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Doing Business in Belarus

- Overview -



Investigate business – do business

To our readers

International law firm Arzinger & Partners is glad to present you the analytical and legal overview Doing Business in Belarus.

We did our best to avoid banality under presentation of material and to focus on major aspects of organization and development of business in Belarus.

Wide experience of our lawyers in legal support of business activity allowed us to prepare an up-to-date Belarusian overview, containing a number of specific aspects and peculiarities of Belarusian investments, corporate, currency, customs, labor and tax regulation.

Suggested material shall provide you with a clear view of business conditions in Belarus. Nevertheless, we recommend you to obtain consultation from specialists on analysis of all basic data and documentation subject to your project prior to making serious decisions.

Structured and systematized regulations shall be of an interest of foreign business representatives planning to enter local market of our country. Moreover, this information shall be useful for managers and lawyers of companies already being present in Belarus.

“Outstanding success consists of a great number of contemplated and well-considered details.”

V.O. Kluchevsky

About us

Arzinger & Partners is the first international firm to take the risk to position itself as an international player of the Belarusian legal market.

In spite of the world economy crisis, we were able to preserve the “Arzinger & Partners” brand name and European traditions of the company, as well as to multiply potential of the company due to high qualification of lawyers and competent establishment of business relations with our clients.

We have a developed network of strong business connections with foreign law partner offices (Germany, Czech Republic, Slovakia, Ukraine, Russia, Turkey, Poland). Moreover, we carry on a close cooperation with local law companies from other countries, directly or throughout international network Eurojuris and Eurolaw. Thus, we do not keep to the exclusivity principle, and our company renders services to the client in cooperation with law companies providing best available conditions for our client.

This allows us to render legal services in Belarus, European countries, Asian region and American continents not only within shortest terms and highly qualified level, but also at competitive rates, what is especially appreciated by our clients at present conditions.

Core spheres of Arzinger & Partners activity are investments and privatization, finance and banking, construction and real estate, M&A and corporate law. Moreover, we render complex legal services required for support of entrepreneurial activity in

Belarus, including tax, labor and migration issues, patents, private-public partnership and a range of other issues.

A solid team of highly qualified lawyers, specializing in different spheres of law, works at our office. Associates advise our clients in English, German, Italian, Czech, Slovak and other European languages.

Because of the range of mentioned above facts our firm is currently of the leaders among law companies of the legal services market in Belarus. Such position of the company and corresponding competence of lawyers are certified by international periodicals and rates.

Arzinger & Partners persistently takes part in such rankings like IFLR 1000, Legal 500, Chambers Europe, Who's Who Legal. We are also presented at HG: Legal Directories, Corporate INTL Global Awards, EU Lawyers & Solicitors Directory and Getting the Deal Through.

We are very proud of our clients, among which are foreign and national companies, representative offices and affiliates of large-scale and medium business, as well as state organizations and establishments, medium and small companies.

Arzinger & Partners holds active cooperation with diplomatic representations of foreign states and international organization in the Republic of Belarus.

Arzinger & Partners carries out its activity on the basis of the license to the right of activity on rendering of legal services, registration number 411, issued by the Ministry of Justice of the Republic of Belarus on the basis of the decision of August 4, 2006 No. 291, valid until August 5, 2016.

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1. Republic of Belarus – the country of undiscovered opportunities.

The Republic of Belarus is a comparatively young state located in the middle of Europe at the intersection of trade routes connecting East and West, what definitely makes it an attractive market for foreign investors.

Population of Belarus is 9,5 million inhabitants, meanwhile gross domestic product per head equals 15 093 US dollars.

Belarus was rated 58th place in the “Doing Business 2013” ranking of the World Bank in 2012; 154th place in the ranking “Economics 2012 Index” , moreover, corruption perception index has raised up to 2.4 points.

Recently, attractiveness of Belarus has increased in view of the fact the republic takes active part in Eurasian integration processes, in particular, it develops the Customs Union and the Unified Economic Space jointly with the Russian Federation and Kazakhstan.

Advantages of participation in mentioned above integration formations are obvious: currently a number of barriers in mutual trade between countries-parties have been removed (in particular, quantitative restrictions, customs formalities (e.g. goods produced in Belarus can be sold in Russia and Kazakhstan without execution of conformance certificate) what has lead to increase of commodity turnover both inside the union, as well as with adjoining countries.

Why aren't major and well-known companies queuing at our borders taking into account obvious benefits and achievements?

The response to this question shall be found under analysis of both legal conditions of companies' establishment, economic activity, investment activity, and of actual application of legal norms in Belarus.

Besides, we shall note that recently government has taken effective steps towards liberalization of different economic sectors.

Change of the economic policy towards liberalization can be explained by the fact that world economic crisis has influenced the republic much later than its neighbors what resulted in considerable foreign exchange deficit in 2011. The foreign currency crisis in Belarus illustrated that sterling development of the independence state is impossible without passing to effective mechanisms of market economy under proper and non-prevailing regulative participation of the state.

It seems to us that now is the right time for foreign companies to make use of huge opportunities offered by the Belarusian market against the background of liberalization process, on the one hand, including, first of all, privatization. On the other hand – our own international experience based on long-term successful work in countries with market investment mechanisms and rules operating for decades.

2. Establishing of legal entities in the Republic of Belarus

2.1. Legal forms of commercial legal entities

The legislation of Belarus provides for a variety of legal forms for establishment of legal entities for carrying out business activity. These are, in particular, joint-stock companies (JSC), limited liability companies (LLC), additional liability companies (ALC), unitary enterprises (UE) and partnerships. A joint-stock company can be incorporated either as an open or close joint-stock company. Legal entities (JSC, LLC, ALC, UE) act on the basis of the Articles of Association and (or) Memorandum (partnerships).

Among the most widely-spread legal forms are the limited liability company and joint-stock company.

But from the viewpoint of taxation neither of the corporate forms gives any advantages.

According to the Investment Code foreign investors shall be entitled to incorporate on the territory of Belarus legal entities with any amount of foreign investments and in any corporate form.



NB:

Commercial organization with foreign investments

Companies with shares of foreign investments equivalent to no less than 20 000 USD in the statutory fund of the company enjoy a status of companies with foreign investments.

The statutory fund declared in the Articles of Association or Memorandum shall be formed by no less than 50% within the first year from the date of their state registration through paying up by each founder of no less than 50 % of their shares, and in full within two years from the date of the registration. Apart from the mentioned benefit, organizations of the mentioned above status can be liquidated exclusively under decision of the court.

2.1.1. Business Companies

In accordance with the legislation of Belarus limited liability companies, additional liability companies and joint-stock companies are in whole referred to as business companies.

It is provided by the law, that for incorporation of a company no less than two shareholders are obligatory required, and the maximum number of LLC or CJSC members shall not exceed 50, otherwise the corporate form shall be changed.

