

Business climate becomes warmer

According to the World Bank, Belarus is among the leading states reforming their business conditions. Last year alone, 56 legal acts were adopted in the country — all simplifying and stimulating entrepreneurial activity. The Government continues its work to make the country attractive for investors — both domestic and foreign. This September, some new progressive documents were adopted, referring to licensing and taxation. Moreover, the Parliament studied the 2011 budget for the first time this September. This early date chosen for the major financial document was selected at businessmen's request. Entrepreneurs will have enough time to prepare for new economic conditions as a result

By Vitaly Volyanyuk

Free trade, among other novelties

Experts unanimously agree that the Presidential Decree 'On Licensing of Certain Activities' is a timely legal act — one the business community has long awaited. Moreover, the reality coincides with expectations: from January 1st, 2011, no special permission will be needed for retail trade or public catering. These account for 40-50 percent of all licenses issued at present. The administrative barrier has now been abolished. In addition, tourist businesses and another 14 business activities have been exempted from licensing. Special permissions are only needed for spheres which require enhanced responsibility and control — such as the production and sale of alcohol, gambling, medical and educational services, advocacy and banking activities and work with radioactive materials. Meanwhile, the period of license issuing has been cut to 15 days (from 30), and the term of validity has been extended to 10 years (previously five).

The Chairman of the Belarusian Entrepreneurs' Union, Alexander Kalinin, asserts that this new order for licensing should inspire the development of business and investment activity in the country. He notes that entrepreneurs' views have been taken into account while some suggestions — such as those relating

to license issuance and annulment — fully meet entrepreneurs' wishes, as recorded during the document's development.

There is evident progress in the field of licensing. Back in 2003, special permission was needed for 150 activities. From January 1st, 2011, only 37 will remain. The Deputy Economy Minister, Andrei Tur, has promised at a Minsk press conference that the Presidential Decree 'is not a final document and work in the field of licensing shall be continued.'

Taxes strive for simplicity

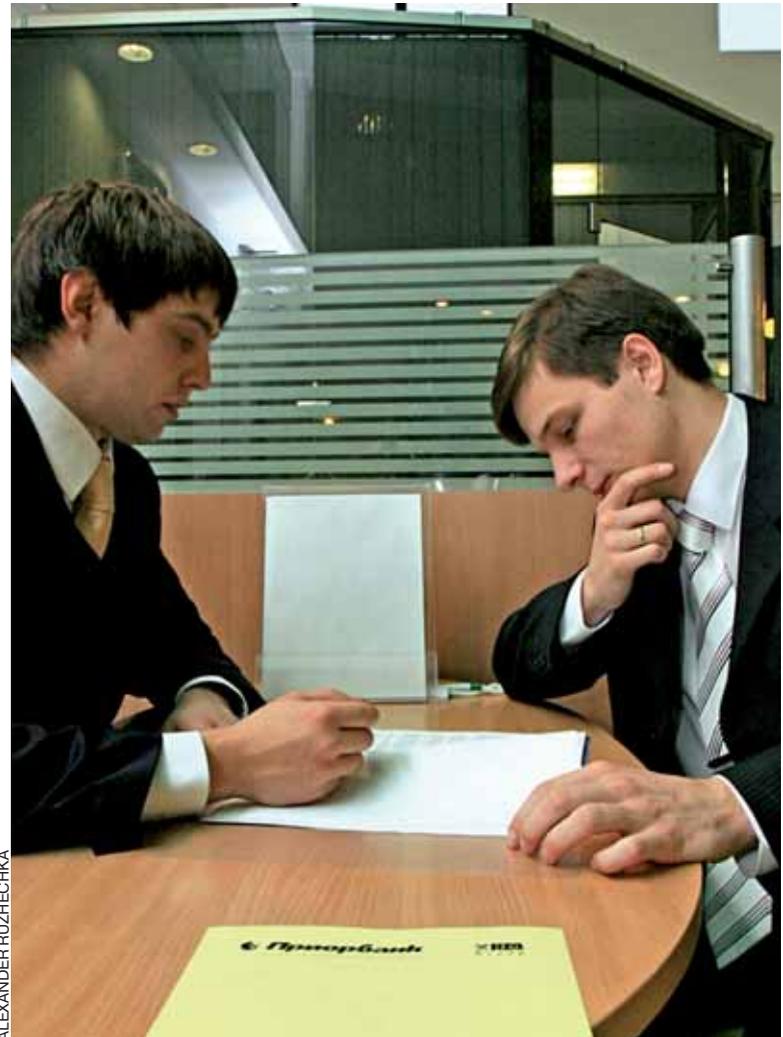
In September, the National Assembly's House of Representatives adopted changes and alterations to the Tax Code. Speaking about the law to deputies, Finance Minister Andrei Kharkovets stressed that it 'radically simplifies the taxation system'. The document envisages the abolishment of local taxes on services and site development, in addition to three payments within the ecological tax. According to Mr. Kharkovets, the reform should simplify tax administration while reducing the burden on companies. Next year, the latter should save around Br700bn (about \$230m) in tax payments.

