are required to publish their financial statements on their websites 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 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.

The following companies must make their annual financial statements available to the 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 must present quarterly financial statements (a balance sheet, an income statement, etc.) and additional information to the Ministry of Finance within 30 calendar days after quarter end. They must also present annual financial statements within 30 calendar days after the end of the financial year.

**Audit requirements**

The following entities are subject to 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 EUR 5 million at the NBRB’s exchange rate on 31 December of the previous reporting year

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

**Differences between IFRS and Belarus’ statutory accounting principles**

In their accounting practices, companies must comply with their chart of accounts as well as the Civil Code and the Law “On Accounting and Reporting” that incorporate accounting regulations issued by the Ministry of Finance and the NBRB. While a number of regulatory requirements are formally in line with IFRS, their application and interpretation may be materially different.
Although there are accounting standards in Belarus, including standards for the banking sector and regulations issued by the Ministry of Finance, compliance is also required with various orders and letters issued by the Ministry of Finance and the NBRB to prescribe accounting methods and approaches.

As a result, departures from standard requirements may be significant, which leads to more inconsistencies with IFRS in addition to those outlined below. The major differences are as follows:

- Differences in the definition of reporting and functional currency (financial statements for statutory purposes must always be prepared in the national currency)
- A national requirement to prepare source documents in a prescribed format for both accounting and tax purposes
- The absence of a national requirement to recognize an impact of hyperinflation
- Inconsistent compliance with national guidelines that require parent companies having one or more subsidiaries to prepare separate and consolidated financial statements (under IFRS, the preparation of consolidated financial statements is compulsory for such companies)
- A legal option under current regulations to revalue entire classes of fixed assets on a regular basis based on national accounting principles
- Differences in equity and provision accounting principles

Meanwhile, national accounting and reporting regulations in place for banks are more harmonized with IFRS concepts (e.g., goodwill).

Due to the abundance of accounting standards and other accounting regulations in Belarus, it is very time consuming for both potential investors and users of financial statements to evaluate available opportunities or make the right financial decisions. Differences between IFRS and Belarus' national accounting principles also give rise to additional costs for companies striving to raise capital across markets which need to prepare more than one set of financial statements under different principles. Such differences may also lead to confusion as to which financial results should be relied on. A gradual transition to IFRS under the guidance of the Council of Ministers as well as the adoption of new laws on the preparation of consolidated financial statements in accordance with IFRS are extremely important steps for the further development of accounting regulations in Belarus and their harmonization with international standards.
Individuals

4
Employment

There is a critical shortage of highly qualified workers across industries, causing an intense competition for them. There are a number of contributing factors, including Belarus' dwindling population and a deterioration in the quality of education, which have led to a drop in the share of highly qualified labor in Minsk and across regions.

The Belarusian Labor Code

The Belarusian Labor Code outlines a legal framework for labor relations in Belarus. It sets out procedures for the recruitment and dismissal of employees and contains provisions on working time, vacations, business trips, salaries, etc. The Labor Code is primarily aimed at protecting the rights and interests of employees. Labor relations are also governed by Presidential Decree No. 29 of 26 July 1999, which outlines rules for fixed-term employment agreements.

Belarusian labor legislation extends to not only Belarusian citizens but also expatriates working under employment agreements entered into in Belarus.

In Belarus, the normal working day is eight hours and the normal working week is 40 hours. There are strict rules on overtime. Under the Labor Code, employers must obtain an employee’s consent to work overtime and must either compensate them at increased rates or provide extra days off for such work. The maximum number of overtime hours that an employee may work during a year is 180 hours, with the number of such hours per working week limited to 10 hours. A working day, including overtime, may not be longer than 12 hours. Employees may work irregular working hours but in this case they must be compensated for them with additional leave of up to seven days per year.

In general, the minimum period of paid annual leave is 24 calendar (as opposed to working) days.

Female employees are generally entitled to 126 calendar days of maternity leave. Allowances are paid out of the Social Security Fund in the amount of 100% of average pay but may 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 a one-time allowance of approximately USD 930 or more (depending on the number of children in the family). Employees are also eligible to take childcare leave for children under three years of age. In this case, the employer must pay a monthly allowance of about USD 135 per month or more (depending on the number of children in the family), which is financed out of the Social Security Fund.

Employees are also paid compensation for periods of illness out of the Social Security Fund, which totals 80% of their average salary for working days in a period comprising the first 12 calendar days of the illness and 100% for subsequent days of the illness.

Labor regulations in Belarus guarantee additional paid leave and some other benefits to individuals working in hazardous and/or dangerous conditions.

Recruitment

To hire a new employee, employers must sign a written employment agreement and issue an internal document — a hiring order, stating the name, position and date of employment of the new employee.

Under labor legislation, employment agreements are normally entered into for an indefinite term.

However, it is more common for employers to conclude fixed-term employment agreements under Decree No. 29 which give them certain advantages, including the possibility of concluding such agreements for one year (and up to five years) irrespective of the industry or the nature of the employee’s job and broader grounds for the termination of the contract on the employer’s initiative.

