

Belarus – a country of digital economy

On December 22, 2017, the President of Belarus finally signed Decree No. 8 “On the Development of Digital Economy” (hereinafter – the “Decree”). Provisions of the Decree establish a revolutionary legal framework for further development of the digital economy and IT business in Belarus. The Decree comes into force on March 28, 2018. Key highlights of the Decree are outlined below.

Special Legal Treatment for Hi-Tech Park

The duration of Hi-Tech Park (“HTP”) special treatment has been extended until January 01, 2049.

New opportunities for HTP residents

The Decree expanded the list of eligible activities for Hi-Tech Park residents by introducing those that had never before been mentioned in the legislation of the Republic of Belarus, in particular:

- Development, rollout, and implementation of “Internet of Things” technologies
- Activity in the field of creation and training of neural networks and other AI (artificial intelligence) algorithms, selling the results of such activities
- Design, development, maintenance, implementation and operation of the



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software and distributed databases based on or using the registry of transaction units (blockchain technology),

- Creating and placing tokens in the Internet and respective services provided to 3rd parties
- Cryptocurrency exchanges
- Cryptocurrency ATM exchange operators
- Development, maintenance, operation, and implementation of autonomous transportation and vehicle control systems
- Development, maintenance, and implementation of hardware and software technologies for the financial sector
- Development and implementation of healthcare and biotechnologies
- Development and implementation of flight and space processing technologies
- T&E activities in the field of communication and IT
- Cyber sport activities, including preparation of cybersport teams, holding games and competitions.

British / Common Law Provisions (Coke's Institutes)

As a pilot scheme on the implementation of certain provisions of British Law in Belarus, HTP residents are now granted the right to:

- convertible loans (those to be entered into b/w HTP residents and 3rd parties as well);
- stock option agreements (those to be entered into b/w HTP residents and 3rd parties as well);
- smart contracts
- indemnification agreements (those to be entered into b/w HTP residents and 3rd parties as well)
- non-solicitation agreements (those to be entered into b/w HTP residents and 3rd parties as well)
- non-compete to be concluded with employees
- agree with another HTP resident or 3rd party upon any penalty interest, even in an amount exceeding the contractual covenants taken.

According to the Decree, it will soon become legal for (i) HTP residents (ii) their shareholders and 3rd persons who have entered into civil law agreements with HTP residents, to issue *irrevocable Powers of Attorney* for more than a 3-year term.

Blockchain and

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Cryptocurrencies

With the adoption of the Decree, the transactions performed in distributed decentralized information systems with blocks of information (blockchain technology) and ICO (“Internal Coin Offering” – the process of own tokens (crypto currencies) initial creating placing through the authorized operators (cryptocurrency exchanges) have now become legal in Belarus and extraordinary conditions for such kinds of transaction been created as well.

Circulation of tokens

Legal entities, including HTP residents, have been granted the right to own tokens, store tokens in virtual wallets, and (1) to create and place their own tokens in Belarus and abroad – by running an ICO via the HTP resident providing relevant services and (2) to acquire and dispose of tokens, to perform other tokens related transactions – via cryptocurrency exchanges and cryptocurrency exchange operators, through other HTP residents performing corresponding activities. Mining activities are solely permitted to companies-residents of HTP.

Individuals are entitled to own and store tokens in virtual wallets, mining, to exchange tokens for other tokens, to acquire and dispose of tokens for Belarusian rubles, foreign currency, other e-cash, and also donate and bequeath tokens.

Mining, acquiring and disposing of tokens by individuals shall not be treated as entrepreneurial activities.

Individuals are allowed not to report on tokens and income derived from respective according to the procedure established by the Law of the Republic of Belarus “On declaring of income and property by individuals on request of tax authorities”.

Cryptocurrency market

Investors in Belarus are provided with quite good opportunities to enter the cryptocurrency market by running a business venture either as a (i) cryptocurrency exchange platform or (ii) cryptocurrency ATM operator.

In order to start such a business, an investor is required to set up a legal entity as an HTP resident and ensure the availability of free cash deposited in the

accounts of the BY bank in an amount equivalent to at least BYN 1 million – for a cryptocurrency exchange and of BYN 200 thousand – to run a business of a cryptocurrency ATM operator.

Provided all the outlined conditions are complied with, you will be able to organize and manage the ICO process, trade and exchange of cryptocurrencies, use tokens for other allowable purposes and transactions with both resident and non-resident companies, and perform such transactions with other cryptocurrencies operators.

Simplified Procedures for Hiring Foreign IT Experts

The provisions of the Decree establish a number of privileges and criteria focusing on the recruitment of top-notch foreign IT experts to work in the Republic of Belarus.

Cancellation of work permits

Company-residents of HTP are no longer required to obtain the following permits related to hiring a foreign workforce – (1) general permit to hire a foreign workforce and (2) individual special permit independent of the number of foreign experts hired. To legalize the hiring of such persons, companies are required to report the details of foreign employment to the local Migration Department within three business days from the date of conclusion of the employment agreement.

Temporary residence and stay

Foreign experts employed by the HTP resident company are granted temporary residence permits for the entire duration of the employment agreement, including prolongation thereof, plus 2 months (in the past, such permits were issued for 1 and 2 years (for highly qualified foreigners). However, foreigners remain liable for registration with the Migration Department at a place of their temporary stay in Belarus (within 3 working days from the date of entry).

Visa free regime

According to the Decree, visa-free travel will apply to persons (i) hired by HTP resident companies to work under employment agreements, (ii) owners,

founders, shareholders and participants of HTP residents and (iii) employees of the owners, founders, shareholders and participants of HTP resident companies.

How should the “visa-free regime” work? The employer makes up a list of such persons and submits a corresponding application to the Hi-Tech Park Administration, the latter forwards respective information on the number of foreigners to the State Customs Committee of the Republic of Belarus.

Foreigners who do not have a temporary residence permit will be allowed to stay in Belarus for 180 days in a calendar year and, in case further presence is required, one should apply for a temporary residence permit in accordance with the established procedure.

New Tax and Other Incentives

The Decree sets out a 5-year tax holiday (until 01 Jan 2023) for:

- HTP residents – granting full VAT (20%) and CIT (18%) exemption on revenues and profits derived from various token-related transactions, including mining
- Other companies, including BY non-residents, are allowed not to charge:
 - VAT (20%) – on revenues from token disposal,
 - CIT (18%) and simplified tax (5%) – on revenues and profits generated from the disposal of tokens by means of exchange for other tokens;
 - VAT and CIT – on tokens, monetary funds and e-cash received by legal entities as investments from the development and placing of one’s own tokens via HTP residents or exchange of tokens into cash, e-funds.
- Individuals are exempted from Personal Income Tax (13%) on income derived from mining, acquisition (including by way of a gift) of tokens, disposal of tokens for BYN, foreign currency, e-cash and (or) by means of exchange for other tokens.

Transactions with tokens performed by HTP residents, other companies and individuals are outside the scope of the specific regulations of the BY laws (i.e. licensing, currency control, information protection, securities, securitization, etc.).

In case of bankruptcy, secondary liability for the obligations of the HTP resident company shall not be imposed on its property owners (shareholders, participants) or the director, except for the cases when such persons have

committed economic crimes.

We hope you find this newsletter useful. SCHNEIDER GROUP, by contributing its experience and competence for the growth of your business, is prepared to support you with structuring and running an ICO, developing a tax optimization plan, performing due diligence procedures of your selected target company in Belarus, providing best-in-class advice on any challenge you may have regarding establishing and operating your IT business in Belarus.



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