

*Viktor Strachuk*

# Belarus. Tax exemptions for residents of the High-Tech Park

On September 22, 2005 the President of Belarus signed the Decree "On the High-Tech Park". The Decree is aimed at boosting the competitive power of the national new and high technology-based sectors, developing modern technologies and expanding their exports, as well as attracting to the sector both Belarusian and foreign technologies.

The High-Tech Park will occupy 500 000 sq. m. and features a tailor-made legal regime which shall remain in effect for 15 years after the Decree comes into force.

Both legal entities and individual entrepreneurs can become High-Tech Park residents if they provide the Park Administration with the necessary registration documents and if they plan to perform business operations related to analysis, design and development of IT-systems software and data processing activities.

The Decree stipulates that Park residents shall be exempt from taxes, levies and other payments to the Republic's budget

and special-purpose budgetary and non-budgetary funds; from profits tax and VAT as well as real estate tax. Instead, a single payment is introduced, set at 1% of revenue, an amount which will be transferred to the Park Administration account.

The new Decree provides individuals with certain tax incentives. Income received by individuals from Park residents, as well as income received by individual entrepreneurs, shall be taxed at 9% and excluded from the aggregate annual income of the individual. High-Tech Park residents shall be exempt from the payment levied for inviting Belarusian citizens from other cities to work and reside in Minsk. Currently the payment for employing a non-Minsk resident is substantial, amounting to 500 statutory base-units (approximately USD 5,900).

Certain goods imported into the Republic of Belarus for the purposes of activities indicated in the Decree will also be exempt from customs duties and VAT imposed by customs bodies. The list of imports is to be approved by the President of Belarus.

It should be noted that the income tax rate for foreign legal entities (with no permanent establishment for business operations on the territory of Belarus) on dividends, interest, royalties if such income is paid by a Park resident; will be 5%, unless a more preferential tax treatment is provided by an international treaty of Belarus.

Park residents shall not be liable for the offshore fee when paying dividends to their parent companies. Under the general tax regime the offshore fee is payable if monetary funds have been transferred by a tax resident of the

## Viktor Strachuk

Viktor Strachuk is a Manager of the Tax and Legal Department in Deloitte's Minsk office. He has extensive experience in tax and legal due diligence on potential acquisition targets in the Republic of Belarus, in creating companies with foreign investment in Belarus and in appealing against the decisions of tax authorities both judicially and extra-judicially. Currently he focuses on the international tax planning and structuring of inbound investments into Belarus. Viktor qualified as a lawyer in Belarus and is an active member of the International Fiscal Association.

Republic of Belarus to a non-resident registered in an off-shore jurisdiction, or to off-shore bank accounts etc. Currently the offshore fee is calculated at the rate of 15% of the transferred amount.

In addition, foreign currency received by Park residents for sales of their goods, works, services and intellectual property rights shall not be subject to obligatory sale.

Up to now, Belarusian companies operating in the high-tech sector have had difficulties in sustaining competitiveness as the high level of costs has checked development and growth in the sector. This Park of new technologies combined with the tax exemptions provided for in the Decree, will facilitate investment in and development of the new technologies sector in the Republic of Belarus.

