

Belarus business and investment guide Tax issues 2009



Contents

4	Introduction
6	Country profile
7	Incentives for foreign investors
9	Tax administration
11	Types of business presence
13	Taxation of businesses in Belarus
19	Belarusian source income for foreign companies
20	Taxation of individuals
21	Customs issues
23	Currency control issues
26	Contacts

Introduction

"Belarus business and investment guide. Tax issues 2009" is a booklet prepared by Deloitte to provide interesting, relevant information to those considering investing or doing business in Belarus. The information we have provided here is mostly addressed to non-residents of Belarus, who may be contemplating carrying out business activities or investing in the country.

The information presented in this publication is correct and reflects the situation as of 1 February 2009. The purpose of this booklet is to explain, in broad terms, the requirements of local laws affecting the taxation, establishment and operations of business enterprises in Belarus. The information provided in the following pages is not exhaustive, nor is it intended to be so. The reader should be aware that the general framework of the legislation and the detailed regulations underpinning it are subject to frequent changes. Therefore, before making any decisions, further advice should be sought.

The combination of increased globalization and the growing complexity of tax systems in certain countries have given rise to many new tax exposures. For both companies and individuals, the consequences of misjudging the tax and legal situation of a country can be grave. As advisors with extensive experience in Belarus and abroad, we see our job as more than merely identifying risks, in that we also find solutions. Thanks to a powerful global network of Deloitte member firms, we can provide tailor-made solutions, which enable you to reduce the risks and take advantage of the opportunities to optimize your tax position.

Deloitte consulting services cover all of the tax matters affecting companies and individuals, irrespective of their size or sphere of activity. Services include the filing of tax returns, tax planning, and assistance in tax matters. These consulting services are designed specifically for each industry or type of organization.

Deloitte is a global leader among professional services firms, in terms of the number of its tax partners and professionals. Member firms can therefore boast a broad service offering and have the ability to deploy experienced professionals, with extensive knowledge

and specialized skills, to work for clients spanning a wide range of industries.

Consulting on direct and indirect taxation

- Consultation on various tax issues
- International tax planning and structuring
- Advice on customs and indirect taxes, value-added tax and excises, according to domestic legislation
- Tax reviews and the identification of possible tax optimization options
- Tax planning for investment projects
- Development of tax accounting policies and related procedures
- Mergers and acquisitions related services, including due diligence

Outsourcing and tax compliance services

- Accounting and reporting, in accordance with Belarusian legislation
- Maintenance of bank accounts, and bank and cash transaction accounting
- Tax accounting and tax reporting
- Outsourcing of payroll-related services and corresponding tax assessment
- Preparation of statistical reports and their submission to the Belarusian statistics authorities
- Services related to IAS accounting and transformation
- Accounting automation, implementation of information technologies
- Restoration of a company's accounting procedures

Tax dispute resolution

- Tax advice in complicated legal situations
- Pre-trial settlement of tax disputes with the authorities

Global employer and employee/individual solutions

- Assisting individuals in preparing tax returns
- Registration with the tax authorities
- Advice on various issues related to employment in Belarus
- Tax advice on personal income tax and other obligatory charges imposed on employees and employers
- Tax advice to individuals on the application of relevant provisions of international double tax treaties, and on the interpretation of these provisions by the tax authorities

- Advice on the legislative requirements for foreign nationals in Belarus, including obtaining and preparing documents necessary for their living and working in Belarus

Tax and other services for banks, insurance and other financial companies

- Planning and establishment of financial and holding structures
- Due diligence and risk assessment
- Advice on compliance with bank (or insurance company) registration and licensing requirements, follow-up advisory assistance in establishing separate banking departments
- Consulting support for the identification of the most risk-bearing standards of banking activities and methods for maintaining these at the statutory level, prescribed by the National Bank of the Republic of Belarus (NBRB)
- Advice regarding the various tax aspects of insurance activities, such as forming, financing, investing, placing and using insurance reserves, among others
- Advice on regulatory acts regarding banking activities, analysis of a bank's internal regulations and compliance with the principles and requirements of Belarusian legislation
- Advice on the tax aspects of loans, securities, foreign exchange and other banking operations
- Consulting support in establishing a bank's subsidiaries, such as leasing (insurance) companies

- Other tax and legal advisory services, in accordance with current Belarusian legislation:
 - Minimization of a bank's exposure to taxation (the application of international double tax treaties, an analysis of the taxable base, and tax calculation)
 - An analysis of the tax risks and other possible consequences of the application of a client's business structures, as well as assistance in introducing international compensation schemes

International taxation

- Advice on the application of double tax treaties
- International tax planning, aimed at improving the efficiency of businesses, reducing operating costs and managing economic risks
- Structuring cross-border investments
- Consulting on tax efficient international holding structures
- International tax planning presentations, workshops, conferences and seminars
- Assistance in setting up companies in foreign jurisdictions

International cooperation with other Deloitte member firms ensures a direct and efficient transfer of knowledge. We have a worldwide database with tax information covering more than 185 countries. Our international network of tax professionals forms the fundamental basis for providing high quality consulting on all international tax matters.

Country profile

Belarus is located in the heart of Europe, at the crossroads of east-west and north-south trade routes. It links CIS member states with the countries of Western Europe, bordering Poland, Lithuania, Latvia, Russia, and Ukraine.

The territory of the country covers 207,000 square kilometers, with a population of 9.71 million people, 73% of whom live in urban environments. Almost a fifth of the population lives in Minsk, the nation's capital. Belarus is divided into six regions and both Belarusian and Russian are official state languages.

Government

On 8 December 1991, in Viskuli (Brest Region), the leaders of the founding republics of the USSR – Belarus, Russia, and Ukraine – made a decision to dissolve the union and found the Commonwealth of Independent States. Minsk was chosen as the administrative center of the CIS and the Republic of Belarus became an independent state. In 1994, a new constitution was adopted and the country's first president was elected, an independent candidate who did not belong to any political party.

Belarus is a presidential republic and legislative power is vested in the Parliament, which is comprised of the House of Representatives (110 members) and the Council of the Republic (64 members), both of which are dominated by supporters of the President. According to the Belarusian Constitution, power is divided among the legislative, executive and judicial branches.

Currency

The Belarusian national currency is the Belarusian ruble (BYR). As of 1 January 2009, the exchange rate was BYR 2,200 : USD 1, BYR 3,077 : EUR 1, and BYR 76.89 : RUB 1. However, due to a devaluation of 20.5%, the exchange rate on 2 January 2009 reached BYR 2,650 : USD 1, BYR 3,703 : EUR 1, and BYR 90.16 : RUB 1. Please note that, according to the policy declared by the Belarusian government, within 2009 the exchange rate will vary in the range +/- 5 %, in relation to the basket of currencies (USD, EUR and RUB)

There are some restrictions, with regards to foreign currency exchange in Belarus. However, the Belarusian government is taking steps towards liberalization of the currency market.

