International Tax

Belarus Highlights

In Plain English

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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. However, changes are expected in 2019.

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%, 6% and 0%. A 6% rate is applied to dividends if no profits were distributed within the three immediately preceding years to Belarusian residents, and 0% is applied to dividends if no profits were distributed within the five immediately preceding years to Belarusian residents.

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 a one-time capital allowance with respect to assets used for business activities or costs incurred in the course of reconstruction, modernization or renovation: the deduction is up to 15% of the value of buildings, and up to 30% 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, with tax and nontax incentives available to entities operating within the zones.

Belarus also provides tax incentives for IT and other technology industries (High Technology Park).

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.

Wire transfers to, 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 until the offshore duty is paid.

Anti-avoidance rules:

Transfer pricing – The following transactions may be subject to transfer pricing control by the tax authorities:

- Real estate transactions that involve a related party or a counterparty that applies a special tax regime.
- Cross-border transactions:
    - Transactions with residents of offshore zones if the value of the transactions (sales or purchases) with a single offshore resident within a single calendar year exceeds BYN 400,000;
    - Transactions with related parties (including transactions with the participation of a commissioner) if the value of the transactions (sales or purchases) within a single calendar year exceeds BYN 400,000;
    - Transactions of large taxpayers (i.e. taxpayers included in the list

approved by the Ministry on Taxes and Duties) with related parties if the value of the transactions (sales or purchases) within a single calendar year with a single party exceeds BYN 2 million; and

- Transactions involving strategic goods included in a list issued by the Belarus government if the value of the transactions (sales or purchases) within a single calendar year with a single party exceeds BYN 2 million.

- Domestic transactions:

    - Transactions of large taxpayers with related parties that are exempt from profits tax if the value of the transactions (sales or purchases) within a single calendar year exceeds BYN 2 million; and

    - Transactions of all other taxpayers with related parties that are exempt from profits tax if the value of the transactions (sales or purchases) within a single calendar year exceeds BYN 400,000.

The tax authorities can apply the comparable uncontrolled price method, resale price method, cost plus method, transactional net margin method and profit split method. A combination of two or more methods is allowed.

Thin capitalization – The thin capitalization rules typically apply with respect to controlled debt under loan agreements, but the rules also apply to expenses arising and paid for engineering, marketing, consulting, information, management intermediary and recruitment

services, and fees paid for the transfer (assignment) of property rights in respect of industrial property.

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

Controlled foreign companies – No

Disclosure requirements – Large taxpayers engaged in cross-border controlled transactions and taxpayers having controlled transactions with strategic goods are required to prepare transfer pricing documentation. The tax authorities are entitled to request the transfer pricing documentation during a tax audit but not earlier than 1 June of the year following the year the transactions took place. The transfer pricing documentation must be prepared in the form prescribed by law.

In all other cases, taxpayers must prepare and provide an economic justification for the applied price, upon the request of the tax authorities.

Taxpayers also are required to notify the tax authorities of each controlled transaction by ticking the box on electronic VAT invoices uploaded to the tax portal.

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 amount to up to 40% of the tax due. 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 that 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 Technology Park. A 6% rate is applied to dividends if no profits were distributed within the three immediately preceding years to Belarusian residents, and a 0% rate is applied to dividends if no profits were distributed within the five immediately preceding years to Belarusian residents.

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 on a monthly basis. If an individual receives income from abroad, he/she must file an annual tax return no later than 31 March and pay the tax no later than 1 June 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. VAT also applies to electronically supplied services provided by foreign companies to Belarusian individuals.

Rates – The standard VAT rate is 20% (25% for telecommunication services), 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 to individuals.

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

Source of tax law: Tax Code of Belarus
Tax treaties: Belarus has concluded tax treaties with 70 countries.
Tax authorities: Ministry of Taxes and Duties