

Summary of the Project for creating the specialized industrial area for Turkish investments in FEZ "Mogilev"

Project description

The Project is aimed at attraction of the Turkish companies that intend to expand their business by promoting their products at the Customs Union markets (Republic of Belarus, Russian Federation, Republic of Kazakhstan, Republic of Armenia, and Kyrgyz Republic) to establishment of manufactures at a specially assigned area of Mogilev Free Economic Zone. The factors favoring creation of the specialized zone are:

- Logistics determined by the favorable geographical location, well developed transport communications and free access to the markets of the Customs Union members (Belarus, Russia, Kazakhstan);
- Economic preferences and other privileges of the FEZ residents;
- Construction infrastructure facilities required for development of manufactures on the account of state budget funds;
- Availability of qualified labor;
- Full support of investors being provided by Mogilev FEZ Administration and the Mogilev region authorities.

The steps necessary for the packaged Project implementation are as follows:

- Formic the portfolio of the investment projects of Turkish companies, that comply with requirements to projects of FEZ residents (EUR 1 mln. at least, export-oriented manufactures);
- Signing the Intergovernmental Agreement on implementation of the Project with the total investment scope above EUR 10 mln.);
- Developing construction design and other documentation and erecting the required engineering and transport infrastructure facilities;
- Constructing manufactures of new Mogilev FEZ residents.

The Project implementation is meant to start in 2015-2016.

The place of the Project implementation

Geographical location. Characteristics

The land area of 57 ha in Site No. 7 of Mogilev FEZ has been assigned for the Project implementation. The area is located within limits of Mogilev district 800 m to the South of the Mogilev city limit. The distance to the major streets of the Eastern part of Mogilev makes about 1.5 km.

The area's borders run along local earth roads in the North and South, along lands of the forestry fund in the East, and limited with the soil reclamation canal in the West.

Geographical coordinates of the area's center are (googlemap): 53.836196, 30.313418.

The terrain is mostly even, elevation changes do not exceed 2 m.

The area comprises lands of three land users of Mogilev district, with the following split by categories:

- lands of the agricultural land fund (22.94 ha of arable lands, 33.49 ha of lea lands);
- lands of the forestry land fund (0.57 ha of forest lands).

Engineering infrastructure facilities

A gas pipeline runs at the distance of 200 m from the eastern border of the area. There is also a power line 100 m away from the eastern border. A transforming substation of Mogilevenergo company is situated in 1.5 km from the northern border of the area. The drinking water supply network is located at the distance of 800 m. The heat main runs in 1.2 km from the northern border. At the distance of about 700 m to the north-east a pump sewage system (two strings).

Land renting

Being residents of the Republic of Belarus legal bodies may either use land lots by renting them or take possession of them by purchase.

When land lots are assigned for rent a fee for the right to conclude the Land Rent Agreement is to be paid. The fee amount is determined on the basis of land register value of a lot with the account of the official exchange rate (the exchange rate set by the National Bank of the Republic of Belarus) of the Belarusian ruble to the US dollar.

The land register value of 1 m² within the area determined for the Project implementation makes USD 1.06.

In general case the amount of rent payments is revised after expiration of Land Rent Agreements, and is also subject to revision in case of amendments to the legislation, which influence the amount of rent payments.

The current annual amount of rent payments per 1 ha in the proposed area makes about USD 140.

Terms of the FEZ residents' activities

Guarantees

Legal guaranties of the investors are set by the Belarusian legislation on investments and FEZ, including the following:

- The special taxation rules set for the FEZ residents remain unchanged for 7 years since registration as a FEZ resident;
- Foreign investors are free to transfer their incomes in foreign currency outside the Republic of Belarus.

Tax preferences

- Exemption from the Profit Tax for 5 years after declaration of the first profit. In the following years Profit Tax is paid at 50 % reduced rate;
- Exemption from the Real Estate Tax.

Customs preferences

Customs preferences are granted by means of the Free Customs Zone procedure (FCZ). The FCZ is a special area within the FEZ limits. It is determined separately for each resident by a decision of the FEZ Administration with approval of the Customs authority.

The FEZ residents are exempt from customs duties and taxes on machinery, raw materials, and components being imported to FCZ for implementation of investment projects.

All FEZ residents are fully exempt from customs duties and taxes (on raw materials that have been initially imported under the FCZ procedure) if manufactured products are finally exported outside the Customs Union.

Extra preferences

- The FEZ residents may use foreign currency to settle invoices of other Belarusian companies. They are also exempt from mandatory exchange of foreign currency inflows to Belarusian rubles, while the rest of domestic companies are to exchange 30 % of revenues received in foreign currency;

- The FEZ Administration is in charge of withdrawing land plots and assigning them to the FEZ residents. Unlike the common practice, assigning land lots to the FEZ residents is made without holding an auction for the right to conclude the Land Rent Agreement. The residents are also exempt from paying fees for the right to conclude Land Rent Agreements;

- While performing construction works within FEZ limits the FEZ residents are exempt from compensatory payments for the cost of vegetation being removed or replaced, as well as from obligations to carry out compensatory planting. In addition, the FEZ residents are also exempt from reimbursement of losses of the agricultural industry and forestry resulting from withdrawal of the land plots belonging to the mentioned industries for implementation of investment projects;

- The annual rent payments for land set for the FEZ residents cannot be increased during the projects' implementation period. The FEZ Administration is entitled to decrease amounts of the payments up to one half. In practice it means that the FEZ residents pay for land twice as less in comparison with the non-resident neighbors;

- The FEZ residents are exempt from the rent payments for land till completion of design and construction works (up to 5 years at longest).

Construction of the required infrastructure facilities

If investment scope of a project exceeds EUR 10 mln construction of the required engineering and transport infrastructure receives top-priority and is

financed on the funds provided in the State Investment Program and local budgets for the subsequent financial year.

Mogilev FEZ Administration will act as the General Contractor for development of design and estimate documentation and subsequent infrastructure construction

Logistics

Mogilev FEZ has an edge of the favorable geographical location. The Republic of Belarus is a part of the Common Economic Space, comprising also Russia and Kazakhstan. The Customs Union of the three countries provides transfer of goods without customs duties or any economic restrictions.

The city of Mogilev is situated in just 80 km away from the Belarus-Russia border. Highly developed railway system, particularly railway branches passing through Mogilev FEZ sites, international highways and local access roads secure uninterrupted freight deliveries to any destination.

Labor potential

With more than 350 th citizens Mogilev is the capital of Mogilev region and one out of six largest cities of Belarus.

There are 7 higher education and dozens of specialized secondary and professional educational institutions in Mogilev region, which provide education and training of qualified labor.