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ICOs go legal in Belarus: what the Hi-Tech Park 2.0 can offer the IT industry

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Dear Clients and Business Partners,

I am happy to share with you this piece of our legislative work, which offers a range of sweet benefits to foreign companies willing to open their office in Belarus. I would appreciate, if you find this useful for your practice if not – feel free to share it with your IT practice area group.

As you might have heard (if you read Bloomberg, you certainly did), Belarus adopted the revolutionary legal framework for IT companies and blockchain enthusiasts. The President's Decree on Digital Economy comes into force on March 28, 2018.

1. What is the Hi-Tech Park?

The High-Tech Park was established in 2005 as a state IT-accelerator that provides substantial benefits for corporate and labor taxes in exchange of 1% of the revenue of its residents. Resident companies have the right to only perform types of activities stipulated by law.

There are plenty of them, including:

- ▶ software development;
- ▶ production and sale of hi-tech hardware complexes;
- ▶ creation and training of neural networks and other AI algorithms;
- ▶ activities in the sphere of autonomous transportation;
- ▶ mining of cryptocurrencies;
- ▶ and many, many others.

2. What Do We Need it For?

Until January 1, 2049 the resident companies of the Hi-Tech Park are granted an astonishing pack of tax and regulatory benefits:

- ▶ Exemption from a corporate profits tax (18%), VAT (20%) and the offshore duty (15%);
- ▶ Reduced income tax rate (9%) for sale of shares;
- ▶ Reduced personal income tax (9% instead of standard 13%) for the employees of the Hi-Tech Park resident companies;
- ▶ Exemption from income tax for individuals in relation to sale of shares and securities in the Hi-Tech Park resident companies provided they owned the interest for at least 365 days prior to the sale;
- ▶ Exemption from a real estate tax, and a land tax for the period of construction (but not more than for 3 years);
- ▶ Exemption from VAT for sale of IP rights, advertising, web hosting and other services to the Hi-Tech Park resident companies;

- ▶ Zero withholding tax for foreign companies when they provide advertising, data processing or web hosting services, or when they sell shares in a Hi-Tech Park resident company;
- ▶ Exemption from customs fees in case of import of technological equipment necessary for implementation of an investment project in IT sphere;
- ▶ And many, many other incentives.

3. Cryptocurrencies and Blockchain Projects are Welcome

The Decree introduces cryptocurrencies (tokens) and blockchain technology to the legal system of Belarus. Individuals are guaranteed by law the right to own, mine, buy and sell, exchange, donate and inherit cryptocurrencies, no need to declare tokens to the public authorities.

Business entities have a 100% legal right to own cryptocurrencies, buy, sell, create and offer their own tokens by running ICOs through cryptocurrency exchanges. What concerns mining, only the residents of the Hi-Tech Park are allowed to do so.

4. Tax Crypto-Holidays until January 1, 2023

The Decree defines a 5-years tax-free treatment.

Resident companies of the Hi-Tech Park:

- ▶ turnovers and profits from mining, creation, purchase, and sale of tokens are exempted from VAT (20%) and a corporate profits tax (18%).

All other companies (including foreign-based):

- ▶ turnovers from sale of tokens are exempted from VAT (20%);
- ▶ revenues and profits from exchange of one token to another are exempted from the simplified tax (5%) and a corporate profits tax (18%);
- ▶ tokens, money and cryptocurrency received as investments during an ICO are not considered as revenues for tax purposes, therefore shall not be taxed.

Individuals:

- ▶ income from mining, purchase, sale or exchange of tokens is exempted from a personal income tax (13%).

5. Register Your Own Cryptocurrency Exchange in Belarus

The new legal framework allows to register two types of cryptomarket players in Belarus: a cryptocurrency exchange and a cryptocurrency ATM operator. Having registered such entity as a resident of the Hi-Tech Park of Belarus and keeping in a Belarus-based bank BYN 1 mln. and BYN 200k respectively, you will be able to organize and operate ICOs and trade cryptocurrencies with local and foreign companies.

6. Structure Your Investments the Way You Used to

Investing your money to a Hi-Tech Park resident company will allow you to structure the deal the way each VC used to in the Valley. The Decree introduces such common legal concepts as:

- ▶ convertible loans;
- ▶ stock option agreements;
- ▶ indemnification agreements;
- ▶ non-compete and non-solicitation agreements;
- ▶ irrevocable power of attorney;
- ▶ foreign-law governed shareholders agreements.

7. Migration Barriers Down

Every foreigner who has ever worked in Belarus knows how inconvenient it is to obtain a special permit for employment and the one-year limit for a temporary residence permit. The Decree cancels the requirement for the Hi-Tech Park resident companies to obtain permits for their foreign workers, and the temporary residence permit for a foreign worker will now be determined by the duration of the concluded employment contract plus two months after its termination. Icing on the cake, a 180-day visa-free treatment is established for employees and proprietors of the Hi-Tech Park resident companies.

We Will Be Happy to Help You and Your Clients to:

- ▶ Structure and run an ICO;
- ▶ Offer a tax optimization plan;
- ▶ Register a company and prepare the documents for obtaining the status of a Hi-Tech Park resident company;
- ▶ Make a legal due diligence of your target company in Belarus;
- ▶ Provide with a top-notch advice on any challenge you might have.



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Locations

BELARUS