As a general rule, an employer may establish a probation period of up to three months for a new employee.

The employer is also responsible for accurately updating the employee’s employment record book. If the new hire starts work as an employee for the first time, the employer must arrange for the issue of an employment record book and a social security certificate for the employee.

Termination

An employee may be terminated for reasons listed in the Labor Code. Termination procedures are also set out in the Labor Code and should be strictly followed to reduce the risk of court litigation. The Labor Code provides for...
the following grounds for employment termination:

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

Employers may initiate the termination of an employment agreement only in certain circumstances, including violations committed by the employee or a repeated failure by the employee to perform his or her job duties properly. They may also terminate employment agreements in events such as the liquidation of the company, staff reduction and the unsuitability of the employee for the position held or work performed. However, the unsuitability must be confirmed through performance assessment prescribed in legislation.

The Labor Code entitles employers to terminate an employment agreement with an employee on the probation period if the employee's performance during this period was unsatisfactory. The employer, however, must give at least three days' notice of early termination. It is also permissible to give notice on the last day of the probation period.

**Salary**

Salary of employees depends on their qualifications as well as the complexity, nature and general conditions of the job. There are no salary limits in Belarus.

Belarus has also introduced a System of Unified Wage Rates, which may be applied at the discretion of the employer.

The System of Unified Wage Rates is a tool for setting wage rates on the basis of wage classes and rate multipliers. Employers use this system to set a unified first-class rate which is subsequently multiplied by the rate multiplier to determine an employee's wages.

At present, many employers choose not to tie wages to the System of Unified Wage Rates, using as the currency the Belarusian ruble, a conventional unit or foreign currency. However, wages must always be paid in Belarusian rubles regardless of their currency.

**Work under civil law agreements**

Besides an employment agreement, an employee may also enter into a civil law agreement for providing services (performing work). 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 specify, inter alia, the following:

- A procedure for settlements by the parties, including payable amounts
- The obligation of the client (the employer) to pay social security contributions for the individual (the employee)
- Obligations of the parties to ensure safe working conditions and liability for failing to provide them
- Grounds for early termination
- Late payment charges paid by the client in the amount of at least 0.15% of the outstanding amount for every day of the delay

**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 introduced five-day visa-free travel for citizens of 80 countries on 12 February 2017, including EU member states.

The visa-free procedure is 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 or 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 non-working 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 do not 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 leave Belarus. As a rule, it is issued by Belarusian diplomatic missions and consulates in foreign countries. A foreign citizen may also apply for a Belarusian visa in the airport upon arrival.

Entry visas are classified into transit visas (issued for travel in transit through 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 a period of no 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 no longer than the validity period of the temporary residency permit.

Employment of foreign individuals

The employment of a foreign national who has no permanent residency permit and intends to come to Belarus for the purpose of employment is a multi-stage process for both the employer and the foreign national.

This process includes the following steps:

- The employer applies for a permit to hire a foreign worker (see the section “Permits to hire foreign workers” below)
- The employer applies for individual working permits for foreign workers (see the section “Individual working permits” below)
- The employer concludes an employment agreement with the employee and applies for its registration (see the Section “Registration of employment agreements” below)
I. Permits 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 must apply for a permit to employ foreign workers in Belarus.

To receive this permit, 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 permit is valid for one year.

II. Individual working permits
After obtaining the above permit (if required), the Belarusian employer must apply for individual working permits for all foreign employees which entitle them to work as an employee in Belarus. If a foreign national plans to work for more than one Belarusian employer, he or she must obtain working permits for each contract.

The Belarusian Ministry of Internal Affairs issues such permits for a period of one year with the option of extension 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, certified skills and abilities and relevant work experience of no less than five years, while their pay under the employment agreement exceeds 15 times the statutory minimum wage (or USD 2,320 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 migrant workers to Belarus and their package (meals, accommodation and health care) within one month of the signing date. The term of the employment agreement may not be longer than that of the working permit.
Personal income tax

**Taxpayers**
Individuals pay personal income tax (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 job or other duties or the provision of services (the performance of work) paid by Belarusian companies, Belarusian individual entrepreneurs, foreign companies operating in Belarus through a permanent establishment, Belarusian-based representative offices of foreign companies, regardless of the place where such obligations were fulfilled or the source of such compensation
- Pension, benefits, scholarships and other similar income received by the taxpayer in compliance 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 operations through a permanent establishment in Belarus
- Income from the sale in Belarus of securities or shares (participatory interest), income from the sale of shares (participatory interest) in a Belarusian company and other income
Tax collection process
In most cases, PIT is calculated, withheld and paid by tax agents. Tax agents are Belarusian companies, Belarusian individual entrepreneurs (notaries or lawyers), foreign companies operating in Belarus through a permanent establishment and Belarusian-based representative offices of foreign companies paying income to the taxpayer.

