



Doing Business in Latin America 2019

Moore Global Latin America



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VISION

Facilitate the success of Firms member, through strong leadership of a cohesive, international network, rich in resources and with a vast culture of quality.



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Executive Summary



1. Moore Global

Moore Global is a global network of accounting, auditing and consulting Firms with 260 members Firms, 579 offices and presence in 114 countries around the world providing accounting and tax services to personal and corporate clients.

Moore Global has been present in Latin America and has a well organized regional structure covering around of 36 offices and more than 1.300 professionals. More information can be found on the website: <https://msla.moore-global.com/>

2. Tax Information

Doing Business in Latin America summarizes the corporate and personal tax systems of 18 countries in Latin America. This content is based on tax and legal information current to December 2019 unless otherwise indicated, and it is focused on the following aspects:

- Country Profile.
- Foreign Investment regime: types of companies and their characteristics.
- Auditing and Accounting.
- Labor system: workforce employment, recruitment, types of contracts, conditions of employment, remuneration, etc.
- Exchange control regulations.
- Tax system: number and types of taxes, tax payment, incentives.
- Protection for investors.
- Transfer pricing.
- International agreements and conventions.

This publication is an overview and should not be seen as a complete explanation of the Tax systems in Latin America. It is subject to amendments in accordance with the laws in each country and multilateral agreements. Neither Moore Global International, nor any member Firms of the global network are responsible for actions incurred or omitted based on this publication. Further details may be found in local publications, we advice readers to consult with specialists in the Moore Global member Firms in each country.

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Argentine Republic

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3. Country Profile

The Argentine Republic is a sovereign state, organized as a federal and representative republic, and it is located in the South East end of America. Its territory is divided into 23 provinces, and one autonomous city, Buenos Aires, the capital city of the nation, and seat of the federal government. With a population of 42 million inhabitants, its human development indices, per capita income, economic growth level, and quality of life are among the highest in Latin America. Due to its extension, 2,780,400 km², it is the second largest state in South America, the fourth in the American continent, and the eighth in the world.

Despite the diverse origins of its population, the common language is Spanish, and its culture unifies the country. The youngest population has, in general, a good command of the English language, and, as a result of the Mercosur, many are learning Portuguese. In Argentina, there is great freedom of religion guaranteed by section 14 of



the National Constitution, even though the State recognizes a pre-eminent role of the Catholic Church, which has a separate legal status with regards to the rest of the churches and religions: according to the Argentine Constitution (section 2), the National State must uphold the Catholic Church, and, according to the Civil Code, it is legally compared to a non-governmental legal entity of public law. All in all, it is a separate regime which is not considered official as the religion of the Republic.

According to the new education act, enacted on December 15, 2006, education is compulsory for children aged between 5 and 18 years old. There are public and private educational entities for all levels. The State guarantees free education for all of them, except for university postgraduate studies.

The currency unit is the Peso.

However, the US dollar and other foreign currencies can be used for internal transactions.

As a result of the external debt and fiscal deficit, inflation has remained at two annual digits for several years. There is still a high level of intervention in the formation of some prices, by means of subsidies and in some cases indirect pricing controls.

4. Foreign Investment Regime - Types of Companies

The types of business associations mostly used by foreign investors in Argentina are corporations, limited liability companies, and branches of foreign companies. Also, the use of partnership contracts, trusts, and franchises has become ever more frequent. The Civil and Commercial Code, the Companies Act, as well as the different specific laws form the legal system that entails contracts and

companies. Companies and certain commercial contracts must be registered with the public registry of the jurisdiction of each province, and of the Autonomous City of Buenos Aires. Items to be highlighted of the main company types, contracts and legal entities:

- Corporations.
- Limited Liability Companies.
- Branch of Foreign Companies.
- Simplified Joint Stock Company.
- Trusts.
- Non-Profit Associations.
- Foundations.

4.1 Corporations or Public Companies (SA)

Capital is represented by shares, and shareholders limit their liability to the payment of the shares subscribed.

Corporations are formed by one or more shareholders, and shares can be in the hands of private holders or they can be traded in the Stock Exchange, since its shares are negotiable and transferable. This is the only company type that can make public offering of its shares. The shareholders' liability is limited to the capital subscribed and paid up.

Regarding the form of management and government, it is managed by a board of directors, and decisions are taken at the shareholders' meeting. Directors are appointed at the meeting, and they are personally liable for their acts. They must be resident or native Argentinian. Shareholders can be individuals or companies, both national and foreign.

In the event a shareholder was a foreign company, prior to participating in the creation of the local corporation, its by-laws must be registered with the Board of Legal Entities (IGJ), and its legal existence must be proven in the country of origin. A legal representative must be appointed, and a legal domicile must be established in the Argentine Republic. Corporations cannot be created in a fiscal paradise, and they must maintain assets that exceed the value of those to be invested in Argentina. Once a year, through their legal representative, they must confirm before the Board of Legal Entities their continuity within the category required by the laws in force in the Argentine Republic.

All corporations are subject to supervision and control by government authorities.

Corporations are created by public deed, and they are registered with the Public Registry, the control authority with local jurisdiction. In some cases, such as their corporate capital amount, having shares in the stock market or in connection to the

national state, control is permanent. The corporate name must contain the terms "sociedad anónima" (corporation) or its abbreviation, "S.A."

Shares are nominative, and non-endorsable, and they will require the appointment of an auditor, or an auditing committee. The current minimum corporate capital amounts to AR\$ 100,000; in any case, it must be in accordance with the activity foreseen for the corporation. A name, corporate purpose, term, domicile, and termination date must be established at the moment of incorporation. The termination date can be any month of the calendar year.

4.2 Limited Liability Company SRL

It can be created by a public or private deed, and the articles of organization must be registered in the Public Registry, upon prior publication in the Official Bulletin. It must have, at least, 1 member, and it cannot exceed 50 members. Its capital is divided into shares, and members limit their liability to the payment of the shares they subscribe or acquire. The liability of the members is joint and several, provided the capital is subscribed but not paid up. All the shares grant 1 voting right and no kind of benefits in the allocation of profits. Regarding management and government, it has managers which roles are extended indefinitely, and decisions are made at the shareholders' meetings. Its shareholders can only be individuals.

4.3 Simplified Stock Corporation (S.A.S.)

The "Simplified Stock Corporation" or "S.A.S." was created by Act No. 27.349. The SAS is a new company type with an independent regulation, outside the scope of the General Companies' Act, which combines the advantages of the SRL with the advantages of the SA. This company type can be incorporated by means of a public or private deed. Capital stock is divided into shares, which ownership appears in a book kept by the company itself, and the company may choose to be managed by a board of directors. The characteristics of this type of company are: it can be a sole proprietorship, with capital stock formed by, at least, two adjustable minimum living wages; the possibility of financing by means of different kinds of shares, or by means of "crowdfunding"; irrevocable contributions for two years; the possibility of prohibiting the transfer of shares for ten years; solving conflicts by means of negotiations and arbitration; the use of new technologies for company acts and accounting books; and the prevalence of the clauses in the by-laws.

4.4 Branches of Foreign Companies

In order for a company to be able to operate as a branch, it is necessary to prove the existence of the parent company abroad. The articles of organization, by-laws, or company agreement must be

registered with the Public Registry, and representatives must be appointed and registered in the same manner. Branches are subject to control by the board of legal entities, and they must comply with the same requirements as those demanded for corporations subject to said control. Branches must keep separate accounts from those of the parent company, and they must file their financial statements with the board of legal entities. There is no minimum capital required for their creation.

4.5 Joint Ventures

There are different types of joint ventures that could be classified as ventures for collaboration or cooperation, and the ones mostly used are the collaborative associations, and the temporary joint ventures (UTE). In the case of the temporary joint ventures (UTE), the companies incorporated in the country and individual businessmen and/or companies incorporated abroad partner for the development or performance of a certain work, service, or supply within or outside the country. This is not a company; it does not create a new legal subject. The term of the contract shall be the work, service or supply that gave origin to the partnership. The contract can be executed by a public or private deed, and it must be registered together with the appointment of its representative with the Public Registry of Commerce. They do not have capital of their own, but a Common Operative Fund formed by the members, to whom it belongs in the percentage set forth in the contract. A foreign company can be part of an UTE if it conforms to the requirements demanded for the branches.

4.6 Other Types of Legal Entities and Contracts Trusts

A trust is capital subject to a certain purpose that implies the transfer of title of an asset or interest under a trust. It is a contract that efficiently accompanies financing, real estate development organization, administration, debt reorganization, investment projects and mechanisms for the strengthening of guaranties and agreements, among others.

Non-Profit Associations

These are legal entities that exercise a right of association, they are private, and their main purpose is the common good; they have their own capital, capacity to acquire property granted by their articles of incorporation, they do not subsist entirely on State allowances, and they are authorized to operate, under the control of the laws in force of the Board of Legal Entities (IGJ).

Foundations

These are legal entities incorporated for the common good, non-profit, by means of a capital contribution made by one or more persons intended to the implementation of their purposes. To exist as such, they must necessarily be created by means

of a public deed, and request and obtain the authorization from the State to operate. If the founder is an individual, it can order its creation as an act of last will. It is controlled by the laws in force of the Board of Legal Entities.

Cooperative Associations

These are legal entities formed by individuals voluntarily joined to form an organization which administration and management must be carried out as agreed by the members. The intention is to cover the economic, social and cultural needs and aspirations common to all members by means of a company. The diversity of needs and aspirations forming the company purpose defines a very varied type of cooperative associations. To exist as such, they must obtain the authorization from the State to operate. They are controlled by the laws in force of the National Institute of Associations and Social Economy (INAES).

5. Auditing and Accounting

The profession of the CPA is essentially self-regulated, and the federation of professional associations is a member of IFAC. As such, it requires the adoption of international accounting and auditing regulations, which became compulsorily applicable to open companies as from January 01, 2012.

6. Labour Regulations

The basic requirements for incorporating personnel to a company must comply with the labour regulations in force in Argentina, and with the collective labour agreements.

6.1 Payment and Compulsory Annual Bonus

The Federal Employment, Productivity, and Minimum Adjustable Living Wage Association (National Employment Act 24.013) sets the minimum monthly living wage sum for monthly workers and the day and hour wages for journal workers. Employed workers receive an additional compulsory payment (annual bonus), which is paid in two annual instalments in June and December. Each instalment equals to 50% of the best monthly, normal, and usual wages of the semester.

6.2 Term of the Labour Agreement

For Argentine legislation, the labour agreement is informal and indefinite, except when its term of duration had been expressly established in writing, or when the manner of performance of the tasks or activities reasonably appreciated so justify it.

It shall be understood that the labour agreement will be performed on trial during the first three (3) months after it becomes enforceable. Any of the parties may terminate the agreement without a cause during said term, and said party will not be

entitled to compensation regarding termination, but it will have the obligation to give prior notice.

6.3 Severance Payment for Unfair Dismissal

In case of unfair dismissal, the employer must pay the worker a severance payment equal to ONE (1) month wages for each year of service, or a fraction greater than three (3) months, taking as a basis the best monthly, normal, and usual wages accrued during the last year, or during the time of the rendering of services, if shorter.

Said basis shall not exceed a sum equal to three (3) times the monthly wages of the sum resulting from the average of all severance payments foreseen in the labour agreement applicable to the worker at the time of dismissal.

The labour agreement shall not be terminated without prior notice, or, in lack thereof, without a severance payment. Prior notice must be given with the following anticipation:

- Fifteen (15) days when the worker is on trial; one (1) month when the worker had been employed for no more than five (5) years, and two (2) months when exceeding said term.

The party failing to give notice, or giving undue notice, must pay the other party a substitutive indemnity equal to the wages that would correspond to the worker during the terms above mentioned.

6.4 Vacations

The worker shall have a paid, annual, minimum and continuous annual vacation term with the following duration: fourteen (14) running days when seniority does not exceed five (5) years; twenty-one (21) running days when seniority exceeds five (5) years but not ten (10); twenty-eight (28) running days when seniority exceeds ten (10) years but not twenty (20); and thirty-five (35) running days when seniority exceeds twenty (20) years.

6.5 Social Security

Social security taxes are shared by the employee and the employer. The employer cost can amount to 29% of the wages, while the worker pays, in average, 20% of his or her wages as a deduction,

excluding the income tax. Formation of the sums withheld or paid for commerce employees, for example, are as follows:

6.6 Employer Contribution and Employee Contribution

Social Security Contributions 2020		
	Empl. Item a)	Empl. Item b)
SIPA	12,35%	10,77%
Law 19.032	1,58%	1,58%
Social Security Organizations	6,00%	6,00%
AA.FF.	5,40%	4,70%
FNES	1,07%	0,95%
Total	26,40%	24,00%
SCVO	\$ 19,03	\$ 19,03
ART	Depending on the activity and risk. The aliquot ranges from 0,5% and may reach 5% as for Commerce	
Non Taxable Minimum	\$ 7.003,68	

A distinction is made in the Contributions made by the employer, because Law 27.541 specifies two types of aliquots:

- a) Twenty and forty per cent (20.40%) for employers belonging to the private sector, whose main activity falls within "Services" sector or "Commerce" sector, pursuant to the resolution of the Secretariat of Entrepreneurs and Small and Medium-sized Companies N° 220 dated April 12, 2019 and its amendment, or whichever may replace it in the future, as long as its annual total sales exceed, in all the cases, the limits for categorization as a medium-sized company range 2, performed by the relevant enforcement body, with the exception of those included in laws 23.551, 23.660 and 23.661;
- b) Eighteen per cent (18%) for the rest of employers belonging to the private sector not included

in the above item. Likewise, this aliquot will be applied to the entities and organisms of the public sector included in section 1° of law 22.016 and its amendments.

To both companies -those in Item A) as well as those in Item B)-, a 6% contribution to the Health System must be added.

