



## International tax

# Belarus Highlights 2016

### Investment basics:

**Currency** – Belarusian ruble (BYR)

**Foreign exchange control** – Restrictions are imposed on the export of capital. Repatriation payments may be made only in the currency of the main payments under a contract unless the contract provides otherwise. Both residents and nonresidents may hold bank accounts in any currency. The national bank permits advance payments under import contracts.

**Accounting principles/financial statements** – Belarusian banks and public interest entities are required to prepare financial statements under both national standards and IFRS (public interest entities, starting from the 2016 financial year). 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 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 corporate 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 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** – Taxable profits may be reduced by amounts directed for building and (or) reconstruction of sport venues or donated to enterprises, institutions and other organizations involved in public health or education, social service, culture and sports and that are registered with and funded by the state, up to a maximum of 10% of taxable profits. Enterprises whose total workforce is comprised of 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, 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 property;
- Foreign trade transactions with related parties or offshore residents that exceed BYR 200 million;
- Transactions with domestic related parties that are exempt from corporate income tax where the value of the transaction exceeds BYR 200 million;
- 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 a transaction with one party exceeds BYR 10 billion; and
- Foreign trade transactions involving goods included on a list issued by the government where the value of a transaction with one party exceeds BYR 10 billion.

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

**Thin capitalization** – The thin capitalization rules apply to loan agreements (controlled debt), as well as expenses, such as fees paid for engineering, marketing, consulting, information and management services and 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. From 2016, the rules also apply to intermediary services, services for searching and (or) recruitment, hiring staff and secondment to Belarus. The debt-to-equity ratio is 1:1 (previously 3:1). Interest/expenses exceeding the maximum amount of interest/expenses calculated under thin capitalization rules 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 corporate income 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 resident and nonresident) individuals after 1 April 2016 will be subject to individual 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% applies, with a 9% rate applying to employment income received by qualifying employees of companies in high-technology parks.

The 13% rate also will apply to interest income received on bank deposits of individuals (both resident and nonresident) individuals after 1 April 2016.

### 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 before 1 March and pay the tax by 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.

**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** – There is no special registration for VAT purposes. A taxpayer in Belarus registers for purposes of all taxes and duties.

**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 the Republic of Belarus

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

**Tax authorities:** Ministry of Taxes and Duties

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