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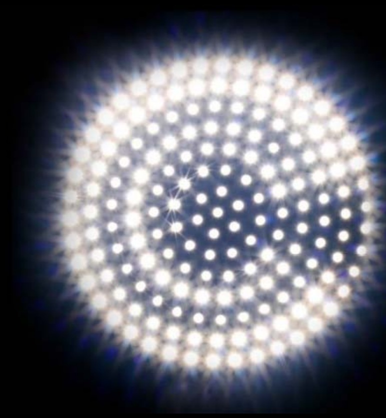
International Tax
Belarus Highlights 2018



Investment basics:

Currency – Belarusian ruble (BYN)

Foreign exchange control – Only local currency generally may be used in business transactions between residents. Foreign currency may be used in cross-border transactions between residents and nonresidents. Both residents and nonresidents may hold bank accounts in any currency. A Belarusian resident generally must obtain a permit from the National Bank of the Republic of Belarus to invest abroad.

Accounting principles/financial statements – Belarusian banks and public interest entities are required to prepare financial statements under both national standards and IFRS. Other organizations apply Belarusian reporting standards. Financial statements must be prepared annually.

Principal business entities – These are the joint stock company (public/private), limited liability company and representative office or permanent establishment (as a tax presence) of a foreign company.

Corporate taxation:

Residence – A company is considered a tax resident if it is registered as a legal entity in Belarus.

Basis – Residents are taxed on worldwide income. Foreign-source income derived by residents is subject to profits tax in the same way as Belarus-source income. Nonresidents are taxed only on Belarus-source income.

Taxable income – Profits tax is levied on taxable profits, which are the total profits from the sale of products, goods and other assets (including fixed assets, commodity stocks, intangibles and securities), the provision of services, interest income and income from non-sales operations, less expenses incurred in connection with these operations.

Taxation of dividends – Dividends received by a Belarus resident company from another Belarus company or from a nonresident company are subject to profits tax at a rate of 12%.

Capital gains – No separate capital gains tax is imposed. Gains derived from the sale of property and the sale of shares of Belarus companies are taxable under the general profits tax rules. Foreign companies not operating through a permanent establishment are subject to withholding tax on gains derived from the sale of shares, bonds and other securities, income from the sale of real estate situated in Belarus and certain other transactions.

Losses – Losses may be carried forward for 10 years, subject to certain restrictions. The carryback of losses is not permitted.

Rate – 18% (25% for banks and insurance companies)

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Tax withheld in a foreign country from income derived by a Belarus resident may be credited against Belarus tax on the same income, provided the foreign tax authorities confirm the payment. The credit is limited to the amount of Belarus tax payable on such income.

Participation exemption – No

Holding company regime – No

Incentives – Taxpayers may deduct part of the historical cost of property used for business activities or the cost of investments in the property due to reconstruction, modernization or renovation: the deduction is up to 10%

of the value of buildings, and up to 20% of the value of machinery, equipment, vehicles and intangible assets.

Enterprises whose total workforce comprises more than 50% disabled persons are exempt from profits tax.

Belarus operates six free economic zones designed to create a strong private sector enterprise and foster investment; tax and nontax incentives are available to entities operating within the zones.

Withholding tax:

Dividends – Dividends paid to a nonresident company from Belarus sources are subject to a 12% withholding tax, unless the rate is reduced under a tax treaty.

Interest – Interest paid to a nonresident company is subject to a 10% withholding tax, unless the rate is reduced under a tax treaty.

Royalties – Royalties paid to a nonresident company are subject to a 15% withholding tax, unless the rate is reduced under a tax treaty.

Technical service fees – Certain types of service fees paid to a nonresident company are subject to a 15% withholding tax, unless the rate is reduced under a tax treaty.

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – Tax is imposed on the value of buildings and construction installations, as well as car parking spaces, owned or in the possession of a taxpayer, at a rate of 1% of the depreciated value of the building, construction or parking space.

Social security – Both the employer and the employee contribute to the social security fund, which provides coverage for pensions, disability, dependents, illness and maternity benefits. The rate is 34% for most employers.

Stamp duty – No

Transfer tax – No

Other – Legal entities are subject to an environmental tax.

Anti-avoidance rules:

Transfer pricing – The following transactions may be subject to review by the tax authorities and potential adjustment of the tax base and an additional tax assessment:

- Transactions involving real estate;
- Foreign trade transactions with related parties or offshore residents, where the value of the transactions (sales or purchases) within a single calendar year exceeds BYN 100,000;
- Transactions with domestic related parties that are exempt from profits tax, where the value of the transactions (sales or purchases) within a single calendar year exceeds BYN 100,000;
- Foreign trade transactions of large taxpayers (i.e. taxpayers included on the list approved by the Ministry of Taxes and Duties) with related or unrelated parties if the value of all transactions (sales and purchases) with one party exceeds BYN 1 million; and
- Foreign trade transactions involving goods included on a list issued by the government, where the value of all transactions (sales and purchases) with one party exceeds BYN 1 million.