Union Contributions in Commerce			
		Empl. Item a)	Empl. Item b)
INACAP	\$	208,95	\$ 208,95
La Estrella		2,50%	2,50%

Employee Contributions	
Unique Aliquots	
SIPA	11,00%
Law 19.032	3,00%
Soc. Security Organization	3,00%
Union	2,00%
Faecys	0,50%
Total	19,50%

6.7 Unions

Act 23.551 regulates the activity of the associations, which purpose is the defence of the rights of the workers.

7. Exchange Market

The Free Exchange Market is stated pursuant to section 1° Decree No. 260/02 as amended by section 132 of Act No. 27.444.

According to section 2° of the aforementioned Decree, exchange transactions shall be carried out at the freely agreed exchange rate and shall be subject to the requirements and regulations established by the BCRA (Central Bank of the Argentine Republic).

In addition, section 29 of Act 24.144, the BCRA's Organic Charter states that the BCRA is empowered to issue regulations on exchange matters in accordance with current legislation and to exercise such supervision as compliance may require. On the other hand, the Decree of Necessity and Urgency 609/19 (B.O. 1.09.19) - and its amendment Decree of Necessity and Urgency 91/19 (B.O. 28.12.19) - stated that the counter value for the export of property and services must come into the country in foreign currency and/or be negotiated in the exchange market under the conditions and terms established by the BCRA.

It also stated that the BCRA will fix the cases in which the access to exchange market for the purchase of foreign currency and precious metals (coins) and transfers abroad will require a prior authorization, and authorizes it to establish regulations in order to avoid procedures and operations tending to circumvent, through public securities or other instruments, the provisions of Decree.

Mainly, the current exchange regulations provide that:

The transactions must be performed with the intervention of an entity authorized to operate in exchange matters, and this entity will require the necessary information and/or documentation to be able to guarantee the genuine nature of the transaction and its correct classification into the declared concept.

- The execution of a bill of purchase or sale of exchange, as appropriate, for each exchange transaction, being regarded as a tax return.
- The non-compliance with regulations is covered by the Foreign Exchange Criminal Act.
- The obligation of entry and liquidation, within the stipulated terms, is applicable to the collections of exports of property and services and for the sale of non-financial assets non-produced. In the case of financial indebtedness, entry and liquidation.
- Residents may have access to the exchange market to make payments for transactions involving imports of property, services provided by non-residents, profits and dividends, and financial indebtedness, as long as all the specific conditions stated for each item are met. Besides, the access to exchange market for the payment of debts and other obligations in foreign currency between residents is prohibited except for the stipulated exceptions.
- Resident human persons may have access to the exchange market for the formation of external assets, the remission of family aid and for derivative transactions, with a certain monthly limit and under certain conditions. For this purpose, the BCRA implemented an online system that enables the institutions involved to verify that the customer is authorized to perform the exchange operation, because the customer has not reached the limits specified in the calendar month or has not exceeded them in the previous calendar month. In the case of legal entities, the access to form external assets and carry out derivative transactions is subject to prior approval by the BCRA.
- The non-residents require prior approval of the BCRA to have access to the exchange market, except for International Organizations, diplomatic and consular Representations, and retirement beneficiaries, among others. On the other hand,

the tourists non-residing in the country can repurchase up to US\$ 100 as long as the intervening entity verifies via the online system implemented by the BCRA that they have settled an amount greater than or equal to the amount they wish to acquire within the previous 90 calendar days.

All submissions concerning inquiries or requests for prior approval by this BCRA must be always made through an authorized entity. Notes must be addressed to the Main Management of Foreign Affairs and Exchange and presented to the Reception Desk of this BCRA, and must include an analysis of the framework made by the entity authorized to carry out the type of operation involved and contain the information enabling the analysis of the request.

Communication A 6401 stated the implementation of a survey of assets and liabilities abroad, thus replacing the surveys stated by previous Communications, based on the information as of 12/31/2017.

The new survey of assets and liabilities abroad shall be filed by all human beings and legal entities, assets and other universalities that are not included in the category of General Government as defined in the Sixth Edition of the International Monetary Fund Balance of Payments Manual.

Pursuant to Communication A 6594, human persons are exempted from the declaration of assets abroad.

In order to have access to the exchange market to perform transfers abroad for the payment of services, interests, profits and dividends and for the acquisition of non financial assets non-produced, an affidavit - declaring the fulfilment, if applicable, of the "Survey of issuance of debt securities and liabilities abroad of the financial and non-financial private sector" for the obligation cancelled abroad and of the "Survey of Direct Investments" - must be submitted.

The regulations of the BCRA are constantly changing, so it is advisable to analyze any international transaction prior to its execution. This includes both import and export operations.

8. Tax System

The Argentine tax system is formed by national, provincial, and municipal taxes. In the national scope, the main taxes are:

8.1 National Taxes:

- Income Tax: It includes the transfer prices policy.
- Assumed Minimum Income Tax.
- Personal Property Tax.
- Value Added Tax.

- Bank Debits and Credits Tax.
- Internal Taxes.
- Personal Property Tax: Surrogate Decision Maker.
- Real Estate Transfer Tax.

8.2 Provincial Taxes

- Territorial Taxes.
- Turnover Tax.
- Stamp Tax.

Likewise, there are certain duties imposed by provinces or municipalities.

8.3 Taxes on Companies

8.3.1 Income Tax

Pursuant to the Argentine Income Tax Act, residents pay this tax on the total amount of their income. Non-residents pay taxes only on their income derived from Argentine sources.

Argentine companies must file their annual income tax return together with their financial statements. The tax return must clearly reflect the adjustments made to determine taxable earnings or losses, and the tax credit. Tax returns must be filed with the Federal Public Revenue Administration (AFIP) within a term of five months after the closing date of the financial year.

The income tax rates are as follows:

Companies and other company forms: the progressive reduction of the aliquot stated for corporate profits is determined; for years beginning up to 12/31/2020 it will be 30%, and as from 2021, 25%, concomitantly the aliquot on dividends will remain at 7% for 2020, and as from 2021 it will increase to 13%.

Resident individuals, progressive rate on general income from 5% to 35%.

Gambling 41.50%.

Profits from Digital Platforms 41.50%.

Resident individuals, special rates:

15 %: For returns or capital profits derived from foreign currency instruments, or instruments with an escalation clause, and other income from financial assets, excluding foreign exchange gains/losses and the restatement of equity.

When the dividends and profits are paid to beneficiaries abroad, the payer must apply the corresponding withholding.

Assumed dividend payment is established, without admitting evidence to the contrary,

under certain conditions, for example, when fund withdrawals are made, or for fees or compensations where the effective rendering of the service cannot be proven.

A cost escalation mechanism is established for assets obtained or investment made during the financial years starting as from January 1, 2018. The escalation shall be made based on the percent variations of the Internal Wholesale Price Index (IPIM) provided by the National Institute of Statistics and Censuses (INDEC).

Due to the inflationary economy, Argentina has now a mechanism of tax inflation escalation. The positive or negative inflation escalation, as applicable, for the first and second financial year beginning on or after January 01, 2019, to be calculated by virtue of the assumptions of exceeding certain index parameters, shall be allocated one sixth (1/6) in that financial year and the remaining five sixths (5/6), in equal parts, in the five (5) following financial year.

8.3.2 Personal Property Tax Surrogate Decision Maker

This tax is levied upon the net accounting assets of the company at a 0.5% rate at the end of the financial year on the shareholders' contributions, Argentine or alien individuals, and foreign companies. In the case of alien individuals, the provisions established in the Agreements must be observed to avoid the double taxation in force.

8.3.3 Value Added Tax

The value added tax (VAT) or "IVA" is levied upon consumption goods, and it applies to the sale of items, to the rendering of services, and to the imports of certain goods. To maintain VAT as a consumption tax, there is a compensation mechanism through which debits generated by the sale of products can be paid through VAT which is paid when purchasing items, or when paying services to third parties. Tax debit is generated when applying the net sales price to the current proportional rate of the tax. On the other hand, tax credit is generated in the purchase of consumption goods, hiring of services, etc. The difference between the tax included in the sales (tax debit) and that taken from the invoices of the purchase of consumption goods and services (tax credit) constitutes the sum to be paid to tax authorities for each tax term.

Tax authorities implement a system of anticipated withholdings before the tax debit deposit.

There are some products and services that are

exempted from this tax.

The percentage added to the price as VAT is 21%. However, there are differential rates for sales or the rendering of services (for example, 27% in the case of the electrical power supply for a shop or professional office, provided such person is a Registered VAT Payer or an Individual Tax Payer), and 10.50% for primary activity.

Digital services: Digital services are included within the tax scope, defining the taxable events and the taxable basis to be applied. The purpose of this escalation is applicable to taxable events taking place as from 02/01/2018. **Return of positive balance derived from investment:** The return of tax credit deriving from the purchase, construction, manufacturing, or import of fixed assets - except motor vehicles - that, having been acquired as from 01/01/2018 and after 6 months have elapsed from the calculation thereof, had not been used due to tax debits derived from the activity. This treatment shall also apply to assets acquired under the leasing mode, after 6 months from exercising the call option.

As an exception to the export of VAT exempted services, an export duty is applied.

Export of services means any service provided in the country with payment and without employment relationship, being its effective use or exploitation performed abroad, and understood as the immediate use or the first act of utilization by the user.

The export of services is subject to a 5% duty.

This duty is in force until December 31, 2021, pursuant to Decree 1201/18. There is an annual non-taxable minimum of U\$S 600,000 for PYMEs (Small and Medium Companies).

8.3.4 Bank Debits and Credits Tax

This tax is levied upon bank account deposits and extractions at a 0.6% rate. The 33% of the tax on bank credits and debits can be taken as payment on account of income tax. "Pymes", Micro and Small companies can calculate 100% of the tax as a payment on account of the Income Tax.

8.3.5 Internal Taxes

This tax is levied upon alcoholic beverages, beers, non-alcoholic beverages, syrups, extracts, and concentrates, automobiles and gas motors, cellular and satellite telephone ser-

vices, champagnes, sumptuous objects, motor vehicles and motors, and recreational or sportive vessels and aircraft which will be applied pursuant to the provisions of this act.

8.3.6 Transfer Prices

In 1998, the transfer price concept was introduced to tax legislation according to the OECD guidelines. The election of the transfer prices method applicable in Argentina depends on the information available, the type of operations, and the magnitude of the necessary adjustments to achieve comparability.

The Income Tax Act incorporated the following methods to evaluate operations of all kinds, which includes operations for tangible and intangible assets, services, and financial operations:

- Comparable prices (uncontrolled);
- Actual price;
- Additional cost;
- Profit splits;
- Net operational margin.

A transfer prices report must be carried out annually, and penalties for not filing said report amount up to \$ 45,000.

The obligation to file Transfer Price reports is not only due to economic relations between the Principal Company and the local company but also due to functional reasons, such as the dependence upon a single supplier or client. Relations with tax havens always require the suitability of the operations to be proven, and the demonstration of the prices agreed as between independent parties.

Minimums are stated to be obliged to file the Transfer Pricing report, form F.2668 and the Master Report:

- Transfer Pricing report: it must be submitted when the total of operations performed in the financial year with related parties is greater than \$30,000,000; or if obliged to file the "Country by Country Report" or the "Master Report" or if having performed operations with companies located in jurisdictions regarded as of low or null taxation or non-cooperative, in which case they must exceed the total amount equivalent to \$3,000,000 or individual of \$300,000.

Master Report: Not to be filed when:

- The total consolidated annual income of the group does not exceed \$2,000,000,000 in the year preceding the filing, or
- The transactions with related parties abroad do not exceed, in the whole, the amount equal to \$3,000,000 or individual \$300,000 in the fiscal year.

Form F.2668: the filing of the tax return shall be made as long as the amounts - that depending on the type of operation - detailed below are exceeded:

- Imports and exports of property between independent subjects, with an overall annual amount - per business year - exceeding \$10,000,000.
- Operations governed by transfer price regulations, when all the taxpayer's transactions reached by this regime and considered as a whole in the financial year, exceed \$3,000,000 or individual \$300,000.

In our country, the Transfer Pricing Report must contain the Certified Public Accountants' Professional Report.

Upon Act No. 27.430, published on 12/29/2017, the International Tax Transparency concept is included in the Income Tax, with the following updates:

- It defines "*non-cooperating jurisdictions*".
- It defines "*low or non-existent tax jurisdictions*" as special countries, domains, jurisdictions, territories, member states, or tax systems establishing a maximum taxing of company revenue below 60 % of the one in force in Argentina.
- It creates a tax on profits derived from trusts, private interest foundations, and further similar organizations created, domiciled or located abroad, related to operations and individuals residing in our country.
- It creates a tax on individuals residing in the country for earnings obtained through their direct or indirect

participation, or companies incorporated, domiciled, or located abroad, provided they comply with certain requirements.

8.3.7 Real Estate Transfer Tax

The transfer of ownership for real estate located in Argentina which is owned by individuals or undivided inheritance are taxed with a 1.5% rate provided said operation is not taxed by the income tax. This rate is applicable to sales which acquisition is prior to 12/31/2017.

For sales made after 12/31/2017 derived from acquisitions taking place as from 12/31/2017, earnings for the sale of real property and the conveyance of property rights, except for real property intended for housing/dwelling, shall be included within the scope of the income tax with a 15% aliquot on the capital gains obtained regarding the escalated acquisition cost.

8.3.8 Real Estate Taxes

This provincial tax is levied upon real estate, and the rates and valuations depend on each zone and province.

8.3.9 Turnover Tax

This is a tax on turnover. Each tax is levied upon each commercial operation, without any tax credit given for taxes paid during prior terms. Rates vary depending on activity and province, and they range from 1% to 5%. (In general, primary and industrial activities are exempted).

8.3.10 Stamp Tax

Public and private documents, or certain operations, require the payment of the stamp tax for their formal execution, and this applies to deeds, promissory notes, and leases or other types of agreements, among others.

8.3.11 Withholdings

Some types of payments to non-residents are subject to tax withholding. In accordance with certain guidelines, the income tax, the value added tax and the turnover tax are withheld at the moment of payment.

8.4 Individuals Tax

8.4.1 Income Tax

All income obtained by individuals is taxed by the income tax.