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

In accordance with Belarusian legislation, individuals must file tax returns with 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 the Belarusian tax resident from a source outside Belarus
- When tax agents are not obliged to withhold tax from the individual's income

Individuals must file 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
Taxable income may be reduced by deductible amounts. In particular, PIT payers may apply the following tax deductions:

- Tuition fees paid for a first higher, a first secondary specialized or a first vocational technical education in a Belarusian educational institution as well as payments toward the repayment of loans issued by Belarusian banks, companies or individual entrepreneurs (including interest payments, except for overdue loans) for the above purposes.
- Taxpayers are also entitled to deduct payments for the education of their close relatives
- Insurance premiums paid to Belarusian insurance companies or refunded by the taxpayer to the tax agent under voluntary life insurance or additional pension agreements with a duration of at least three years, or under agreements on the voluntary insurance of medical expenses, in the amount of up to BYN 3,164 (approximately USD 1,600) in one tax period
- Expenses actually incurred by the taxpayer or his or her family members who are registered as persons in need of better living conditions in connection with construction or purchase of a single-family house or apartment in Belarus, including under lease-to-purchase agreements, or the repayment of loans issued by Belarusian banks, companies or individual entrepreneurs (including interest payments, except for overdue loans) for the above purposes
- Documented expenses actually incurred by the taxpayer in connection with the acquisition or sale of property (except for the sale of securities, fixed-term financial instruments, participatory interest in a company or an enterprise as a portfolio of assets)

Such deductions are granted to the taxpayer by the tax agent/primary employer or by the tax authorities when an individual files a tax return. Individuals are also eligible for a number of standard tax deductions. For example, taxpayers may apply a standard tax deduction of BYN 103 (approximately USD 52) per month with respect to income of up to BYN 620 (approximately USD 315) per month and a tax deduction of BYN 30 (approximately USD 15) per month for each child under 18 years old and/or each dependent.

Exempt income
Individuals who are Belarusian residents are exempt from tax on the following types of income:

- Unemployment benefits, social security benefits, except for temporary disability allowances (e.g., no income tax is imposed on maternity or childcare (under three years) benefits)
- Pension paid in accordance with Belarusian or foreign legislation
- All types of compensation as provided for in legislation and resolutions of the Council of Ministers (except for compensation for unused annual leave or the depreciation of vehicles or equipment belonging to the employee)
- Financial assistance provided in accordance with legislation
- Income of up to BYN 6,116 (approximately USD 3,100) received from individuals who are not individual entrepreneurs as a gift from all sources combined in one tax period
- Income from the sale of one house, one apartment, one summer cottage or one land plot (or other similar real estate) for a consideration within five calendar years
- Income from the sale of inherited property
- Income from the sale of other assets (subject to certain limitations) and other income
- Income from the sale of one car in one calendar year for a consideration

**Tax rate**

<table>
<thead>
<tr>
<th>Type of income</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most types of income are taxable at the <strong>standard rate</strong></td>
<td>13%</td>
</tr>
<tr>
<td>Income in the form of winnings (bet refunds) received by the individual from a Belarusian-based gambling company</td>
<td>4%</td>
</tr>
<tr>
<td>Income in the form of compensation paid under employment agreements by companies registered in the southeast of the Mogilev Region in the period from 1 July 2015 through 31 December 2020 and engaged in the production of goods or services (works) in the area</td>
<td>10%</td>
</tr>
<tr>
<td>Income calculated by the tax authorities based on the amount by which expenses exceed income in accordance with legislation</td>
<td>16%</td>
</tr>
<tr>
<td>Income received by Belarusian individual entrepreneurs, notaries or lawyers from their activities</td>
<td>16%</td>
</tr>
</tbody>
</table>
## Payroll taxes

### Sample payroll tax calculation
The taxes were calculated based on the assumption that the company employs a qualified welder, paying the employee USD 30,000 gross per annum.

<table>
<thead>
<tr>
<th>Expenses</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Employer’s expenses</strong></td>
<td></td>
</tr>
<tr>
<td>1.1 Compulsory social security contributions (pension and social insurance)</td>
<td>8,655</td>
</tr>
<tr>
<td>The contribution is calculated at 34% on the gross monthly salary, but on no more than USD 2,121.2 (the average salary in Belarus multiplied by five)*</td>
<td></td>
</tr>
<tr>
<td>1.2 Professional pension insurance contributions</td>
<td>1,375</td>
</tr>
<tr>
<td>The contribution is calculated at a maximum rate of 9% on the gross monthly salary, but on no more than USD 1,272.7 (the average salary in Belarus multiplied by three)*</td>
<td></td>
</tr>
<tr>
<td>1.3 Contributions for compulsory insurance against work-related accidents and occupational illnesses</td>
<td>180</td>
</tr>
<tr>
<td>The contribution is calculated at 0.6% on gross income</td>
<td></td>
</tr>
<tr>
<td>1.4 Total annual expenses of the employer per employee</td>
<td>10,210</td>
</tr>
<tr>
<td><strong>2. Employee’s expenses</strong></td>
<td></td>
</tr>
<tr>
<td>2.1 Compulsory social security contributions (pension insurance)</td>
<td>255</td>
</tr>
<tr>
<td>The contribution is calculated at 1% on the gross monthly salary, but on no more than USD 2,121.2 (the average salary in Belarus multiplied by five)*</td>
<td></td>
</tr>
<tr>
<td>2.2 Income tax on the employee</td>
<td>3,900</td>
</tr>
<tr>
<td>Tax is calculated at 13% on the salary</td>
<td></td>
</tr>
<tr>
<td>2.3 The employee’s net annual income</td>
<td>25,845</td>
</tr>
</tbody>
</table>