The tax authorities can apply the comparable uncontrolled price method, resale price method, cost plus method, transactional net margin method and profit split method. Taxpayers must prepare transfer pricing documentation on controlled transactions, which must be submitted to the tax authorities upon their request.

Thin capitalization – The thin capitalization rules, in their classical meaning, are applied in respect of controlled debt under loan agreements. In addition, the following expenses are considered to be controlled debt: expenses arising and paid for engineering, marketing, consulting, information and management services, as well as fees for the transfer (assignment) of property rights in respect of industrial property and costs incurred on the acquisition of rights to use trademarks and service marks.

The debt-to-equity ratio in respect of all expenses mentioned above is 3:1. Interest/expenses exceeding the maximum amount of interest/expenses calculated under the above threshold are not deductible for profits tax purposes.

Controlled foreign companies – No

Disclosure requirements – Companies are required to disclose information about affiliated parties and transactions with these parties in their financial statements.

Other – Wire transfers or noncash settlements with companies registered in offshore zones or having bank accounts in offshore zones are subject to an offshore duty at a rate of 15%. Banks are prohibited from making money transfers to nonresidents unless the offshore duty has been paid.

Compliance for corporations:

Tax year – The calendar year is used, even if the taxpayer has operated for less than 12 months in the calendar year.

Consolidated returns – Consolidated returns are not permitted; each company must file its own return.

Filing requirements – A monthly tax return generally must be submitted by the 20th day of the following month. Quarterly tax returns must be submitted by the 20th day of the month following the reporting quarter. For profits tax, a tax return for the reporting year must be submitted by 20 March of the year following the reporting year.

Penalties – Penalties are imposed for failure to file a tax return and failure to pay tax. The penalties are equal to 10% and 20% of the tax due, respectively. Interest is imposed for late payment.

Rulings – No

Personal taxation:

Basis – Individuals are taxed on their worldwide income. Nonresidents are taxed only on Belarus-source income.

Residence – An individual is resident in Belarus if he/she is physically present in the country for more than 183 days in a calendar year.

Filing status – Joint returns may not be filed; each taxpayer must file a separate return.

Taxable income – Taxable income includes all income regardless of source, such as income from employment, income from property, services or other benefits in-kind and income to which the taxpayer has the right of disposal, less allowable deductions and exemptions.

Interest income received on bank deposits of individuals (both residents and nonresidents) is subject to personal income tax.

Capital gains – Capital gains are taxed as ordinary income.

Deductions and allowances – Standard tax deductions are granted to the taxpayer, his/her spouse and minor children. In addition to standard tax deductions, there are social, property and professional tax deductions, which are granted to taxpayers only upon the submission of their tax returns at the end of the tax period.

Rates – A flat rate of 13% generally applies. A 9% rate applies to employment income received by employees of companies registered in the High Technologies Park.

Other taxes on individuals:

Capital duty – No

Stamp duty – No

Capital acquisitions tax – No

Real property tax – The annual real estate tax rate ranges from 0.1% to 0.2% of the value of the property.

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – An amount equal to 1% of an employee's wages is withheld by the employer for the benefit of the Social Security Fund. Self-employed individuals also are required to contribute to the fund.

Compliance for individuals:

Tax year – Calendar year

Filing and payment – Tax on employment income is withheld by the employer and remitted to the budget on a monthly basis. If an individual receives income from abroad, he/she must file an annual tax return no later than 1 March and pay the tax no later than 15 May of the year following the tax year.

Penalties – Penalties apply for late filing or failure to pay tax. Interest charges accrue for each day a tax deficiency is overdue.

Value added tax:

Taxable transactions – VAT is levied on the supply of most goods and services in Belarus, and on most imports into the country.

As from 1 January 2018, VAT is applied to electronically supplied services provided by foreign companies to Belarusian individuals.

Rates – The standard VAT rate is 20%, with a reduced rate of 10%. The export of goods and related services (including the loading, shipment and trans-shipment of exports) are subject to a 0% VAT.

Registration – A taxpayer in Belarus obtains a single tax registration for purposes of all taxes and duties.

Special registration for VAT purposes is required for foreign companies providing electronically supplied services as from 1 January 2018.

VAT invoices must be registered with an electronic register maintained by the tax authorities.

Filing and payment – The VAT return is due by the 20th day of the following month, or by the 20th day of the month following the reporting quarter. In 2018, it is planned for taxpayers with a VAT base that exceeded BYN 1,550,000 (approximately USD 800,000) in 2017 to be required to submit a tax return every calendar month.

The tax is calculated based on the amount of tax accumulated from the beginning of the year.

Source of tax law: Tax Code of the Republic of Belarus

Tax treaties: Belarus has concluded tax treaties with 70 countries.

Tax authorities: Ministry on Taxes and Duties

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