



cutting through complexity

Tax Card 2015
with effect from
1 January 2015
Republic of Belarus

KPMG LLC

BELARUSIAN STATE TAXES AND DUTIES

- Value Added Tax (VAT)
- Excise Duty
- Corporate Profit Tax (CPT)
- Withholding tax on income of foreign legal entities not engaged in commercial activities in Belarus through a permanent establishment (WHT)
- Personal Income Tax (PIT)
- Real Estate Tax (RET)
- Land Tax
- Ecological Tax
- Tax for the extraction (removal) of natural resources
- Road toll on foreign registered vehicles
- Offshore Duty
- Stamp Duty
- Consular Fee
- State Fee
- Patent Fee
- Customs duties and customs fees
- Recycling tax

SPECIAL TAXATION REGIMES

- Simplified Tax System (small companies and individual entrepreneurs)
- Single Tax for Individual Entrepreneurs (IEs)
- Single Tax for Agricultural Producers
- Free Economic Zones taxation

TAX INCENTIVES

- Promotion of entrepreneurship in rural areas and small towns
- Tax benefits provided in Investment agreements with the Republic of Belarus
- Tax benefits for residents of Industrial parks
- Tax benefits for residents of High Tech Park

CPT

The standard CPT rate	18%
CPT rate for dividends	12%
CPT rate for residents of science and technology parks; producers of laser and optical equipment; sales of self-produced high-tech goods	10%
CPT rate for members of Science and Technology Association	5%
CPT rate for residents of Free Economic Zones	9%
CPT rate for banks and insurance organizations (effective from 2015)	25%

The tax period is one calendar year. The reporting period is one calendar quarter. The reporting period for CPT on dividends distributed by Belarusian organizations is one calendar month. CPT returns are to be submitted to the tax authorities by the 20th day and CPT is to be paid by the 22nd day of the month following the reporting period.

CPT for the fourth quarter of 2015 must be paid by 22 December 2015 in the amount of two thirds of CPT calculated for the third quarter of 2015. CPT for the entire year 2015 shall be settled by 22 January 2016.

Tax depreciation

Depreciation recorded for accounting purposes is also used for taxation. Straight-line, reducing balance or productive method of depreciation may be chosen by the entity (taking into account peculiarities).

Depreciable life for each type of fixed assets is listed in the official glossary. A multiple of 0.5 to 1.5 may be applied to depreciation guidelines of fixed assets that are used in business activity (for buildings, constructions and transmission devices the factor ranges from 0.8 to 1.2).

Capex tax allowance

Tax Code provides for a one-time “Capex tax allowance” in relation to real estate units, machines, equipment and vehicles acquired and commissioned in a particular month. Capex tax allowance increases tax expenses for CPT purposes. Depending on asset’s type, the value of the Capex tax allowance is limited to 10% or 20% of the capex value.

Research and development (R&D) expense

When R&D project is registered in the State Register, related expenses in certain circumstances increase tax expenses using a multiplying factor of up to 1.5.

Loss carry forward

Loss carry forward for 10 subsequent years was introduced in Belarus effective from 2012, starting from losses reported in 2011.

Transfer pricing

In case when the prices applied deviate from market prices by over 20%, for tax purposes the Belarusian Tax Code provides for a procedure for correcting prices of sold and purchased goods, works and services between the Belarusian taxpayer and foreign entities or individuals, as well as prices of sold fixed assets.

Thin-capitalization rules

Starting from 1 January 2015, if a Belarusian company has a “controlled foreign debt”, the interest and some other expenses related to the “controlled foreign debt” (penalties; remuneration for provided engineering, marketing, consulting, information, management services and transfer (provision) of property rights) are capped for tax purposes if the debt-to-equity ratio is above three. The value of “controlled foreign debt” includes turnover for the provision of loans and the above services during the tax period.

