

Setting up your Business in Belarus

Issues to consider



As a young growing economy the Republic of Belarus has a great emphasis on attracting foreign investment. The current stance of the Eurasian Economic Commission uniting Belarus, Russia and Kazakhstan introduces great possibilities in terms of the wide access to the developing markets of these countries.

The creation of the Customs Union in which the Republic of Belarus is participating allows the free movement of goods between Belarus, Russia and Kazakhstan without customs duties and with zero VAT on export.

However there are a number of issues which you must consider when you are looking to set up your business in Belarus. This document takes you through some of the common questions we come across and gives you practical information about the issues you need to consider.

Moreover, Belarus has set up a special area which is called the Park of High Technologies. Residents of the High Technologies Park may be companies involved in activities related to the information technology and software development. The residents of the Park of High Technologies are a number of tax benefits, in particular, they are exempt from payment of income tax (except the income tax, calculated and withholding when performing the duties of a tax agent), as well as value added tax (VAT) on the turnover from sales of goods (works, services, property rights) in the territory of the Republic of Belarus.

Also in 2017 in the Republic of Belarus there will another specialized area - the Chinese-Belarusian Industrial Park "Great Stone".

Resident companies of Chinese-Belarusian industrial park will be able to use a large number of tax privileges and preferences in particular, but not limited to:

- Residents of the Chinese-Belarusian Industrial Park from the date of registration of their residence and for the next 10 calendar years are exempted from income tax in respect of profits derived from the sale of goods (works, services) of domestic manufacture produced by them in the territory of the Chinese-Belarusian Industrial park;
- Property tax on taxation objects of such tax, located on the territory of the Chinese-Belarusian industrial park, regardless of the direction of its use;

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- Residents of the Belarusian-Chinese industrial park at the end of 10 calendar years following the year of their registration as a resident in the next 10 calendar years will pay income tax, land tax, real estate tax at rates reduced by 50 percent;
- The income tax rate and the tax on income of foreign organizations which are not carrying out activity in the Republic of Belarus through a permanent representatives on dividend and similar income, residents of the Chinese-Belarusian industrial park and their founders (participants, shareholders, owners), is zero percent during five calendar years, beginning with the first calendar year in which there was the gross profit;
- The tax on income rate of foreign organizations not carrying out activity in the Republic of Belarus through a permanent representatives, for royalties accrued resident Chinese-Belarusian industrial park to foreign organizations not carrying out activity in the Republic of Belarus through a permanent representatives in the form of a reward for information concerning industrial, commercial or scientific experience (including know-how), license fees, patent, drawing, utility model, diagram, formula, process or industrial design is 5 percent till January 1, 2027

What type of Business Structure should we use?

There are advantages and disadvantages to all of them, and there is no one correct answer, it's all dependent on your specific business circumstances and needs. A brief overview of the main structures is below:

Representative (a branch of your overseas business)

- Not a separate legal entity but an extension of the overseas parent company
 - No limited liability or ring-fencing of the Belarusian operations
- However, please note that the representation may not exercise commercial activity and must be created solely for representation in the name and on behalf of the represented foreign organization of preparatory and auxiliary character.

Limited Liability Company:

- Provides limited liability and ring-fencing to Belarusian operations
- Gives a perception of a local business, with longevity
- Corporation tax to be paid on company profits
- Should have at least one different shareholders

Accounts require auditing every year if the last year's revenue is more than 5 000 000 EUR or the Statute capital of the company partially or fully consists of foreign investments.

Private Enterprise:

- Enterprise belongs to its owner
- Owner has full liability
- Profits belong to owner after Income Tax is paid
- Accounts require auditing every year if the last year's revenue is more than 5 000 000 EUR or the Statute capital of the company partially or fully consists of foreign investments.

How much Corporation Tax will the business pay?

The income tax rate is set to 18 %

The income tax rate does not change with the level of actual income.
The tax rate on dividend income is set to 13 %, unless otherwise stipulated by international treaties. Tax on dividend income shall be paid by company.

Also there is a simplified system of taxation. The essence of which is that the organization pays income tax at the rate of 5% of gross revenue. However, not all organizations can use such system of taxation, only organizations that meet certain criteria.

Tax rate (%)
Full rate - 18%

(NB: rates are for the tax year to 31/12/2013)

What if we make cross-border transactions between group companies?

Operations on transfer of property within one owner are not subject to VAT and income tax.

Any other transactions between group companies are treated equally with transactions between any other companies.

What Employment Taxes and Social Security will need to be paid?