Banking system

Banks have dominated the Belarusian financial market. As of 1 January 2009, there are 31 banks in Belarus. Most Belarusian banks have foreign investors as shareholders. Currently the state still has a dominant share of the charter capitals of the four biggest banks of Belarus. In 2009, a decrease of the state's share in the abovementioned banks is planned, with a view to attracting foreign investments to meet the requirements of an Initial Public Offering (IPO). To date, the Belarusian stock market has not seen significant development.

Incentives for foreign investors

The beneficial geographical location of Belarus has made it a high potential country for foreign investment. For a company planning to establish a production or distribution unit in Eastern Europe, Belarus offers a skilled and cheap labor force, low price levels, and relatively well-developed infrastructure. The Belarusian government has established a special program for attracting foreign investment. The protection of foreign investment is guaranteed under the Investment Code, which states that foreign-owned companies have the same rights as local businesses. Foreign companies also have the right to repatriate profits without any restrictions. Furthermore, Belarus has signed bilateral agreements with many countries around the world on the protection and promotion of investments.

Free Economic Zones (FEZ)

A Free Economic Zone is part of the territory of a country, with precisely defined borders and a special legal regime, which provides more favorable conditions for carrying out business activities. The primary objective of these zones is to attract and ensure the effective use of foreign and national investments, to create and develop goods for export, based on the latest technologies, as well as effectively using all available production space. There are currently six of these free economic zones in the Republic of Belarus. For a potential investor, the main appeal of a special legal regime like that in an FEZ, is preferential taxation. FEZ residents pay certain taxes at a reduced rate, such as profit tax at 12%, and VAT at 9%. Any profit made by the residents of an FEZ from the supply of goods (works or services) produced within the area, is exempt from profits tax and transportation duty, for a period of 5 years, from the time such profits are first generated. On top of this, FEZ residents do not pay a turnover tax at the rate of 1%.

High Technology Park (HT Park)

Belarusian legal entities (including those with 100% foreign investment) and individual entrepreneurs, whose activities are concerned with the analysis and development of software to information systems and data processing, are eligible to be residents of the Belarus HT Park. The HT Park regime provides for full exemption from almost all taxes and duties, including profits

tax, VAT and real estate tax. Furthermore, technical equipment imported by residents of the HT Park into the customs territory of the Republic of Belarus is exempt from customs duties and VAT. An exhaustive list of exempt items has been formulated by the state authorities and includes computers, photocopiers and fax machines.

Income made by a foreign entity that is a resident in the HT Park is subject to withholding tax, at a rate not exceeding 5%. The park's residents do not pay offshore duties on dividends paid to their shareholders.

The tax benefits of conducting business in rural areas and small town centers

Effective from 2008, a special tax regime has been provided for both foreign and Belarusian legal entities (including branches, representative offices and separate subdivisions), and individual entrepreneurs, located (residing) in rural areas (as well as in the town centers of towns with a population of less than 50,000 people, which are not included in a list drawn up by the Council of Ministers of the Republic of Belarus) and carrying out business activities involving the manufacture of goods, the performance of work, or the provision of services in those or other rural areas (or specific town centers).

Such operations are exempt from profits tax, turnover tax, transportation duty and real estate tax on real estate located in rural areas. They are also exempt from customs duties and VAT (except VAT charged on goods imported from the Russian Federation) payable on production equipment, and any spare parts and accessories for this equipment, imported with the object of forming a part of or increasing the charter capital of legal entities. A further advantage is the exemption from mandatory charges, payable to state innovation funds up to 31 December 2010, for construction, renovation or special installation work, which is carried out in a rural area.

Foreign and Belarusian legal entities, as mentioned above, are exempt from the compulsory sale of 30% of any foreign currency they accrue, for 5 years following the date of their registration. In addition, they may apply free pricing to goods they produce that are sold internationally, while also independently deter-

mining employee salaries, using the services of foreign insurance companies, and so on.

Tax benefits for motorway services

Profit received by legal entities and individual entrepreneurs from the supply of goods (works or services) through motorway service facilities (e.g. motels,

hotels, campsites, service and car washing stations, retail businesses, canteens, and so on) is exempt from profits tax and personal income tax, for a period of 5 years after their launch. In addition, motorway service facilities are not subject to real estate tax for a period of 2 years, following the date on which trading activities commenced.

Tax administration

The Tax Code of the Republic of Belarus

General information

The General Part of the Tax Code came into force on 1 January 2004, while the Special Part of the Tax Code is still being developed by the state authorities. Individual chapters are expected to be adopted in 2009.

The basics of the tax system, including the list of taxes, the rights, duties and responsibilities of taxpayers, and the general definitions of tax administration and procedures, are all governed by legislation.

Types of taxes and duties

There are both state taxes and duties, and local taxes and duties in Belarus. A number of special tax regimes are mentioned in the Tax Code:

- Simplified system of taxation
- Taxation in Free Economic Zones
- Gambling tax
- Lottery tax
- Unified tax for agricultural producers
- Unified tax for individual entrepreneurs and other individuals
- Taxation of various categories of taxpayers
- Duties for artisanal activities
- Duties related to agro-ecotourism services

The Belarusian tax system includes the following taxes and duties:

- Profits tax
- Tax on income from securities
- Value-added tax (VAT)
- Payment to the National Reserve Fund for the Support of Agricultural Producers (Turnover Tax)
- Excise tax
- Real estate tax
- Land payments
- Environmental tax
- Personal Income Tax (PIT)
- Pension fund and social security fund contributions

Payers of taxes and duties

The Tax Code defines the payers of taxes and dues (duties) within Belarus. The following organizations are taxpayers:

- Legal entities of the Republic of Belarus
- Foreign and international organizations, including those which are not legal entities

- Simple partnerships (contract partners in joint activities)

The term "individuals" includes:

- Citizens of the Republic of Belarus
- Foreign citizens
- Stateless persons

Accounting and Audit

Accounting

By 31 December of each year, enterprises must formulate an annual financial statement, consisting of a balance sheet, an income statement, a statement of changes in shareholder equity, and a cash flow statement. The statements must be submitted to the tax authorities no later than 1 April of the following year (31 March if it is a leap year).

According to domestic tax accounting rules, and depending on a taxpayer's accounting policy, income in accounting and tax accounting is recognized on either an "accrual" or "cash" basis. The "Accrual" basis implies the recognition of income upon the supply of goods (or services). The "Cash" basis means taxable income is recognized only when both supply and payment have taken place.

Obligatory independent audit

The following entities are subject to an obligatory annual independent audit:

- Open joint-stock companies
- Banks and non-bank financial intermediaries
- Stock exchanges
- Commercial organizations with foreign investments
- Insurance companies and insurance brokers
- Residents of the High Technology Park
- Legal entities that provide guaranteed repayment of individuals' bank deposits
- Other legal entities (excluding collective farms and regular farms) and individual entrepreneurs, whose revenue for the preceding year exceeded EUR 600,000

Information indicated in tax returns, presented by the permanent establishments (representative offices) of foreign companies, is also subject to mandatory annual independent audit.

Tax audit

The Ministry of Taxes and Duties of the Republic of Belarus is responsible for levying all taxes and duties.