Individuals referred to in the previous paragraph residing in the country are taxed on the total amount of their income obtained in the country or abroad. The sums duly paid under similar taxes on their activities abroad can be considered a payment on account of this statutory tax up to the limit of the tax burden increase originated by adding the income obtained abroad.

Non-residents pay taxes only on the income derived from Argentine sources.

Residents in the Republic shall be individual persons living for more than 6 months in the country during the course of the financial year. To all purposes of this act, residents in the country shall also be individuals residing abroad to the service of the Nation, provinces, or municipalities, and officers of Argentine nationality acting in international organizations where the Argentine Republic is a member State.

8.4.2 Income Categories

The law establishes the following four income categories: land income, capital income, company income, work income, and personal income. The tax return reflects the net income for each category, and, after a deduction is made on the sums permitted by law, the profits or losses are determined subject to tax. All information provided by tax payers in their tax returns is subject to review by the Federal Public Revenue Administration (AFIP).

8.4.3 Personal Deductions

Resident individuals will be able to deduct certain sums from their net income/revenue according to the following table, which is applicable to the financial year 2020:

Personal Deductions 2020		
	ANNUAL	MONTHLY
Special Deduction (4 th Category)	\$ 594.533,62	\$ 49.544,47
Special Deduction (Sec.30 item c)	\$ 247.722,33	\$ 20.643,53
Special Deduction (Sec.30 item c) New Professionals/ Entrepreneurs	\$ 309.652,93	\$ 25.804,41
GNI	\$ 123.861,17	\$ 10.321,76
Spouse	\$ 115.471,38	\$ 9.622,62
Children *	\$ 58.232,65	\$ 4.852,72
* 100% can be deducted by only one of spouses or 50% each.		

General Deductions 2020		
	ANNUAL	MONTHLY
Domestic Service	\$ 123.861,17	\$ 10.321,76
Life & Retirement Insurance	\$ 18.000,00	\$ 1.500,00
Prepaid Instalments	Up to 5% of Accumulated Net Income for the Year	
Healthcare, medical and paramedical fees	In order to charge the deduction, the invoice of the service provider is required. Up to 40% of the total amount invoiced may be deducted and may not exceed 5% of the accumulated net income for the year	
Donations	To exempted entities. Deduction can be made up to 5% of the accumulated net income for the year	
Mortgage Interests	\$ 20.000,00	\$ 1.666,67
Funeral Expenses	\$ 996,23	\$ 83,02
Domestic Employment	\$ 123.861,17	\$ 10.321,76
Travel Expenses *	\$ 123.861,17	\$ 10.321,76
*40% of the Non-Taxable Minimum on short distance trips		
Rent **	\$ 123.861,17	\$ 10.321,76
**40% of the amount paid on "Housing Room"		

Item i) section 81 of the Income Tax Act provides a new deduction that may be calculated by the taxpayer or the decedent (in case of undivided successions): the housing rent. Therefore, based on the financial year for and including 2017, from the financial year's profit, whichever the source of the profit, 40% can be deducted from the sums paid as real estate rent intended for housing, and up to the limit of the sum established as a non-taxable minimum stated in item a) section 23 of the act.

For this deduction to apply, the taxpayer or the decedent must not hold title to any real estate property, whichever the percentage.

Taxable scale for individuals on Income Tax for the Year 2020:

ANNUAL TABLE OF INCOME TAX 2020 WILL PAY				
Over \$	to \$	\$	Plus %	On surplus of \$
0,00	47.669,16	0,00	5%	0,00
47.669,16	95.338,32	2.383,46	9%	47.669,16
95.338,32	143.007,48	6.673,68	12%	95.338,32
143.007,48	190.676,65	12.393,98	15%	143.007,48
190.676,65	286.014,96	19.544,36	19%	190.676,65
286.014,96	381.353,28	37.658,64	23%	286.014,96
381.353,28	572.029,92	59.586,45	27%	381.353,28
572.029,92	762.706,57	111.069,14	31%	572.029,92
762.706,57	999.999.999,00	170.178,90	35%	762.706,57



8.4.4 Tax Payment

The AFIP (tax authority) sets, by General Resolutions, expiration dates to file tax returns, and to pay income tax sums owed.

Payments shall be made by bank deposit or e-transfer, as provided by the general resolution

Also, tax payers and income tax payers must determine and make advance payments of the tax to be paid. Individuals must make 5 advance payments.

The basis of the calculations is the tax determined by the tax term immediately prior to that for which the advance payments will be credited. This calculations basis allows deductions. A 20% rate will be applied to the resulting sum.

The rest of tax payers, except for those that do not meet the taxable sums, must file an annual tax return for their income as of December 31, which will expire in April each year.

Non-residents subject to the corresponding withholding need not file an annual tax return.

8.4.5 Personal Property Tax

Individuals or undivided inheritance are subject to tax for property they may own at the end of each calendar year, including those subject to economic processes, pursuant to what is established hereunder:

Individuals domiciled in the country, and undivided successions therein for property located in the country and abroad.

Individuals domiciled abroad, and undivided successions based therein for property located in the country.

There is tax-exempted property as well. The Personal Property Tax Act sets forth the manner in which property located in the country and abroad is to be appraised in order to pay the tax.

The following ranges and aliquots are established for property located in Argentina:

Total value of property exceeding the non-taxable minimum		Will Pay	Plus	On Surplus
Over \$	To \$	\$	%	of \$
0	3,000,000, included	0	0.50 %	0
3,000,000	6,500,000, included	15,000	0.75 %	3,000,000
6,500,000	18,000,000, included	41,250	1.00 %	6,500,000
18,000,000	Hereinafter	156,250	1.25 %	18,000,000

The non-taxable minimum of \$ 2,000,000 is maintained for the equity in general and the exempted minimum of \$ 18,000,000 for real estate destined to room housing.

Aliquots applicable to property located abroad:

Total value of property in the country and abroad		The total value of property located abroad exceeding the non-taxable minimum not calculated versus the property in the country will pay the %
Over \$	To \$	
0	3,000,000, included	0.70
3,000,000	6,500,000, included	1.20
6,500,000	18,000,000, included	1.80
18,000,000	Hereinafter	2.25

9. Bilateral Treaties

Argentina has signed bilateral investment treaties with several countries, such as Germany, Austria, Armenia, Australia, Bolivia, Bulgaria, Canada, South Korea, Costa Rica, Chile, China, Denmark, Ecuador, Egypt, Spain, and USA. UU., Guatemala, Finland, France, Holland, Hungary, Indonesia, Israel, Italy, Jamaica, Luxembourg, Mexico, Nicaragua, Malaysia, Morocco, Peru, Poland, Portugal, Romania, United Kingdom, Senegal, Sweden, Switzerland, Tunisia, Turkey, Ukraine, Vietnam, Venezuela, among others, in order to protect investments.

Within the framework of Mercosur, two agreements were signed to promote foreign Investment, thus ensuring a fair treatment for any national investment within Mercosur: Protocol Investment Promotion for non-members in 1994 (Act 24.554) and the Colony Protocol 1997 (Act 24.891).

10. Agreements to Avoid Double Taxation

For special detail, we refer to the website of our tax authority, in which the current Agreements are summarized: <http://www.afip.gov.ar/institucional/acuerdos.asp>





Belize

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3. Country Profile

Belize (formerly "British Honduras", the name of the country was changed in the year 1973) is located in the east or the Caribbean coast of Central America, bordered on the north and western part with Mexico, and in the south and the rest of the west by Guatemala. Belize achieved full independence on 21st September 1981.

The population was estimated to 408,487 in 2019, with a growth rate of 1.8 % per annum. The ethnic composition is as follows: 52.9% mestizo, 25.9% creole, 11.3% Maya, 6.1% Garifuna, and 3.8% others. Due to racial harmony and religious tolerance, the different racial elements in Belize have been mixed and combined with success, and Belize has gained a worldwide reputation for its friendly people. English is the official language, although Spanish, Creole, Garifuna and Mayan are widely spoken throughout the country. The



dominant religion is Christianity - both Catholics and Protestants. Small groups practice Islam, Hinduism and the Baha'i.

The Government

The Government of Belize is operated on the principles of Parliamentary Democracy based on the Westminster System. The country is a sovereign, democratic state. Queen Elizabeth II of Great Britain is the Head of State; she is represented by the Governor General Sir Colville Young since 1993.

The House of Representatives consists of 31 members of representatives that are elected by direct popular vote for a term of five years. The Governor General appoints the Prime Minister, who is the leader of the majority party. The Governor General appoints the Senate of 13 members, in which case six members are nominated on the advice of the Prime Minister, three are nominated on the advice of the leader of the opposition, and three more are nominated on the advice of the Council of the Churches in Belize and the Association of Evangelical Churches, the Belize Chamber of Commerce and Industry of Belize and the Better Business Bureau, and the National Congress of Trade Unions and the Steering Committee of the Civil Society. One senator is nominated by the non-governmental agencies. Currently, the Honorable Dean Barrow is the Prime Minister.

Belize has a legal system based on common law. There is a Supreme Court of Justice, and the president of the Supreme Court is appointed by the Governor General on the advice of the Prime Minister. The Caribbean Court of Justice (CCJ) has replaced the Judicial Committee of the Privy Council (Judicial Committee of the Privy Council) as a court of last instance for the members of the Caribbean Community (CARICOM) and also serves as a court of appeal in both civil and criminal cases of common law courts in all the state members.

General elections are held every five (5) years,

and the legal voting age is 18. There are two major political parties in the country - the People's United Party (PUP) and the United Democratic Party (UDP). The most recent general elections were held in November 2015, in which the United Democratic Party (UDP) won 19 out of 31 seats.

The official currency of Belize is the Belize Dollar (BZ\$), which has been pegged to the United States dollar at a rate of BZ \$2.00 = US \$1.00 since 1976.

Belize currency denominations are printed at \$ 100, \$ 50, \$ 20, \$ 10, \$ 5 and \$ 2 - dollar bills and coins are \$ 1.00, \$ 0.50, \$ 0.25, \$ 0.10, \$ 0.05, and \$ 0.01 cents a unit.

4. Foreign investment regime - types of business entities

The corporate type most commonly used by foreign investors in Belize is Belize Chapter 250 Limited Company. Effective in 2019, an International Business Company, Chapter 270 Company, can be used for investment purposes in Belize.

Other business types allowed include:

- Sole Proprietor.
- Partnerships.
- Limited Liability Partnerships.
- Registration of an overseas company (foreign branch).

4.1 Registration of business name and companies

4.1.1 Registration of business name

In accordance with the Business Names Act Chapter 247 of the Laws of Belize, each company or individual who operates a business in Belize must register a business name.

Application forms can be obtained from the Registrar of Companies in Belize. All applications require a name search before proceeding to avoid duplication of names. Moreover, to register a business name, the Business Names Act provides that a business owner abroad must be a permanent resident or have a partner in Belize, and a foreign company must obtain the approval of the Central Bank of Belize. Identification documents to be submitted with your application are a passport, social security card, voter registration card or residence card. Certified copies are accepted.

4.1.2 Incorporation of a limited company

The incorporation is usually done through a lawyer or accountant, and requires the filing of

the Memorandum and Articles of Association in order to be issued a Certificate of Incorporation.

Benefits of registering a Limited Company under Chapter 250 of the Laws of Belize:

- **Limited Liability**, which means that the capital providers are not subject to losses higher than the amount of initial investment;
- **Transferability of shares**, whereby the rights of the company can be transferred easily from one investor to another, without the reconstitution of the organization under the law;
- **Juridical Personality**, meaning that the corporation itself as a fictive "person" has legal standing and may thus sue and be sued, may make contract, and may hold property in a common name; and
- **Indefinite Duration**, by which the life of the company may extend beyond the participation of any of its founders.

4.1.3 Registration of an overseas company (foreign branch)

Foreign companies doing business in Belize are required to register as an overseas company in accordance with the Companies Act Chapter 250 of the laws of Belize. The registration of an overseas company, in essence, causes it to enjoy the benefits as if registered locally initially as a Limited Liability Company in Belize. Documents required to register an overseas company:

- A certified copy of the charter, statutes or memorandum and articles of the company or other instrument constituting or defining the constitution of the company, and if the instrument is not written in the English language, a certified translation thereof;
- A list of the directors and secretary of the company containing their particulars such as full name, usual residential address, nationality, business occupation, and if the director is Corporate; the Corporate's name and registered office;
- The names and addresses of some one or more persons resident in Belize authorized to accept on behalf of the company service of process and any notices required to be served on the company, provide for the creation, registration, dissolution and liquidation of companies with limited liability;

Other requirements

- Must have a registered office in Belize;
- Must keep accounting records for 5 years in Belize or designated office;

- Every overseas Company shall, in every calendar year, file with the Registrar such a statement in the form of a balance sheet as would, if it were a company incorporated in Belize and having a share capital, be required under this Act to be included in the annual summary.

4.1.4 Limited Liability Partnership

A Limited Liability Partnership are forms of business entities which permit one partner to be shielded from individual joint liability for partnership obligations created by another partner's or person's misconduct. A partner's liability is not limited, however, when the misconduct took place under the supervision or control of the partner. Only liability arising from the misconduct of other partners or persons is covered by this law; the partnership is not relieved from liability for other partnership obligations and individual partners are liable for their own misconduct. A limited liability partnership may be registered in Belize, where the people who wish to form the partnership with a common view to profit, come to an agreement and understand the following provisions of the Limited Liability Partnership Act:

- Provide for the creation, registration, dissolution and liquidation of companies with limited liability;
- The name of partnership includes the words "Limited Liability Partnership", but the abbreviations "LLP" or "L.L.P." can be replaced in actual use;
- There is no limit to the number of people who can be partners; any person can be a partner - including individuals, corporations or other limited liability partnerships;
- You must have a registered office in Belize;
- Must keep accounting records for 5 years;
- There are no reporting or audit requirements of the accounts;
- Partners can lend money or borrow money from the association.

