

Rödl & Partner

NEWSLETTER BELARUS

BUILDING BRIDGES

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Comparative guide:
Taxation in Belarus and Baltic States

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Dear Sirs and Madams,

the ongoing investment and business climate in Belarus may seem to be unpredictable and some of the international businesses are considering relocation of their Belarusian branches to the neighboring states, mainly the Baltic States.

In this respect in order to present an overview of primary tax implications connected with an eventual relocation towards one of the Baltic States we have prepared this comparative tax guide.

We hope this guide will serve as an effective tool at the preliminary stage and contribute to ultimate choice of the legal environment which mostly fits the needs of your business.

In addition, in order to support the expansion of Belarusian businesses Rödl & Partner has launched its Belarusian desk in the Baltic Region. We remain at your disposal for any queries connected with your plans in the Baltic Region, serving as a “one-stop shop”.

Yours

Yurij Kazakevitch

→ Key tax rates

Corporate income tax (CIT)

Belarus	Estonia	Latvia	Lithuania
<p>18 %</p> <p>Dividends: 12 % (6 / 0 % in case profit of a Belarusian company was not allocated within 3 / 5 consecutive years respectively)</p> <p>For banks, insurance and forex companies: 25 %</p>	<p>The tax is levied at profit distribution at a rate of 20/80 of the net amount (20% of the gross amount). Retained earnings are not taxed until profit distributions are made</p> <p>Rate of 14/86 (14% of the gross amount) is levied on regular profit distribution. Dividends paid to natural persons are subject to additional 7% income tax (if dividends were taxed at the rate of 14%)</p>	<p>The tax is levied at profit distribution at a rate of 20/80 of the net amount (20% of the gross amount). Retained earnings are not taxed until profit distributions are made</p> <p>15% for micro-enterprises, turnover not exceeding 40` 000 euro (including personal income tax and social security contributions)</p>	<p>15 %</p> <p>0 % for the first year and 5 % for the following periods for enterprises with fewer than 10 employees and less than 300` 000 euro in gross annual revenues (if the certain conditions are met)</p> <p>0% for the first 10 years from establishment and 7,5 % for the 6 subsequent years for companies established in free economic zones when the capital investment has reached: 1 million euro; or 100` 000 and the average number of employees is no less than 20 and at least 75% of the annual income is received from the provision of services</p> <p>20% for profits of banks, exceeding the threshold of 2 million euro</p>

Withholding tax (WHT) (National regulations)

Belarus	Estonia	Latvia	Lithuania
<p>Dividends: 12 %</p> <p>Royalties: 15 %</p> <p>Interest: 10 %</p> <p>Other types of income defined by law: 15 %</p>	<p>Dividends: do not apply (profit distribution tax apply)</p> <p>Interest: 0% (except excessive amounts of interest)</p> <p>Royalties: 10% (unless a lower rate applies under a Tax Treaty or</p>	<p>Dividends: do not apply (profit distribution tax applies)</p> <p>20% to recipients in offshores</p> <p>Interest: 0% for companies</p>	<p>Dividends: 0% if the parent company holds at least 10% of shares for at least 12 months</p> <p>15% in other cases</p> <p>Interest: 0% if paid to the EEA residents and companies of countries with a Tax Treaty in force</p>

Belarus	Estonia	Latvia	Lithuania
<p>Lower tax rates can be applied under a respective Tax Treaty</p>	<p>exemption applies for entities qualifying under Interest and Royalties Directive)</p> <p>Technical service fees: 10% if services rendered in Estonia and there is no Tax Treaty with the recipient country</p>	<p>20% for recipients in offshores</p> <p>Royalties: 0% for companies</p> <p>20% for recipients in offshores</p> <p>Consultancy and management services: 20% (unless a lower rate applies based on Tax Treaty)</p> <p>Remuneration paid to non-residents for the alienation of immovable property in Latvia: 3% from the transaction value</p> <p>Income received by non-residents from renting out an immovable property in Latvia: 5% from the transaction value</p> <p>Certain other payments to recipients in offshores are subject to 20% withholding tax</p>	<p>0% on interest for securities issued by the Government on international financial markets, accrued and paid on deposits and on subordinated loans meeting the criteria set by the Bank of Lithuania</p> <p>10% in other cases</p> <p>Royalties: 0% if paid to entities qualifying under the Interest and Royalties Directive</p> <p>10% in other cases (unless it is reduced by a Tax Treaty)</p> <p>Remuneration paid to non-residents for transfer or lease of immovable property located in Lithuania: 15%</p> <p>Remuneration paid to non-residents for performing or sports activities performed in Lithuania: 15%</p> <p>Annual payments paid to non-residents as members of supervisory boards of the Lithuanian companies: 15%</p>

Personal income tax (PIT)

Belarus	Estonia	Latvia	Lithuania
<p>13 %</p> <p>Dividends: 13 % (6 / 0 % in case profit of a Belarusian company was not allocated within 3 / 5 consecutive years respectively)</p> <p>For individual entrepreneurs: 16 %</p>	<p>20% for employment income and other type of income (including dividends, interest and capital gain)</p>	<p>Progressive PIT system</p> <ul style="list-style-type: none"> - 20% up to annual income of 20`004 euro (gross) - 23% to annual income from 20`004 euro to 62`800 euro (gross) - 31,4% to annual income more than 62`800 euro (gross) <p>20% on capital income (interest, capital gains,</p>	<p>Employment income:</p> <ul style="list-style-type: none"> - 20% up to annual income of 104`277,6 euro (gross) - 32 % to annual income more than 104`277,6 euro (gross) <p>Income from individual business activities - from 5% up to 15%</p> <p>Dividends - 15%</p>