The rates of compulsory insurance premiums on health insurance to retirement age, disability (pension insurance) are set to:

- employers - 28 percent ;
- employers engaged in the production of agricultural products, which amount to more than 50 percent of total production - 24 percent;
- Consumer's cooperatives, condominiums, horticultural societies, societies of disabled persons (their legal representatives) and organizations whose property is in the ownership of these associations, pension associations - 5%
- for individuals, self- paying the required premiums for Belgosstrakh - 29 per cent;
- for employed people - 1 percent.

The amount of compulsory insurance premiums for insurance in case of temporary disability, maternity leave, birth of a child, need to care for a child under three years, death of the insured person or a member of his family is set to 6 percent.

The insurance rate for compulsory insurance against accidents at work and occupational diseases for:

- insurers - state organizations - 0.1 %
- other insurers - 0.6 %

Current Personal Income Tax rates in Belarus are:

The rate of income tax for individuals is set at 13 percent.

The rate of income tax for individuals is set at 9 percent in respect of income received by individuals (other than employees performing maintenance and security of buildings, facilities, land) from the residents of the Park of High Technologies under employment contracts;

The rate of income tax for individuals is set to 15 percent of the revenue received by the Belarusian individual entrepreneurs (private notaries, lawyers) from business (private notary or legal services) activity.

The income tax rate is fixed and does not depend on the level of income.

If the individual is a resident of another state and receives income in the Republic of Belarus, the taxation of his income is carried out in accordance with international treaties. If there is no international agreement in place, the applicable rate is 13%. Income tax is deducted at the source of income payment.

What is Value Added Tax (VAT) and should the business be registered?

The payers of value added tax in the Republic of Belarus are:

- Companies;
- Individual entrepreneurs with some minor amendment
- Trustees in respect of turnover of the sales of goods (works, services), property rights arising in connection with the trust management of property received in trust for the benefit of the trustor and (or) the beneficiaries;
- Individuals who in accordance with the laws has the duty to pay the value added tax on goods imported into the territory of the Republic of Belarus.

The object of taxation is the turnover from the sale of goods (works, services), property rights in the territory of the Republic of Belarus, including turnover:

- of the sale of goods (works, services), property rights to employees of the respective company
- of the exchange of goods (works, services), property rights
- For the donation of goods (works, services), property rights,

Rates of value added tax are set as follows:

0 % in respect of:

- Goods placed under the customs procedure of export, and exported (with no obligation to re-import into the territory of the Republic of Belarus) to the states that are members of the Customs Union (including goods exported under lease contracts, loan contracts, contracts on manufacture of the goods), provided that the actual export of goods outside the territory of the Republic of Belarus can be confirmed with respective documents;

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- Works (services) for maintenance, loading, reloading and other such works (services) directly related to the selling of the goods placed under the customs procedure of export;
- Exports of transportation services, including transit, as well as work on the production of customer-supplied raw materials;

10%:

- In the respect to crop production (excluding floriculture, cultivation of ornamental plants), wild berries, nuts and other fruits, mushrooms, other wild products, beekeeping, livestock (except for the production of fur) and fish farming ;
- In the respect to importation into the territory of the Republic of Belarus and (or) sale of food products and children's products based on the list approved by the President of the Republic of Belarus.

9.09 & (10:110x100%) or 16.67 % (20:120x100%) – in respect to the sale of goods at regulated retail prices inclusive of tax value added tax

20% in all other cases.

Organizations with up to 100 people and revenues of up to 10,300,000,000 Belarusian rubles per year can use the simplified system of taxation without paying VAT.

Under the simplified system the company is not subject of income taxes and other taxes, under the certain conditions. Taxation is charged based on the gross revenue (revenue from sale of goods (works, services), property rights and non-operating income). Tax rates under the simplified system are set to:

5% - for organizations and individual entrepreneurs who do not pay value added tax;

3% - for organizations and individual entrepreneurs paying value added tax.

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Can we provide Share option plans to our staff?

This is not possible in Belarus.

How else can we compensate our employees?

Belarus has a very comprehensive range of compensation and benefit options available for companies to offer their employees.

Pensions, private medical insurance, life and disability cover are now commonplace benefits provided by many Belarusian businesses to their workforce.

Flexible benefit packages are also gaining in popularity, giving employees options on how they wish to “spend” their benefits allowance; which can range from “purchasing” additional holiday entitlement to obtaining full family medical cover.

To discuss your requirements please contact the International Office on +44 (0) 1245 449266 or email us directly.

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