

IT business in Belarus

General information

Belarus, a European country located in the heart of Europe at the crossroads of trade routes from the West to the East, has a culture that has absorbed traditions of different people inhabiting Europe. It borders on Baltic States to the north, Ukraine - to the south, Russia – to the east and Poland - to the west.

Belarus covers a total area of 207,600 sq. km, stretching 560 km (350 miles) from north to south and 650 km (460 miles) from west to east. Minsk – the capital of the country is located on the same latitude as well-known cities like Hamburg and Dublin and is only two time zones ahead of London. From Minsk, it will take you only about two hours to get to Berlin, Paris or Vienna, and less than three hours to London by airplane.

Belarusians generally share the same values of Western culture; they are thinking, performing and doing business in a way quite similar to European business practices.

Belarus as an IT country

With a population of approximately 9.6 million people, Belarus is a country with high scientific potential. In early 2000's, their IT sector was declared by the government to be the one of the top-priority market sectors to be developed in Belarus which created great opportunities for foreign investment. In 2005, the virtual Hi-Tech Park (hereinafter - HTP) in Minsk, also known as the "Belarus Silicon Valley", was established. Currently, there are about 144 companies registered as HTP residents in Belarus, including such well-known, international brands like EPAM, Apalon, IAC, IBA, Itransition, SoftClub, Coherent Solution, Artezio, Intetics and many more. Even more so, 10 HTP residents were recently named in the "Software 500" ranking of one of the most influential magazines of the world, "Software Magazine". Half of Belarus' HTP resident-companies are 100% or partially owned by foreign companies. Software and IT services produced in Belarus are being sold to clients from more than 50 countries worldwide.

Any Belarusian company engaged in IT and related industries (such as micro-, opto- and nanoelectronics, telecommunications, radio navigation and wireless communication), information protection and setting up data processing centers, can apply for residency within the HTP and can benefit from tax incentives and other advantages provided by the HTP.

The HTP concept is based on an ex-territorial principle. This means that no physical premises of the company is required to be within the HTP borders; rather, any company, regardless of its location within Belarus, can be registered as an HTP resident. To benefit from the HTP incentives, a foreign investor should first set-up a local company within Belarus, and then apply for the HTP residency status.

Tax incentives in the HTP

HTP residents are exempt from all corporate taxes, including VAT and profit tax, as well as customs duties for certain types of goods. Individual income received by developers from these companies is taxed by 9% as personal income tax. Other benefits include 5% withholding tax on dividends, interest and royalties sourced from Belarus and there is no offshore tax on dividends distributed to the parent company. The only tax chargeable on revenues of HTP residents is a 1% duty that is paid quarterly to the HTP administration.

SCHNEIDER GROUP can help

SCHNEIDER GROUP, within its IT-nearshoring strategy, is a reliable partner for a foreign company considering expansion into the Belarusian IT outsourcing market. Our assistance can be provided based on the needs of the client: (i) IT contracting-searching for the right partners and conducting project controlling functions, or (ii) IT outstaffing – searching for and employing the right IT experts, the entire operational function is managed by the client whereas controlling functions remain with us, and (iii) entering the market and back office services - SCHNEIDER GROUP will register a local legal entity for the client, search for a team of experienced IT experts, prepare all paperwork and apply to Hi-Tech Park for residency status, provide legal / business address services, perform outsourced accounting services, and legal & tax advisory services as needed by the client.

SCHNEIDER GROUP is capable of providing a full scope of services for market-entry to a foreign investor who is considering Belarus as their next destination for further business expansion.

Natalia Shulzhenko, Member of the Management Team, ShulzhenkoNA@schneider-group.com

Thomas Titsch, Director ERP, TitschT@schneider-group.com

www.schneider-group.com