WHT

WHT shall be applied to the taxable income of foreign entities sourced from Belarus at the following rates:

For dividends, interest, royalties paid by High Tech Park (HTP) residents	5%
For cross-border transportation, forwarding and chartering fees	6%
For interest income retained from debt obligations	10%
For dividends and disposal of shares and stakes in companies	12%
For other types of income under the list stipulated by the Tax Code	15%

WHT rates may be reduced by Double Taxation Treaties (see list at the end).

WHT in Belarus is withheld by legal entities, individual entrepreneurs and individuals (for several types of income) accruing and (or) paying out a foreign entity's income (the "tax agents").

Tax returns are to be submitted to the tax authorities by the 20th day of the month following the month of payment or accrual of the income, and tax is to be paid not later than the 22nd day.

VAT

The turnover from the sale of goods, works, services, property rights (including compensation-free transfers) and the cost of goods imported to the customs territory of Belarus are subject to taxation.

The standard VAT rate	20%
VAT rate is applied to sales in the territory of Belarus of crop production (except for flowers and ornamental plants) and livestock production (except for fur farming), fish and bee farming performed in Belarus; imports to the customs territory and sales in the territory of Belarus of goods for children and food according to the list defined by the President (e.g. grain, milk, butter, fish, meat and other products)	10%
VAT rate is applied to export sales of goods; exports of transportation services; exports of some other works and services listed in the Tax Code	0%

The total amount of VAT to be paid can be reduced by the amount of input VAT paid to suppliers when acquiring goods, works, services, fixed assets, proprietary rights as well as by the amount of VAT paid when importing goods, works and services (VAT deductions).

In case VAT deductions exceed the VAT payable, the excess is carried over and deducted from the tax liability in the next period(s), or refunded in certain circumstances.

The tax period is calendar year. The reporting period is one calendar month or quarter (may be chosen by a taxpayer). Tax returns are to be submitted to the tax authorities by the 20th day and tax is to be paid by the 22nd day of the month following the tax period.

EXCISE DUTIES

Taxpayers include entities, IEs and individuals that produce or import excisable goods to the customs territory of Belarus.

Subject to excise duty:

- Pure alcohol and alcohol products
- Non-drinkable alcohol solutions
- Beer and beer cocktails, cider
- Low-alcohol drinks (1.2 to 7% ethanol by volume)
- Tobacco products
- Fuel, including gas fuel used as motor fuel, oil for diesel and /or carburetor (injector) engines

The tax period for excise duties is one calendar month. Tax returns are to be submitted on a monthly basis to the tax authorities by the 20th day and tax is to be paid by the 22nd day of the following month. In 2015 and 2016 taxpayers producing alcoholic beverages and (or) beer, have the right to pay excise tax on an accrual or cash basis.

RET

Real estate subject to taxation includes buildings, constructions and the cost of buildings and constructions in progress (i.e. which were not put into operation within the required regulatory term).

RET rate applicable to legal entities - buildings and constructions	1%
RET rate applicable to legal entities - buildings and constructions in progress	2%
RET rate applicable to individuals	0.1%

RET rates can be increased or decreased by local authorities up to two and a half times for certain categories of taxpayers.

The tax period is one calendar year. Tax returns are to be submitted on an annual basis to the tax authorities by 20 March of the reporting year. Payment of RET is to be made once per annum not later than 22 March of the reporting year, or quarterly not later than the 22nd day of the third month of each quarter at a rate of one fourth of the annual sum of the tax.

LAND TAX

The tax rate for land depends on the cadastral appraisal and the purpose of use of a land plot. Local authorities can increase or decrease the tax rate up to two and a half times.

The tax period is one calendar year. Tax returns are to be submitted on an annual basis to the tax authorities by 20 February of the reporting year. Payment of tax is to be made once per annum not later than 22 February of the reporting year or quarterly not later than the 22nd day of the second month of each quarter at a rate of one fourth of the annual sum of the tax.