4.1.5 Incorporation of an International Business Company (IBC)

Incorporation is completed by a licensed Registered Agent and requires filing of the Memorandum and Articles of Association in order to be issued a Certificate of Incorporation.

Benefits of registering an International Business Company under Chapter 270 of the Laws of Belize:

- **Limited Liability**, which means that the capital providers are not subject to losses higher than the amount of initial investment;
- **Transferability of shares**, whereby the rights of the company can be transferred easily from

one investor to another, without the reconstitution of the organization under the law;

- **Juridical Personality**, meaning that the corporation itself as a fictive "person" has legal standing and may thus sue and be sued, may make contract, and may hold property in a common name; and
- **Indefinite Duration**, by which the life of the company may extend beyond the participation of any of its founders.
- **Ease of International Business**, since IBCs are not subject to exchange control provisions for transactions carried on outside of Belize.
- **Confidentiality**, which remains unaffected as filing of registers of directors and shareholders is not required.

5. Audit and accounting

The accounting profession is regulated by the Institute of Chartered Accountants of Belize (ICAB). ICAB is a member of the Institute of Chartered Accountants of the Caribbean (ICAC) who are in turn members of the International Federation of Accountants (IFAC). ICAB requires adopting international standards of accounting and auditing, or may choose to adopt accounting principles generally accepted in the United States of America. Recent changes in laws and regulations, locally and internationally, require accounting records of all businesses to be kept for a minimum of 5 years and be available for inspection by the authorities at its registered office or designated office at all times. Audits are required for certain licensed and regulated companies operating from within or outside Belize and may be required by order of the Belize Tax Services (BTS) formerly known as the Income Tax Department.

6. Labor regime

6.1 Duration of the contract of Work

In Belize, the contract of work can be formal or informal and may be for a definite or indefinite period of time depending on the type of work to be performed. Contracts for work generally include a probationary period of two weeks or more (up to three months) as may be approved by the employer.

Either party may terminate the contract during the probationary period at will without any notice.

An employee's work week by law is not to exceed 6 days or 45 hours per week. In addition, hours worked in excess of 45 hours are considered overtime hours and attract a rate of time and a one half. The minimum wage is BZ\$3.30 per hour effective in 2012 for all types of workers except for highly skilled workers or professionals who can negotiate the salary with the employer.

In general, the laws of the work week seem to be comparable with other countries and the minimum wage shows signs of improvement based on cost of living.

6.2 Compensation for dismissal

Notice period is mandated by law and is determined by the duration of employment. Employees who have worked 2 weeks to 6 months are given one weeks' notice; 6 months to 2 years are given 2 weeks' notice; 2 years to 5 years are given 4 weeks' notice; and 5 years and above are given 8 weeks' notice. In any case of employment, notice pay in accordance with notice period mandated by law is required to be paid for lack of notice.

6.3 Sick leave and vacation

In Belize employees are allowed 16 days of sick leave at the regular rate of pay. To obtain sick leave authorization, an employee must have worked at least 60 days within 12 months. Employees are also entitled 2 weeks annual vacation leave after working for more than 12 months per year. Women who are pregnant are allowed a maximum of 30 days of sick leave that results from the pregnancy.

6.4 Social security charges

The costs of social security contributions are shared between the employer and the employee. The average cost to the employer is approximately 6.2% of salary, while the average cost to employees is a maximum of 2.9% of their remuneration in the form of deduction and excluding income tax. A minimum of fifty contributions are required to qualify for benefits under the scheme. The rates noted below are currently in force for 2020.

TABLE A

Weekly Salary	Employer's Contribution	Employee Contribution	Total paid to Social Security
Below \$70.00	\$3.57	\$0.83	\$4.40
\$70.00-\$109.99	\$5.85	\$1.35	\$7.20
\$110.00-\$139.99	\$8.45	\$1.95	\$10.40
\$140.00-\$179.99	\$9.65	\$3.15	\$12.80
\$180.00-\$219.99	\$11.25	\$4.75	\$16.00
\$220.00-\$259.99	\$12.85	\$6.35	\$19.20
\$260.00-\$299.99	\$14.45	\$7.95	\$22.40
\$300.00-\$339.99	\$16.05	\$9.55	\$25.60
\$340.00-\$379.99	\$19.81	\$12.59	\$32.40
\$380.00-\$419.99	\$21.46	\$14.54	\$36.00
\$420.00-\$459.99	\$23.00	\$16.60	\$39.60
\$460.00 & OVER	\$24.42	\$18.78	\$43.20

6.5 National occupational safety and health regulations.

The new law is in its final stages, promulgation and generally covers the responsibility of the employer in terms of occupational health and safety of its employees.

7. Exchange control

7.1 Foreign investment income

Foreign investment income, which are of a capital nature, earmarked for the purchase of property or to provide commercial loans for more than one-year term, must be registered with the Central Bank of Belize. Foreign currencies transferred to Belize will be converted to Belizean dollars and deposited in a local bank account. Foreign ex-

change earned for the export of goods and services, the Central Bank of Belize acts as the clearing house for such foreign currencies and may authorize certain businesses to hold foreign currency accounts in Belize.

7.2 Outflows of foreign currency

Investors wishing to repatriate their capital can do so, as long as they are in U.S. dollars and with the permission of the Central Bank of Belize. With respect to profits and dividends, it is possible to repatriate those once Income Tax clearance is provided by the Belize Tax Services (BTS) formerly known as the Income Tax Department. The repatriation of investments originating from overseas can be returned to the investor once authorized by

the Central Bank of Belize.

8. Taxation

The tax structure of Belize consists of national and municipal taxes. At the national level, the main taxes are:

8.1 Domestic taxation:

- Income and Business Tax.
- Personal Income Tax.
- Property Tax.
- General Sales Tax.
- Stamp and Transfer Tax.

There are also certain fees and taxes imposed by the municipalities.

8.2 Income and business tax

8.2.1 Business tax

Businesses and self-employed with receipts over BZ \$ 75,000 (US\$37,500) gross income per year must pay the tax on gross sales known as the Business Tax. The rate varies by business classification, as shown by the following table. Business Tax is paid monthly to the Belize Tax Services (BTS) formerly known as the IncomeTax Department.

TABLE B
Business tax rate for companies and self-employed persons (local):

Type of business / activity	Rate % on gross income
Regular trade or business	1.75%
Professional services	6.0%
Commissions and royalties	5.0% & 15.0%
Rental income	3.0%
Income of radio, television, and newspapers companies	0.75%
Income of national airlines	1.75%
Insurance premiums	1.75%
Revenues from telecommunications provider	19.0%
Services for the supply of electricity	1.75%
The income of service stations including fuel/lubricant	0.75% & 1.75%
Casino and gambling	8.0%
Real estate business	1.75% & 15.0%
Tour operators and travel agencies	6.0%
Construction	1.75% & 6%
Local dividend withholding tax	15%
The interest income from financial institutions	6%, 12% & 15%
International financial services	3%
Dividends paid by telecommunications service provider	0%

TABLE C
Withholding Tax rate on foreign payments:

Type of payment	Tax %
Dividends and interest	15.0%
Management fees	25.0%
Rental of plant and equipment	25.0%
Technical services	25.0%
Commissions and royalties	0%

TABLE D
Corporate Tax rate:

Tax Type	Tax %
Tax on net income	0.0%
Tax on net income of petroleum operations	40.0%

TABLE E
Tax rate for IBC's:

Tax Type	Tax %
Tax on net income	0.0%
Net gains	5.0%
Dividends, interest and royalties	5.0%

TABLE F
Tax rate for DPA

Tax Type	Tax %
Tax on net income	0.0%

TABLE G
Tax rate - CARICOM:

Type of payment	Tax %
Dividends	0%
Management fees	15.0%
Interest	15.0%
Royalties	15.0%

Business tax payments made during the year under TABLE B count as credit toward income tax on net income of corporations and IBCs. At the end of the tax year, corporations are given the option to accept the business tax paid as the final tax or can opt to file a corporate tax return to determine whether any tax credits may be due.

8.2.2 Corporate taxation

The Income and Business Tax Act (IBTA) Amendments of December 2019 effectively abolishes corporate income tax for all domestic companies and IBCs and imposes a new business tax of 5% on passive foreign source income including dividends, interest, and royalties and capital gains for IBCs. Despite no corporate income tax, the business tax regime remains in effect for all domestic companies and IBCs including an IBC's receipts that are derived in Belize and those receipts not related to a trade, business, profession, or vocation carried on in Belize (TABLE B). The business tax will not apply to an IBC provided:

- It is a resident of a foreign country and that foreign country is not on the European Union list of non-cooperative jurisdictions for tax purposes,
- Has no Permanent Establishment (PE) in Belize, and
- It files an Annual Declaration of Tax Exemption in the prescribed manner with the Belize Tax Services (BTS) formerly known as the Income Tax Department.

A PE as defined in the IBTA means a fixed place of business through which the business of a person is wholly or partly carried on, and includes:

- (i) a place of management;
- (ii) a branch;
- (iii) an office;
- (iv) a factory;
- (v) a workshop;
- (vi) a mine, an oil or gas, a quarry or any other place of extraction of natural resources;
- (vii) a building site, a construction, assembly or installation project or supervisory activities in connection therewith, if such site, project or activities last more than six months;
- (viii) the furnishing of services, including, consultancy services, by an enterprise through employees or other personnel engaged by the enterprise for such purpose, if activities of that nature continue within the foreign country concerned for a period or periods aggregating more than 183 days in any 12-month period commencing or ending in the fiscal year concerned.

For IBCs that are resident in Belize or who are resident in a foreign country that are on the EU List of non-cooperative jurisdictions for tax purposes and don't have a PE in Belize, business tax at the rate applicable to the type of business in TABLE B will be payable on its worldwide income. Regarding the tax payable on its foreign sourced income, a foreign tax credit is al-

lowable for the income that is taxed outside of Belize. The foreign tax credit will be limited to a cap not to exceed the amount of the business tax payable in Belize on the foreign source income.

For clarity on the foregoing, Section 108A, a section enacted by the amendment of December 2019, specifically provides for the allowance of income or withholding tax credits for the receipts described in the section. More specifically, Section 108A (2)(i), affirms that foreign source receipts which are "attributable to a business conducted outside of Belize having a permanent establishment located in a foreign country", are eligible for the foreign tax credit under Section 108A.

IBCs conducting relevant activities as described in the Economic Substance Act of 2019 are required to have economic substance in Belize with certain exemptions being provided to pure equity holding companies and those IBC's being tax resident outside of Belize.

The IBTA provides that companies must file monthly tax returns and pay the respective taxes. For businesses in the real estate trade, half-yearly returns are required. For IBC's tax resident outside of Belize, annual information returns are required and due by 31 March of the subsequent year.

Capital gains derived in Belize are not subject to income tax or business tax except for foreign capital gains less allowable tax credits for IBC's.

8.2.3 General sales tax

General sales tax (GST) is a tax imposed on the value or the mark-up added to imports and other goods and services supplied by one business to another or to final customers. GST is calculated and charged on transactions in the production and delivery chain but the consumer pays GST only on the final selling price. However, the tax paid on inputs by a registered person is netted off the tax received on the output and only the difference is paid to Government. Where the input tax incurred by a registered person exceeds the output tax (received), the registered person may claim the difference as a credit against future tax liability.

There are some products and services that are exempt from this tax.

The GST percent is 12.5%.

8.2.4 Calculation and collection

Businesses are required to file a monthly tax return in the prescribed form and pay the appropriate taxes by the due date to avoid any penalties and interest.

8.2.5 Stamp duty and transfer tax

Stamp Duty / Transfer Tax is governed by the Stamp Duties Act Chapter 64 of the Laws of Belize. It becomes payable on any transactions involving taxable land. Nationals and Foreign Investors are required to pay 5% and 8% respectively, of the value; however if the value of the land falls below US\$10,000 then the transaction is tax exempt.

Public and private documents including certain transactions require the payment of stamp duty in order for it to be legally effective, including scriptures, promissory notes, and contracts.

8.2.6 Deductions

Some types of payments from Belize to non-residents are subject to withholding tax. (TABLE C). Certain local contract payments in excess of BZ\$3,000 are subject to a 3% contract tax withholding.

8.3 Tax on individuals

8.3.1 Income tax

Income tax is paid at a rate of 25% on the taxable income of all employed persons resident in Belize who earn in excess of BZ\$25,600 (US\$12,800) a year, individuals who earn less are exempt from income tax.

Non-residents are taxed only on earnings received in Belize.

An individual is deemed to be a resident of Belize during a basis tax year if he spent in the aggregate more than one hundred eighty-two days within the country or was domiciled in Belize.

8.3.2 Payment of tax

Employee tax is paid on the pay as you earn (PAYE) system and the estimated tax is withheld and paid monthly to the Belize Tax Services (BTS) formerly known as the Income tax department.

8.4 Other taxes

The Belize Customs Tariff is modelled from the Harmonized Description and Coding System (HS). The rates are based on the Customs Value (Cost, Insurance, Freight - CIF). Import Duties are levied at the point of importation, and is the liability of the importer. The Belize Customs & Excise Depart-

ment is responsible for the collection of import duties. Rates range from 0 to 45% with the majority of commodities attracting a rate of 20%. There are some items that attract a Revenue Replacement Duty (RRD) ranging from 5%- 40% based on the aggregate of the Customs Value and the Import Duties. Under the CARICOM agreement, all imported products entering Belize from a CARICOM member state are exempt from import duties. In order to receive an exemption, importers must produce a CARICOM Certificate of Origin to the Comptroller of Customs. Customs brokerage services are necessary when the commercial value of imported goods exceed Bz\$200.00 (US\$100).

9. Bilateral treaties

Belize has signed bilateral investment treaties with several countries, including: the Caribbean Community CARICOM that includes Antigua and Barbuda, Barbados, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad & Tobago. Please see Table E for list of tax rates within CARICOM region.