Shareholders become members of business companies after state registration of the company, as well as individuals and entities obtaining property right, economic management or operating control right to share in the statutory fund of the company. Members can transfer their rights to participation in company's activity by issuance of power of attorney.

As a general rule, a business company is solely responsible for its obligations, and its participants bear risks limited to their shares in the statutory fund. At the same time, in case bankruptcy of a company is caused by its shareholder or other persons, who have a right to give instructions obligatory for such company (or to manage company's actions in other way), and provided the company does not have enough assets to

settle accounts with creditors, a subsidiary liability for obligations of a company can be imposed on such persons.

2.1.2. Limited Liability Company and Additional Liability Company.

Limited liability company (LLC) is a company founded by two or more persons, which statutory fund is divided into shares of amounts determined by its constituent documents. The participants of an LLC are not liable for its obligations and bear risk of losses resulting from the company's activity limited to the value of contributed shares.

Unlike an LLC, shareholders of an additional liability company (ALC) bear subsidiary liability jointly and severally for its obligations with their property within the limits, defined by the constituent documents of the company, but no less than the amount equal to 50 basic values. The Articles of Association of the ALC shall contain data on the amount of additional liability of shareholders of the company and order of its distribution between shareholders.

The shareholders of the LLC and the ALC determine independently the amounts of the statutory fund to be formed within one year after the state registration.

2.1.3. Joint-Stock Companies

In Belarus, as well as in Russia and the Ukraine, joint-stock companies can be founded in two forms: as an open joint-stock company (OJSC) or as a closed joint-stock company (CJSC).

Both forms differ from each other as follows: stockholders of an OJSC can alienate their stocks to a non-limited set of

persons, while shareholders of a CJSC can alienate their stocks only upon approbation of other stockholders and to the limited set of persons. Moreover, a CJSC has a right to carry out only closed (among a limited number of persons) placing of additionally issued stocks.

In order to register a closed joint-stock company its authorized fund shall amount to at least 100 basic values (about 880 Euro as of March 2013), and 400 basic values (about 3510 Euro as of March 2013) in case of an open joint-stock company.

Both forms of joint-stock companies can be incorporated only if there are no less than two stockholders. The maximum number of shareholders of the OJSC is unlimited, the number of shareholders of the CJSC shall not exceed 50 stockholders.

A joint-stock company shall make a contract with a depository for registration of stocks' motion and to carry out stocks' registration under their issuance at the Department for Stocks of the Ministry of Finance of the Republic of Belarus.

2.1.4. Private Unitary Enterprises

A private unitary enterprise is a special legal form which exists only in Belarus, as far as the CIS legal environment is concerned. The legislation of Russia and the Ukraine provides for a possibility to incorporate companies similar to private unitary enterprises, but those are companies with municipal and state owned property. The statutory fund of a unitary enterprise is determined by its founder and shall be formed in full prior to state registration.

The whole property of a unitary enterprise belongs to its owner on the right of ownership, but the unitary enterprise owns, uses

and disposes of such property to the legislatively set extent (so called operating control).

The head of the unitary enterprise shall be appointed by its shareholder. The shareholder-individual can be the manager of the company as well. The head of the unitary enterprise can be authorized to hold bookkeeping and prepare accounting reports even in the absence of corresponding special accounting skills and knowledge.

The shareholder of the private unitary enterprise has an opportunity to execute its functions through authorized representatives. The law stipulates that under the decision of the shareholder the authority of the manager of the unitary enterprise can be transferred to another commercial organization or individual entrepreneur under the agreement.

The form of the private unitary enterprise is commonly applied in the sphere of small-scale business with one owner.

2.1.5. Partnership

In the Republic of Belarus a partnership can be founded either in form of a general or a special partnership.

In a general partnership general partners are jointly and severally liable for obligations of the partnership with their property; a partnership shall have at least two participants and shall be engaged in business activity.

Along with general partners, in a special partnership limited partners take part, bearing risks related to activity of a partnership only to the extend of contributed shares. Limited

partners do not participate in the business activity of a partnership.

The partnership can be transformed into the legal entity. Besides, each general partner becoming its member, shall bear secondary liability by his property as of obligations being transferred to the entity within two years.

The partnership is established and carries our activity on the basis of the Memorandum.

Partners of the partnership shall independently determine extent of the statutory fund and to form it within one year after the state registration.

2.2. Order of incorporation of legal entities

The basic act determining order of incorporation of legal entities is the Decree of the President of the Republic of Belarus No. 111 of 16.01.2009 “On state registration and liquidation (cessation of activity) of economic entities”.

First of all, it is necessary to define which state body has the authority to register a legal entity.

2.2.1. Registering bodies

State registration of legal entities may be carried out by the following bodies:

- banks and non-banking credit-financial organizations – by the National Bank;

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- insurance companies, insurance brokers, alliances of insurers – by the Ministry of Finance;
 - commercial organizations, including business companies with foreign investments, in free economic zones and Chinese-Belarusian Industrial Park – by administrations of free economic zones and Chinese-Belarusian Industrial Park;
 - legal entities with foreign investments – by regional and the Minsk City executive committees;
 - other legal entities– by local and Brest, Vitebsk, Gomel, Grodno, Minsk and Mogilev city executive committees subject to a company’s location.

In order to register a company, other than a company with foreign investments, required documents are usually submitted to a district (city) administration at the place the company is to be incorporated.

2.2.2. Legal entities’ incorporation procedure

The incorporation procedure is usually the following:

- Making a decision on incorporation of a legal entity by shareholders (shall be executed by an agreement, minutes of the meeting, decision of the sole founder).
- Adjustment a company’s name at the registering body (is to be drawn through issuance of a certificate).
- Defining of a location (legal address) of a company (as a rule a prospective lessor issues a letter of guarantee enclosing thereto copies of a technical certificate plan of a premise) and premise title documents).
- Drawing up and signing of the articles of association, minutes of shareholders’ meetings. Articles of

association may be signed with or without notarization (at shareholders' discretion).

- Filing of a registration application and submitting of documents to the registering authority.



If the number of shareholders does not exceed three persons, all of them either in person or their representatives shall be present at the registering body. If the number of founders is more than three, one of them may be authorized (in accordance with either a power of attorney or minutes of the meeting) to act on behalf of the others.

The registering body decides on registration within one working day and gives a newly incorporated entity a copy of the Articles of Association under its seal and a certificate on state registration of the legal entity.

The legal entity is deemed registered from the date the seal is set on its constituent document and the record on state registration is made in the Unified Register of Legal Entities and Individual Entrepreneurs.

Within the following five working days the registered company is to be automatically registered in the Social Security Fund, the Belarusian Republican Insurance Company “Belgosstrakh” and in tax and statistic state authorities. The documents on corresponding registration are issued by the registering authority.

Thereafter the company shall do the following:

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- Order a seal (each company shall have a round seal with its designation).
 - Provide the Social Security Fund, “Belgosstrakh” and tax authority with information on the director of the company and its chief accountant.
 - Open bank accounts.