*The calculations were made based on the average salary in Belarus as of November 2017 which totaled BYN 836.9, the Belarusian ruble exchange rate being BYN 1.9727 against the US dollar*
**Compulsory social security contributions**

Compulsory social security contributions must be paid by:

- Employers (legal entities, their representative offices, their standalone business units and representative offices of foreign companies operating in Belarus), individual entrepreneurs, notaries working as civil servants and self-employed lawyers who hire individuals under employment or civil law agreements for the provision of services, including the creation of intellectual property, and individuals hiring other individuals under employment agreements

- Individuals, including Belarusian citizens, foreigners and stateless persons, working under employment or civil law agreements or based on their participation in a legal entity of any form, and individuals working as managers in a company who hold property interest in, or are members, participants or founders of the company

- Individuals paying compulsory social security contributions themselves, including individual entrepreneurs, individuals making money from crafts, notaries, lawyers, artists, individuals engaged in rural tourism business, individuals hired by other individuals under civil law agreements, individuals working at the Belarusian-based offices of international organizations or diplomatic or consular offices of foreign countries in Belarus, and individuals working outside of Belarus (no further details on such individuals are provided in this report)

**Base for compulsory social security contributions**

Contributions are paid on all income, both in cash and in kind, regardless of its source, including remuneration paid under civil law agreements subject to exceptions. The contribution base is limited by five times the average monthly salary in Belarus in the previous month.

Types of income exempt from compulsory social security contributions are determined in applicable legislation. Those include certain types of financial assistance, compensation for some expenses and lump-sum allowances.

Foreign nationals 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.
Paying and reporting

Compulsory social security contributions are paid into the Belarusian Social Security Fund. Reports on such contributions must be filed quarterly, no later than the 20th of the month following the reporting quarter.

Contributions paid under employment agreements must be paid no later than the payday for the previous month.

Contributions paid under civil law agreements or based on participation or membership in a legal entity of any form must be paid on the day cash is paid to the individual, but no later than the payday for the previous month. If the payday for the previous months is later than the 20th of the following month, contributions are paid no later than the 20th of the month following the previous month.

Companies with an average headcount of up to 100 employees during one 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

Subject to professional pension insurance are full-time workers performing work underground or in especially harmful or physically demanding jobs as well as

Breakdown of compulsory social security contributions

Compulsory social security contributions are paid as a single payment (35%) consisting of:

| Compeulsory contributions for retirement, disability and loss of breadwinner benefits (pension insurance), including: | 29% |
| Employer-sponsored contributions | 28% |
| Employee-sponsored contributions withheld from the employee’s pay and paid by the employer | 1% |
| Compulsory contributions for temporary disability, maternity, child care (under three years) and other benefits (social insurance) | 6% |

Some payers are entitled to reduced pension insurance contributions, including employers in the agricultural industry and employers representing disability organizations.
workers in other jobs as stipulated in Belarusian legislation.

Contributions are paid on earnings of any type, including in cash and in-kind. The contribution base is limited by three times the average monthly salary in Belarus in the month preceding the month for which such contributions are paid.

Exemptions apply to the same types of earnings as exemptions from compulsory social security contributions.

The rate of professional pension insurance contributions varies from 1.5% to 9%. Payment and reporting requirements are the same as for compulsory social security contributions.

The amount of such contributions is calculated based on the payroll. The rate is 0.6%. Belgosstrakh may increase or reduce the rate for payers depending on the job risk.

Contributions must be paid no later than the 25th of the month following the reporting quarter in which the employee was paid income.

Contributions for compulsory insurance against work-related accidents and occupational illnesses to Belgosstrakh – Belarusian National Unitary Insurance Company

Contributions are paid on all types of earnings of individuals subject to compulsory insurance against work-related accidents or occupational illnesses, regardless of the source of such earnings. Exemptions apply to the same types of earnings as exemptions from compulsory social security contributions. Contributions for compulsory insurance must be paid on foreign citizens and stateless persons, not only Belarusian citizens.
### Appendix 1. Useful addresses and contact information

If dialing out of Belarus, please use Belarus’ country code +375.