As regional group, CARICOM has negotiated and signed several bilateral trade agreements, namely:

1. CARICOM - The Dominican Republic Free Trade Agreement
2. CARICOM - Costa Rica Free Trade Agreement
3. CARICOM - Venezuela Trade and Investment Agreement
4. CARICOM - Colombia Trade Cooperation, Economic and Technical
5. CARICOM - Cuba and the Economic Trade Cooperation Agreement

CARICOM is also pursuing other partnerships, including:

1. CARICOM - MERCOSUR negotiations
2. CARICOM - Canada negotiations
3. CARICOM - USA negotiations
4. CARICOM - Central America negotiations

Other bilateral treaties include: CBI & CARIBCAN, ACP-EU relations, Belize-Guatemala Partial Scope Agreement & Central American Integration System (SICA).

10. Double taxation avoidance agreements

Belize has signed 14 double taxation avoidance treaties, all of which are in full force. Countries that have signed these agreements are members of CARICOM (11) including Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Trinidad and Tabago; Austria (1); Switzerland (1) and UK (1).

11. Tax Information Exchange Agreements

Belize has signed the following Tax Information Exchange Agreements with the following countries:

Statutory Instrument No. 90 of 2010 - Tax Information Exchange Agreement (Belize/Australia) Order, 2010.

Statutory Instrument No. 91 of 2010 - Tax Information Exchange Agreement (Belize/United Kingdom) Order, 2010.

Statutory Instrument No. 92 of 2010 - Tax Information Exchange Agreement (Belize/Belgium) Order, 2010.

Statutory Instrument No. 93 of 2010 - Tax Information Exchange Agreement (Belize/Netherlands) Order, 2010.

Statutory Instrument No. 105 of 2010 - Tax Information Exchange Agreement (Belize/Sweden) Order, 2010.

Statutory Instrument No. 106 of 2010 - Tax Information Exchange Agreement (Belize/Finland) Order, 2010.

Statutory Instrument No. 107 of 2010 - Tax Information Exchange Agreement (Belize/Greenland) Order, 2010.

Statutory Instrument No. 108 of 2010 - Tax Information Exchange Agreement (Belize/Norway) Order, 2010.

Statutory Instrument No. 109 of 2010 - Tax Information Exchange Agreement (Belize/Iceland) Order, 2010.

Statutory Instrument No. 110 of 2010 - Tax Information Exchange Agreement (Belize/Denmark) Order, 2010.

Statutory Instrument No. 111 of 2010 - Tax Information Exchange Agreement (Belize/Faroes) Order, 2010.

Statutory Instrument No. 112 of 2010 - Tax Information Exchange Agreement Belize/Portugal) Order, 2010.

Statutory Instrument No. 113 of 2010 - Tax Information Exchange Agreement (Belize/France) Order, 2010.

Statutory Instrument No. 124 of 2010 - Tax Information Exchange Agreement (Belize/Ireland) Order, 2010.

Statutory Instrument No. 47 of 2012 - Tax Information Exchange Agreement (Belize/Mexico) Order, 2012.

Statutory Instrument No. 61 of 2013 - Tax Information Exchange Agreement (Belize/Poland) Order, 2013.

Statutory Instrument No. 81 of 2013 - Tax Information Exchange Agreement (Belize/India) Order, 2013.

Statutory Instrument No. 43 of 2014 - Tax Information Exchange Agreement (Belize/South Africa) Order, 2014.

Statutory Instrument No. 59 of 2016 - Tax Information Exchange Agreement (Belize/The CZECH Republic) Order, 2016.

Statutory Instrument No. 60 of 2016 - Tax Information Exchange Agreement (Belize/Switzerland) Order, 2016.

On 27 June 2014, Belize signed the Convention of Mutual Administrative Assistance in Tax Matters. Signatories to this convention include the Member States of the Council of Europe and the member countries of the OECD.

Belize is currently categorized by the OECD and EU as internationally tax compliant and on their white list. With regard to Common Reporting Standards (CRS), Belize implementation occurred in 2018.

12. Development incentives and fiscal incentives

12.1 Development incentives

A variety of investment incentives are offered by the Government of Belize (GOB). These allow investors a legal framework for participation in economic activities and were developed to provide grants to support genuine investors, always when their proposals are approved by the GOB. As a general rule, when evaluating investment proposals, the GOB focuses on the economic and social benefits that can be obtained with the investment. Other critical aspects of the proposals are the overall viability of the investment.

Listed below are the incentive programs currently enacted and in effect:

- Fiscal Incentives Program (also known as development concessions).
- Designated Processing Area (DPA).
- Free Zones (FZ).
- Program of the Qualified Retired Persons (QRP).
- Diaspora Returnee Incentive Program (DRIP).
- Gaming Control (Casino & Gaming).

12.2 Fiscal incentives program

The fiscal incentive program was designed to promote the genuine investment in Belize through tax exemptions and tax holidays. The Law provides the current and potential investors with a legal framework and fiscal framework to stimulate productive economic activities. Approved enterprises are eligible for exemption from income and business tax for a period of 5 years from the date of commencement of production. This tax holiday may be renewed for a further period not exceeding 10 years. However, in the case of companies engaged in agriculture, agro-industrial production and mari-culture, where production is purely for export and is highly labour intensive, a maximum tax holiday period of 25 years is possible.

Full duty exemption:

- Duty exemption of up to a maximum of 15 years to companies granted an Approved Enterprise Order.
- Duty exemption may be renewed for a further term of 10 years or a total of 25 years for companies engaged in agriculture, agro-industrial products, mari-culture, food processing and manufacturing with operations centred on export, and that are highly labour intensive.

12.2.1 Categories

Several categories of items may benefit from full or partial relief from Import Duty, depending on the nature of the business.

Examples of categories that may be approved:

- Building materials and supplies.
- Plant, machinery and equipment.
- Specialized tools (except hand tools).
- Utility vehicles and transport.
- Fixtures and fittings.
- Office equipment and appliances.
- Spare parts for plant, machinery and equipment.
- Agricultural machinery and supply.
- Raw materials and other items for the exclusive use of approved enterprise.

12.3 Designated Processing Area (DPA)

The Export Processing Zone Act (EPZ) was repealed on 20th December 2018 and replaced with the Designated Processing Areas (DPA) Act.

The DPA provides for the facilitation of trade and the stimulation of sustainable economic development, productivity, investment, employment and production in accordance with National standards. It aims to boost exports of non-traditional manufactured products and services.

Incentives available to investors who have obtained a certificate of compliance under the Act include:

- A 10-year exemption from customs and excise duties and related taxes, tariffs, consumption tax on imports, trade turnover tax and property and land tax;
- May be allowed benefits on an annual quota for fuel if the fuel is utilised in relation to an approved activity and used for the generation of steam or electricity, or for the operation of a water pump;
- The transit of goods between a DPA enterprise and another approved DPA enterprise shall not be liable for the payment of any tax;

losses incurred during the DPA period may be carried forward to offset against business profits for an indefinite period;

- DPA enterprises are subject to income and business tax (see Table F).

12.4 Commercial Free Zone (CFZ)

Under the Free Zones Act of 2005, a commercial free zone (CFZ) is set up at several locations throughout Belize as approved by the Minister responsible for Free Zones for the purpose of attracting foreign investment. Facilities are available in the zone for carrying on various types of activity, including manufacturing and processing, packaging and warehousing and distribution of goods and services.

Incentives available to CFZ businesses include:

- A 10-year exemption from income tax; thereafter, a 2% business tax rate is applied and a tax credit is given based on the number of Belizean workers employed on a continuous basis;
- Gross receipts tax and any form of value added tax do not apply within a CFZ;
- Dividends paid by a CFZ business are exempt from business tax and income tax for the first 10 years of operations;
- Net losses incurred in the tax holiday period may be carried forward and offset against profits of the 3 years following the tax holiday;
- Goods entering a CFZ for commercial purposes are exempt from import duties, stamp duties and revenue replacement duties; and
- Imports and exports of a CFZ business are exempt from customs duties, excise duty and sales tax.

A “social fee” is levied at a rate of 1.5% on the value of all goods and services imported into a CFZ, except for petroleum products. For imports of petroleum products, the “social fee” is levied at a rate of 10%.

13. International financial services

In 1992, the International Business Companies Act, based on the British Virgin Islands model, was enacted. This was supplemented by the Trusts Act (1992), and followed by the Offshore Banking Act (1996). Key success factors for Belize’s financial sector are a highly literate workforce, stable democracy, flexible investment incentives, fixed exchange rate, and being the only English-speaking country in Central America. Belize has developed a favourable reputation based on investor-friendly legislation for service providers, ethical codes of

conduct, capital gains repatriation, and no restrictions on nationality. Proximity to the United States, Mexican, and Canadian markets, have created the platform on which the country's international financial services industry currently operates.

Belize offers a full array of investment initiatives designed to meet the needs of global investors. Services include:

- International Business Company (IBC).
- International Limited Liability Company (LLC).
- Belize International Trust.
- International Private Foundation.
- Protected Cell Company.
- Mutual Funds.
- International Insurance.
- International Banking.

While the banking sector is regulated by the Central Bank of Belize, the International Financial Services Commission (IFSC) has jurisdiction on all non-banking transactions. The 'Code of Conduct' legislation assures investors that the industry's professional standards and integrity are maintained. The Money Laundering and Terrorism Prevention Act, was implemented as a preventative measure to safeguard institutions and investment entities. Serving as a supplement to this Act, the IFSC regulates all other financial crimes such as internet fraud and other nonbanking transactions.

13.1 International Business Company – IBC

An IBC is a limited liability company incorporated under the International Business Companies Act (IBCA). Effective 1 January 2019, an IBC can carry on business with persons resident in Belize, hold an interest in real property situated in Belize including a lease, and hold shares in locally incorporated companies.

IBCs are subject to income tax and business tax on its income derived in Belize with certain exemptions being afforded to it.

Instruments relating to transfers of property in Belize to an IBC, instruments relating to transactions in respect of shares, debt obligations or other securities of an IBC that is not a pure equity holding company and instruments relating in any way to the assets or activities of an IBC that are situated in Belize are subject to stamp duty.

All IBCs incorporated in Belize, as per the IBC Amendment Act of December 2018 and subsequent amendment in March 2019, and the Economic Substance Act of 2019 are required to have economic substance in Belize with certain exemptions being provided to pure equity holding companies and those IBC's being tax resident outside of Belize. To comply with the Economic Substance Act requirements, an IBC must employ sufficient and adequate personnel to carry out its core income generating activities, have expenditures consistent with the size of the business activities, be controlled and managed from Belize, maintain its premises and facilities in Belize and keep its records in Belize. See Section 8.2.2 Corporate Taxation and TABLE E for more information on taxation and exemptions for IBCs.

13.2 International Limited Liability Company (LLC)

Conceptually, a Limited Liability Company or an LLC is a hybrid between two familiar business structures, namely, a corporation and a partnership. An LLC combines the best of both worlds by offering the advantage of both a corporation and a partnership without the disadvantages of either form.

An LLC, has distinct advantages over both a corporation and a partnership in that it not only avoids multiple level taxation, it also limits the liability of its members to the extent of the contributions made by them to the Company. No member of an LLC has personal liability for the debts of the LLC except where there are personal guarantees or other special arrangements. Moreover, LLC members, unless restricted by agreement, fully participate in the management of the LLC, while limited partners in a limited partnership may not participate in the management of the enterprise without risking the loss of their limited liability status. These LLCs are also not subject to taxation in Belize and elsewhere.

13.3 Belize International Trust

The primary benefit of a Belize trust is that it allows the legal ownership of property to be distinguished and separately vested from the enforceable rights of use and enjoyment of that property. This makes the Belize offshore trust, particularly when established as an exempt trust, an extremely flexible, sophisticated and creative instrument for asset protection, tax, estate and investment planning, and the preservation of confidentiality.

The Belize Trust law, based on the Guernsey Trusts Law of 1989 but with various modifications and innovations, is one of the strongest and most flexible asset protection trust legislation in the world.

Other benefits of the Belize International Trust include:

- No legal requirements to audit Belize trust accounts
- A Belize international trust and its trust property is exempt from income and business tax, estate, inheritance, succession or gift tax and all instruments relating to the trust property or to transaction carried out by the trustee on behalf of the trust shall be exempt from stamp duty.
- Trustees of a Belize international trust shall be regarded as a non-resident of Belize and shall be exempt from exchange control with regard to the trust property and to all transactions carried out by the trustee on behalf of the trust.
- The Belize international trust is extremely flexible and can accommodate numerous asset protection clauses.
- Typically discretionary trusts. Such trusts may also provide for automatic successor trustee and protector provisions.

Property held in trust will not be deemed to constitute part of the Settlers' estate making such property not subject to any forced heirship rules.

13.4 International Private Foundation

A foundation created in Belize is a separate legal entity. In Belize, private foundations can carry out business, market, buy and sell properties, sue and be sued, enter into contracts, open bank accounts and maintain assets under its own name.

The Foundation Act of Belize, enacted in 2010, establishes the principles of offshore foundations in Belize. The principles of offshore foundations in Belize are similar to the legislation of other private foundations. Under this Act, a person or company can create an offshore Foundation charitable, not charitable, ordinary or without purpose.

Foundations in Belize can be founded by one or more persons or by a company with a member of the Council.

14. Merchant Shipping (IMMARBE)

The International Merchant Marine Registry of Belize, commonly known by its acronym of IMMARBE, is now operated fully by the Government of Belize since June 11, 2013. IMMARBE first opened its doors in 1991 as an open Ship Registry with the intention of offering to the ship owners and operators of the world a very serious and efficient shipping registry based on reliable services, competitive prices and high standards of maritime safety. We are governed by the Merchant Ships (Registration) Act, 2010 .

IMMARBE operates daily through the main office located in Belize City known as the Head Office and through a network of 67 Designated Offices. The Designated Office authorized by the Government of Belize is located in the different main ports and shipping centers of the world. It is important to take into consideration that the success of IMMARBE is based in the promotional effort that all the Designated Offices have had to perform. Success can also be attributed to the efficiency and reliability of its Head Office staff that are challenged each and every day to provide excellence in ship registration.

