

## Increase of dividend withholding tax for foreign companies from unfriendly countries in Belarus

### *The essence of the changes and risks for foreign businesses*

March 15, 2024

On 13 March, a [decree](#) of the Belarusian government was published raising the tax on dividends from 15% to 25% for foreign organizations meeting the two following criteria:

- They do not operate in Belarus via a permanent establishment;
- They are incorporated in a jurisdiction [listed](#) as an unfriendly state.

It should be noted that there is currently a special [procedure](#) in place for using the dividends of foreign companies incorporated in a country subject to special counter-measures introduced by the government of Belarus. As per this procedure, dividends may be used via a special account and solely for purposes determined by the regulator (funding investment projects in Belarus, paying off outstanding loans, purchasing government securities, placing funds in irrevocable-term bank deposits). Yet there is no publicly available information at the moment on enforcement of this measure.

This step is temporary and is introduced from **1 April 2024 through 31 December 2026**.

Additionally, some double tax treaty provisions have been suspended until 31 December 2026 (*in Russia, some provisions of such treaties were suspended by executive order in August 2023*).

This countermeasure may be abolished early following a submission from the Ministry of Taxes and Duties or if the sanctions imposed on Belarus are lifted. Even so, it is unclear which sanctions should be lifted and to what extent.

### Reasons and grounds for the changes

These measures have been adopted for the following reasons:

- The Belarus leadership had to respond politically to US and EU sanctions that Belarus considers wrongful. It both responds to restrictions and, to a certain degree, invites the EU and the US to engage in a dialogue by saying that these measures are temporary and may be lifted;
- Falling tax revenues. The project was spearheaded by the Executive Office of the President (since the decree is politically motivated), while the Ministry of Taxes and Duties merely supported adoption of these measures.

### Prospects for other tax rates on foreign companies to be increased

As part of implementing the decree provisions, the Ministry of Finance and the Ministry of Taxes and Duties are instructed to consider whether it is expedient to change profit tax rates, income tax rates for individuals, and profit tax rates for foreign companies that do not operate in Belarus via a permanent establishment.



Consequently, deterioration in operating conditions for both companies and individuals from unfriendly jurisdictions constitutes a trend and a further increase in the tax burden appears likely.

As a rule, the biggest foreign companies operate in Belarus via permanent establishments so the increased tax rates are not likely to increase tax revenues significantly in this particular case.

The decree is apparently intended to induce companies from unfriendly jurisdictions to start operating via permanent establishments or essentially operate under discriminatory conditions. This development evidences a trend toward creating special conditions for foreign companies from unfriendly jurisdictions, specifically:

- Preserving the current conditions for companies whose actions are not unacceptable to the Belarusian authorities (no political statements, maintaining their presence in Belarus at the level on par with that in 2020);
- Introducing discriminatory conditions for other companies (including those that have curtailed their presence in Belarus).

Consequently, any steps taken by foreign companies to curtail their presence in Belarus are highly likely to attract the attention of regulators and supervisory agencies.

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*If you would like to schedule a discussion of this paper and learn more details about the above listed documents, please contact  
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