The local tax authorities, which are subordinated to the Ministry of Taxes and Duties, have the right to perform tax audits.

The local tax authorities may perform scheduled and unscheduled audits of business entities. Scheduled (field) tax audits may be carried out a maximum of once per year.

Unscheduled (special) audits may be performed in the following cases:

- Liquidation of an organization
- Cross-audit of other business entities
- Where the tax authorities have information, according to which the business entity has not been conducting business activities for six consecutive months and has not informed the tax authorities of the reasons for this inactivity
- The taxpayer has claimed a VAT refund that exceeds 3,000 basic amounts (approx. USD 40,000)

There are no limitations for the Belarusian tax authorities, with regards to the periods that may be subject to audit. What is more, the tax authorities may perform tax audits for periods already covered by any previous tax audit, unless an entity is liquidated or reorganized, or if superior tax authorities decide to conduct a re-audit.

According to Belarusian legislation, the duration of a tax audit should not exceed 30 business days. In practice, a tax audit usually does not exceed 10 calendar days.

Please note that a Decree of President of the Republic of Belarus signed at the end of 2008, temporarily (for up to 6 months) suspended tax audits.

Offences, crimes and penalties

Administrative liability

The effective Code of Administrative Offences of the Republic of Belarus (hereinafter, the "Administrative Code") sets down the sanctions that may be imposed on a taxpayer, who has broken the law. Listed below are typical violations by taxpayers, along with the applicable sanctions.

Late registration with the tax authorities is subject to a fine of up to the equivalent of USD 80, for both individuals and legal entities.

If a legal entity or an individual entrepreneur operates without registering with the tax authorities, they are subject to a fine of 20% of all income from their activities, but no less than USD 1,114 or USD 318, respectively.

Late notification of the tax authorities regarding the opening or closing of bank accounts will attract a fine of up to USD 318 for individuals and USD 1,114 for legal entities.

Late filing of a tax return entails a fine of 10% of the tax due in the return for individual entrepreneurs and legal entities, but no less than USD 32 and USD 159, respectively.

Non-payment or partial payment of taxes, within the term determined under legislation, will result in a fine of 20% of the unpaid tax for legal entities and individuals, but no less than USD 159 and USD 32, respectively.

Failure of a tax agent to withhold taxes entails a fine of 20% of the tax due for individual entrepreneurs and legal entities, but no less than USD 32 and USD 159, respectively. This penalty can be increased up to as much as USD 955.

Late payment of taxes is subject to a daily late payment interest of 1/360 of the NBRB refinancing rate (on 8 January 2009 this stood at 0.039% per day).

Fines imposed for the non-payment (or non-withholding) of taxes may not be applied to those taxpayers (tax agents), who have paid (or withheld) the full amount of taxes due, at the beginning of an audit performed by the tax authorities.

Criminal liability

In addition to the tax and administrative fines and penalties, Article 243 of the Criminal Code, "Tax Evasion," provides for 3 years imprisonment for ordinary tax evasion, and from 3 to 7 years imprisonment for tax evasion that causes extensive damage to the state budget.

Because of the personal liability that may arise for tax violations, good tax planning and careful compliance are essential for success.

Types of business presence

Belarusian legislation provides for a number of different legal forms through which businesses may operate. Set out below is a brief description of each of these legal forms.

The most common forms for foreign companies conducting business in Belarus are:

- Representative offices
- Legal entities

Registration requirements

Belarusian legislation requires that a foreign legal entity registers its presence with the tax authorities if it conducts, or intends to conduct, any activities in Belarus.

Representative Offices

Historically, Representative Offices (ROs) have been established to perform an “eyes and ears” function for a foreign legal entity (FLE), which would not lead to a taxable presence for the FLE in Belarus. Today, ROs may be either taxable (should the RO perform the functions of a permanent establishment [PE]), or non-taxable.

The Belarusian Civil Code envisages the activities of an RO as representing the interests of an FLE in the Republic of Belarus and performing other functions, which do not contradict legislation.

Under the Law “On Income and Profit Taxes”, a PE is deemed to exist where either:

- A subdivision (office) of a foreign entity has been carrying out economic and other activities in Belarus over a period of 90 days, either consecutively or aggregated over the course of one calendar year (for construction or assembly, the permitted period is 180 days within a 12-month period)
- An authorized agent (legal or naturalized person of the Republic of Belarus) acts on behalf of a foreign entity, in accordance with contractual obligations

Therefore, ROs become taxable only when they carry out commercial and other activities, including negotiating and signing contracts.

Taxation of a commercial representative office is very similar to that of an ordinary Belarusian legal entity, with minor distinctions.

Opening a Representative Office

The Ministry of foreign affairs issues permits to open ROs based on the documents provided to them (an application form, copies of statutory documents, and so on). The RO operates on the basis of regulations approved by the head company, and the Head of the RO acts with the authority of power of attorney bestowed on them by the head company. Power of attorney must be bestowed and legally formalized (or apostilled), in accordance with the established procedure.

The duty, payable to the state, for the opening of an RO, equals to 65 basic amounts (approximately USD 860).

According to Belarusian legislation, an RO must register with the tax authorities, keep accounting records, and pay taxes, in accordance with the established procedure.

Types of legal entities

The three most common types of legal entities, under the Belarusian Civil Code, include joint-stock companies, limited liability companies and unitary enterprises. These are regulated by the Law “On Business Entities” and the Civil Code, respectively. The establishment of banks and insurance companies is regulated by separate legislative acts.

Joint-stock companies

Joint-stock companies are defined as companies, whose capital is divided into a definite number of shares. A joint stock company may be either “open” or “closed”, generally being deemed “open”, if its shares are distributed to the general public, without the permission of other shareholders. A joint stock company is deemed “closed”, if the distribution of its shares requires the consent of other shareholders, and/or shares are distributed only to certain categories of people. Both types of joint stock companies may issue privileged shares totaling up to 25% of the company’s statutory capital.

Open Joint-Stock Company (*Otkrytoe Aktsyonernoye Obshchestvo*, “OAO”)

An OAO provides for an unlimited number of shareholders. Subject to disclosure requirements, an OAO is the only form of legal entity, whose shares may be

openly traded. The minimum charter capital should be equal to 400 basic amounts (approximately USD 5,280).

Closed Joint Stock Company (Zakrytoe Aktsyonernoye Obshchestvo, "ZAO")

The most common type of joint-stock company is the ZAO. Shareholders enjoy pre-emption rights, to any shares offered for sale by a retiring shareholder.

There is no obligation to publish the accounts of a ZAO. The shares are distributed only among its founders, or within another predetermined group of people. A ZAO may not hold an open subscription of shares for an unlimited group of people. The minimum charter capital of a ZAO should be equal to 100 basic amounts (approximately USD 1,320).

Limited Liability Company (Obshchestvo s Ogranichennoi Otvetstvennostyu, "OOO")

An LLC is defined as a company, founded by two or more persons, whose capital is divided into ownership interests (units), the amount of which is determined by statutory documents.

