



**Tax Incentives in Belarus**

Doing business easier

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# Introduction

The changing business environment in Belarus is bringing forth new opportunities for investors. Tax incentives are a useful tool for increasing business profitability and thus maximising the potential of these opportunities. In this informational bulletin we provide a brief overview of the Belarusian tax incentives that might benefit your business. We trust you will find this leaflet helpful in planning or enhancing your Belarusian operations.

The most important types of tax incentives in Belarus are as follows:

- Exemption from the standard profits tax rate of 18% or its reduction to 9%
- Reduction of the standard personal income tax rate from 13% to 9%
- Exemption from real estate tax

If a company....	It may benefit from...
 focuses on IT analysis, engineering and software development	High Technology Park (reduced burden from almost all taxes)
 is planning to invest in the establishment and development of export-oriented and import-substituting production based on new and high-tech methods	Free Economic Zone (reduced burden from some taxes)
 is planning to produce goods, carry out work or render services in rural areas and small and medium-sized towns	rural areas and small and medium-sized towns (reduced burden from almost all taxes)
 is planning to invest in the sphere of electronics, thin chemistry, biotechnologies, mechanical engineering and new materials	Chinese-Belarusian Industrial Park (reduced burden from almost all taxes)
 is planning to invest in construction in Belarus	Decree No. 10 "On establishing additional conditions for investments in the Republic of Belarus"
 owns motorway service facilities	tax incentives provided by legislation on motorway services
 has gross revenue not exceeding 1 159 800 BYN and personnel not exceeding 100 persons for 9 months of the year	simplified tax system

# High Technology Park

High Technology Park (HTP) was established in 2005 by a special Decree of the President of the Republic of Belarus. HTP is aimed at attracting IT companies and providing them with tax incentives.

Site: [www.park.by](http://www.park.by)

## Requirements:

- Belarusian legal entity/individual entrepreneur
- Eligible activity is limited to analysis, development and software implementation of information systems and data processing

## Benefits:

- Profits tax exemption
- VAT exemption on the turnover of the sale of goods (work, services, property rights) within the territory of Belarus
- Real estate tax exemption
- Customs duty and VAT exemption for technological equipment imported by HTP residents
- Reduced withholding tax (WHT) for dividends, interest and royalties of 5%, unless a more preferential regime is provided by Double Tax Treaties (DTT)
- Reduced personal income tax (PIT) of 9%
- No obligatory sale of currency in the amount of 20% from the amount of foreign currency income received from the sale of eligible goods/work/services
- Offshore duty exemption

## Comments:

- The approval process is rather straightforward, serious attention should be paid to the business plan
- The Agreement between the HTP resident and HTP Administration should be concluded
- The HTP resident is obliged to make payments to the HTP Administration in the amount of 1% of its revenues for the previous quarter



# Free Economic Zone

A Free Economic Zone is a territory on which special customs, registration and tax incentives are provided to investors. There are six free economic zones (FEZ) currently established in regional cities of Belarus: Minsk, Grodnoinvest, Vitebsk and Mogilev, Gomel-Raton, Brest. The period of FEZs existence is determined until December 31, 2049. The main purposes of FEZs are to motivate the creation and development of production based on new and progressive technologies, increase the number of workplaces and the volume of export.

## Requirements:

- Belarusian legal entity/individual entrepreneur
- Located within the borders of the FEZ
- Business plan for the investment project should provide for 500 thousand EUR of investments within three years from the date of signing the agreement on activity in FEZ

## Benefits:

- Reduced profits tax rate (9%)
- Income from the sale of in house-made goods/work/services is exempt from profits tax for ten years from the date on which income is reported for the residents of FEZ, registered after 31 of December 2011
- Real estate tax exemption for three years in certain cases
- Land tax exemption with limitations
- VAT exemption (levied by customs authorities) for goods produced with use of foreign goods placed under free customs zone procedure



# Rural Areas, Small and Medium-sized Towns

## Requirements:

- Belarusian legal entity/individual entrepreneur located on the territory of a rural area, small or medium-sized town (except for legal entities established after August 1, 2016 as a result of reorganization)
- Carrying out the manufacture of goods, performance of work or provision of services in said rural area, small or medium-sized town

## Benefits:

The following benefits are applied for a period of seven calendar years from the date of state registration:

