

**Bloomberg  
Tax**

# TAX PLANNING INTERNATIONAL REVIEW

International Information for International Business



**MARCH 2018**

[www.bna.com](http://www.bna.com)

Reproduced with permission from Tax Practice International Review, 45 TPIR 18, 3/31/18. Copyright © 2018 by The Bureau of National Affairs, Inc. (800-372-1033) <http://www.bna.com>

# Belarus Offers Opportunities and Tax Benefits for IT Companies



---

**Nikolay Artemyev and Illia Salei**  
Borovtsov & Salei Law Firm, Minsk, Belarus

The Belarusian High-Tech Park was established in order to boost the national IT sector by offering preferential tax treatment to IT companies. The recent Decree has expanded the benefits and the types of activities allowed, as well as creating a legal framework for cryptocurrencies and initial coin offerings.

Belarusian tax regulations are often considered as complex and outdated, which serves as one of the obstacles to increasing the flow of foreign investment into the country. However, alongside its general tax legal regulations, the Republic of Belarus provides for a number of special tax regimes. One such special regime is available for Belarusian High-Tech Park resident companies.

**Nikolay Artemyev and Illia Salei,**  
**Senior Associates,**  
**Borovtsov & Salei**  
**Law Firm, Minsk,**  
**Belarus**

## **Belarusian High-Tech Park**

Belarusian High-Tech Park (“HTP”) is a special legal and tax regime provided by the Republic of Belarus to companies involved in the IT industry: for this reason, HTP is sometimes referred to as the ‘Belarusian Sili-

con Valley’. First introduced in 2005, the HTP regime was aimed at increasing the competitiveness of the Belarusian national economy by boosting its IT sector.

In accordance with the recently adopted Decree of the President of the Republic of Belarus No. 8 on Digital Economy Development dated December 21, 2017 (which comes into force on March 28, 2018) (the “Decree”), the HTP special regime will be in force until January 1, 2049. The Decree has also significantly widened the range of activities which can be performed by potential HTP residents, including, inter alia, fintech, neuron networks, artificial intelligence, cybersport activity, as well as blockchain-related activity such as initial coin offerings (“ICO”)s and mining. HTP resident companies may benefit from

the HTP special legal and tax regime only for as long as they preserve their resident status, i.e., until they voluntarily quit or are excluded therefrom.

Although HTP does have an assigned territory in the Belarusian capital city of Minsk, which is mostly used by the HTP Administration, the regime is based on the principle of *extraterritoriality*. This means that any Belarusian company which meets certain legally provided criteria, irrelevant of its registered or factual location within Belarus, may become an HTP resident company and enjoy the benefits and preferences provided to such company.

### HTP Tax Benefits

The key factor which, every year, attracts new companies to become HTP residents, is significant tax benefits. HTP resident companies are directly provided with the following tax preferences and benefits:

- full exemption from corporate profit tax (18 percent);
- full exemption from VAT (20 percent) on turnover from the sale of goods (works, services), property rights within the Republic of Belarus;
- full exemption from offshore duty (15 percent) which is calculated at the time of payments, including dividend payouts made by Belarusian companies to foreign entities registered in offshore jurisdictions as may be defined by Belarusian law;
- full exemption from import customs duties and import VAT in relation to technological equipment, components and/or spare parts thereof necessary for the implementation of investment projects within the framework of activities specified by the Decree, imported into the territory of the Republic of Belarus.

Other tax benefits and preferences related to activities of HTP resident companies include:

- reduced personal income tax (9 percent instead of 13 percent) for employees of HTP resident companies;
- social security contributions for employees of HTP resident companies (34 percent) are calculated based not on the employee's income, but on the basis of the average salary in the Republic of Belarus, which is currently around \$450;
- dividend tax for foreign companies is limited to 5 percent unless a more favorable regime is provided by a double taxation treaty between the Republic of Belarus and the jurisdiction of the foreign company (currently, the Republic of Belarus has ratified over 60 double taxation treaties, available at: <http://src.bna.com/wun>);
- full exemption of foreign companies with no permanent establishment in Belarus from VAT on turnover from allocation of IP rights or providing certain services to HTP residents (e.g., advertising, marketing, consulting, data processing, hosting);
- full exemption of foreign companies with no permanent establishment in Belarus from withholding tax on profits from allocation of shares in an HTP resident company, loans and other debt obligations, data processing services, hosting, advertisement and agency services.