We shall note that in compliance with legislative changes it is allowed to carry out electronic registration of legal entities.

2.3. Location of a legal entity

Location of a company (legal address) is defined as a place where its permanent executive body is located (administrative and territorial unit, locality, building, apartment or other premise, if any).

Living quarters (apartment, dwelling house) of an individual, who owns property of a private unitary enterprise, can constitute a location of this private unitary enterprise in one of the following cases:

- the living quarters belongs to him on the right of ownership, upon consent of all other owners, and all adult members of his family (and family members of all other owners), who reside in this premise;
- he resides permanently in the living quarters (except for living quarters of the state housing stock).

2.4. Control bodies of the legal entity

The supreme control body of the LLC, ALC, JSC is the General Meeting of Members (Stockholders). Key decisions on activity of the unitary enterprise are made by its owner.

In addition the board of directors or the directorate may be developed in the company.

In general, the company can be managed by a collective executive body (board of directors or directorate) and (or) by a single executive body (director or general manager).

The executive body of a company is usually its director or general manager acting without a power of attorney by virtue of the companies' Articles of Association.

Authority of each control body of the company shall be strictly regulated by statutory documents and the law.

2.5. Bookkeeping

The head of a company is responsible for organization of accounting and creation of favorable conditions for correct bookkeeping.

Books of the company can be kept by:

- a bookkeeping service (department), heading by a chief accountant,
- an accountant,
- a company specialized in bookkeeping and accounting or an expert accountant being an individual entrepreneur on contractual basis,
- by the head of the company personally in cases provided for by the legislation (head of a private unitary enterprise has the right to keep the books in case it is provided for in the Articles of Association).

A person with higher special education, and in exceptional cases a person, without higher special education, but having a professional education and working experience as an accountant of no less than five years, can be appointed chief accountant.

Companies, applying a simplified taxation system (except for companies paying value-added tax), are exempt from an obligation of bookkeeping and shall keep records in companies' and individual entrepreneur's profit and loss books. The mentioned companies have the right to keep books in accordance with the usual procedure instead of keeping profit and loss books of records.

3. Establishing of a Representative Office of a foreign company in the territory of the Republic of Belarus

The Belarusian law demands for establishment of a representative office of a foreign company intending to carry out business activity the territory of Belarus.

The foreign company, intending to establish its representative office, shall obtain a permit of the Ministry of Foreign Affairs of the Republic of Belarus.

Purposes for establishment of the representative office differ depending on the fact if the company itself is a commercial one or not. E.g. the representative office may be established for investigation of investments opportunities and the market of the Republic of Belarus.

3.1. Legal status

A representative office is not a legal entity and can act solely on behalf of a foreign company and for its benefit. The scope of representative office's authority is not limited by the law and shall be determined by the foreign company intending to establish a representative office.

Business activities requiring obtainment of a license (special permit) can be carried out by a representative office only after obtainment of the appropriate license (special permit).

A representative office is managed by its Head acting within the limits set in the power of attorney.

A representative office has the right to hire both Belarusian and foreign employees. The amount of hired employees is limited. In general, it is 5-7 employees. The extent limit shall be contained in the permit to opening of the representative office.

3.2. Establishment procedure

A foreign company files an application to the Ministry of Foreign Affairs pointing out purposes of establishment of the representative office and information on business activity of the foreign company. As a rule, the following documents are to be attached to the application:

- copies of statutory documents of the foreign company;
- copy of the document confirming state registration of the foreign company in the authorized body of the applicant's country (extract from the trade register, certificate of company's registration, etc.);
- power of attorney to a head of the representative office and the power of attorney to the person authorized to exercise actions, connected with the representative office's establishment;
- representative office's regulation, adopted by the foreign company and containing the purpose of opening of the representative office, address, organizational structure, authority of the head of the representative office, order of closing of the representative office;
- original document confirming payment of the state duty for issuing of the permit to establishment of the representative office.

? **NB:**

Documents of foreign companies shall be legalized under established order, except cases when such documents are issued by authorized bodies of countries Belarus has made treaties on legal support. Legalization is fulfillment of actions lodging the document with legal force.

In case the document is issued by authorized bodies of the country being party to the Hague Convention of October 5, 1961 cancelling requirement for legalization of foreign official documents, the only formality to be observed for certification of authenticity of the signature and position of the person having signed corresponding document, and authenticity of the seal or stamp certifying such document, is apostile of the authorized state body of the country the document was issued – in compliance with article 3 of the Convention.

In accordance with the Consular Charter of the Republic of Belarus and the Instruction on the order of implementation of the consular legalization, legalization of documents aimed for usage in the territory of Belarus can be legalized abroad by consular departments of diplomatic representations of the Republic of Belarus, general consulates, consulates and vise-consulates of the Republic of Belarus, as well as consular agencies of the Republic of Belarus.

The duty payable for obtainment of the permit to establishment of the representative office makes up:
for commercial organizations – 65 basic values per year;
for non-commercial organizations – 20 basic values per year.
1 basic value ≈ 8,9 Euro (as of March 2013).

After the permit is obtained, the representative office is considered to be opened and can carry out its activity in the territory of Belarus.

The representative office shall apply for registration to the appropriate tax authority, Social Security Fund and OJSC “Belgosstrakh” within ten days after its registration.

The representative office shall open an account in one of the Belarusian banks.

3.3. Business activity through a representative office

The representative office has the right to carry out business activity in the territory of Belarus only on behalf and by order of the company represented by it. Before starting business activity the representative office shall file an application to the tax authority, where it is registered, to inform it on launch of business activity by the foreign company through its representative office (so called permanent representative office for taxation purposes).

In certain cases it is economically reasonable to carry out business activity (first of all, execution of works) through the representative office rather than through the commercial organization.

Firstly, profit tax exempt may be obtained based on bilateral treaties on avoidance of double taxation.

Secondly, gained profit is transferred directly to the company – non-resident, therefore, there is no obligation to pay dividends tax under transfer of profit to the shareholder.

One of advantages is also an opportunity to pay out salaries in foreign currency.

Disadvantages are impossibility to perform customs procedures subject to goods required for economic activity, limitation of the maximum number of employees.

After the abovementioned application is filed, the representative office shall submit reports on business activity of the foreign company to the tax authority monthly. It shall also pay taxes collected from income drawn by the foreign company. In case activity is carried out through the permanent representative office for taxation purposes, the representative office shall pay all taxes and obligatory payments for the head company. Same taxes should have been paid by the ordinary Belarusian company.

4. Taxation, social and retirement insurance of individuals

4.1. Categories of taxes, charges (duties)

In the Republic of Belarus the following republican taxes, charges (duties) shall be levied:

- Value added tax (VAT);
- Excise duty;
- Profit tax;
- Profit tax of foreign companies, not exercising activity in the Republic of Belarus through permanent representative offices;
- Income tax on individuals;
- Real-estate tax;
- Land tax;
- Ecological tax;
- Tax on extraction (withdrawal) of natural resources;
- Charge for passage of foreign vehicles along public roads of the Republic of Belarus;
- Offshore charge;
- Stamp duty;
- Consular fee;
- State duty;
- Patent fee;
- Customs duties and charges.