- Profits tax exemption (in respect of profit and income received from the sale of in house-made goods/work/ services)
- State duty exemption for the issuance of special permits/licenses for certain activities
- Real estate tax exemption (in respect of fixed assets located in rural areas, small and medium-sized towns, except for unused (inefficiently used)
- Customs duties paid on some kinds of imported technological equipment and spare parts for contribution to the charter capital of legal entities
- The abovementioned legal entities are exempt from the obligatory sale of currency in the amount of 20% of the amount of foreign currency income received from the sale of goods/work/ services and rent of property

## Comments:

The abovementioned benefits are not applied to:

- Banks, non-bank financial institutions, investment funds, insurance companies, microfinance organizations
- Residents of HTP, special tourist and recreation park «Augustow Channel», Chinese-Belarusian Industrial park

- Belarusian legal entities carrying out the following types of activity:
  - real estate
  - gambling
  - lottery
  - manufacture and/or sale of excised goods
  - manufacture and/or sale of jewelry and other household products made from precious metals and stones, etc.



# Chinese-Belarusian Industrial Park

The Chinese-Belarusian Industrial Park (CBIP) was created for the purposes of developing trade-economic and investment cooperation with the People's Republic of China and attracting local and foreign investment for the organisation and development of high-tech production. The CBIP is a territory with a special legal status located 25km from Minsk. The special tax regime is applicable for a period of 50 years.

Site: <http://www.industrialpark.by/>

## Requirements:

- Belarusian legal entity located on the territory of the CBIP, including companies with the participation of foreign investor
- Carrying out investment project(s) in one of the following main spheres: electronics, pharmacy, thin chemistry, biotechnologies, mechanical engineering and new materials; additional areas – research and development (R&D), establishment and development of logistics.
- The volume of investment should be at least 5 million USD, and at least 1 million USD for R&D investment project implementation

## Benefits:

Residents of the CBIP can apply the following benefits for a period of 10 years starting from the date of their CBIP registration:

- Profits tax in respect of profit received from the sale of goods/work/services produced on the territory of the CBIP

- Real estate tax in respect of permanent structures (buildings and facilities) and parking spaces located on the territory of the CBIP, regardless of purpose
- Land tax in respect of land plots on the territory of the CBIP

The following conditions also apply:

- 10 years after registration as a resident of the CBIP, profits tax for in house-made goods, land tax and real estate tax are applied at half the normal rates
- profits tax and withholding tax on dividends are taxed at 0% for five calendar years starting from the first year in which profit is made
- withholding tax in respect of royalties is charged at 5% until January 1, 2027
- the income of individuals working under labour contracts concluded with residents of the CBIP is subject to PIT at the rate of 9% until January 1, 2027
- state duty exemption is applied to residents of the CBIP if permits to attract foreign workers are issued/ prolonged or if special work permits are issued to individuals attracted for the purposes of constructing/ implementing investment projects in the CBIP
- goods (technological equipment, spare parts, raw materials) imported to the Republic of Belarus are exempt from import customs duties and VAT
- to fully deduct the amounts of VAT to be recognized as deductible in accordance with legislation (except VAT amounts

being not subject to deduction), claimed at the time of purchase in the territory of the Republic of Belarus (paid at the time of importation into the Republic of Belarus), of goods (work, services), property rights used for the development of urban planning projects of the CBIP, construction (including project documentation development), equipping of buildings and structures situated therein, irrespective of VAT amounts calculated upon actual sale of goods (work, services), property rights, not later, however, than 31 December of the year that follows the year of acceptance of such buildings and structures into service;

- no obligatory sale of currency in the amount of 20% until January 1, 2027 from the amount of foreign currency income received from activity performed on the territory of CBIP

## Comments:

The abovementioned benefits are not applied to:

- Banks, non-bank financial institutions, insurance companies
- Belarusian legal entities carrying out the following activities: gambling, lottery, electronic interactive gaming.

Since May 2016 a procedure of competitive selection of the investor in the presence of two or more investors applying for the implementation of the investment project on the same plot of land.

# Decree No. 10

Belarusian legislation provides certain incentives to investors planning to implement investment projects concerning priority activities of Belarusian economy.