Belarus	Estonia	Latvia	Lithuania
		<p>dividends (if no Corporate income tax paid on distributed profit)</p> <p>10% on rent of real estate</p>	<p>Other income:</p> <ul style="list-style-type: none"> - 15% up to annual income of 148`968 euro (gross) - 20% for annual income more than 148`968 euro (gross)

Value-added tax (VAT)

Belarus	Estonia	Latvia	Lithuania
<p>20 %</p> <p>Exported goods, certain services: 0 %</p> <p>Crop and farm production produced in the EAEU, certain food commodities and children products: 10 %</p> <p>Telecommunication services: 25 %.</p>	<p>20 %</p> <p>9 % for:</p> <ul style="list-style-type: none"> - Books and workbooks used as learning materials - Medical products, medical devices for personal use of disabled persons, technical aid for the purpose of the Medical Devices Act - Periodic publications - Accommodation services 	<p>21 %</p> <p>12 % for:</p> <ul style="list-style-type: none"> - Particular pharmaceuticals, medical devices and goods - Educational literature and periodic publications - Infant food - Domestic public transportation services - Supply of heating and gas to inhabitants - Accommodation services <p>5 % for supplies of certain fresh fruit, berries and vegetables typical to Latvia</p>	<p>21 %</p> <p>9 % for:</p> <ul style="list-style-type: none"> - Passenger transport services on regular routes - Books and non-periodic information publications - Specific accommodation services (until December 31, 2022) - Heating and hot water for residential premises - Firewood and wood products for heating supplied to household energy consumers <p>5 % for:</p> <ul style="list-style-type: none"> - Pharmaceuticals and medical aid under certain circumstances - Equipment for disabled persons' technical assistance and their repairs - Periodical publications (with some exceptions)

Land tax

Belarus	Estonia	Latvia	Lithuania
<p>Depends on a cadastral value and function of a land plot</p> <p>May be reduced or increased for up to 2 times by local councils of deputies</p> <p>0; 0,2; 0,4; 0,6; 0,8 – decreasing coefficients are applied in case a newly commissioned building is located on the land plot (for the first 5 years of operation respectively)</p>	<p>0,1 % - 2,5 % of the assessed value of land</p>	<p>0,2 % - 3 % of cadastral value or 1,5% if the municipality has not stipulated the tax rates</p> <p>Additional 1.5 % for unused agricultural land</p>	<p>0,1 % - 4 % of the taxable value</p> <p>Lessors of the state land pay the land lease tax equal to 0,1 % - 4 % of its taxable value</p>

Real estate tax

Belarus	Estonia	Latvia	Lithuania
<p>Standard annual rate: 1 % out of a residual value</p> <p>May be reduced or increased for up to 2 times by local councils of deputies</p> <p>0; 0,2; 0,4; 0,6; 0,8 % – respectively the first 5 years of operation for newly commissioned buildings</p>	<p>Does not apply</p>	<p>0,2 % - 3 % of cadastral value depending on the regulations of the particular municipality</p> <p>If specific municipality has not stipulated the tax rates, then depending on the cadastral value the tax is: 1,5% for land, certain buildings and engineering structures, 0,2 % - 0,6 % for dwellings</p>	<p>0,5 % - 3 % of the taxable value</p> <p>For individuals - 0,5% - 2% of the taxable value; the real estate up to 150` 000 euro is tax exempt</p>

Solidarity tax

Belarus	Estonia	Latvia	Lithuania
<p>Does not apply</p>	<p>Does not apply</p>	<p>25,5% to annual income exceeding 62` 800 euro</p>	<p>Does not apply</p>

Social security contributions

Belarus	Estonia	Latvia	Lithuania
<p>1 % (employee)</p> <p>34 % (employer)</p> <p>Maximum basis is capped by a 5-time average salary in Belarus for the preceding month</p> <p>35 % (for individual entrepreneurs, can be calculated out of the minimum statutory wage)</p>	<p>33% employers contribution</p> <p>The rate of unemployment insurance premium for insured persons is 1,6% (employee's contribution)</p> <p>The rate of unemployment insurance premium for employers is 0,8% (employer's contribution)</p> <p>Payments of social insurance and payments in pension funds are applied also to self-employed persons</p>	<p>35,09 % (24,09 % the employer's contribution and 11% the employee's contribution)</p> <p>32,15% for self-employed</p> <p>5% for pension insurance from royalties</p> <p>Additional 5% for pension insurance by self-employed</p> <p>Various other rates are applied to individuals with different statuses</p>	<p>19,50 % employee's contribution (social insurance contributions of 12,52% and health insurance contributions of 6,98%)</p> <p>1,79% employer's contribution (including 0,32 per cent for the Guarantee Fund and the Long-Term Unemployment Fund)</p> <p>19,50% rate of tax is also imposed on 90% of income earned by self-employed persons</p> <p>Special rules and rates are applied for sportsmen, performers, persons working under authorship agreements, farmers, owners of individual enterprises, members of micro companies and partners of partnerships</p>

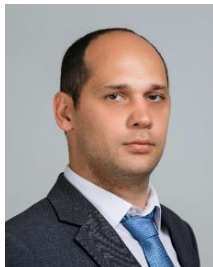
→ WHT rates under DTT

Belarus is the party to Double taxation treaties (DTT) effective with 69 countries including all the Baltic States. The primary tax rates set forth in the

respective tax treaties between Belarus and each of the Baltic States are summarized below.

DTT	Dividends	Royalty	Interests
Belarus Estonia	10%	10%	10%
Belarus Latvia			
Belarus Lithuania			

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