

Rödl & Partner

NEWSLETTER BELARUS

BUILDING BRIDGES

Issue:
April
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Belarus Hi-Tech Park |
Legal and tax framework

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→ Hi-Tech Park: overview

General information

This guide may serve as a brief overview of the primary issues to be noted in connection with the eventual admission into the “Belarusian Silicon Valley” – Hi-Tech Park.

You will get acquainted with the primary incentives vested to the Hi-Tech Park residents as well as receive an inside information over key steps to be performed by a company seeking to be registered with the Hi-Tech Park.

Overview

The Belarusian Hi-Tech Park (hereinafter – the “HTP”) is a special incentive regime, vested in the Republic of Belarus for the companies operating in the IT-sector. The HTP was launched in 2005,

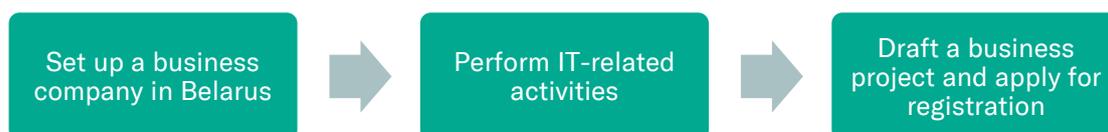
designed to facilitate the development of a software, information and communication technologies as well as contribute to development of other innovative technologies. The primary goal pursued by the HTP is to increase the competitiveness of the national economy.

The special legal regime within the HTP will remain effective until January 1, 2049. When it comes to the comparison of the HTP with the vast majority of the resembling incentive regimes abroad, the key distinction of the HTP lies in its extraterritorial nature. This means that a legal entity, being in compliance with the admission requirements of the HTP, may apply for registration with the HTP and thus enjoy incentives granted thereby regardless the location of its registered office within Belarus.

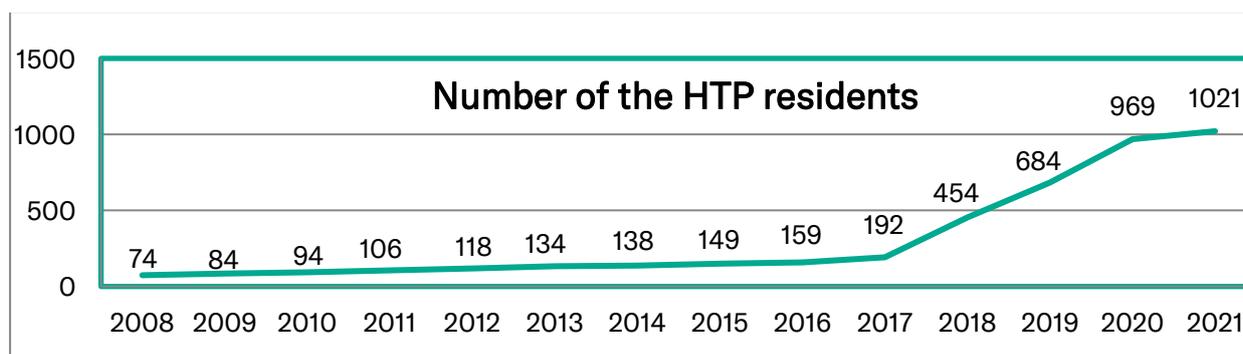
Management bodies of the HTP

Supervisory Board	Administration
Supreme management body	Executive management body
Overall coordination and supervision over the HTP	Ongoing management over the HTP activities

To-Do List for eventual HTP residents



Historical data



→ Hi-Tech Park: overview

Key incentives

Tax incentives

Type of tax	Ordinary tax rates	Tax rates in the HTP
Corporate income tax (CIT)	<ul style="list-style-type: none"> - Standard rate – 18 %; - Dividends – 12 % (6 % / 0 % in case profit of a Belarusian company was not allocated within 3/5 consecutive years respectively); - For banks, insurance and forex companies – 25 %; - For mobile network providers and microlenders (in 2021-2022) – 30 % 	<ul style="list-style-type: none"> - Standard rate – 0 %. Instead the HTP residents pay symbolic 1 % out of their revenue; - Income of the HTP resident out of disposal of a share in other company – 9 %; - Dividends (paid by a foreign company) – 9 % - Dividends (paid by a Belarusian company) – 12 % (6 % / 0 % in case a profit was not allocated within 3/5 consecutive years respectively).
Withholding tax (WHT)	<ul style="list-style-type: none"> - International carriage, forwarding trade – 6 %; - Dividends – 12 %; - Royalties – 15 %; - Interests – 10 %; - Other types of income set forth by the law – 15 %. 	<ul style="list-style-type: none"> - Dividends – 5 %; - Royalties – 0 %; - Interests – 0 %; - Income of foreign companies out of provision of the IT, intermediary, marketing services and certain other services set forth by law, which are rendered towards the HTP residents – 0 %; - Disposal of shares in the authorized capital of the HTP resident (provided that shares were held for at least 365 consecutive days) – 0 %.
Personal income tax (PIT)	<ul style="list-style-type: none"> - Standard rate – 13 %; - Dividends – 13 % (6 / 0 % in case profit of a Belarusian company was not allocated within 3/5 consecutive years respectively); - For individual entrepreneurs, public notary practice activities, attorneys – 16 %. 	<ul style="list-style-type: none"> - Standard rate – 9 % (the incentive is temporary suspended for the period of 2021-2022, during which the general 13 % rate shall be applied); - Disposal of shares in authorized capital (provided that such shares were held for at least 365 consecutive days) – 0 %; - Dividends – 9 % (6 % / 0 % in case a profit was not allocated within 3/5 consecutive years respectively).
Value-added tax (VAT)	<ul style="list-style-type: none"> - Standard rate – 20 %; - Special rate for certain goods – 10 %. 	<ul style="list-style-type: none"> - Turnover out of disposal of goods/works/services and IP-rights in Belarus – 0 %; - Turnover out of disposal of IP-rights, marketing, consulting, IT and certain other services set forth by law, provided by foreign companies towards the HTP residents – 0 %; - Import of technological equipment to be used exclusively in Belarus within the scope of activities permitted for the HTP residents – 0 %.
Land tax	<ul style="list-style-type: none"> - Depends on cadastral value and function of a land plot. - May be reduced or increased for up to two times by local councils of deputies; 	<ul style="list-style-type: none"> - Land plots within the territory of the HTP for the period of construction of capital structures, but not more than 3 years – 0 %.