Advantages of registration

- IMMARBE has attained ISO 9001-2008 Certification.
- Attractive and competitive tonnage taxes, fees and incentives.
- A network of Deputy Registrars in major maritime centers.
- Worldwide Network of General Safety Inspectors.
- A well-established legal system and mortgage recording services.
- Professional technical staff offering 24 hours service.
- Belize has a number of memberships in Regional Fisheries Management Organizations such as ICCAT, IOTC, IATTC and WCPFC.

Types of registration

- Provisional registration (6 months).
- Permanent registration (without expiry).
- Special registration (3 months).
- Dual-out registration (Charter out, 1 or 2 years).
- Dual-in registration (Charter in, 1 or 2 years).
- Vessels Under Construction Registration (no validity period).

Ship registration services are provided by a Moore Magaña LLP affiliate - Registry Services (Belize) Limited.





The Plurinational State of Bolivia

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3. Country Profile

The Plurinational State of Bolivia is a landlocked country located in the West Centre of South America, with a population of about 10.5 million inhabitants. It borders on Brazil to the North and East, on Paraguay and Argentina to the South, and on Chile and Peru to the West. The Bolivian territory covers different geographical areas, such as the Andes Mountains, the Andean plateau, the Amazonia, and the Chaco. It is one of the countries with greatest biodiversity in the world.

Politically, Bolivia is a plurinational, decentralized state with autonomous regions. It is divided into 9 departments. Sucre is the Capital, seat of the judicial power, while La Paz is the seat of the executive and legislative powers, and of the electoral



body.

Ancient civilizations like the Tiwanaku developed in the Bolivian territory. The country became independent from the latter in 1825 and has inherited the traditions of the colonial, mixed races, and the pre-Colonial cultures, that gives the quality of multi-ethnic and pluricultural country, rich in the mixture of traditions, and folklore of its people of mixed races, natives, whites descending from Creoles, Afro-Bolivian, and, in a minor scale, European and Asian immigrants.

The Constitution sets forth the division of powers into four government bodies:

Executive Power

It's formed by the President, the Vice-President, and State Ministers.

Legislative Power

The Vice-President of the State heads the Plurinational Legislative Assembly with 36 Senators and 130 Deputies.

Judicial Power

It's formed by the Supreme Court of Justice, Tribunals, Courts, and the Magistrates' Council.

Electoral Body

It's formed by the Supreme Electoral Court, Departmental Tribunals, Electoral Courts, Table Courts, and Electoral Notaries.

Economy

Bolivia has a diversified economy, mainly focused on manufacturing, banking and extraction and export of commodities. It is the fourth largest economy in regional growth, above the Latin American average in 2012. GDP per capita is one of the lowest in Latin America with minimum national wage of 172 dollars per month. The country's official currency is the boliviano (BOB). Even though both the national currency and the dollar are largely accept-

ed nationwide, and for any operation, besides last years there was an important remonetization process as a consequence of public confidence in national currency and economic activity prospects that lead in the expansion of monetary aggregates and international reserves.

The most important economic activities are mining (San Cristobal Project), and the extraction of natural gas (YPFB), both belonging to the primary sector.

Within the secondary sector, Bolivia is renowned for beer, dairy, oleaginous, and textile sales. In the tertiary sector, banking and telecommunication activities are renowned. In addition, pharmaceutical and manufacturing industries, and commercial conglomerates, such as supermarkets, are renowned as well.

In the last years, the average GDP growth was around 4.8%, reaching twin surpluses, fiscal (since 1940), and current account mainly due to increases in tax revenues and public (in 2012 five times greater than 2006) and private investment. The economically active population rate reaches 71.9%, and the unemployment rate is 3.8%, one of the lowest in the region.

Bolivia is one of the countries with greatest microfinance development in the world (2nd position worldwide).

4. Investment

4.1 National Investment Act

Bolivia has a legal framework for private investment, the Investment Act, which purpose is to foster and secure national and foreign investment to promote economic growth and social and economic development.

Investment Incentives

Foreign investors have the same rights, duties, and guarantees as national investors, aside from having property rights, they have guaranteed:

- A freedom of currency exchange system, neither restriction for capital inflow and outflow, nor for the remittance abroad of dividends, interest, and royalties for technology transfer, and/or other business concepts.
- The freedom of production, trade, import and export of goods and services, as well as the free determination of prices.
- Internal taxes and duties repayment, through tax rebate certificates, paid on inputs and capital goods. Incorporated into export goods. Bolivia has a simple tax system with low transfer price regulation.

4.2 Types of Companies

The Bolivian legislation considers the existence of different types of companies, which are:

- Companies.
- Company Transformation.
- Company Fusion.
- Partially Government - Owned Company.
- Foreign Company.
- Shared Risk Agreements (Joint Ventures).

4.2.1 Companies

Companies can be created under different types:

4.2.1.1 General Partnerships

General partnerships are created by public deed. Partners are jointly and unlimitedly liable for partnership obligations; therefore, in case these obligations exceeded the amount of their capital contributions, partners shall be liable to the extent of their personal assets for said obligations.

4.2.1.2 Limited Partnerships

The limited partnership is formed by one or more limited partners that are only liable to the extent of their capital contributions, and by one or more managing or general partners that are jointly and unlimitedly liable for partnership obligations, whether they make capital contributions or not. The administration and representation of the partnership will be in the hands of the general partners, or third parties appointed, and general partnership administration rules will apply.

4.2.1.3 Limited Partnerships with Stock Capital

In the limited partnership with stock capital, managing partners are liable for partnership obligations as in a general partnership. Limited partners limit their liability to the amount subscribed in their shares.

4.2.1.4 Limited Liability Companies

This type of company is formed by two or more "partners" liable for company obligations according to the amount of their capital contributions. It requires a minimum of two, and a maximum of 25 partners. Capital contributions must be paid in full at the time of their legal creation.

4.2.1.5 Corporations

In this type of company, shares represent capital contributions. The shareholders' liability is limited to the amount of shares they had subscribed. The administration of the corporation will be in the hands of a Board of Directors, formed by a minimum of three directors, whether shareholders or not, appointed by the shareholders' meeting. Corporate by – laws can set

forth a greater number of directors, which shall not exceed twelve.

4.2.1.6 Joint Ventures or Partnerships

Joint ventures or partnerships have an agreement where one or more individuals have an interest in one or more certain or temporary operations to be performed through their mutual contributions; said operations will be performed by one, two, three, or up to all partners, as agreed in the joint venture agreement.

This type of association has no legal status, and no corporate name. It is not subject to the requirements that govern the creation of companies, and it does not require its registration with the Registry of commerce. Its existence can be proven by all evidencing means.

The partner(s) in charge of the operations act on their behalf. Third parties acquire rights and undertake obligations only concerning said partners, and they are jointly and unlimitedly liable. Partners who are not in charge of the operation have no direct right against third parties.

With the consent of the other partners, the partner(s) in charge of the operations must make their names known, so that all partners are jointly and unlimitedly liable to third parties.

4.2.2 Company Transformation

A company can be transformed by adopting any other company type foreseen in the Code of Commerce. Transformation shall not dissolve the company, nor will it modify its rights and obligations.

The joint and unlimited liability of the partners, existing under the previous company type, is not modified with transformation, unless the creditors so agree.

4.2.3 Company Fusion

Fusion shall exist when two or more companies are dissolved without liquidation to form a new one, or when another acquires one company or other companies dissolved but unliquidated.

The newly formed company, or the company acquired, shall acquire the rights and undertake the obligations of the companies dissolved at the time of total transfer of their corresponding assets because of the final fusion agreement.

The new company will be created according to the regulations that apply to the newly formed company type. For the case of the acquired company, the articles of organization or by laws

shall be modified pursuant to the regulations in force.

The final fusion agreement will be registered with the Registry of Commerce, and it will be published as set forth in the Code of Commerce.

The managers of the new company, or of the acquired company, will be the representatives of the companies dissolved and acquired, notwithstanding the liabilities corresponding to their mandate.

4.2.4 Partially Government-Owned Company

A partially government-owned company is formed by a public entity (government - dependent), and a private company for the performance or implementation of activities of collective interest, the fostering, or the development of industrial or commercial activities or services. The liability of both parties is limited to the contributions made, and to the responsibilities established at the time of creation of this type of company. The name of partially government-owned companies must compulsorily include the reading "sociedad anónima" (corporation), or its abbreviation, "S.A.", the word "mixta" (partially government-owned), or its abbreviation, "SAM".

4.2.5 Foreign Company

This type of company is formed pursuant to the laws of the place where it is created, that is to say, it is governed by the existing provisions there in as to its type and legal existence. To develop activities in Bolivia, a legal status shall be acknowledged subject to provisions of the Code of Commerce, and other Bolivian laws.

Any company created abroad which main purpose in the country is the commercial or industrial exploitation shall be registered as a local company to the effects of said exploitation, functioning, control, taxing, and liquidation regarding its business in Bolivia, and, in if it were the case, the termination of its legal status.

Any company created abroad can perform casual or isolated activities in the country, but it cannot carry out acts of commerce permanently without the prior compliance with the requirements of Bolivian legislation. To be registered with the Registry of Commerce, and to carry out the usual activities entailed in their company purpose, these companies must:

Upon judicial decree, and at notary public's office appointed for its domicile in the Republic, record the articles of incorporation, its amendments, by - laws, and provisions evidencing

their legal existence in the country of origin, as well as the legal authorization or resolution of the competent administrative body of the company to establish a branch or permanent representation in the country. This shall also apply to the individual(s) representing the company with broad and sufficient powers to perform acts encompassed in the company purpose. These individuals shall be the judicial and extrajudicial representatives of the company for all legal effects.

4.2.6 Shared Risk Agreements (Joint Ventures)

Pursuant to Bolivian legislation, companies created in the country such as government entities and corporations, including autarchic companies and individuals, national or foreign, domiciled or represented in the country, can enter into an agreement through shared risk agreements; they must establish a legal domicile in Bolivia, and comply with other requirements established by national legislation.

5. Audits and Accounting

Company accounting, and, in particular, registration and assessment of the elements of the annual accounts are developed by compulsorily applying the generally accepted accounting principles in Bolivia, approved by the National Technical Association of Auditors and Accountants of Bolivia (CTNAC). In Bolivian the convergence process of IFRS/IAS was propose. Companies that belong to General Regime, compelled to carry out annual audits on their financial statements are those whose income is greater than or equal to BOB 1,200,000, being in this regime are Large Taxpayers (called GRACO) and PRICOS (Main Taxpayers) which by their nature have incomes higher than the minimum described.

6. Labour Regulations

The General Labour Act determines the rights and obligations in general that derive from labour, and according to the type of labour agreement entered into.

6.1 Types of Labour Agreements and Employment Conditions

The Bolivian legislation acknowledges the following types of agreements:

- Individual Labour Agreement.
- Joint Agreement.
- Training Agreement.
- Engagement Agreement.

6.2 Remuneration

Remuneration can be:

- Per journal.
- Per piece rate.

- Onwages.
- Oncommission.
- In kind.
- With participation on the benefits.
- Combined.

Additionally, there are other types of remunerations such as:

- **Annual Bonus:** It is equal to one monthly wage, and it must be paid once a year, up to December 20.
- **Annual Premium:** It is the legal participation in the profits, and it equals to one month wages or salary.
- **Production Bonus:** It is applicable to industrial companies; this is an additional remuneration for productive effort, additional as well, different from the annual premium, and it is aimed at exceeding certain production goal agreed between the company and the union.
- **Seniority Bonus:** These are monthly payments calculated on a percentage basis, and according to a scale. This bonus is in accordance with the Minimum National Wages.

6.3 Labour Benefits

- **Vacations:** After the first year of uninterrupted work, workers are entitled to a vacation term. The duration of said term shall be according to a scale ranging from fifteen to thirty working days.
- **Maternity Leave:** The law establishes the right of the pregnant woman to a maternity leave of 45 days before the birth, and 45 days after the birth.

6.4 Other Labour Aspects

- **Severance Payment for Term of Services:** When the worker was dismissed for any reason not attributed to the worker, the employer must provide a severance payment for the term of services, which shall equal a month's wages for each year of unin interrupted work.
- **Severance Pay:** When the worker was suddenly dismissed due to reasons not attributed to him, the employer shall be compelled to make this severance payment, which shall correspond to three wages or salaries.

6.5 Social Security

Social Security and Retirement Contributions:

All employed or independent workers (freelancers) are compelled to become a member of one of the Retirement Funds Administrators, and to have Compulsory Social Security. Both the employer and the employee must make the payment of the contributions. The rate derived from these contributions is calculated on the total amount earned (for the worker), and on the total sheet (for the company).

WORKER CONTRIBUTION		COMPANY CONTRIBUTION	
Retirement Contribution	10%	Compulsory Social Security	10%
Common Risk Premium	1.71%	Professional Risk Premium	1.71%
AFP Commission	0.5%	Pro-Social Housing	2%
National Joint Fund	0.5%	Joint Social Security Contribution	3%
TOTAL 12.71%		TOTAL 16.71%	

There are also special contributions for individuals with salaries equal to or above BOB 13,000, to be paid according to the following cumulative scale:

National Joint Contribution (for salaries above Bs. 13,000)	
> Bs. 13.000	(Total earned - 13000 * 1%)
> Bs. 25.000	(Total earned - 25000 * 5%)
> Bs. 35.000	(Total earned - 35000 * 10%)



Contributions must be paid monthly, both to the AFP (Retirement Funds Administrators), and to the corresponding Social Security chosen by the company, pursuant to the following rates:

- **Family Allowance:** Pregnant working women, or workers whose wives are pregnant, are entitled to Maternity, Lactation, and Birth allowances. The first two allowances consist in a payment in kind, equal to the Minimum National Wage, and the third one is a single payment, equal to the Minimum National Wage for the birth of each child.
- **Burial Allowance:** It consists in a single payment equal to the Minimum National Wages for the death of each minor child under 19 years of age.

6.6 Foreign Workers

The Bolivian legislation establishes that the number of foreign workers must not exceed 15% of the total number, and that it will correspond to technicians only, since it is mandatory to have Bolivian nationality to be a Director, Administrator, Advisor, or Representative in state entities and private companies where the activity is directly related to the interests of the State.