Additionally, the following local taxes and charges shall be levied:

- Dogs holding tax;
- Resort charge;

- Charge from purveyors.

4.2. Value added tax

Since the 1st of January, 2010 a standard VAT rate amounts to 20%. Reduced tax rates are applied to turnover of particular types of goods: 0%; 9,09%; 10%; 16,67%. Under import to the territory of Belarus and (or) sale of consumer goods and nursery supplies (in accordance with the list, adopted by the President of the Republic of Belarus), the VAT rate is 10%.

4.3. Profit tax

The profit tax payers in Belarus are organizations (legal entities, foreign and international organizations, general partnerships, economic associations).

The standard profit tax rate of organizations is 18%.

Reduced tax rates are applied to deals with particular types of goods: 12%, 10%, 5%. Thus, companies producing laser and optical equipment shall pay the profit tax at the rate of 10 per cent.

Tax rate 12% is imposed on dividends. Scientific and technical parks, centers of transfer of technologies and residents of scientific and technical parks shall pay the profit tax at a rate of 10%.

Currently, 65 treaties on avoidance of double taxation and 49 treaties on assistance to implementation and protection of investments act in Belarus. A non-resident has the right to have a claim to obtainment of full or partial levy from profit tax

payment subject to mentioned treaties and under absence of permanent representative office in Belarus.

4.4. Profit tax of foreign companies, not exercising activity in the Republic of Belarus through a permanent representative office

Payers of profit tax are foreign companies not carrying out business activity in Belarus through a permanent representative office, but gaining profit from a source in Belarus. A notion of a permanent representative office for taxation purposes is defined in details in clause 3.3.

The following profit tax rates are set:

6% - payment for transportation, freight when carrying out international transportations, as well as for forwarding services;

10% - interest (coupon) yields from any kind of debentures;

12% - dividends and profits equated to them from alienation of shares in the statutory fund (shares, stocks) of companies located in the territory of the Republic of Belarus;

15% - other profits.

4.5. Profit tax paid by individuals

As a general rule, individuals, who have actually stayed in the territory of the Republic of Belarus for more than 183 days within a calendar year, are considered to be tax residents of the Republic of Belarus. The individual is recognized a tax resident

in the current calendar year in case it stayed more than 183 days at the territory of Belarus in the previous calendar year until it is possible to determined status of this individual according to the mentioned rule.

The profit tax objects are profits drawn by the taxpayers:

- from sources in the Republic of Belarus and (or) sources outside the Republic of Belarus - for individuals - tax residents of the Republic of Belarus;
- from sources in the Republic of Belarus - for individuals not considered tax residents of the Republic of Belarus.

Generally, profit tax is levied at the rate of 12% regardless of the profit amount.

Profits drawn from carrying out entrepreneurial activity is taxed at the rate of 15%.

4.6. Offshore charge

When a resident of the Republic of Belarus transfers money to a non-resident registered in an offshore zone in accordance with the list affirmed by the President of Belarus (the Edict of 25.05.2006 No. 353 “On adoption of the list of offshore zones”), the resident of Belarus shall pay an offshore charge at its own expense at the rate of 15% from the sum to be paid.

4.7. Special taxation regimes

Special regimes of taxation applied to taxpayers of:

- tax under simplified taxation system;

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- single tax paid by individual entrepreneurs and other natural persons;
 - free economic zones;
 - Hi-Tech Park;
 - tax on gambling industry;
 - profit tax on lottery activity;
 - profit tax on holding of electronic interactive games;
 - charge for exercising of handicraft activity;
 - charge for rendering of service in the sphere of agro- and ecotourism.

4.8. Simplified taxation system

Payment of taxes under simplified taxation system replaces payment of taxes, charges (duties) to the budget or state non-budgetary funds, including profit tax.

Meanwhile, the common order of calculation and payment of certain taxes remains the same, including taxes levied when importing (exporting) goods to the customs territory, state duty, tax on dividends, offshore charge.

Simplified tax shall be paid at the following rates:

five (5) % - for companies and entrepreneurs not paying VAT;

three (3) % - for companies and entrepreneurs paying VAT;

two (2) % - for companies and individual entrepreneurs with regard to earnings gained from sales of goods outside the territory of the Republic of Belarus.

Application of the simplified taxation system is limited by the volume of profits, average number of employees and types of activity.

4.9. Benefits for commercial organizations in the rural area

All commercial organizations (sole traders), whose locations are small and medium towns or rural areas, are entitled to certain exemptions and preferences.

Thus, according to the Decree of the President of the Republic of Belarus No. 6 of May 7, 2012, "On stimulation of business activity in the medium and small towns, rural areas" the following tax exemptions are possible:

- The income tax;
- The mandative sale of foreign currency;
- Other taxes, levies (duties) (excluding VAT, which includes those levied on goods imported on the territory of the Republic of Belarus, excise, stamp and offshore fees, state fees, patent fees, customs duties and charges, land tax, environmental tax, tax for extraction (removal) of natural resources and other taxes calculated, withheld and (or) remitted in the performance of tax agent duties).

In addition, commercial organizations are exempt from import duties and VAT on goods that are classified according to the unified commodity nomenclature of foreign economic activities of the Customs Union on commodity items 7301, 7302, 7308, 7309 00, 7311 00, 8401 - 8408, 8410 - 8481, 8483, 8484 , 8486, 8487, 8501 - 8519, 8521 - 8523, 8525 - 8537, 8543, 8545, 8601 - 8609 00, 8701, 8702, 8704 - 8707, 8709 - 8713, 8716, 8801 00 - 8805, 8901 - 8908 00 000 0, 9005 - 9008, 9010 - 9020 00 000 0 9022 - 9032, 9103 - 9107 00 000 0, 9201, 9202, 9205 - 9208 9401 - 9406 00 00 9503 - 9508, levied

by the customs authorities upon importation on the territory of the Republic of Belarus as a contribution to authorized fund.

Exemptions are granted for seven years from the date of registration of a business entity. But they are available only when the traded goods (works, services) are goods (works, services) of own production, what is proved by a valid certificate of own production (certification of works and services of its own production).

However the above-mentioned exemptions and preferences do not apply to real-estate and lottery activity, gambling business, and others, as well as to business entities, applying the simplified taxation system.

 NB:

“Medium and small towns, rural areas” means territory of the Republic of Belarus, except the territory of the following cities - Baranovichi, Bobruisk, Borisov, Brest, Vitebsk, Gomel, Grodno, Zhodino, Zhlobin, Lida, Minsk, Mogilev, Mozyr, Molodechno, Novopolotsk, Orsha , Pinsk, Polotsk, Rechitsa, Svetlogorsk, Slutsk, Soligorsk.