Type of tax	Ordinary tax rates	Tax rates in the HTP
	<ul style="list-style-type: none"> - 0; 0,2; 0,4; 0,6; 0,8 – decreasing coefficients apply respectively during the first 5 years of operation of newly commissioned buildings. 	
Real estate tax (RET)	<ul style="list-style-type: none"> - Standard annual rate – 1 % out of residual value; - May be reduced or increased for up to 2 times by local councils of deputies; - 0; 0,2; 0,4; 0,6; 0,8% – respectively the first 5 years of operation for newly commissioned buildings. 	<ul style="list-style-type: none"> - Real estate located within the HTP – 0 %.
Offshore levy	<ul style="list-style-type: none"> - 15 % 	<ul style="list-style-type: none"> - Payments under advertising, marketing, intermediary services, remittance of dividends to shareholders – 0 %.
Social security fund contributions (SSFC)	<ul style="list-style-type: none"> - 1 % (employee); - 34 % (employer). 	<ul style="list-style-type: none"> - Decreased basis for calculation - SSFC are not charged on the income in excess of the average salary accrued in Belarus for the preceding month (ca. 450,00 euros)

Further incentives

Type of incentive	Scope of incentive
Accounting incentives	<ul style="list-style-type: none"> - Simplified rules apply to the primary accounting documents (PAD) - PAD drafted in a foreign language or electronic form are acceptable
Currency incentives	<ul style="list-style-type: none"> - Foreign-trade transactions are performed without restrictions - Setting of accounts in foreign banks is allowed without permission of the National Bank of the Republic of Belarus - Export revenue can be credited at the bank accounts set up abroad - Permission for usage of e-currencies
Migration incentives	<ul style="list-style-type: none"> - Foreign citizens can be employed without a work permit - Visa-free regime with a duration of stay up to 180 days in a year can be sought by foreign employees and shareholders of the HTP residents
Other incentives	<ul style="list-style-type: none"> - Prohibition for administrative inspections without preliminary consent of the HTP administration - Subsidiary liability of CEO/shareholders of HTP residents (supplementary financial liability, which may occur in case of the company's insolvency) can only be faced in case of criminal prosecution

Unique legal environment for the HTP residents

The residents of the HTP are allowed to enter into certain types of agreements, which are not provided for by general rules of Belarusian laws:

- Convertible loan agreements;
- Option agreements;
- Indemnification agreements;
- Non-compete and non-solicitation agreements with employees

→ Hi-Tech Park: overview

Admission procedure

Step 1: Setting up a company and launching operation

- Incorporation of a business entity in Belarus;
- Acquiring project team;
- Setting business relations with partners;
- Development and monetization of products/services;
- Development of new project.

Step 2: Drafting a business project

Key issues to be noted:

- Ongoing and planned company's activities shall be presented in a favorable way;
- The type of activity/activities to be performed within the HTP shall be clearly defined in advance;
- Clear and comprehensive presentation of the new project to be implemented within the HTP is of utmost importance.

Structure of a business project (key points):

- History of the company's incorporation;
- Overview of ongoing products and business activities;
- Overview of the assets available;
- Primary ongoing financial statements of the company;
- Overview of the project to be implemented within the HTP;
- Overview of the goods (works, services) which are planned to be launched/disposed in the course of the project implementation;
- Project schedule;
- Investment plan;
- Financial forecasts.



Step 3: Registration with the HTP

- The company submits its business project to the HTP Administration.
- The HTP Administration examines the business project from the prospective of its expediency and then forwards it for review to the HTP Supervisory board.
- Upon review, the HTP Supervisory board adopts the respective decision over registration of an applicant as the HTP resident. Beforehand, the HTP Supervisory board may assign the HTP Administration to additionally arrange examination of the business project from the scientific and technical perspective.

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