<table>
<thead>
<tr>
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Appendix 2. Currency exchange rates (as of the end of the period), adjusted for the 2016 redenomination of the Belarusian ruble

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<th>EUR/BYN</th>
<th>RUB 100/BYN</th>
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<td>0.8761</td>
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<td>0.2200</td>
<td>0.3077</td>
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<td>0.9466</td>
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<tr>
<td>2010</td>
<td>0.3000</td>
<td>0.3972</td>
<td>0.9844</td>
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<tr>
<td>2011</td>
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<td>1.0800</td>
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Source: NBRB

Appendix 3. Economic indicators

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<th>Year</th>
<th>Nominal GDP, USD billion</th>
<th>Real GDP growth rate, %</th>
<th>Inflation rate, %</th>
<th>Industrial output, %</th>
<th>Unemployment rate, %</th>
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<td>104.6</td>
<td>106.1</td>
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</table>

Source: NBRB, National Statistical Committee of the Republic of Belarus
Appendix 4. Withholding tax rates under 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, Ecuador, Egypt, Estonia, Finland, Georgia, Germany, Hong Kong, 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, Slovakia, Slovenia, 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).

As a legal successor to the Soviet Union, Belarus has double tax treaties with the following countries: Denmark, France, Japan, Malaysia, Spain, the UK and the US. According to the Belarusian Tax and Duties Ministry, similar treaties with Canada and Norway are no longer in force. Belarus has signed new double tax treaties with Spain and the UK, but they have not yet taken effect.

The table below provides an overview of income tax rates for foreign companies according to Belarus’ double tax treaties and national tax legislation.
<table>
<thead>
<tr>
<th>Country</th>
<th>Dividends, %</th>
<th>Interest income, %</th>
<th>Royalty, %</th>
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<tbody>
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<td>10/12 (a)</td>
<td>0/10 (v)</td>
<td>10 (tt)</td>
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<td>5/12 (e)</td>
<td>0/5 (qq)</td>
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<td>10 (tt)</td>
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<td>Bahrain</td>
<td>5 (ww)</td>
<td>0/5 (vv) (xx)</td>
<td>5 (uu)</td>
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<td>Bangladesh</td>
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<td>0/7,5 (vv) (xx)</td>
<td>10 (tt)</td>
</tr>
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<td>0/10 (v)</td>
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<tr>
<td>China</td>
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<td>5 (xx)</td>
<td>5 (uu)</td>
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<th>Royalty, %</th>
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</table>

Countries with no double tax treaties with Belarus: 12 10 15
(a) A 10% rate applies if the recipient is the beneficial owner of the dividends and owns at least 30% of the capital of the company paying the dividends. A 12% rate applies in all other cases.

(b) A 5% rate applies if the recipient is the beneficial owner of the dividends and owns at least 30% of the capital of the company paying the dividends. A 10% rate applies in other cases where the recipient is the beneficial owner of the dividends. Dividends are not taxed if the beneficial owner is a company (other than a partnership) owning 100% of the capital of the company paying the dividends, provided that the dividends are derived from income from industrial or manufacturing activities, farming, forestry or fishing activities or tourism (including restaurants and hotels), provided that this income is not exempt from tax.

(c) A 3% rate applies if the recipient is the beneficial owner of the royalties paid for the use of, or the right to use, any patent, secret formula or process, or for information concerning industrial, commercial or scientific experience. A 5% rate applies if the recipient is the beneficial owner of the royalties paid for the use of, or the right to use, any industrial, commercial or scientific equipment. In all other cases where the recipient is the beneficial owner of the royalties, a 10% rate applies.

(d) A 5% rate applies if the recipient is the beneficial owner of the income and has invested at least 200,000 ECU in the capital of the company paying the income. A 10% rate applies if the recipient is the beneficial owner of the income and owns at least 25% of the capital of the company paying the income.

(e) A 5% rate applies if the beneficial owner is a company that owns at least 25% of the capital of the company (other than a partnership) paying the dividends. A 12% rate applies in all other cases (in the case of the Netherlands, please refer to note [w]).

(f) A 3% rate applies to payments to their beneficial owner for the use of, or the right to use, any patent, trade mark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience. A 5% rate applies to payments to their beneficial owner for the use of, or the right to use, industrial, commercial or scientific equipment (including road transport). A 10% rate applies to payments to their beneficial owner for the use of, or the right to use, any copyright of literary, artistic or scientific work, including motion picture films and films or tapes for radio and television broadcasting.

(g) A 10% rate applies if the recipient is the beneficial owner of the income and owns at least 25% of the capital of the company paying the income. A 12% rate applies in all other cases (in the case of Pakistan and Turkey, there is no beneficial owner requirement to apply a 10% rate).

(h) An 8% rate applies if the recipient is the beneficial owner of the interest.