7. Currency Inflow and Outflow Controls

All companies or individuals must declare currency inflows and outflows with due anticipation to the operation date on the Central Bank website by filling in the "Foreign Currency Cash Inflow or Outflow Affidavit for Sums between 50,000 and 500,000 Dollars" form.

Once the form is filled in, the BCB (Central Bank of Bolivia) will immediately proceed to authorize the operation, and a unique number and code will be generated for said operation. Interested parties shall print two copies of the form to file it before the customs authority at the moment of performing the operation. All sums above 500,000 dollars must be authorized by the Treasury Department.

This provision applies only to operations in foreign currency cash. E-transfers (bank transfers) are not encompassed within the scope of the Decree that regulates this provision.

8. Tax System

The Bolivian tax structure is formed by taxes, rates, and contributions that can be national, or municipal.

8.1 National Taxes

8.1.1 Value Added Tax

The Value Added Tax is a tax on:

- The sale of goods located or placed within the territory of the country.

- Contracts for works, rendering of services, and any other type of rendering, whichever its nature, performed within the national territory.
- Final imports.

Interest generated on financial operations will not be encompassed in the purpose of this tax. Said operations shall include credits granted or deposits received by financial entities. Likewise, the sales or transferences derived from company reorganizations or capital contributions are not included in the purpose of this tax.

The proportional rate of this tax shall be 13%, monthly payable. The calculations are obtained by adding all the income taxed (which generate a tax debit), and deducting the costs or expenses (tax credit). When the difference was in favour of the tax authority, the sum shall be paid in the terms established. If, on the contrary, the difference was in favour of the taxpayer, the VAT in favour of the tax authority corresponding to previous tax periods can compensate this sum, together with the assessment update.

Tax exemptions shall include the following:

- Goods imported by members of the diplomatic body accredited in the country, or individuals and entities or institutions having said status according to the provisions in force, international agreements, or reciprocal treaties with certain countries.
- Goods entered "bona fide", and travelers arriving in the country as set forth in the custom duties.
- Book sales domestically produced and imported, and official publications of public institutions.

8.1.2 Value Added Tax Complementary System (RC-IVA)

This is a tax on all income belonging to individuals or undivided inheritance, derived from capital investment, work, or the joint application of both factors. Interest generated by term deposits in the financial system is exempted when they were in national currency, and for terms greater than 30 days, as well as those in foreign currency, or national currency with a value equal to the U.S. dollar for a term of three years or greater, and the yields of other debt securities issued for a term equal to or greater than three years.

The proportional rate of this tax shall be 13%, monthly payable. Taxpayers will be able to consider the rate corresponding to the purchase of goods and services, work agreements, or any other kind of services or con-

sumables as paid because the tax determined by the application of said proportional rate.

It is important to take into account the jurisdictional basis of this tax, since the total amount of income derived from Bolivian sources is subject to it. In general, income from Bolivian sources shall include those deriving from goods located, placed, or economically used within the country, the performance of activities within the national territory when capable of producing income, or events taking place within the limits thereof, without prejudice to the nationality, domicile or residence of the owner or parties taking part in the operations, or of the place where the agreements are celebrated.

8.1.3 Company Profits Tax (IUE)

This is a tax on the profits resulting from the financial statements of the companies at the end of each financial year. All companies, public and private, are taxed, including: corporations, limited partnerships with stock capital, general partnerships, cooperatives, limited liability companies, limited partnerships, de facto business associations, sole-proprietorships subject to regulations, branches, agencies or permanent companies formed or domiciled abroad, or any other type of company.

The following are also included in this tax system:

- Companies formed or to be formed within the national territory that extracts, produce, benefit from, reform, fund, and/or trade minerals and/or metals.
- Companies which purpose is the exploration, exploitation, refining, industrialization, transport, and trade of hydrocarbons.
- Companies which purpose is the generation, transmission, and distribution of electrical power.

Individuals who are not compelled to keep accounting records that allow for the creation of financial statements must file an annual tax return as of December 31 of each year, where they will include the total amount of their annual income taxed, and the expenses necessary for obtaining said income, and maintaining their originating source. Incomes derived from company reorganization processes will not be taxed.

The proportional rate of this tax shall be 25%, annually payable. The net taxable profit shall result from deducting the necessary expenses from the gross profits for the procurement and preservation of the source, including compulsory contributions to regulatory/supervising entities, allowances for social security, and national

and municipal taxes.

When, for one year, a company suffered losses of Bolivian sources, that loss can be deducted from taxed profits to be obtained in the years immediately following. The following shall be exempted from this tax:

- Activities of the National State, Departmental Prefectures, Municipalities, Public Universities, and entities or institutions belonging there to.
- Profits obtained by civil associations, foundations, or non-profit organizations legally authorized having signed agreements, and developing the following activities: religious, charity, humanitarian, cultural, scientific, ecological, artistic, literary, sportive, political, and unions.
- Interest in favour of international credit entities, and foreign official entities which agreement had been approved by the National Congress.

Also, there are achieved by an additional rate of 12.5% those activities of non-renewable natural resources when generating favorable conditions for minerals and metals, applied to the established annual net income when prices are above those required by law.

On the other hand, the additional tax rate for the financial sector IUE (AA-IUE), 12.5% tax additional utilities of financial institutions and non-bank (except those of 2nd Floor), when their benefits exceed 13% of the coefficient of return on equity.

8.1.4 Company Profits Tax Foreign Beneficiaries (IUE-BE)

When tax is paid on income derived from foreign Bolivian sources, it will be assumed that the net taxed profits shall equal 50% of the total amount paid or remitted, without accepting proof to the contrary.

In this way, those paying or remitting said sums to beneficiaries abroad must retain a 25% rate on the assumed net taxed profit as a single and final payment.

8.1.5 Operations Tax (IT)

All individuals involved in commerce, industries, professions, trades, businesses, leasing of assets, works, and services, or any other profitable activity, shall be taxed. All acts on Gratuitous Title that entail the transfer of ownership of property, real estate, and interest shall also be included in the purpose of this tax. The tax is determined based on the gross income accrued during the tax term for the financial year of the activity taxed.

The proportional rate shall be 3%, monthly payable; the following shall be exempted from this tax:

- Personal work performed by an employee with a fixed or variable remuneration.
- Exports.
- Interest on deposits in savings accounts, term current accounts, and any income derived from security investments.
- Private educational entities.
- Services rendered by diplomatic representations in foreign countries, and international organizations accredited by the State.
- The trading of Securities, and the purchase and sale of units of interest, in the case of Limited Liability Companies.

8.1.6 Specific Consumption Tax (ICE)

This is a tax on the sale of certain products, such as cigarettes, tobacco, beverages, beer, corn drink, and alcoholic beverages, aside from the imports of these products, and motor vehicles. ICE only affects whole sale, and it is not applied again for retail sale.

The rate for this tax is determined annually. Cigarettes are taxed according to percentage rates on their price while beverages and alcoholic beverages are taxed according to specific rates for measurement units. Vehicles foreseen for the transport of 10-18 passengers, and vehicles having a chassis fitted with a cabin shall be taxed by a 10% proportional rate on the taxable basis. Vehicles for the transport of more than 18 passengers, and with high tonnage, as well as motor bicycles, shall have an 18% rate taxed on the taxable basis.

Vehicles built and equipped for health and security services, such as ambulances, safety cars, fire fighting vehicles, and tanker trucks are exempted.

8.1.7 Gratuitous Property Transfer Tax (TGB)

This is a tax on succession by inheritance, and legal acts by which the ownership of recordable property is transferred by gratuitous title. Public entities are exempted from this payment, as well as associations, foundations, or non-profit organizations legally authorized, such as religious, charity, humanitarian, welfare services, education and training, cultural, scientific, artistic, literary, sportive, political, and professional organizations, or unions. Proportional rates are established according to the blood relationship degree:

- Ascendant, descendant, and spouse, 1%.
- Siblings and descendants, 10%.
- Other collateral relatives, legatees, and gratui-

tous donors, 20%.

8.1.8 Tax on Flights Abroad (ISAE)

This tax affects all Bolivians and residing foreign every time they leave Bolivia by air. Holders of diplomatic passports and children under 2 years old are exempted from payment. The ISAE proportional rate is BOB 254 (this amount is updated on the January 1st each year by the Tax Authority, according to the U.S. dollar variation).

8.1.9 Special Tax on Hydrocarbons, and Derivatives (IEHD)

This is a tax on the import and trade of hydrocarbons and its derivatives in the internal market. The proportional rate of this tax shall be in accordance with the specific rates per unit of measurement, as determined by the National Agency of Hydrocarbons, which is annually updated to the variation of the Housing Promotion Unit (UFV).

8.1.10 Mining Royalties (RM)

This tax applies to each operation for the sale or export of minerals and metals, and any one performing exploration, exploitation, benefiting from, trading, and performing mineral and/or metal funding activities are subject to this tax, which is paid now of selling or exporting.

The manufacturing of minerals and metals, that is to say, those involved in transforming them into parts or capital goods, shall be exempted from RM. RM is not considered an additional tax to the Company Profits Tax (IUE), since, at the end of the administration, the consolidated annual IUE and the RM are compared, and only the larger of these two taxes will be paid.

The RM proportional rate for metals such as gold, silver, zinc, lead, and tin is determined according to an established percentage scale. For the remaining minerals, the rate is determined by the international prices of the minerals or metals; so, it varies according to this fluctuation. This tax is consolidated at the end of each financial year.

8.1.11 Financial Operations Tax

This is a tax on the following operations:

- Credits and debits in current accounts.
- Payments, and fund transfers.
- Issuance of management's checks, traveler's checks, and other similar financial instruments existing or to be created.
- Issuance of management's checks, traveler's checks, and other similar financial instruments existing or to be created.
- Money transfers or money wiring abroad or within the country.

- Delivery or reception of funds owned or belonging to third parties.

The proportional rate of the tax is 0.15%, applicable to sums above USD 2,000. Operations for savings accounts in national currency, or with value maintained, are exempted from this tax.

8.1.12 Direct Tax on Hydrocarbons (IDH)

The IDH applies throughout the country, to the production of hydrocarbons from the wellhead, measured and paid as royalties (18%) according to current regulations.

The tax base is equal to the royalties and participations that applies to volumes or energy of the hydrocarbons produced. The rate is 32% non-progressive on total hydrocarbons measured at the point of control.

8.1.13 Tax Game (IJ)

This tax is levied on gambling, lotteries and business promotions throughout the national territory, not being achieved in their entirety those who are destined for charitable goals or assistance.

The rate is 30% for gambling and lotteries, and 10% for business promotions.

8.1.14 Tax participation in games (IPJ)

The IPJ tax participation in gambling and lotteries in all of Bolivia territory, with a rate of 15% levied on the taxable people involved in that activity.

8.1.15 Tax on the sale of foreign currency (IVME)

This tax reached total sales of foreign currency by the financial intermediaries (banks, non-bank and money exchange). The IVME is not deductible to IUE, and is monthly payable.

Exemptions from this tax are the ones done by the Central Bank of Bolivia (BCB) and sale of foreign currency by taxpayers at BCB.

The tax rate is 0.7% in case of banks and non-banks and 0.35% for the money exchange houses.

8.2 Municipal Taxes

8.2.1 Real Property and Motor Vehicles Tax (IPBI, IPVA)

Owners of real estate and/or motor vehicles pay this tax. The percentage to be paid varies according to the characteristics and value of the property, which is obtained, based on zoning tables, tax scale, and depreciation. That is to say, the basis of the calculations for this tax is

the tax assessment established by each municipality, in the case of real estate, and values declared at customs, for motor vehicles.

8.2.2 Real Estate and Motor Vehicles Transfers Municipal Tax (IMT)

This is a tax on casual transfers of real property and/or motor vehicles. A 3% rate is applied on the greatest amount between the value of the property, and the value in the records.

8.3 Customs Duties

Except as set forth in the international agreements in force, the import, export, customs transit and storage of goods, and other customs operations shall be subject to the General Customs Act, and its regulations, aside from other complementary provisions.

The Generating Fact for customs duties is the entry of foreign goods, or the outflow of goods from the customs jurisdiction under the control of customs authorities. The taxable basis of customs duties is the customs value of the good imported. The taxable basis on which the customs duties are paid shall be formed by the transaction value of the goods, which is determined by the assessment methods established in a scale, plus the loading and unloading expenses, transport cost, and insurance to the border customs, which operate as customs for entering the country. The Consolidated Customs Duty (GAC) to be paid shall be: 10% for general goods and 5% for those listed as capital goods. However, in case of an existing commercial agreement signed by Bolivia, the GAC to be paid will depend on the tax exemption of the property in question. When transported by air, the cost of the air freight shall be twenty-five per cent (25%) of the sum duly paid for this concept for the determination of the Customs CIF value.

When there is no commercial documentation evidencing the transport cost, it shall be assumed that it equals 5% of the FOB value of the goods. When the transport operation is carried out without insurance, the premium shall be assumed to be 2% of the FOB value of the goods. The national insurance policy shall only be accepted when irrefutably obtained before the shipping of the goods in the country of origin.

For vehicles entering the country by their own means of transport, or luggage of the traveler's regime, in order to determine the taxable basis, the transport cost shall be two per cent (2%) of the FOB value. To pay the Added Value Tax, and to apply the percentage of the proportional rate of the Specific Consumption Tax, in the case of imports, the taxable basis shall be formed by the border customs CIF value, plus the Customs Duty duly paid, and other non-invoiced expenditures

necessary for customs clearance.

As a general rule, the term for the payment of customs duties shall be three (3) days to be counted from the working day following the acceptance of the declaration of goods by the customs administration. The same term shall apply for the payment of obligations derived from the liquidation carried out by the customs administration, and it will be counted from the time the notification with the liquidation is given. The National Customs shall be able to grant an extension to this term with general scope for exceptional cases.