4.10. Free economic zones (FEZ)

A special taxation regime is granted to residents of free economic zones.

There are six free economic zones in Belarus (in every region and in the city of Minsk). A decision to grant a status of a FEZ resident is made by the administration of the respective FEZ. As a rule, a commercial organization, the business-plan of which provides for investments of over 1 million EUR, can claim FEZ residence. Besides, commercial organizations

claiming the status of a FEZ resident, as a rule, shall produce goods for export.

Residents of FEZ obtain a number of tax benefits:

- within first 5 years of business profits of a FEZ resident are exempted from taxation;

- exempt from real-estate tax with regard to buildings and premises of FEZ residents, located on the territory of such FEZ;

- overturn on realization of in-house goods manufactured at the territory of FEZ which are import-replacing, is taxed at the rate of 10%.

Mentioned above taxation peculiarities shall remain unamended within seven years from the date of registration as residents of FEZ.

Otherwise, FEZ residents shall be guided by legislation and international treaties of the Republic of Belarus (including those constituting the legal base of the Customs Union) as of taxation issues.

The Treaty of 18.06.2010 on free (special) economic zones of the customs territory of the Customs Union was ratified. The treaty defines that a number of issues in respect of FEZ activity shall be regulated by legislation of corresponding state - member of the Customs Union, e.g. on the order of establishment and operation of FEZ, terms of their operation and other, which shall be solved at the level of local legislation.

4.11. High-Tech Park

A special taxation regime is granted to residents of the High-Tech Park (HTP).

High-Tech Park, an analogue of the Silicone Valley, was created in accordance with the Decree of President of the Republic of Belarus No. 12 of 22.09.2005 to develop the market of information and computer services.

As High-Tech Park residents may be registered legal entities and individual entrepreneurs of the Republic of Belarus, carrying out or planning to carry out one or several of the following types of activity:

- analysis, designing and software supporting of information systems;
- data processing with use of consumer's or one's own software;
- fundamental and applied research, experimental design in the sphere of natural and technical sciences (execution of research engineering, development or experimental-technological works, connected with dimensions of High-Tech Park activities) and implementation of results of such research and design;
- other types of activity defined by the Council of Ministers of the Republic of Belarus with the concurrence of the President of the Republic of Belarus.

Unfortunately, the range of business activity of HTP residents is strictly limited and does not include production of goods under application of high technologies.

High-Tech Park residents are exempted from:

1. Profit tax (except profit tax which is calculated, retained and transferred under execution of obligations of the fiscal agent).
2. VAT on overturn from realization of goods (works, services, property rights) in the territory of the Republic of Belarus. HTP residents have the right to refuse from application of this tax exempt for no less than one calendar year.
3. Land tax - land plots in frames of the territory of the Hi-Tech Park are exempt from the land tax for the period of construction on these land plots of buildings, aimed for business activity of HTP residents, but no more than for the period of three years.
4. Real estate tax - fixed assets and unfinished by construction objects of the HTP residents located in the territory of the HTP, are not charged the real estate tax.
5. Customs duties and VAT under importation of goods to Belarus for their activity.
6. Offshore charge under payment (transfer) of dividends to shareholders (members) of the HTP residents.
7. Obligatory sale of foreign currency, received by the HTP resident from realization of goods (works, services, property rights).

Tax rate on profits gained by foreign companies not carrying out their activity through permanent representative office in the territory of the Republic of Belarus, on dividends, debentures, royalty, licenses, in case these payments are made by the HTP resident, amounts to 5%. This rate is applied unless a more favorable regime is not defined by operating international treaties of the Republic of Belarus.

The rate of profit tax collected from individuals amounts to 9% with regard to profits drawn by them (except for employees maintaining and guarding buildings, premises, land plots) from the HTP residents under labor contracts; by entrepreneurs – the HTP residents; by individuals participating in implementation of a properly registered business project in the sphere of new and high technologies under labor contracts from non-residents of the HTP.

High-Tech Park residents shall pay 1% of their gross turnover to the HTP Administration quarterly.

Legal entities not being HTP residents, and implementing (or planning to implement) business-projects in the sphere of new and high technologies, and which have registered such projects, also have the right to enjoy a number of tax benefits. In this case 1% of gross turnover shall be paid as well.

The HTP residence has gained a great popularity among foreign and Belarusian IT companies.

4.12. Social and retirement insurance of individuals

The employer is social insurance payments agent, i.e. he makes payments directly to the Social Security Fund at his cost on behalf of his employees.

The amount of payments on retirement insurance makes up 29% of all kinds of payments (28% is paid by the employer), payments on social insurance amount to 6%. Accidents and job-related accidents insurance payments depend on the nature of executed work.

5. Investment agreement with the Republic of Belarus

Under the Investment Code of the Republic of Belarus an investment agreement can be concluded with the investor to provide state support under implementation of particular investment projects of significant importance for the economy of the Republic of Belarus.

The Parties to the investment agreement are the Republic of Belarus on the one hand and national and (or) foreign investors on the other hand.

The President of the Republic of Belarus signed the Decree № 10 “On creation of additional conditions for carrying out investment activity in the Republic of Belarus” on the August 6th, 2009. The Decree was amended and supplemented in 2011 and opportunities for conclusion of investment agreements have been significantly extended.

Conclusion of investment agreements became very common under implementation of projects by both foreign and local investors.

5.1. Privileges and benefits for investors

Investors, having concluded the investment agreement with the Republic of Belarus, are granted a number of benefits and preferences.

We shall outline the following rights of investors:

-
- the right to construction of objects under the investment agreement at the same time with expertise, development and adoption of required design documentation;
 - the right to obtainment of a land plot of necessary extent into lease without holding of an auction to the right to conclusion of the lease agreement;
 - the right to removal of flora objects without payment of compensatory payments equal to cost of removed objects under construction of objects under the investment agreement;
 - deduction of VAT sums paid under purchase (import to Belarus) of goods (works, services, property rights), used for design, construction (reconstruction), equipment of objects provided by the investment agreement;
 - defining of the general developer, general contracting organization, subcontracted design, construction and other organizations for construction of objects stipulated by the investment agreement, as well as for their renovation, reconstruction, restoration and improvement, without holding of the contract auction.

Moreover, investors are exempt from:

- making payments for the right to conclusion of land plot lease agreement;
- land tax or lease payment for land plots being in state ownership and provided for construction of objects stipulated by the investment agreement, for the period of design and construction of such objects till December 31st of the year following the year when construction of such objects is finished;
- compensation of agricultural and (or) forestry losses, caused by withdrawal of the land plot;

- import customs duties (with respect to international obligations of the Republic of Belarus) and VAT collected by customs authorities under import of technological equipment (spare parts and components tot hem) to the territory of the Republic of Belarus for its usage in the territory Belarus in frames of implementation of the investment project;
- payment of state duty for issuance of permits to attraction to Belarus of foreign labor force, special permits to labor activity in the Republic of Belarus;
- VAT and profit tax payments arising subject to gratuitous transfer of capital structures (buildings), isolated premises, unfinished capital construction objects and other fixed assets objects, which are transferred into ownership of the investor and (or) organization incorporated in Belarus by this investor or with his participation.