(i) A 5% rate applies to payments to their beneficial owner for the use of any copyright of literary, artistic or scientific work, including motion picture films, films or tapes and other means of sound and image transmission. A 10% rate applies to payments to their beneficial owner for the use of, or the right to use, any patent, trade mark, design or model, plan, secret formula or process, for information concerning industrial, commercial or scientific experience, or for the use of, or the right to use, industrial, commercial or scientific equipment or vehicles.

(j) A 5% rate applies if the beneficial owner is a company owning USD 100,000 or more in a company paying the dividends. In other cases where the recipient is the beneficial owner of the dividends, a 10% rate applies.

(k) A 5% rate applies to payments to their beneficial owner for the use of, or the right to use, any copyright of scientific work, any patent, trade mark, design or model, plan, secret formula or process, for the right to use information concerning industrial, commercial or scientific equipment or vehicles, for information concerning industrial, commercial or scientific experience. A 10% rate applies to payments to their beneficial owner for the use of, or the right to use, any copyright of literary or artistic work, including motion picture films and films or tapes for radio and television broadcasting.

(l) A 0% rate applies to interest paid to the government, a governmental body or an entity wholly owned by the government. A 5% rate applies to interest beneficially owned by a bank or any other financial institution. In other cases where the recipient is the beneficial owner, a 10% rate applies.

(m) A 5% rate applies to royalties paid to their beneficial owner for industrial, commercial or scientific equipment or vehicles. In all other cases where the recipient is the beneficial owner, a 10% rate applies.

(n) A 0% rate applies to payments to their beneficial owner for the use of, or the right to use, any copyright of literary, artistic or scientific work, including motion picture films and films or tapes for radio and television broadcasting. A 10% rate applies to payments to their beneficial owner for the use of, or the right to use, any patent, trade mark, design or model, plan, secret formula or process, for information concerning industrial, commercial or scientific experience.
experience, or for the use of, or the right to use, industrial, commercial or scientific equipment or vehicles.

(o) A 10% rate applies if the recipient is the beneficial owner of the royalties paid for the use of, or the right to use, any patent, trade mark, design or model, plan, secret formula, process or copyright of scientific work, or for the use of, or the right to use, industrial, commercial or scientific equipment, or for the use of, or the right to use, information concerning industrial, commercial or scientific experience. A 15% rate applies if the recipient is the beneficial owner of the royalties paid for the use of, or the right to use, motion picture films or tapes for radio and television broadcasting, or any copyright of literary or artistic work.

(p) A 0% rate applies to interest from the sale on credit of industrial, commercial or scientific equipment or if the interest is paid to the government, the central bank, a local authority or a financial institution performing functions of a governmental nature or if the interest is paid on a loan guaranteed or indirectly financed by any of the above bodies and institutions. A 10% rate applies in other cases where the recipient is the beneficial owner of the interest.

(q) Belarus observes the double tax treaty that this state concluded with the Soviet Union. The table shows tax rates as specified in this treaty.

(r) A 0% rate applies to interest on loans from banks and commercial loans. A 10% rate applies in all other cases.

(s) A 0% rate applies to interest on government-guaranteed loans.

(t) A 0% rate applies to interest paid to the government, a local authority or the central bank. A 5% rate applies to interest paid and beneficially owned by a bank or any other financial institution or interest paid with respect to the sale on credit of any industrial, commercial or scientific equipment. In other cases where the recipient is the beneficial owner of the income, a 10% rate applies.

(u) A 0% rate applies to interest paid to the government, a local authority, the central bank or any other financial institution wholly owned by the government. In other cases where the recipient is the beneficial owner of the interest, a 10% rate applies.

(v) A 0% rate applies to interest paid to the government or the central bank (in the case of Turkey, a 0% rate also applies to interest arising in Belarus and paid by Turkish Eximbank on loans for financing the purchase of industrial, commercial, trade, medical or scientific equipment). In other cases where the recipient is the beneficial owner, higher rates apply.

(w) A 0% rate applies if one of the following conditions is met:
  - The recipient that is the beneficial owner of the dividends owns more than 50% of the capital of the company paying the dividends, provided that the recipient's contribution to the capital of the company is at least 250,000 ECU, or
  - The recipient that is the beneficial owner of the dividends owns more than 25% of the capital of the company paying the dividends, provided that the recipient's contribution to the capital of the company is guaranteed or secured by the government

(x) A 0% rate applies to dividends paid to the government, the central bank, any other governmental agency or a financial institution. A 5% rate applies in all other cases where the recipient is the beneficial owner of the dividends.

(y) A 0% rate applies to payments for the use of, or the right to use, any copyright of literary, musical, artistic or scientific work, excluding motion picture films and films or tapes for radio and television broadcasting. A 5% rate applies in all other cases where the recipient is the beneficial owner of the income from copyright and licenses.

(z) A 0% rate applies to:
  - Interest paid on a government-approved loan
  - Interest paid with respect to the sale on credit of industrial, medical or scientific equipment or related services
  - Interest paid on a loan made, secured or guaranteed by the government to stimulate by financing the supply of industrial, medical or scientific equipment or related services

In all other cases where the recipient is the beneficial owner, a 10% rate applies.