## Requirements and general issues:

- Foreign legal entity or its Belarusian subsidiary that is planning to make investment in Belarus (hereinafter, the Investor)
- An investment agreement is concluded on the basis of a decision of:
  - state authorities of the Republic of Belarus, Minsk city (regional) executive committee, if no additional preferences are provided except for those determined by the Decree No. 10
  - Council of Ministers of the Republic of Belarus under an agreement with the President of the Republic of Belarus, if the investment agreement provides for preferences not determined by this Decree and other acts of legislation

The business plan of the investment project and state complex expertise are required if the second abovementioned option should apply.

If there are two or more investors pretending to investment project realisation on the same plot of land included in the list of areas for subsequent provision to investors, the investment agreement concluded at the end of the investor selection conducting in order determined by the Council of Ministers of the Republic of Belarus.

## Benefits:

Upon signing an investment agreement the Investor is entitled to:

- lease a land plot (included in the list of land plots for investment projects) without undergoing any preliminary land auctions
- fully deduct the amounts of VAT to be recognized as deductible in accordance with legislation (except VAT amounts being not subject to deduction), claimed at the time of purchase in the territory of the Republic of Belarus (paid at the time of importation into the Republic of Belarus), of goods (work, services), property rights used for the construction, irrespective of VAT amounts calculated upon actual sale of goods (work, services), property rights

In addition, the Investor is entitled to the following benefits:

- exemption from land tax/lease payments in relation to state-owned land plots provided for the construction of objects determined by the investment project during the period of design and construction of those objects until 31 December of the year following the year in which construction is completed

- exemption from import customs duties and VAT levied by customs authorities on imported technological equipment, components and spare parts for use on the territory of the Republic of Belarus
- exemption from state duties on the issuance of special permits to attract foreign workers and special work permits and temporary residence permits for foreign nationals

## Comments

Primary types of activities:

- information and communication technologies;
- creation and development of the logistics system;
- metallurgy;
- engineering industry
- production of electrical, optical and mechanical products, household appliances and electronics etc.

Incentives for investors under Decree of the President of the Republic of Belarus No. 10 of 6 August 2009 “On establishing additional conditions for investments in the Republic of Belarus”



# Simplified Tax System

The simplified tax system is a special tax regime provided by the Belarusian legislation, which envisages a special procedure for determining taxpayers and taxable objects.

## Requirements and general issues:

- Belarusian legal entity having gross revenue not exceeding 1 159 800 BYN and personnel not exceeding 100 persons or individual entrepreneur having gross revenue not exceeding 126 700 BYN for 9 months of the year preceding the year in which the company intends to apply the simplified tax system

## Benefits:

- Profits tax exemption (except for dividends, sale of shares, etc.)
- Real estate tax exemption with certain exceptions
- Land tax exemption with certain exceptions
- Ecological tax exemption with certain exceptions
- VAT exemption (except for companies with average workforce up to 50 people for the period from the beginning of the year until the reporting period and gross revenue of more than 1 058 400 BYN by progressive total)

## Tax rates:

- 3% – for companies and individual entrepreneurs paying VAT
- 5% – for companies and individual entrepreneurs not paying VAT
- 16% – for non-operating income (cost of gratuitously received goods / works / services / property rights and other assets).

## Comments:

The simplified tax system cannot be applied by legal entities:

- producing excise goods
- residents of FEZ, HTP or CBIP
- carrying out lottery, real estate, gambling activity, internet – trading, insurance activities, banking, etc.



# Contacts



**Vasily Markov**

**Director**

Tax & Legal  
vmarkov@deloitte.ru

**Foreign Unitary Enterprise**

**“Deloitte & Touche”**

51A K. Tsetkin St., office 18  
Minsk, 220004  
Belarus

Tel: +375 (17) 309 99 00

Fax: +375 (17) 309 99 01

inquiry@deloitte.by



**Yury Veremeiko**

**Manager**

Tax & Legal  
yveremeiko@deloitte.by



**Marina Khliaba**

**Senior Consultant**

Tax & Legal  
mkhliaba@deloitte.by



**Talako Svetlana**

**Senior Consultant**

Tax & Legal  
stalako@deloitte.by



**Liliya Gerasimenko**

**Senior Consultant**

Tax & Legal  
lgerasimenko@deloitte.by



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