OFFSHORE LEVY

Payments to tax havens made by entities of Belarus are the base for calculation of the offshore levy. The offshore levy rate is 15%.

The following transactions are subject to taxation:

- transfer of funds by residents of Belarus to non-residents registered in offshore zones, or to other persons under the obligations to non-residents mentioned above, or to accounts opened in offshore zones;
- settlement of a non-cash obligation to a non-resident of Belarus registered in an offshore zone;

- transfer of property rights or obligations when they comprise a resident of Belarus and a non-resident registered in an offshore zone.

ECOLOGICAL TAX

The following objects of taxation are stipulated by the Tax Code:

- contaminant releases into the atmosphere
- waste water pollution
- storage and disposal of production residue (waste)
- import of ozone destroying (depleting) substances.

Ecological Tax rates are stipulated by the Tax Code.

PIT

PIT tax base is the aggregate income of individual received both in cash and in other forms during a calendar year. The tax base is calculated separately for all kinds of income that are taxed at different rates. For individuals that are not considered residents for taxation purposes, the tax base is income received from sources in Belarus only.

The standard PIT rate	13%
PIT rate for the income of individual entrepreneurs (IE) and income drawn from commercial and public notary practice activities	16%
PIT rate for the income of individuals drawn from residents of HTP under labour contracts; income earned by IEs the residents of HTP	9%

Some types of income listed in the Tax Code are exempt from taxation (e.g. social allowances, travel expenses, etc.). In certain cases, taxpayers have the right to apply standard, social, property and professional tax exemptions.

SOCIAL SECURITY CONTRIBUTIONS (SSC)

SSC are paid by employers, employees, and individuals who pay SSC independently. Foreign citizens who work in Belarus pay SSC on a voluntary basis. The base for SSC is payroll in cash or in other

forms (but not greater than five times the official average salary of a Belarusian employee for the previous month).

Pension insurance [retirement, disability (invalidity), and loss of breadwinner]

The standard rate	28%
The rate applied for employers engaged in agricultural production	24%
The rate applied for individuals who pay SSC independently	10%
The rate applied for employees	1%

Social insurance (pregnancy, temporary disability protection, death of an insured) rate is 6% for all employers and individuals who pay SSC independently.

OBLIGATORY INSURANCE

The base for employer's obligatory insurance payments against accidents at work and professional diseases is the payroll in cash or in other forms, based on the total remuneration except for types of employee payments specifically stated as an exception in a list stipulated by the Government. The rate of the insurance payment is 0.6% (special coefficients from 0.5 to 1.5 are applied).

TAXATION TREATIES

In 2015 Belarus has effective Double Tax treaties with the following countries:

Armenia	Finland	Kuwait
Austria	Germany	Kyrgyzstan
Azerbaijan	Hungary	Laos
Bahrain	India	Latvia
Belgium	Iran	Lebanon
Bulgaria	Ireland	Lithuania
China	Israel	Macedonia
Croatia	Italy	Moldova
Cyprus	Kazakhstan	Mongolia
Czech Republic	Korean Democratic	Netherlands
Egypt	People's Republic	Oman
Estonia	Republic of Korea	Pakistan

Poland	Sweden	Vietnam
Qatar	Switzerland	<i>Denmark - USSR</i>
Romania	Syria	<i>France - USSR</i>
Russian Federation	Tajikistan	<i>Japan - USSR</i>
Saudi Arabia	Thailand	<i>Malaysia - USSR</i>
Serbia	Turkey	<i>Spain - USSR</i>
Singapore	Turkmenistan	<i>UK - USSR</i>
Slovakia	Ukraine	<i>US - USSR</i>
Slovenia	UAE	
South Africa	Uzbekistan	
Sri Lanka	Venezuela	

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This card was prepared on 19 February 2015 as a quick-reference tool for the most common tax rates and amounts. Any exceptional or special regimes have been deliberately omitted. Please note the above information may have changed since 19 February 2015.

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