Other preferences can be granted to the investor under agreement of the parties.

5.2. Obligatory provisions of the investment agreement

Among the obligatory provisions of the investment agreement are the following: object, volume and terms of investments, as well as terms for implementation of the investment project and validity of the investment agreement.

It is also obligatory to determine rights and obligations of the parties to the agreement, responsibility of the parties for non-fulfillment of conditions of the investment agreement, requirements to confidentiality of information, order and authority responsible for solving of disputes between the parties.

The important restriction for the investor is the one to conclude any deals with objects, provided by the investment project, and (or) with land plots (resulting in transfer of rights to them) with third parties, prior to accrual of rights to them.

5.3. Making a decision on conclusion of the investment agreement

The previously existing three-level system of authorities responsible for making decisions on conclusion of investment agreements with the Republic of Belarus, was changed in June 2011. Thus, a two-level system of authorized bodies has been developed: republican state public management authorities (regional executive committees, Minsk City Executive Committee) and the Council of Ministers of the Republic of Belarus. Meanwhile, the decision on conclusion of the investment agreement in frames of the second level shall be made by the Government under adjustment with the President.

The investor, claiming for conclusion of the investment agreement, or another person authorized by such investor, shall file an application to:

- ministry in case of implementation of the investment project in the corresponding economic sphere (e.g. to the Ministry for Agriculture in case the investment project relates to this sphere;
- executive committee in case of implementation of the investment project in the territory of the corresponding political unit of the corresponding region (city of Minsk).

Arzinger & Partners has rendered complex legal services on support of the third investment agreement in the history of Belarus at the amount of more than 600 million Euro. At present, Arzinger & Partners has rendered legal assistance to

conclusion of 10 investment agreements with the Republic of Belarus.

6. Licensing

Belarus is still in the process of transition to free market relations. That is why some types of activities are subject to licensing and carrying out of such activity without obtaining a license is not permitted.

Since January 1st, 2011 the list of licensed activities has been decreased down from 53 to 37, among them are:

- advocacy;
- banking;
- activities in the field of automobile transportations;
- activities in the field of gambling industry;
- activities in the field of communication;
- activities, connected with environmental impact;
- publishing activities;
- activities, connected with manufacturing of alcoholic beverages, non-edible alcohol-containing products, non-edible ethanol and tobacco products
- medical activities;
- retail trade of alcohol beverages and (or) tobacco products;
- insurance activities etc.

Special requirements to personnel qualification of license applicant, as well as to the availability of special equipment and premises can be also imposed for acquisition of a license.

7. Price formation

For a long time price formation in Belarus has been strictly administered, needless to say, that such regulation troubled businessmen a lot. For example, an economic evaluation of price (tariff) has been necessary, as well as the price (tariff) shall be registered and limitations on trade increments shall be obeyed.

In furtherance of the Directive of the President of the Republic of Belarus No. 4 dated 31.12.2010 “On development of entrepreneurial initiative and motivation of business activity in the Republic of Belarus” a number of normative acts aimed at liberalization of price formation were signed.

Prices (tariffs) to goods (works, services) can be divided into two groups: 1) prices (tariffs) preserving state regulation, e.g. prices (tariffs) to socially important goods (works, services); 2) free prices (tariffs), being formed by economic entities independently subject to conjuncture of the market.

The utmost index of selling prices (tariffs) alteration to goods (works, services, produced at the territory of the Republic of Belarus, subject to exceeding of which it had been required to register prices, was cancelled.

One more important novelty is exclusion of necessity to provide economic accounts by legal entities and individual entrepreneurs under definition of the level of prices (tariffs) to be applied, except controlled ones.

The necessity to adopt a regulation on discounts, stipulating order of their provision, is excluded as well.

8. Foreign economic activity regulation

Foreign economic activity in the Republic of Belarus stays under steadfast state control. The main methods of regulation of that sort of activity are tariff and non-tariff customs regulation.

The Single customs tariff of the Union of the Republic of Belarus, the Republic of Kazakhstan, and the Russian Federation is the main instrument in the sphere of tariff regulation. The aforesaid document constitutes a list of import tariff rates applied to goods, being imported to the territory of the Customs Union from third countries.

Non-tariff method of regulation is represented by various requirements, applied to goods (for example, phytosanitary, sanitary or technical requirements), rules of origin, criteria of estimation of customs value of goods, licensing etc.

The authorization-based procedure of import to the customs territory of the Republic of Belarus, as well transit and export out of its bounds is prescribed to particular goods. Thus, encryption tools, special technical equipment, developed for secret extracting of information, products for military purposes, chemical substances, microorganisms (viruses, bacteria) etc. are subject to an export control.

It's important to mention, that in the Republic of Belarus a foreign trade transaction can be made only in a written form. In case of violation of that requirement, the transaction is considered as annulled and all acquired under such transaction shall be transferred into the treasury of Belarus. Also Belarusian legislation prescribes, that particular terms shall be

reflected in a foreign trade contract: cost of goods (in case when goods are the subject of a contract) and payment procedure. Moreover, residents shall register all foreign trade contracts, amounted to 3 000 Euro and more.

Main rules of carrying out of foreign trade operations are fixed in the Edict of the President of the Republic of Belarus No. 178 dated 27.03.2008 “On order of carrying out of and control over foreign trade operations”, which contains imperative requirements, which shall be obeyed by Belarusian companies when conducting foreign economic activity. In particular, strict time terms are stipulated for completion of foreign trade operations, while the terms and order of their prolongation, as well as the ways of completion of foreign trade operations and requirements for payments are also specified.

The National Bank of the Republic of Belarus has certain powers in the sphere of regulation of foreign economic activity: it sets forth additional restrictions for residents. For example, it is forbidden to make advance payments under import foreign trade contracts. The National Bank has put some other exceptions from general rules for payments under foreign trade agreements.

9. Real estate market

Commercial real estate can be freely sold to residents, as well as to non-residents of Belarus.

There are a number of restrictions on the acquirement of residential real estate by non-residents of Belarus. Such restrictions do not cover citizens and legal entities of the Russian Federation.

Land lots, as a rule, can be transferred to commercial legal entities, including foreign ones, on the right of lease.

Moreover, Belarusian legislation provides a possibility for Belarusian legal entities to acquire land lots into ownership. The first case of transfer of a land plot to private ownership of a legal person took place in 2010 in accordance with President Decree No. 93 dated March 1, 2010 for the purpose of realization of the investment project with participation of Sultan Oman State general reserve fund. Currently commercial companies with foreign investments freely use the right to acquire a land lot into ownership.

