

Russia; Belarus

Russian Ministry of Finance: Withholding Tax on Interest Due in Russia Is Creditable in Belarus

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Report from our correspondent Kristina Trouch

The Ministry of Finance (MoF) has clarified the tax treatment of interest income paid by a Russian resident legal entity to a Belarussian resident legal entity under the [Belarus-Russia Income and Capital Tax Treaty \(1995\)](#) (the Treaty).

Article 7 of the Russian Tax Code stipulates that tax liabilities must be determined in light of an applicable tax treaty which prevails over any conflicting Russian tax law provisions.

Article 10 of the Treaty provides that interest arising in Russia that is paid to a tax resident of Belarus may be taxed in both states, however the withholding tax rate applicable in Russia may not exceed 10%. Therefore, the withholding tax of 20% provided by the Russian Tax Code is decreased to 10% by the Treaty.

Furthermore, the MoF clarified that under article 20 of the Treaty, if a tax resident of Belarus receives income from Russia that may be taxed in Russia in accordance with the provisions of the Treaty, the amount of tax due in Russia of 10% may be deducted from the tax levied on that income in Belarus. However, the tax credit may not exceed the amount of the tax due in Belarus.

The MoF published Guidance letters Nos. 03-08-05/23559 and 03-08-05/23563 on 1 May 2023.

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