Further, HTP resident companies are not subject to the mandatory exchange of foreign currency received for the sale of goods, works, services or property rights (according to the general rule, 10 percent of a company's revenue received in foreign currency is subject to mandatory exchange into Belarusian rubles). HTP resident companies are also not subject to other foreign exchange control rules such as the requirement to obtain a special permit from the National Bank of the Republic of Belarus for certain currency operations.

Notwithstanding the above, HTP residents fall under the following general tax rates established in Belarus:

- dividend tax for Belarusian parent companies (12 percent) and Belarusian shareholders-individuals (13 percent);
- real estate tax unless the property is located within the assigned HTP territory;
- land tax unless the HTP resident is developing an office building within the assigned HTP territory, and only for the first three years.

For benefiting from the above tax preferences each HTP resident company shall pay **1 percent of its revenue** to the HTP Administration on a quarterly basis.

### How to Become an HTP Resident Company

To obtain the status of HTP resident company it is required:

- to be incorporated in Belarus (foreign legal entities and individuals can fulfil this requirement by establishing a subsidiary in Belarus);
- to carry out activities according to the business projects approved by the HTP Administration and Board.

The list of activities that can be performed by an HTP resident company is clearly stipulated by the Decree (e.g., fintech, neuron networks, artificial intelligence algorithms, unmanned motor vehicle driving, cybersport, e-commerce, blockchain and related activities such as ICOs and mining). The list, however, is not exhaustive and also provides for such other activities in the high-tech and new technologies spheres as may be approved by the HTP Board.

### Application Process

To apply to become an HTP resident company, the following documents should be filed with the HTP Administration:

- copy of certificate of incorporation in Belarus;
- copy of statutory documents; and
- business project detailing the activity performed by the potential HTP resident and business development plans.

As a rule, a decision on admission to HTP or refusal of admission shall be made within one month after the business project and other documents are submitted to the HTP Board. However, if the Board considers it reasonable, it may instruct the HTP Administration to conduct additional scientific and technical examination of the business project, with an extension of the term of the review of the documents and decision making of up to 10 business days. Additionally, if the

business project is associated with the use and turnover of crypto-tokens, an external audit of the project, including legal, may be requested by the HTP Board.

The decision on admission to HTP (or refusal of admission) is taken solely at the discretion of the HTP's Board, considering the importance and value of the project for the development of new technologies and high-tech industry. In practice, the process of entering HTP, including the time necessary for preparation and approval of the business project, may take from a couple of months up to a year or even more, depending on the type of activity.

### Cryptocurrency-related Taxation

In some cases, an HTP resident company's activity is closely connected with crypto-tokens and/or cryptocurrencies, which leads to certain related tax consequences.

Under the Belarusian approach to legal definition of tokens and cryptocurrencies, *token* is a blockchain record proving certain rights and/or cryptocurrency; *cryptocurrency* is bitcoin, another token used internationally as a universal mean of exchange. Therefore, any cryptocurrency is deemed to be a token.

Individuals and legal entities are granted a right to own, exchange, buy and sell tokens and cryptocurrencies. Accordingly, tokens and cryptocurrencies may be subject to various transactions. For tax purposes, the sale of tokens and their exchange for other tokens is considered as an allocation of property rights.

Until January 1, 2023, transactions with tokens and cryptocurrencies for both individuals and legal entities are *not* subject to taxation. In particular:

- turnover, profit, income of HTP resident companies from mining activity, creation, purchasing and sale of tokens are exempted from VAT and corporate profit tax;

- individuals' income from mining activity, purchasing and sale of tokens for fiat money and/or exchange for other tokens is exempted from personal income tax;

- turnover on sale of tokens, including turnover on sale by foreign companies with no permanent establishment in Belarus is exempted from VAT.

Moreover, until January 1, 2023, any fiat money or cryptocurrency received from an ICO by any Belarusian legal entity (even without HTP resident company status) is not considered as revenue or income for tax purposes and is, therefore, not taxed; in addition, token sales through ICOs are not subject to VAT.

### Looking Forward

The Belarusian High-Tech Park establishes unique opportunities for companies and individual investors operating with new technologies in high-tech industries—making HTP one of the most favorable places for IT businesses and startups around the globe.

In addition to the opportunities for HTP resident companies, the Belarusian jurisdiction may also be attractive for any blockchain-related businesses, as for the next five years token and cryptocurrency turnover for individuals and any legal entities established on the territory of the Republic of Belarus is fully exempt from all taxes.

**Nikolay Artemyev and Illia Salei are Senior Associates at Borovtsov & Salei Law Firm (Minsk, Belarus) specializing in Corporate, Finance and IT.**

**The authors may be contacted at:  
nikolay.artemyev@borovtsovsalei.com;  
illia.salei@borovtsovsalei.com**