

Tax Changes for Investors from 'Unfriendly Countries' in Belarus

By its Resolution No. 164 dated 7 March 2024, the Government of Belarus has significantly modified the conditions for investors from so-called 'unfriendly countries'.

The income tax rate of 25 per cent will be imposed on dividends of members/shareholders of Belarusian economic entities from 'unfriendly countries'. The rate will be tentatively in effect from 1 April 2024 to 31 December 2026. It will also apply to foreign entities that do business in Belarus through a permanent establishment (permanent representative office).

Currently, the income tax on dividends is 15%.

As many foreign companies carry out their activity in Belarus via a permanent establishment, their dividends will be taxed at the rate of 25% starting 1 April 2024.

Resolution No. 164 has also suspended the provisions of its Double Taxation Avoidance Agreements regarding dividends, interest and income from the sale of property (Articles 10, 11 and 13 of the DTAAAs with Germany, Austria and Switzerland) for the period between 1 June 2024 and 31 December 2026.

It means these incomes of investors from 'unfriendly countries' will be taxed according to Belarusian taxation laws.

For instance, since 1 June 2024, dividends due to those members/shareholders of Belarusian legal entities who are physical persons will be subject to a 13% income tax; if such members/shareholders are legal persons, a 25% tax will be imposed on their dividends.

According to recent changes to the Belarusian Tax Code, the income tax rate for physical persons will be twenty-five (25) per cent regarding incomes received by a foreign investor from sources in Belarus. Such incomes include dividends, salary and payments under contractor agreements the subject of which is the performance of work, provision of services and creation of intellectual property, if exceeding BYN200,000 (approx. EUR56,000) during the taxation period.