One of the most important steps towards an open real estate market has turned up the cancellation of mandatory state registration of real estate lease (sublease) agreements, contracts for gratuitous use of property, as well as alterations into the aforesaid documents.

10. Protection of intellectual property rights

The Republic of Belarus has signed and ratified most of international conventions in the sphere of protection of objects of intellectual property.

Legal protection of trade marks in the Republic of Belarus is granted on ground of their registration by the state institution “National centre of intellectual property” in the order determined by trade mark law or by the international agreements of the Republic of Belarus. A trade mark can be registered in the name of an organization or a citizen.

Registration of the agreements on alienation of rights to a trade mark is exercised by sending a notification to the registering authority.

Protection of computer programs is granted without their registration.

11. Labor law

Labor relations in the Republic of Belarus are generally formalized by labor contracts. A labor contract is to be concluded for the term from 1 up to 5 years. It is possible to specify in the contract probation employment up to 3 months.

In Belarus existed a relatively sophisticated system of salary formation (a single tariff scale should be applied). But currently it has a recommendatory nature and can be applied by decision of employers.

It is forbidden for the head of the organization to fulfill paid work on conditions of dual jobholding, except for teaching, scientific or other creative work, as well as medical practice.

Labor relations of foreign employees in organizations with foreign investment and relations related thereto can be regulated by treaties concluded by and entered into force for Belarus, by constituent documents, by-laws, and contracts, and on issues not regulated by them - by the Labor Code and other statutory acts.

12. Antimonopoly regulation

Functions of antimonopoly body in the Republic of Belarus are performed by the Ministry of Economy on republican trade markets, and by departments of regional (Minsk City) executive committees on the local level.

In Belarus all legal entities, as well as state bodies (and their officials) are subject to antimonopoly supervision under Belarusian legislation. Moreover, antimonopoly regulations of Belarus shall be applied either to residents or to nonresidents, who play on trade markets of Belarus. Their actions are subject to antimonopoly supervision in case when they are aimed to limitation, prohibition or elimination of competition or may inflict other negative consequences for trade markets of Belarus.

The antimonopoly bodies carry out control over:

- the volume of output and quality of goods;
- activities of companies, which hold predominant position on trade markets of the Republic of Belarus;
- the level of prices and tariffs.

Moreover, there is state supervision over deals with stock or shares in authorized funds of legal entities. Thus, it's necessary to obtain the permission of the antimonopoly body for conclusion of a deal with more than 25 per cent of shares, as a result of which the acquirer can make real influence on making decision by a legal entity, which holds a predominant position on a trade market.

13. Dispute resolution

State judicial system of the Republic of Belarus comprises the Constitutional court, courts of general jurisdiction and economic courts.

The Constitutional court is solely concerned in judicial review of laws and international treaties for their conformity with the Belarusian Constitution, courts of general jurisdiction judge criminal, administrative and civil cases, where plaintiffs (defendants) are usually natural persons.

Primary forum for hearing the cases among legal entities and individual entrepreneurs (either residents or nonresidents) is system of economic courts of the Republic of Belarus.

System of economic courts of the Republic of Belarus is a two-tier: it is headed by the High Economic Court, and the second tier (lower one) consists of regional economic courts and the Minsk city economic court. Within the system of economic courts run all five judicial instances: first, appeal, cessation, supervisory, and revision in the light of newly discovered circumstances.

Within judicial proceedings in economic court of first instance simplified proceedings shall be mentioned as a special kind of legal proceedings. Main feature of the simplified proceedings lies in that fact, that it is heard in simplified order: the parties do not appear before court, they only send the documents to court, and in the light of that documents judge rules an order of court. But not all the cases can be heard in simplified proceedings. In simplified proceedings can be heard claims 1) on recovery of monetary funds; 2) on vindication of property;

3) on execution upon property of the debtor. Moreover, the abovementioned claims shall be of an unobjectionable nature (which can be confirmed by documents, affirming the debt of the respondent) or be admitted (i.e. they shall not be contested) but not fulfilled by the debtor, or they amounting to the sum up to 100 basic values. But it's necessary to take into account, that the legislation defines the claims, which can not be heard in simplified proceedings, even if the aforesaid conditions are observed. For example, claim on vindication of immovable property can not be heard in simplified proceedings. The same situation is in the case when there is an issue in law, which can not be solved on the basis of presented documents only.

The second distinctive feature of simplified proceedings is their cost: the amount of state fee varies from two to five basic values (it depends on the amount of asserted claim). Moreover, drawback of paid state fee is also possible in case of court's refusal to rule an order of court.

The third advantage of simplified proceedings is, undoubtedly, the time for consideration of the case by court: no more than 20 days from the day of submission of the claim.

Finally, we would like to draw your attention to that fact, that in case of court's refusal to rule an order of court, the claimant has right to make an additional payment and file the claim for ordinary proceeding within 15 days from the moment of court's refusal. In that case an economic court shall hear the case in accordance with the general rules of ordinary proceedings.

Also there is a system of non-state arbitral courts. Belarusian legislation provides a possibility of creation either of

international arbitration courts or domestic arbitration courts in two forms: ad hoc and on permanent basis.

Domestic arbitration courts are entitled to consider disputes among residents (legal entities and individual entrepreneurs). But in view of that fact, that possibility of creation of such courts has been given only since the beginning of 2012, currently there are only one domestic arbitration court: Commercial arbitration at “First law company” ALC in Lida.

As to international arbitration courts, there are two courts of that kind: the International arbitration court at Belarusian Chamber of Trade and Commerce and the Chamber of Arbitrators at Belarusian Republican Lawyers Union. These bodies are entitled to consider disputes, which arise either among residents or nonresidents of the Republic of Belarus (legal entities and individual entrepreneurs). International arbitration courts are worthy alternative to state judicial system in respect to economic cases.

Moreover, the Economic court of the Commonwealth of Independent States is situated in Minsk. That body is entitled to consider cases, which arise among the member states of CIS.

14. Equity

The equity market in Belarus is rather weak. The absolute majority of Belarusian company's shares are floated at international stock exchanges.

All stocks issued in the territory of Belarus are to be registered at the Equity Department of the Ministry of Finance of the Republic of Belarus.

Under the general rule the stocks of OJSCs circulate only at the stock market except for the cases provided for by the legislation (e.g. if one of the parties of a deal is the Republic of Belarus or if a OJSC performs the initial public offering). The organization of the stock trade is the task of OJSC "Belarusian Currency Stock Exchange".

As to CJSCs, their shares circulate at over-the-counter market only.

Attempts of some companies to place their shares on European stock exchanges may be considered as a first step to the development of the equity market. Also, in July and August 2010 Belarus has twice quoted Eurobonds for the sum of 600 and 400 millions USD.

As the first steps in order to develop the equity market one may indicate the attempts of the state to quote its bonds at European boards. In July 2010 Belarus has quoted the first Eurobonds for the sum of 600 million USD with the coupon rate 8,75% per annum, in August 2010 – for the sum of 400 million USD with the coupon rate 8,251% per annum. In December 2010 2-year bonds were quoted in Russia for the sum of 800 million USD with the coupon rate 8,95% per annum.