Since 2006, Belarus has been steadily simplifying its tax system. The state has annulled small, inefficient taxes and fees stage-by-stage; 26 have been abolished in recent years, including 'turnover' taxes, which are paid from revenue. International experts criticise

these as an obstacle to business activity, so their abolishment should drive forward enterprises.

The Finance Ministry and the Ministry for Taxes and Duties aim to apply progressive and globally proven mechanisms of tax collection. Already, most Belarusian enterprises pay only five taxes: VAT, profit tax, real estate, land and ecological tax. These results should be noted in future World Bank *Doing Business* reports. Those from the Ministry for Taxes and Duties are convinced that Belarus will move from 183rd place in the ratings to at least 80th, as regards the simplicity of its tax paying system.

The tax burden on businesses is also being steadily cut. Since 2006, it has fallen by 4.7 percent of GDP. Interestingly, the budget has hardly suffered. "I think an axiom of market economics has been confirmed by our country: reducing the tax burden releases circulating funds from companies and entrepreneurs," explains the Minister for Taxes and Duties, Vladimir Poluyan. "In turn, the liberation of business activity leads to the expansion of the tax-subject base and growth of budget revenue." To confirm his words, the official notes that, despite fewer taxes being paid into the budget this year than in 2009, budget revenue targets have been met (in the first half of 2010, 101.9 percent of planned funds were collected). This was possible due to growing payments from other major taxes (profit tax and VAT).



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Investment co-operation is also possible in the banking sphere

Comfortable graph

The proverb says: 'repair your cart in December; in July your sledge remember'. The business community has been calling on the Government to act similarly. All legislative acts regulating economic activity should be adopted several months before the new year (when they come into force), allowing companies' accounting, legal and financial departments to prepare calmly for the new conditions. Businessmen's requests have been 'heard' by the President, who has ordered the Government to adopt a package of major economic projects by October at the latest; this time scenario should become the annual norm.

"Of course, it's good that we've learnt about next year's budget, planned taxes and rates in September. We can now plan our work thoroughly and without hurry," says

Mr. Kalinin. He recalls that the Belarusian rouble's devaluation in early 2009 and new rent regulations (adopted in late 2009) 'were unpleasant surprises for businesses'. "It's bad when a company learns about such things at the last minute. It creates a force-majeure situation and breaks a company's usual routine. Naturally, we welcome early announcements by state bodies, which tell us about all vital decisions beforehand, informing business circles about measures in a timely manner." Mr. Kalinin adds that Belarus is now enjoying more open rule-making, unlike the non-transparent law adoption of the past. The Government is now actively liaising with business associations, experts and international institutions when preparing important documents. This teamwork enhances the quality of decisions.



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Property market in Belarus based on volume of housing construction, which influences pricing

Good time to buy property

By Inga Vakulova

According to Interfax-Zapad News Agency, a flat in Minsk can now be bought for almost the same price as in early 2007

The National Cadastre Agency informs us that the price of one square metre in August 2010 stood at \$1,203 while, in September, it had reached \$1,238 (incomplete data). In 2008, a square metre cost \$1,731 on average and almost reached \$2,000 in autumn 2007, so the price drop is a relief to new buyers. The price of a square metre recently stabilised and now fluctuates at around \$1,200 to \$1,250.

According to data provided by reat.by website, the average price in Minsk stands at \$1,321 per square metre. The difference between asking prices and sale prices is just \$100 per square metre. This difference may not seem huge but it totals around \$5,000 if referring to a two-roomed 50sq.m flat.

The property market has lost much of its dynamism. From January-September 2009, 7,400 flats were sold and bought, compared to just 5,100 flats over the same period of 2010. High mortgage interest rates are evident, preventing some from being able to afford them. Accordingly, experts fore-

cast that property prices are unlikely to change any time soon.

Nikolay Prostopolov, the Chairman of the Belarusian Real Estate Association, notes that, at present, many contracts have been signed by buyers seeking flats in high-rise buildings, which are currently being constructed but only have 2-3 floors built so far. Such new housing is around 10 percent cheaper per square metre than older properties. However, new housing tends to match that of older property in price overall. Another advantage of new homes is that the quality of materials used tends to be much higher.

New plans bring additional benefits

Minsk's Belkommunmash and Polish PESA Bydgoszcz SA to jointly master rail transport market

The companies have agreed to launch assembly of rail transport (for Belarusian and foreign markets), using the production facilities of Belarusian Railways. This joint production differs significantly from currently manufactured electric trains — in its technical level and comfort; it is unique within the post-Soviet space. No more than

a dozen companies produce these trains worldwide, while those made by PESA Bydgoszcz SA boast an optimal price-quality ratio.

"This agreement opens a new page in Belkommunmash's history; in a short period of time, it has become a world leader in producing urban electric transport and has plans to diversify into rail transport, joining a holding to produce electric land transport — and managed overall by Belkommunmash," notes the Minsk company's General Director, Vladimir Korol.

The Director for Marketing on Foreign Markets, a member of PESA Bydgoszcz SA's Board of Directors, Zigrifid Zhuravski, stresses that the co-operation of such large and authoritative partners guarantees advantages for both sides on the rail transport market. The joint product is to be reasonably priced, while boasting high quality. Moreover, it'll be tailored to suit specific customers.



New tram looks smart

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