The OOO (together with the Unitary Enterprise) is the most flexible type of company. Units are not shares, and they fall outside the scope of the Belarusian securities law. One drawback of an OOO with minority participants is that any participant has the right to withdraw from the company and is entitled to require the other participants to purchase/redeem his units, at pro-rata value.

Unitary Enterprise (UE)

A Unitary Enterprise is defined as a commercial organization that has no ownership rights to the assets transferred to the company by the owner of these assets, which essentially means that such a company is not the owner of its own property. A unitary enterprise may have only one founder.

Instead, the founder of such a company remains the owner of the assets. These assets may not be divided up into shares. The simple management structure of this type of entity often makes it the vehicle of choice for foreign investors.

Formation requirements for companies with foreign investments

According to the Belarusian Investment Code, the minimum share capital that should be invested by a foreign investor, as authorized share capital, in a company with foreign investments, should be no less than the equivalent of USD 20,000.

If one wishes to establish a joint venture with a Belarusian investor, the minimum amount of statutory share capital should be more than USD 20,000. For example, if a foreign investor contributes USD 20,000 and a Belarusian investor contributes USD 1,000, as their respective initial investments, this will meet the minimum requirements. Please note that foreign investors may contribute less than 20,000 USD, but the established company will not be regarded as a company with foreign investments and will not be able to enjoy certain privileges, specified under Belarusian legislation, for such companies.

Under the existing law, both in-kind contributions and cash may be classified as capital contributions.

Registration procedure for a legal entity

From 1 February 2009, the application-based principle of registration has been in effect in Belarus. Furthermore, the minimum amount of charter capital requirement was abolished for all legal entities except for the ZAO, OAO, and companies with foreign investments. The registration procedure comprises the following stages:

- State registration (including tax registration, registration with State Social Funds and with the State Statistical Board)
- Production of a stamp (seal)
- Opening bank accounts
- Due to the introduction of the new order of registration, same day registration has now been introduced.

In addition, it takes 5 days to obtain all the necessary documents for tax registration, registration with State Social Funds, with Belgosstrakh, and so on. Thus, the whole process usually takes from 7 to 10 days. Joint-stock companies are required to register their share issue with the State Securities Commission, and this increases the time required for registration.

Taxation of businesses in Belarus

National taxes

1. Profits tax

1.1. General information

Profits tax is levied on gross profit, which is:

- Total profits from the sale of goods, services, other assets (including fixed assets and intangibles), securities, and property rights
- Income from non-sales operations, including share premium, minus deductible expenses, incurred in connection with these operations.

Profit (or loss) from the sale of goods, services, securities or other assets, is defined as the difference between the total receipts from sales and the costs incurred in connection with those sales, including taxes and duties paid on income received.

Non-sales income is offset by non-sales expenses and then included in the taxable profit. Non-sales income includes:

- Income from participation in other organizations, including dividends; income from the sale of shares; and profit from the liquidation of an investee
- Positive exchange differences
- Income from previous years, which is recognized in the current tax year
- Fines, penalties and interest received for breaking contractual obligations, and compensation for losses recognized by the debtor, or payable by the debtor under a court ruling
- Income from granting the right to use intellectual property, if this is not the taxpayer's principal business activity
- Interest on loans and deposits
- Property (works or services) or property rights, received free of charge
- Other income

Non-deductible expenses

Some expenses are related to business activities, but are deducted for profit tax purposes only, within the deductible limits determined under legislation. Such expenses include the costs of consulting, information services, advertising, payroll expenses, business trip expenses, and so on.

Expenses that are unrelated to commercial activities are not deductible, for taxable income calculation purposes. The amount of profits tax paid in a foreign state may reduce the tax base for profit tax if a double

tax treaty is not signed with the Republic of Belarus.

In order to receive the said offset, the payer is required to submit a certificate, confirming the payment of tax in the foreign state in question.

1.2. Taxpayers

According to the General section of the Tax Code, the following types of organizations are liable to pay Belarusian profits tax:

- Legal entities of the Republic of Belarus
- Foreign and international organizations, including those that are not legal entities
- Simple partnerships (contract partners in joint activities)
- Branches, representative offices and other separate sub-divisions of legal entities, with their own separate balance sheets and bank accounts

1.3. Tax base

The tax base for profits tax is determined as total income, reduced by deduction of the following items:

- Deductible expenses
- Value-added tax and excise taxes
- Turnover tax
- Real estate tax (minus tax on incomplete construction projects)
- Tax benefits

1.4. Tax benefits

Profits tax is reduced by the deduction of tax benefits, which include:

- The amount of profit expended on capital investment, used for the purposes of production and for the construction of housing, including repayments of bank credits, obtained and used for these purposes, on the condition that the accrued amortization allowance has been fully used up
- Profit received from operations involving state securities (short-term and long-term bonds, and promissory notes), as well as bonds issued by legal entities – Belarusian tax residents during the period from 1 April 2008 and 1 January 2013
- The amount of profit expended on donations to enterprises, institutions and other organizations, involved in public health, public education, social welfare, culture and sports, which are registered with and funded by the state, up to a maximum of 5% of tax profit
- Enterprises that employ disabled people, if they make up more than 50% of the total number of employees, are exempt from profits tax.

1.5. Tax rate

The tax rate for taxable profit is 24%.

1.6. Tax period

The tax periods for profit tax is one calendar year. Tax returns are submitted on a monthly basis to the tax authorities, by the 20th of the month, and tax should be paid by the 22nd day of the month that follows the reporting month. The amount of tax due is stated in tax returns as the cumulative total from the beginning of the year.

1.7 Loss Carry-Forward

Net operating loss, which is accumulated at the end of a year, cannot be used to offset taxable income in the coming year. "Loss Carry-Forward" rules are not applicable in Belarus.

2. Value-added tax

2.1. General information

Value-added tax (VAT) is charged on the supply of the majority of goods, services and property rights in Belarus, and on most imports into Belarus.

2.2. VAT taxpayers

The following entities are liable to pay VAT in Belarus:

- Legal entities of the Republic of Belarus
- Foreign and international organizations, acting via a permanent establishment in Belarus, and registered in this connection with the Belarusian tax authorities
- Simple partnerships (contract partners in joint activities)
- Individual entrepreneurs, whose turnover for the previous three months exceeds the equivalent of EUR 40,000, or who voluntarily elect to pay VAT
- Entities and individuals, regarded as taxpayers, in relation to the handling of goods through Belarusian customs, in compliance with Belarusian legislation.

There are no special provisions for VAT registration in Belarus. A company may only be registered as a taxpayer for all taxes.