15. Privatization

Attraction of direct foreign investments is one of the priorities of the economic policy of Belarus. There are a lot of companies with state shares which are potentially attractive for investors. The Republic of Belarus is interested in the privatization of these companies in order to provide their further stable development. In this respect an intensive corporatization of state companies is taking place as well as selling the state shares in other companies.

It is specified in the legislation that privatization may be performed by means of sale of:

- shares at an auction;
- enterprises as property complexes at an auction;
- OJSC shares under the results of trust management.

Taking into account the set restrictions foreign investors have the following possibilities for privatization:

- establishment of a OJSC on the basis of a state unitary enterprise;
- contribution the investors property to the authorized fund of a OJSC and purchase of additional issue of shares to the amount of the made contribution;
- purchase of a state block of shares in a OJSC (at an auction);
- purchase of a company (at an auction);
- purchase of real estate;
- purchase of a concession.

During 2012 ten stocks of shares have been sold. Among them are nine stocks of communal property and one stock of republican property. 14 acts of the President on sale of

republican stocks of shares were drafted and submitted to the Government.

It is obvious that foreign investors are insufficiently informed of the privatization taking place in Belarus as they are mostly represented by Belarusian and Russian legal entities and natural persons.

The experiences of our company include the legal support of the privatization of “Mozyr Beer” OJSC, “Motex” OJSC, “Lepel Industrial Furniture Factory” OJSC etc.

16. Customs Union

16.1. General overview

The formation of the Customs Union by the Republic of Belarus jointly with the Russian Federation and the Republic of Kazakhstan has been an additional factor providing economic and political stability in the Republic of Belarus, has allowed to expand the potential marketing borders. The Customs Union has brought a lot of advantages: the customs control within the Union has been terminated, the legal regulation of trade with third states has been unified, the obstacles to capital and labour movement have been minimized. It is an important factor of social and economic development. The competition sphere has been significantly broadened that affects the general economic situation positively.

The formation of the Union is also a great inducement for business growth and for arrival of foreign investors. If the major advantage of investing in Belarus was previously the geographic position of the state now it is first of all the possibility to enter the markets of Russia and Kazakhstan.

The majority of the issues arising in connection with import of goods in Belarus are regulated by the customs legislation of the Customs Union.

The national legislation is applied only if it is specified by the legislation of the Union or if the issues are not regulated by the legislation of the Union.

16.2. Transportation of goods

According to article 161 of the Customs Code of the Customs Union (hereinafter – the Customs Code) when goods get to the customs territory of the Customs Union there arises an obligation to pay the import levies and taxes the moment the goods cross the customs border. The goods imported in Belarus from states which do not belong to the Customs Union are regarded as foreign goods and as they are released for domestic consumption there arises an obligation to pay the import levies and taxes for these goods.

The major advantage of the Customs Union is the simplified goods transportation system within the Union. According to paragraph 37 of article 4 of the Customs Code the goods originating from the Russian Federation or from the Republic of Kazakhstan as well as the goods originating from third states and subsequently released for free circulation in the Russian Federation or the Republic of Kazakhstan are not subject to customs clearance and control in Belarus. As they are imported in Belarus a statistics declaring is to be performed. It is not form of customs clearance.

After the goods have crossed the customs border they are to be transported by the carrier to places specified by the legislation and are to be presented to the customs authority. Herewith it is not allowed to change the status of goods, to tamper with their shipment, to change, remove, destroy or damage seals and other identification sources. Such transportation is performed in accordance with the customs transit procedure unless the goods have been put under another customs procedure at the place of arrival or unless the legislation of the Customs Union provides for other customs operations for these goods. The place of arrival of goods is defined by the recipient of goods by

means of filling in an application form and filling in the appropriate box in the carriage document.

Therefore the recipient may itself specify the customs clearance check-points where the goods shall be released. The customs legislation of Belarus doesn't prohibit the customs clearance of separate shipments at different customs check-points either. Herewith one should use the customs transit procedure in order to transport the goods.

The country of consignment of goods influences the rate used to calculate the import levy. The lists of states which belong to the system of tariff advantages and the lists of goods the import of which allows to use such advantages have been approved by the Decision No. 130 of 27.11.2009 of the Committee of the Customs Union.

16.3. Certification

The legislation of the Republic of Belarus prohibits to realize the production which is subject to certification in Belarus without confirming documents. There exists a united quality confirmation system in the Customs Union. Previously the contractors had to execute national certificates or conformity declarations. Now it is enough to have one of these documents on the unitary Customs Union form.

A conformity declaration is a document by means of which the producer (person authorized by the producer) certifies that the production fits the requirements of the technical regulations of the Customs Union. A conformity certificate is a document by means of which the certification authority certifies that the production fits the requirements of the technical regulations of the Customs Union.

It does not matter for the united certification system, if the goods are imported or are produced within the Customs Union. The decision of the CU Committee No. 620 of 07.04.2011 has drawn up a single list of production subject to obligatory quality confirmation within the Customs Union. If a Belarusian company has acquired a single form document (certificate or declaration) this company doesn't have to confirm additionally the quality of its production in Russia or Kazakhstan, the goods may be freely realized.

The production not included in the Single list is subject to quality confirmation according to the national legislation of the member-states of the Customs Union.

16.4. Common Economic Space

On the 1st of January 2012 the Common Economic Space of Belarus, Russia and Kazakhstan has started to function.

The Common Economic Space means the free movement of goods, services, capitals and labour between the member-states. The single permanent body of the Common Economic Space is the Eurasian economic committee.

Conclusion

In 2010-2012 the conditions of investment activities have improved so much that the Republic of Belarus has indeed become an interesting market. Very large projects are being implemented in Belarus, such as construction of a nuclear power station, development of the High-Tech Park, realization of a new energy-efficient project to the amount of about 120 million USD in cooperation with UNO and the Global Environmental Facility, construction of a bleached cellulose plant with 400.000 ton annual output, construction of new first-class hotels and retail sales centers.

In 2011 approximately 450 offers were received by Belarus from foreign investors at the total amount of 18.9 billion USD dollars. Good pace on attraction of investments has been shown recently – 110% to 2010.

The alleged figures prove confidence of the investors.

One of the chiefs of the External Relations Directorate General of the European Commission Gunnar Wiegand has stated that the economic crisis has given our country a lot of possibilities and a good basis for the creation of long-term strategies.

The positive trends in the Belarusian business are obvious – rise in exports, new possibilities to buy real estate in order to launch different new manufacturing lines. A significant contribution hereto has been made by the new possibilities provided by the Customs Union as well as by the state's efforts to enhance the privatization process.

In the near future it is planned to continue the market reforms, a balanced economic policy, export promotion and creating optimal conditions for attraction of direct foreign investments.

We wish you good luck in doing your business in Belarus!

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