(aa) A 0% rate applies to:
  - Interest paid on a government-approved loan
  - Interest paid with respect to the sale on credit of industrial, trade, medical or scientific equipment
  - Interest earned on government securities

A 5% rate applies to interest on bank loans. An 8% rate applies in other cases where the recipient is the beneficial owner of the interest.

(bb) A 0% rate applies in cases where the loan has been approved by the government.

(cc) A 5% rate applies only to payments for the use of any copyright of literary, musical, artistic or scientific work, excluding motion picture films, or for the right to use industrial, commercial
or scientific equipment or vehicles. A 10% rate applies in other cases where the recipient is the beneficial owner of the royalties.

(dd) A 5% rate applies if the recipient is the beneficial owner of the income and owns at least 20% of the capital of the company paying the income, with its contribution being at least EUR 81,806.70. A 12% rate applies in all other cases.

(ee) A 0% rate applies to (1) interest arising in Belarus and paid to the German Government, Deutsche Bundesbank, Kreditanstalt fur Wiederaufbau or Deutsche Finanzierungsgesellschaft fur Beteiligungen in Entwicklungslandern; (2) interest arising on export loans guaranteed by HERMES-Deckung and made by the German Government or (3) interest paid to its beneficiary owner with respect to the sale on credit of any type of equipment or any loan made by a bank or any other financial institution for financing the supply of any industrial, commercial or scientific equipment. A 5% rate applies in other cases where the recipient is the beneficial owner of the interest.

(ff) A 3% rate applies if the recipient is the beneficiary owner of the royalties for the use of, or the right to use, any copyright of scientific work, or the use of, or the right to use, any patent, trade mark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience. A 5% rate applies if the recipient is the beneficial owner of the royalties paid for the use of, or the right to use, any copyright of literary or artistic work, including motion picture films and films or tapes for radio and television broadcasting, or for the use of, or the right to use, any type of equipment and vehicles.

(gg) A 0% rate applies if the recipient is the beneficiary owner of the interest and one of the following conditions is met: (1) the interest is paid to the contracting state, a local authority or the central bank, (2) the interest is paid on a government-approved loan or (3) the interest is paid on a loan made, guaranteed or secured by a governmental agency (including Österreichische Kontrollbank Aktiengesellschaft) to stimulate exports by financing the supply of industrial, trade, medical or scientific equipment. A 5% rate applies in other cases where the recipient is the beneficial owner of the interest.

(hh) A 0% rate applies to interest paid to the government, the central bank, FINNFUND or FINNVERA. A 5% rate applies if the recipient is the beneficial owner of the interest.

(ii) A 0% rate applies to income paid to the government, the central bank or the State General Reserve Fund of the Sultanate of Oman or, in the case of interest, to any entity wholly or mainly owned by the government. In all other cases where the recipient is the beneficial owner of the income, a 5% rate applies.

(jj) A 5% rate applies if the beneficial owner is a company (other than a partnership) that owns at least 25% of the capital of the company paying the income. In other cases where the recipient is the beneficial owner of the interest, a 10% rate applies.

(kk) A 0% rate applies if the recipient is the beneficial owner of the interest which is:
  * Paid to the government, a governmental body, the central bank or an entity wholly or partially owned by the government, or
  * Paid on a government-guaranteed loan, or
  * Paid on a loan intended for stimulating exports by financing the supply by a company in the other contracting state of any equipment or vehicles, or
  * Paid with respect to the sale on credit of any type of equipment or vehicles

In all other cases where the recipient is the beneficial owner of the interest, a 5% rate applies.

(ll) A 5% rate applies to royalties received by their beneficial owner as a consideration for the use of, or the right to use, trade mark, any copyright of scientific work or computer software, or for the use of, or the right to use, any type of equipment or vehicles. In all other cases where the recipient is the beneficial owner, a 10% rate applies.

(mm) A 0% rate applies to:
  * Interest paid by the government or a governmental body
  * Interest paid to the government, a governmental body or a local agency or body (including financial institutions) wholly owned by the government or a governmental body
  * Interest paid to any other agency or body (including financial institutions) on a loan issued in connection with the agreement between the contracting states

An 8% rate applies in other cases where the recipient is the beneficial owner of the interest.

(nn) A 0% rate applies to loans issued to the government or the central bank. In all other cases where the recipient is the beneficial owner of the interest, a 10% rate applies.

(oo) A 0% rate applies to dividends received by Ireland’s National Treasury Management Agency, Ireland’s
National Pensions Reserve Fund or any entity, including an agency or an institution, wholly or mainly owned by the government. A 5% rate applies if the beneficial owner is a company that owns at least 25% of the capital of the company (other than a partnership) paying the dividends. A 10% rate applies in other cases where the recipient is the beneficial owner of the dividends.

(pp) A 0% rate applies to interest paid or received by the government, a political subdivision, a local authority or the central bank. Higher rates apply in other cases.