2.3. Transactions that are not subject to VAT taxation or that are exempt from VAT

The following transactions are some examples of those that are not subject to VAT, or that are exempt from VAT:

- The supply of goods (or services) on the territory of the Republic of Belarus, for official and personal use by diplomatic and/or administrative and technical personnel of foreign diplomatic representatives
- Property contributions to the statutory fund, in accordance with the restrictions stipulated in the constituent documents
- The primary placement of securities by issuers, carried out in accordance with the legislation of the Republic of Belarus
- Construction services rendered outside the Republic of Belarus
- Property write-offs, due to force majeure, taking into account the expenses incurred as a result
- Transfer of goods, services or property rights for personal use, which is of a non-productive nature
- Use of goods, services or property rights for personal production, as fixed and intangible assets, and assets (stages) of completed capital construction
- Utilization of personally manufactured goods or services and property rights supplied, as fixed or intangible assets

Major VAT-exempt activities include medical services, the sale of certain pharmaceuticals and medical equipment; the sale of industrial property rights; housing and communal services, provided to individuals; banking, non-banking financial and insurance services; operations with securities and derivative forward market financial instruments; interest on loans; and gambling.

2.4. Rates

Value-added tax is levied at the following rates:

- 0% on exports of goods; loading, shipment and transshipment, and other similar services, directly related to the sale of exported goods; transport services and the production of goods under commission contracts
- A rate of 0.5% is applicable to imports of diamonds and other precious stones (international activity numbers 7102 and 7103) in Belarus from the Russian Federation for production purposes
- 10% on the supply of cultivated goods (excluding flowers and decorative plants), specially bred animals (excluding animals used in the production of fur), fishery and apiary products; and on the import and/or supply of foodstuffs and goods for children, in accordance with a list determined by the President

- 24% on the import and supply of refined sugar
- 18% on other goods and services not listed above

In addition, the law establishes rates of 9.09% and 15.25%, which are levied on goods that are subject to regulated prices (tariffs).

2.5. Tax base

Companies calculate their VAT tax base as the sales price of goods, including excise, if applicable. For commissioners and agents, the tax base is based on commission or fee income. A shipping company's VAT base is determined as the amount of the shipping fee, according to a shipping contract. For import, the tax base is determined as the customs value plus customs duty and excises, where applicable.

The transfer of goods (services) free of charge is also subject to VAT. The tax base is determined as the cost price of such goods (works, services) or as the acquisition price in the event of the free transfer of acquired goods.

2.6. Output VAT, Input VAT and offset rules

In Belarus, the invoice method of calculating VAT liability is applied. The VAT liability of the payers is calculated as the product of the tax base and the tax rate. VAT payable to the authorities is determined as the difference between VAT charged to customers (output VAT) and VAT paid to suppliers of goods (works, services) (input VAT), which are related to production (sales) activities or other VAT-able transactions.

If input VAT exceeds output VAT, the payer is not obliged to pay VAT, and the difference is carried over without penalty and deducted from the tax liability in the next period or refunded to the payer.

Input VAT on purchased business supplies is generally recoverable when the supplies are received or customs VAT is paid and accounted in the book accounts. Nevertheless, legal entities which are on a cash basis (i.e. whose profit is accounted according to the accounting policy when both facts of delivery and payment have taken place) can only offset the paid VAT.

VAT is recoverable on the basis of the primary documents (a way-bill, a VAT invoice (schet-factura)), which contain a VAT amount invoiced by suppliers and to be paid to them.

The taxpayers are obliged to keep a VAT ledger book, which is a tax accounting register. The amounts of tax paid to suppliers of goods (services) and VAT paid on customs are recorded in this book. The amount of input VAT cannot be offset by a taxpayer if it is not registered in the VAT ledger book or if the VAT ledger book is not kept at all.

One of two VAT offset methods may be used by taxpayers as their accounting policy: the method of separate accounting or the method of the VAT-able supplies ratio.

2.7. Import VAT

VAT is generally due when the goods are imported into Belarus. It is calculated based on the value for customs purposes, plus any customs or excise duties which are due.

The rate of VAT depends on the nature of the goods which are being imported. The standard rate of VAT is 18%. Certain goods, however, may be subject to VAT at a lower rate (currently 10%).

In addition, certain goods may be exempt from import VAT. These include inter alia, goods, cash registered as foreign aid, goods for official use by foreign diplomatic representatives or for personal use by their diplomatic and / or administrative and technical personnel who are non-residents, equipment for research activities and certain vehicles according to the President's List.

2.8. Payments and filings

The standard VAT period is a calendar month. A VAT return is due by the 20th of the next month, and the tax is calculated based on the amount of tax accumulated from the beginning of the year. If tax payable to the government does not exceed EUR 40,000 per month, VAT is payable monthly by the 22nd of the month following the reporting month.

If VAT accrued and paid for the last reporting month exceeds EUR 40,000, VAT payers should make a payment of tax in six installments – on the 10th, 15th, 20th, 25th and by the last day of the current month as well as the 5th of the following month. Such payments should be determined derived from the current sales proceeds and average portion of VAT liability in the total base for calculation of VAT output.

3. Payment to the National Reserve Fund for the support of agricultural producers (turnover tax)

3.1. The payers:

- Legal entities of the Republic of Belarus
- Foreign and international organizations, including those which are not legal entities
- Simple partnerships (contract partners in joint activity)
- Branches, representative offices and other separate sub-divisions of legal entities with their own separate balance sheets and a current (settlement) or other types of bank account and who calculate and fulfill tax liabilities of the respective legal entities

3.2. Objects of taxation:

- Gain from realization of produced goods, performed works and rendered services
- Gain received from leasing services
- Gross revenue received by companies from trade activity and the rendering of catering services
- Income less the costs incurred in connection with interest, commission and other expenses, for banks and non-banking credit-financial organizations, except for the NBRB
- Profit for insurance organizations

Turnover tax is paid at a rate of 1%. The tax base is the turnover from the sales of goods and services.

The tax period is a calendar year.

Tax returns are prepared on a monthly basis, and are due by the 20th of the month following the reporting one where the tax is indicated as a cumulative total from the beginning of the year.

4. Excise tax

4.1. The payers:

- Legal entities of the Republic of Belarus
- Foreign and international organizations, including those which are not legal entities
- Simple partnerships (contract partners in joint activity)
- Individual entrepreneurs
- Branches, representative offices and other separate sub-divisions of legal entities with their own separate balance sheets and a current (settlement) or other types of bank accounts, and who calculate and fulfill tax liabilities of legal entities

4.2. Objects of taxation

Excise tax is imposed on both the import and the manufacture of a list of goods, the primary categories of which include: alcohol, spirits, beer, tobacco, oil for diesel engines and / or carburetor engines, petrol, diesel oil, automobiles and minibuses. Fixed rates are applied to such goods.

Exports of excisable Belarusian goods are exempt from excise tax.

Excise tax is accrued on a monthly basis on the amount of sales of excisable products manufactured and / or imported and used for own purposes (e.g. for testing and sampling purposes).

The excise tax is payable on a monthly basis depending on the sum of excise tax due:

- Up to EUR 17,000 – excise tax is paid by the 22nd of the month
- EUR 17,000 to 27,000 – excise tax is paid in three installments
- Over EUR 27,000 – excise tax is paid in six installments

Certain excisable goods may be sold in Belarus only if they bear a special excise stamp. Certain alcohol and tobacco products require advance payment by means of an excise stamp, which must be attached to each item of production prior to its sale. The stamps are purchased from the tax authorities on a prepayment basis at the cost of BYR 100 (approx. USD 0.038) per stamp for alcohol products and BYR 40 (approx. USD 0.015) per stamp for tobacco products.