(qq) A 0% rate applies to interest paid to the government, the central bank or an institution the capital of which is wholly owned by the government or a local authority. A 10% rate applies if the recipient is the beneficial owner or any bank, financial institution or insurance company or if the interest is paid on debt arising with respect to the sale on credit of any equipment, products or goods.

(rr) A 0% rate applies to:
- Interest paid or received by the government, a political subdivision, a local authority or the central bank
- Government-approved loans
- Loans made and guaranteed by a state financial institution to stimulate exports, provided that they are made or guaranteed on preferential terms
- Loans made by a bank to stimulate exports
- Interest paid on debt arising with respect to the sale on credit of any goods or industrial, commercial or scientific equipment

A 5% rate applies in all other cases where the recipient is the beneficial owner of the dividends.

(ss) A 0% rate applies to:
- Interest paid to the government, a local authority, the central bank or any other financial institution wholly or partly owned by the government
- Interest paid with respect to debt claims guaranteed, secured or indirectly financed by the government, a local authority, the central bank or any other financial institution wholly owned by the government

A 10% rate applies in all other cases where the recipient is the beneficial owner of the dividends.

(tt) A 10% rate applies if the recipient is the beneficial owner of the royalties.

(uu) A 5% rate (0% in the case of the UK) applies if the recipient is the beneficial owner of the royalties.

(vv) A 0% rate applies to interest paid to the government, a political subdivision (in the case of Ecuador), a local authority, the central bank or any other governmental agency or a financial institution owned by the government. In other cases where the recipient is the beneficial owner of the interest, a higher rate applies.

(ww) A 10% rate (5% in the case of Bahrain, Qatar, Saudi Arabia and Slovenia, 7.5% in the case of Lebanon or 0% in the case of the UK) applies if the recipient is the beneficial owner of the dividends.

(xx) A 5% rate (7.5% in the case of Bangladesh or 0% in the case of the UK) applies if the recipient is the beneficial owner of the interest.

(yy) A 0% rate applies to:
- Interest paid or received by the government, a political subdivision, a local authority or the central bank
- Loans approved by the government

(zz) A 6% rate applies if the recipient is the beneficial owner of the royalties.

(aaa) A 5% rate applies if the dividends are beneficially owned by a company that directly owns at least 20% of the capital of the company paying the dividends. A 10% rate applies in other cases where the recipient is the beneficial owner of the dividends.

(bbb) A 0% rate applies if the beneficial owner of the interest in the case of Laos is the Government of Laos, the Bank of Laos or a local authority of Laos. An 8% rate applies in other cases where the recipient is the beneficial owner of the interest.

(ccc) A 0% rate applies to dividends paid in Singapore to the Government of Singapore, the Monetary Authority of Singapore (the central bank), the Government of Singapore Investment Corporation, a statutory body or any institution wholly or mainly owned by the Government of Singapore as may be agreed upon from time to time by competent authorities. A 5% rate applies to dividends paid in other cases to their beneficial owner.

(ddd) A 0% rate applies to interest paid in Singapore to the Government of Singapore, the Monetary Authority of Singapore (the central bank), the Government of Singapore Investment Corporation, a statutory body, a bank or any institution wholly or mainly owned by the Government of Singapore as may be agreed upon from
time to time by competent authorities. A 5% rate applies to interest paid in other cases to their beneficial owner.

(eee) A 7.5% rate applies to dividends beneficially owned by a company that directly owns at least 25% of the capital of the company paying the dividends. A 10% rate applies in other cases where the recipient is the beneficial owner of the dividends.

(fff) A 10% rate applies if the recipient is the beneficial owner of the dividends and owns at least 10% of the capital of the company paying the dividends. In other cases where the recipient is the beneficial owner, a 12% rate applies.

(ggg) A 5% rate applies if the recipient is the beneficial owner of the interest and one of the following conditions is met: (1) the interest is beneficially owned by the government, the central bank, Ireland’s National Treasury Management Agency, Ireland’s National Pensions Reserve Fund or any entity wholly or mainly owned by the government or (2) the interest is paid on a loan guaranteed or approved by the government or a loan for financing the purchase of industrial, commercial, trade, medical or scientific equipment.

(hhh) A 5% rate applies to interest paid to its beneficial owner. A 0% rate applies to income paid to the government, a political subdivision or a local authority, the national bank or any other entity or institution wholly or mainly owned by the government.

(iii) A 0% rate applies if the beneficiary owner of the income is the Government of the Hong Kong Special Administrative Region, the Hong Kong Monetary Authority, the Exchange Fund, or any institution wholly or mainly owned by the Government of the Hong Kong Special Administrative Region as may be agreed upon from time to time by competent authorities.

(jjj) A 3% rate applies to royalties for the use, or the right to use, an aircraft paid to their beneficial owner. A 5% rate applies in other cases where the recipient is the beneficial owner. A 15% rate applies in all other cases.
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