5. Real estate tax

5.1. The payers:

- Legal entities of the Republic of Belarus
- Foreign and international organizations, including those which are not legal entities
- Simple partnerships (contract partners in joint activity)
- Branches, representative offices and other separate sub-divisions of legal entities with their own separate balance sheets and a current (settlement) or other types of bank accounts

Please note that a legal entity is considered to be a tax payer if it is acting as a lessee under a lease contract and such a contract is signed with foreign legal entities not acting through a permanent establishment

in Belarus, or a foreign individual.

Legal entities financed from the budget of the Republic of Belarus do not pay the real estate tax.

5.2. Objects of taxation

The tax shall be imposed on the residual cost of buildings, either productive or nonproductive, which are owned or are in the possession of the payers, and on the cost of buildings which are the objects of construction in arrears.

5.3. Tax rate

The annual tax rate on the real estate of legal entities is established at a rate of 1 % and may be increased up to 2% by the local authorities. Incomplete construction objects whose terms are overdue are subject to 2%.

5.4. Tax allowances

The tax shall not be imposed on the following:

- Social, cultural and living facilities, the housing facilities of local Councils and deputies, as well as legal entities, irrespective of the form of ownership
- Buildings closed down temporarily because of their non-use for business activity for a period from 3 months up to 1 year, resulting from force majeure or seasonal reasons
- Buildings designed to protect the environment and improve the ecological situation, according to the President
- General-purpose roads and associated infrastructure (bridges, passages, stops and others)
- Buildings designed for growing plants, beekeeping and animal and fish breeding
- New buildings first put into service within 1 year of the commissioning date

5.5. Payments

The tax is set for legal entities annually according to the availability of productive and non-productive buildings and based on the residual cost as at the beginning of the year and the approved annual rate. Tax for individuals is set according to the assessment of the buildings determined by the President of the Republic of Belarus.

Legal entities should pay one quarter of the annual amount of tax due by the 22nd of the first month of each reporting quarter.

6. Environmental tax

6.1. The payers:

- Legal entities of the Republic of Belarus
- Foreign and international organizations, including those which are not legal entities
- Simple partnerships (contract partners in joint activity)
- Individual entrepreneurs
- Branches, representative offices and other separate subdivisions of legal entities with their own separate balance sheets and a current or other types of bank account, and who calculate and fulfill tax liabilities of the respective legal entities

6.2. Objects of taxation:

- The volume of processed or transported oil and mineral oil
- Volume of natural resources extracted / produced
- Volume of industrial emissions
- The goods which lost their consumer status under the customs regime of destruction
- Volume of waste
- Volume of production and / or import of the plastic, glass, carton and paper containers in which the goods are packaged

The environmental tax rate is determined by the President. The volume of allowable emissions is subject to restriction. If the set limit is exceeded, the tax is paid at a higher rate.

7. Land payment

Land payment is imposed in the form of land tax or lease payment.

Land payment is made by all legal entities (including foreign legal entities) and individuals who own or use (rent) land in the Republic of Belarus.

The object of land tax is the ground area that is used, owned or occupied.

The land tax rate is due regardless of the results of the business activities of the landowner or user. The land tax rate is determined in accordance with cadastral valuation of the land and is fixed in the form of a set amount per unit of land per year.

The payment amount for leased land plots is determined in the contract.

Local taxes

1. Sales tax

The tax is payable if it has been imposed in the municipal territory where the retail trade (excluding retail trade in certain socially beneficial goods) takes place. The tax base is the total proceeds from retail sales. The tax rate is 5%. Baby food, children's clothes, toys and table games are specifically exempt from tax.

2. Services tax

The following kinds of services are subject to services tax in municipal regions:

- Markets, fairs, exhibitions selling goods
- Hotel (campsite, motel)
- Restaurant (bar, cafe)
- Tourist
- Mobile telecommunication for telephone subscribers
- Individual car maintenance and repair
- Billiard halls, bowling clubs, night clubs, solariums, beauticians and others

The tax base is the sales proceeds from the above services. A rate of 5 % is applied.

3. Transportation duty

Legal entities and individual entrepreneurs must pay local transportation duty. The taxable base is the net profits remaining after the collection of profit tax. The transportation duty rate in Minsk is 3%. The tax period for transportation duty is considered to be one calendar year, and the tax is collected on a monthly basis and is to be paid by the 22nd of the month following the reporting one. The tax return is due by the 20th of the following month. The tax is stated in the tax return as a progressive total from the beginning of the year.

Other taxes

1. Offshore duty

1.1. Offshore duty payers:

- Legal entities of the Republic of Belarus
- Foreign and international organizations, including those which are not legal entities
- Simple partnerships (contract partners in joint activity)
- Branches, representative offices and other separate sub-divisions of legal entities with their own separate balance sheets and a current or other types of bank accounts

1.2. Objects of taxation:

- Transfer of monetary funds by a resident to a non-resident in an offshore zone or to another company to which an offshore resident has obligations, or into a bank account opened in an offshore country
- Non-cash settlement with the non-resident
- Transfer of property rights and / or obligations due to the transfer of obligations between the parties, one of which is a resident of the Republic of Belarus and the other a non-resident registered in an offshore zone

Offshore duty is not applied to the following transactions:

- Transfer of monetary funds by the state authorities in discharge of the obligations of the Republic of Belarus to the international organizations under interstate or intergovernmental agreements
- Transfer of monetary funds by Belarusian banks in favor of nonresidents – owners of international payment systems – registered in offshore zones or having bank accounts in such zones, by means of VISA and MasterCard credit cards
- Transfer of monetary funds to repay credit, loans and interest
- Transfer of monetary funds under the contracts for transport of goods by sea

1.3. Tax rate

- The offshore duty rate is 15% of the transferred sum.

Belarusian source income for foreign companies

Elimination of double taxation

The Republic of Belarus has signed more than 60 international double tax treaties, which provide for a lower tax rate or full tax exemption.

In the absence of a valid double tax treaty, Belarusian tax legislation permits a deduction of taxes paid in foreign countries provided the payments are confirmed by a document issued by the foreign tax authorities.

Article 5 of the Tax Code (the general part) provides the following:

- The Republic of Belarus recognizes the general principles of international law and ensures that the tax legislation complies with them
- If the norms of international treaties in effect for the Republic of Belarus establish other rules than those provided by the Code and other legislative acts of the Republic of Belarus, the rules of the international treaties are applied, if another way is not determined by international law
- Taxation rules contained in international treaties to which the Republic of Belarus is a signatory, but which have not come into force, can be applied by the Republic of Belarus temporarily and in the order established by the legislation on international treaties of the Republic of Belarus

In order to take advantage of a lower tax rate, the foreign company must provide the Belarusian payer with confirmation of their tax residency, signed by a competent authority in a foreign country before payment is made. The Belarusian tax authorities may also require a Belarusian or Russian translation of the confirmation.

Should the confirmation not be provided prior to payment, and the foreign company suffers a withholding rate greater than that provided by

the agreement, it is possible to seek a refund within three years of the date the payment. In theory, after receiving proper documentation, the Belarusian tax authorities should refund any excess tax no later than one month after the application date.

Special provisions allow foreign banks and airline carriers to bypass the residence confirmation requirements, provided they have a copy of extraction from the Bankers' Almanac, International bank identifier code or Airline Coding Directory.

Withholding tax

Withholding tax is imposed on the following types of income paid to a foreign entity and originating from sources in Belarus:

- Dividends – 15%
- Royalty (including payments for property rented out) – 15%
- Licenses – 15%
- Interest – 10%
- Freight (charges connected with international shipping transactions and forwarding services) – 6%
- Other income – 15%.

In terms of the tax authorities' clarifications:

Royalties include payments of any kind where there is the use or the right to use a trademark, service mark or equipment. The right to use a trademark or a service mark may be granted by a license agreement, which has to be registered with state authorities.

"Other types of income" include, inter alia, income derived from training services, information, management, advertisement, insurance and audit services and alienation of stock (shares) in statutory funds of Belarusian companies.

Taxation of individuals

Personal income tax in Belarus

1.1. The payers

According to the law, taxpayers are defined as any individuals who are physically present in the territory of Belarus for more than 183 days in a calendar year.

Belarusian citizens and foreign nationals who are tax residents are taxed on their worldwide income paid in cash or in kind, and on any material benefits received during a calendar year. Individuals who are not considered to be tax residents of Belarus (the duration of their stay in Belarus comes to 183 days or less) pay tax on their Belarusian source income only.

The actual duration of stay in the Republic of Belarus is the period of time during which the individual stays in the Republic of Belarus, however, it also includes any period of time during which the individual was abroad for purposes such as medical treatment or a business trip.

1.2. Payroll taxes:

- Personal income tax (PIT)
- Payments to the Social Security Fund
- Payments to Belgosstrakh

The employer should calculate, withhold and remit PIT to the government on behalf of the employee.

Payments to the Social Security Fund are made by the employer (34%) and the employee (1% of salary, including other remuneration paid by the employer). Payments to Belgosstrakh are made by the employer at rates varying from 0.1% to 2.4% of gross payroll.

1.2. Personal income tax rates

Effective 1 January 2009, a flat rate of 12% is applied both to tax residents and non-residents.

However, other rates apply to specific income:

- 9% – Income received by individuals from residents of the High Technology Park under the labor contracts
- 15% – Dividends and income received by a non-resident from the realization of goods (works, services) sold to individuals who are not individual entrepreneurs (please note in this case a tax return should be provided to the tax authorities prior to such realization)

1.3. Taxable income

Taxable income is defined as any and all income irrespective of the source, including any property, services or other benefits in kind and any income with respect to which the taxpayer has the right of disposal, less allowable deductions and exemptions.

There are limited types of income which are tax exempt in Belarus:

- Pecuniary aid paid by the employer at the rate of 150 basic amounts (approximately USD 1,980) (including presents and gifts) a year
- Monetary funds received from those individuals – tax residents of the Republic of Belarus who are not considered to be individual entrepreneurs, coming to 500 basic amounts (approximately USD 6,600) from any source within the tax period as a result of gift and immovable property under a rent contract
- Income received through inheritance
- Income from the state securities of the Republic of Belarus
- Income in the form of interest received on bank accounts and deposits with a bank situated in Belarus, etc

It is the responsibility of the individual to declare his / her income and to pay PIT to the authorities.

1.4. Tax returns

Individuals must calculate their PIT liability and file a tax return (tax declaration) in the prescribed format in the event of the following:

- Income has been received from other individuals which are not approved tax agents
- Income has been received by the tax resident from sources based abroad
- Other income withholding of PIT from which is not charged by the tax agents

1.5. Filing procedures

An individual who must file a tax return (tax declaration) is required to do so no later than 1 March of the following tax year. The tax return should be submitted to the local tax authorities. In the tax return, the taxpayer must report all income received in the taxable year and specify every item, source, amount and date. Social and property deductions may

be made either by the employer (during the tax period) or by the tax authorities (at the time of filing the tax return). The taxable income is taxed at the rates listed above. The Belarusian tax liability is payable by 15 May of the year following the taxable year. Any overpaid tax may be reimbursed (which is difficult and time-consuming in practice) or credited against any future tax liability, but only with regard to the amounts overpaid during the previous three years.

1.6. Elimination of double taxation

Belarus has signed a number of bilateral double taxation treaties, which, under certain conditions, enable individuals to avoid taxation of the same income under the tax systems of two or more countries or to reduce the taxation of certain income from the sources within Belarus. Provisions made in these and other international

treaties signed by Belarus generally override Belarusian domestic law. Personal income taxes paid in foreign countries are generally credited against Belarusian personal income tax, provided that the documents confirming the amount of taxes paid are produced for the Belarusian authorities. Therefore, if the tax rate in a foreign country is higher or equal to that in Belarus, the taxpayer may be exempt from paying PIT in Belarus, provided that he / she provides confirming documents.

1.7. Penalties

There is no statute of limitations for a tax audit carried out by the tax authorities.

Various administrative fines and criminal liability may apply to those individuals who fail to submit tax returns or who submit incorrect tax returns.

Customs issues

1.1. Import duties

Import duties are levied based on the type and origin of the imported goods. Duties are normally expressed as a percentage of the value of the goods imported ("ad valorem" duties). However, they may also be expressed as a set amount of Euros per unit or kilogram ("specified" duties) or as a combination (the higher of the two rates).

Effective 1 January 2001, a new system of tariffs was introduced. Before 1 January 2001, there were seven ad valorem duty rates ranging from 0% to 30%. At present, there are five ad valorem rates: 5%, 10%, 15%, 20% and 25%. Certain goods may be imported duty free as before.

The rate of duty depends on the classification of the goods. Goods are classified into one of 97 categories listed in the Republic of Belarus's "Trade List of Foreign Economic Activity" (which is based on the worldwide harmonized system of tariff headings). The basic rate may vary, however, depending on the goods' country of origin as well as on certain other factors. Countries are classified into three groups for the purposes of charging import duties:

Group	Duty
Preferred nations (those with favorable conditions)	Basic rates of duty apply
Free trade nations	Exempt from import duties
Non-preferred trading nations	Double the basic rates

There is currently no list of non-preferred trading nations.

If the country of origin cannot be identified, the goods will be subject to the duty at a double base rate.

1.2. Export duties

A limited number of goods, e.g. fuels and marine products, exported from the Euro-Asian Economic Community are subject to export duties.

1.3. Special customs regimes

Currently, there exist 14 customs regimes in the Republic of Belarus.

A number of special customs regimes exist granting either full or partial relief from customs duties. For example, full relief may be granted for goods imported into Belarus for processing and subsequent re-export ("Processing on the Customs Territory" regime). Under this regime, import duties are not payable unless its conditions are violated).

A similar regime may also be applied to the goods exported from Belarus for processing and which are subsequently re-imported. Under this regime ("Processing outside of the Customs Territory of the Republic of Belarus"), relief is granted for Belarusian source goods upon re-import. Import duties are, therefore, calculated based only on the value which has been added to the goods outside Belarus (i.e. the processing element).

Goods may also be registered under the temporary import regime. As the name suggests, this allows for either full or partial relief from import duties for goods temporarily imported to Belarus. Certain goods, however, may not be eligible to be listed under the temporary import regime. Once the specified time limit (normally two years) has elapsed, the goods must either be exported from Belarus or entered under a different customs regime.

1.4. Special status

The customs clearance procedures have been simplified for those legal entities and individual entrepreneurs who comply with customs legislation and have status as "a conscientious participant in foreign economic activity".

Status as "a conscientious participant in foreign economic activity" is conferred provided that the eligible entity or individual entrepreneur has been engaged in foreign economic activity for at least three years, has committed no infringement of administrative customs legislation that resulted in the confiscation of property exceeding 250 basic amounts or approximately USD 3,300, and has not been subject to criminal charges or liability in connection with foreign economic activity.

Status as "a conscientious participant in foreign economic activity" is granted for three years. Should the law be violated, the customs authorities may withdraw this status.

Currency control issues

1.1. Currency control

Residents and non-residents of the Republic of Belarus alike are permitted to hold foreign currency and ruble accounts with authorized banks.

The Currency Control Law separates transactions involving foreign currency and securities in foreign currency into two types:

- Current currency operations – have fewer restrictions
- Currency operations associated with movements of capital – may require the permission of the NBRB

1.2. The legislation provides a closed list of current operations:

- Transfers of foreign currency to and from Belarus for making settlements (without deferment of payment) for the export and import of goods (works, services and results of intellectual activity), if the time between the maturity date and delivery date does not exceed 180 days for export-import transactions
- The receipt and extension of financial credits and / or loans for terms which do not exceed 180 days
- Transfers to and from the Republic of Belarus of interest payments, dividends and other income on deposits, investments, credits and other transactions connected with the movement of capital
- Non-trading transfers to and from the Republic of Belarus such as:
 - The payment of wages and salaries, stipends, pensions, alimony payments, state benefits, allowances and compensation, as well as disbursements for damages incurred by employees as a result of accident or occupational condition resulting from work related activities
 - Payments towards an employee's business trip abroad
 - Payments connected to the acceptance of an inheritance
 - Payments relating to the burial of a deceased person
 - The disbursement of monetary compensation to victims of political repression, members of their families and heirs
 - Payments for maintaining diplomatic missions and consular institutions of the Republic of Belarus abroad
 - Payments relating to notarial and investigative actions, payments relating to court and arbitration costs, reimbursements of arbitration and administrative

bodies' expenses and the amounts of state duty paid in connection with the said actions and court trials

- The disbursement of monies under the judgments, decisions and rulings of the court and other law enforcement bodies
- Transfers of membership fees to funds or religious organizations
- Transfers of taxes and other compulsory payments to the budget, which are established by legislation of the Republic of Belarus or foreign states
- Other currency transactions enumerated in a list established by the government of the Republic of Belarus

1.3. Current operations associated with movement of capital include:

- Acquisition of shares when they are distributed among the founders, as well as the acquisition of a share in the statutory fund or in the non-resident's property
- Acquisition of securities issued by residents or non-residents unless it is an acquisition of shares when they are distributed among the founders
- Transfers to pay for the title to buildings, structures, land and other immovable property, as well as other rights to real estate
- Deferment of payment for the export or import of goods (works, services, results of intellectual activity) for periods of more than 180 days
- The extension and receipt of financial credits and / or loans for terms which exceed 180 days

In addition to the list of current currency operations stated by the Currency Control Law, a list of currency operations with the movement of capital that could be performed without obtaining a license from the NBRB is available.

Banks and customs authorities are responsible for controlling the timeliness of payments and the receipt of goods or services under export and import contracts, regardless of the currency used in the settlement.

1.4. Obligatory conversion of export revenue

Belarusian legal entities are currently required to convert 30% of their foreign currency export revenue into rubles by selling through authorized banks within seven working days of receipt.

1.5. Purchase of foreign currency

The purchase of currency should be made only in accordance with certain requirements and for certain purposes. The list of purposes is rather extensive and includes, inter alia, purchase of currency for payment of dividends and interest.

In order to purchase foreign currency on the off-exchange market, legal entities should provide necessary information (the amount and the purpose of purchase) to the servicing bank. The client's request is submitted by the servicing bank to the NBRB. The servicing bank sells the currency the next day after the request's submission to the NBRB.

1.6. Payments for imports

Please note that NBRB currently prohibits advance payments under foreign economic contracts involving import transactions. This prohibition refers to Belarusian rubles as well as to foreign currency. The exclusion is made for importers acquiring raw materials at the terms of advance payment for further producing export-oriented goods. Effective 15 January 2009,

such importers are entitled to make advance payments only by using their own export proceeds in the foreign currency. Additionally, the advance payments may be made at the expense of long-term (over 180 days) loans from non-residents.

In other cases, advance payment in favor of a non-resident from an account opened in a Belarusian bank may be performed only if the importer has the permission of the NBRB. In order to receive permission from the NBRB, an importer should submit an application form from the Council of Ministers of the Republic of Belarus and a copy of the foreign trade contract. The NBRB is entitled to request additional documents related to the transaction.

1.7. Enforcement of currency regulations

Belarusian legislation provides for penalties for breaching currency regulations, both for the person who carried out the transaction, as well as for the Belarusian bank involved, which, as a currency control agent, is obliged to ensure compliance with the legislation. The range of penalties includes:

- Penalties based on the amount of the transaction in question
- Invalidation of any licenses or permits previously issued by the currency control authorities to both the participant and the bank

Currency control measures include:

- Transactions between residents of the Republic of Belarus (including companies with foreign investments) may only be conducted in Belarusian rubles, with a few exceptions
- Transactions between residents and non-residents of the Republic of Belarus must be performed in freely convertible foreign currency

The usage of Belarusian rubles and foreign currencies that are not freely convertible is only possible in limited circumstances and / or in transactions involving residents of certain countries

There are also strict rules relating to foreign currency held in cash when the use of cash is possible. There are

also limitations on the amount of foreign currency that the company may keep in its cash office.

The purchase of foreign currency is subject to special rules and is only possible for certain purposes. However, the list of these purposes is quite broad and includes, inter alia, the purchase of currency for the payment of dividends and interest.

Anti-money laundering legislation provides for additional measures to be taken by the authorities in order to prevent illegal operations. These measures include: registration of suspicious transactions, communication of information to the tax authorities and other special bodies, inspections and audits of suspicious transactions by state authorities and interruption of illegal transactions.

The opening of accounts outside of the Republic of Belarus by residents of Belarus requires the permission of the NBRB.

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