8.4 Transfer Pricing

As part of the new transfer pricing regime established by Law No. 549 of July 21, 2014 and Supreme Decree 2227, the Tax Administration of Bolivia has issued on April 30, 2015 Normative Resolution No. 10-0008- 15.

Companies linked to other national or foreign, must carry out its operations as economic and as would have been made between independent reality. Otherwise the Tax Administration has the power to make adjustments and / or corresponding revaluation.

Formal obligations shall take effect from September 2015 and for each taxpayer is determined in accordance with the materiality of the amount of transactions with related accumulated in a year, applying the following scale:

Greater than or equal to 15,000,000 Bolivianos (BOB)	Electronic Form 601 Affidavit must submit Informative and Study of Transfer Pricing (EPT)
Equal to or greater 7,500,000 Bolivianos (BOB)	Electronic Form 601 Affidavit must submit Informative Operations with Related Parties.
Less than Bs. 7,500,000 Bolivianos (BOB)	They must keep records to show that related party transactions were made at market prices, or that the necessary adjustments were made.

Both the Study of Transfer Pricing, as the Sworn Declaration Form 601 must be submitted by the deadline for filing the Tax Return and payment of tax on Company Profits (IUE).

The EFA must be made in physical and digital format, sent via the website of the National Tax Service of Bolivia. The same shall be prepared in Spanish language, expressed in Bolivianos, and it must be signed by the legal representative of the taxpayer.

It must contain at least the following information:

- Index.
- Executive Summary.
- Functional analysis.
- Economic analysis.
- Conclusión.

The methods accepted by the Tax Administration will be welcomed by the OECD (Method Comparable uncontrolled price, resale price, the cost added, the Profit Distribution and Transactional Net Margin), together with either the Notorious Price Transaction in transparent markets

In the event that the price or value of transactions between related is outside of comparable rank, and as a result has been diminished taxable IUE, the adjustment will be determined at a value equivalent to at least sample plus average value of the same.

Penalties for not filing EPT F.601 or presentations later, buggy or incomplete information is punishable with fines ranging from 50% to 100% of the maximum penalty provided in Art. 162 of Law N° 2492 of the Tax Code.

9. International Treaties

9.1 Bilateral Investment Agreement

Bolivia has entered into international agreements with the following countries: Argentina, Great Britain, France, Sweden, Spain, and Germany.

9.2 Agreements to Avoid Double-Taxation

The countries of the Andean Community have signed Decision 578: a regime to avoid double taxation, and to prevent tax evasion. The criterion applied is the tax exemption for the country where the taxable income is pretended to be consolidated; that is to say, the income is taxed by source-based taxation regime.



Federative Republic of Brazil

1. Identification of the Firm contact

Moore performs its activities in more than 12 Brazilian cities. Contact data of each of them please see on site: <https://www.moorebrasil.com.br/>

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3. Country profile

3.1 Territory

Brazil is the fifth largest country in the world, with a total area of 8.5 million square meters, covering about half of South America. The country is divided into five regions.

According to data collected by the Brazilian Institute of Geography and Statistics (IBGE) the Brazilian population is estimated at 206.081.432 people (last Census held in the country in 2016). The state of São Paulo is the most populous state with 44.749.699 inhabitants, followed by the states of Minas Gerais (20.997.560) and Rio de Janeiro (16.635.996). The less populous Brazilian state is Roraima which has 514.229 inhabitants.

3.2 Language

Portuguese, the official language in Brazil, was introduced in Brazil with the Portuguese colonization. Currently it is the eighth most-widely spoken language in the world.

3.3 Political System

Brazil is a Presidential Federative Republic, formed by the Union, states, the Federal District and municipalities, in which the exercise of the Power is assigned to different and independent governmental entities, submitted to a control system to guarantee compliance with the laws and the Constitution.

Brazil is a Republic because the Brazilians elect the Head of State for a certain period. It is Presidential because the president of the Republic is the Head of State and Head of the Government. It



is federative because the states have home rule.

The Union is divided into three powers, all independent and harmonic among them: the Legislative, that works out the laws; the Executive, that acts in the execution of programs or performing public services; and the Judiciary, that solves conflicts among citizens, entities and the state.

Brazil has a multiparty political system, in other words, one that admits the legal formation of several parties. The political party is a spontaneous association of people that share the same ideas, interests, objectives, and political doctrines, trying to influence and be part of the political power.

4. Types of companies

4.1 Simple company

A company is considered simple when its social object results from intellectual profession, of a scientific, literary, or artistic nature.

This company has a contractual nature, not being characterized as business company. The private assets of the partners may be executed for debts of the company, but only after the social assets have been executed, if these are not sufficient to pay the debts. In this case, the partners respond with their social equity at the proportion of their shares in social losses, except if on the social contract there is a clause stipulating the supportive responsibility.

To change the articles of association, voting and unanimity are necessary when the contract determines a different quorum.

4.2 General partnership

In a general partnership the partners jointly and severally respond for the supportive obligations in an unlimited form. This means that the creditors may demand what is due to them by any of the

partners, who may respond using their personal equity. In spite of that, as the contract may establish that the partners are the managers, the same contract may establish the responsibility of each partner.

4.3 Limited partnership

The limited partnership is formed by partners of two categories: the general partners, individuals, having supportive and unlimited responsibility for the social obligations; and the limited partners, obliged only for the value of their stake.

The limited partnerships are additionally ruled by the norms of the general partnership, so that the general partners have the same rights and obligations.

Even if not having affected his right to participate in the deliberations of the company and inspect its operations, the limited partner is entitled neither to practice any management action nor have the name of the social firm, on condition to be subject to the responsibilities of the general partner.

In this case, the contract has to discriminate the general partners and the limited partners.

4.4 Brazilian limited liability company

In this company, the responsibility of each partner is restricted to the value of its shares, but all respond supportively for the subscription of the capital stock.

This type of company will have a consolidated basis in just one legal diploma, as the existing company called company of shares of limited responsibility, had its legal basis fixed by the Decree N° 3.708/1919, revoked, and additionally by the Law of Business Corporations (Law N° 6.404/1976). The subsidiary application of the law of joint stock companies continues being possible, as long as there is an express provision on the articles of the association.

4.5 Share companies

There are two types of share companies: the joint stock company and the limited partnership with share capital.

4.5.1 Joint stock company

In a joint stock company, the capital is divided into shares, each partner or shareholder being responsible only for the issue price for the shares that he subscribes or purchases. The joint stock company is ruled by a special law (Law n° 6.404/1976 and further legal determinations), and on the omitted cases will be applied the legal determinations of the New Civil Code (articles 1.088 and 1.089).

4.5.2 Limited partnership with share capital

This company has the capital divided in shares, being ruled by norms referring to the joint stock company. However, in this type of company only the shareholder has the right to manage the company and, as director, responds in a subsidiary and unlimited way for the obligations of the company (articles 1.090 to 1.092 of the New Civil Code).

4.6 Cooperative company

It is a simple company, ruled by the Law 5.764/1971; it must be registered in the Commercial Registry. It is characterized by: variability or exemption from capital stock; a minimum number of partners is necessary to the composition of the board. However, there is no restriction on maximum number of members; limitation of the share of capital stock for each partner; capital shares are not supposed to be transferred to third parties unknown to the cooperative members, even as heritage; quorum of installation and deliberation of the assembly of the cooperative members, established according to the number of partners present to the social meeting and not based on the represented capital; each cooperative member is entitled to one vote only; distribution of the result in a direct proportion to the value of the operations effected by the cooperative partner with the company; the reserve fund cannot be divided among the partners, even in the case of dissolution of the company responsibility of the partners in a limited or unlimited way regarding the debts.

4.7 Individual Entrepreneur

The individual entrepreneur (formerly called individual firm) is just a person performing in his name a business activity.

It is a company with only one person as holder who subscribes his own assets to run his business; in other words, here the separation of the assets is not in force.

4.8 Individual limited liability enterprise (“EIRELI”)

Since January 9, 2012, an individual limited liability enterprise can be formed, after publication of the Law 12.441/2011.

A “EIRELI” shall be formed by a single person who owns all of its capital, duly paid, amounting to not less than a 100 times the highest minimum salary in force in Brazil. The corporate name shall be composed of the expression “EIRELI” following the name of the individual limited liability company. Any natural person who forms an individual limited liability company can be part of only one company of this type.

5. Labor system – Consolidation of Labor Laws (CLT)

The Consolidation of the Labor Laws (CLT) combined to the Federal Constitution of 1988 are the main diplomas that rule the labor laws in the country. It follows a summary of the main points the legislation deals with:

5.1 Terms for registration/ recruitment

The employees have the right to own a Labor and Social Insurance Book (CTPS). This document is signed by the employer and contains information, as performed position, remuneration, and working day, forming the summary of the qualifications that are part of the working contract signed by the parties. Special employment terms or special contracts also must be mentioned in that Book. The recruitment of foreign employees is guaranteed as long as their international identity card (RNE) (issued by Brazilian authorities) is shown. Beyond the signature of the CTPS, it is necessary the employer keeps an updated registration of all employees on the Registration Book of the Company. Every year the Ministry of Labor must be informed about the total number of employees working for the company, specifying the number of foreigners and minors.

5.2 Labor conditions

The labor legislation assures the right to a decent and healthy labor environment. In order to assure the comfort and convenience of the workers, adequate meal facilities or meal tickets must be supplied at the place, in companies with more than 300 employees.

For companies engaged in potentially dangerous and/or unhealthy activities, before they start operations there must be a previous inspection by the Ministry of Labor approving the offered working conditions.

5.3 Labor time

The Brazilian worker uses to work eight hours a day and the standard week is of forty hours. The workers are entitled to have a weekly rest time of 24 consecutive hours and regular intervals for the meals. Specific professional categories are subject to different working hours.

5.4 Transfer of employees

The legislation allows only one geographic transfer of the employee whose need has to be proved by the company. The temporary transfers require the paying of additional salary not less than 25% and the travel expenses have to be paid by the employer.

5.5 Experience period

The employees can be admitted for an experience period not exceeding 45 days, not extendable but

once for a further 45 days, totaling 90 days at the most. During the experience period, the so-called experience contract between employer and employee will be in force. At the end of that time, if the labor link is not ended, the contract becomes definitive.

5.6 End of the job

The dismissal without a fair reason requires from the employer the payment of a fine equivalent to 50% of the value deposited on the account of the Guarantee Fund of Working Time (FGTS) of the employee. The employer will receive 40% of this value and the other 10% go to the government. If the employee has been dismissed for a fair reason, the employer is not supposed to pay a fine. If the dismissal occurs during the experience period time, these fines do not apply.

5.7 Litigation

The rigidity of the labor legislation should be considered seriously, as compared to the norms of other countries. The labor litigation culture and the absence of flexibility of the norms ruling the labor contracts are factors to be observed as the labor claims may represent expenses for the companies involved.

The Brazilian labor legislation allows entering the court up to a maximum of 2 years from the end of the labor contract, and the employee can plead the payment of sums referring to the last five worked years.

5.8 Remuneration

The remuneration is periodical and the general rule says it to be paid monthly in national currency. The salary is to be paid 13 times during the year, in view of the 13th salary, awarded to the employees at the end of every calendar year.

5.9 Associated benefits

Associated benefits are those that are not part of the remunerated salary and usually are related to tax incentive programs promoted by the Federal Government, that grants law benefits to the companies that pay meals, transport and/or education for their workers.

The big companies also offer pension plans and policies of life insurance, these being considered associated benefits as well, due to its no-salary nature.

5.10 Additional salary

The legislation established the possibilities in which additional values are due to the remuneration salary of the worker. The payment of any additional is linked to the intensification of the physical and mental stress to which the employee is submitted in the situation in which the additional is

due, as follows:

- Extra hours: it is the additional due to the work exceeding the working day of 8 hours. The value of the additional must be at least 50% more than the value of the regular worked hour, although higher percentages may be established thru agreements and collective conventions between workers and employers.
- Night additional: is due to the work performed in the night period, and remuneration has to be at least 25% higher than the normal worked hour during the day.
- Dangerous additional: is due to the workers submitted to activities considered dangerous by the legislation, and in this case it is not supposed to be less than 35% of the salary of the employee.
- Unhealthy additional: is due to the workers submitted to working conditions considered unhealthy by the legislation, and it can vary from 10 to 40% of the salary of the employee, in view of the risk of a potential damage to the health or to the well being of the employee.

5.11 Minimum salary

Minimum salary is the monthly minimum payment established by law to be paid to the worker. No remuneration under the minimum salary is allowed. The minimum salary is R\$ 954,00 in force in 2018, but variations may be established by categories or geographical regions.

5.12 Deductions and reductions

In view of the labor rights be so inflexible in Brazil, it is not possible to the employer to effect any deductions from the compensations paid or credited to the employees, except to the commissioned functions or deductions prescribed by law or collective agreements, such as tax withholding, social and labor unions.

5.13 Equality of opportunities

The Brazilian criminal legislation considers the discrimination as a crime, including the working environment. The labor laws consider that every kind of work of the same function must be remunerated equally, independently of the nationality, age, sex, or marital status of the worker.

The Federal Government promotes many programs of directed action for the integration in the labor market for disabled, former prisoners and apprentices, among others.

However, differences in working times can be considered on the calculations to justify different salary levels. Companies having career plans can afford differences in salary levels, according to the merit or maturity; however, any career plans must be registered at the Ministry of Labor.

5.14 Labor rights

5.14.1 Holidays

The employees have the right to remunerated holidays up to thirty days for every period of 12 worked months, as well as receiving a holiday bonus equivalent to 1/3 of the monthly salary of the worker. The legislation establishes the possibility for the employer to purchase up to 10 days of the holidays of the worker, as long as the worker agrees with it.

5.14.2 Thirteenth-month salary (Christmas bonus)

The worker has the right to receive the Christmas bonus corresponding to the 13th-month salary, equivalent to 1/3 of the salary received on the month of December for every month worked during the civil year. This bonus must be included on the calculation basis of the social or social insurance taxes. The legislation establishes the possibility of paying the bonus in two separated parcels during the calendar year.

5.14.3 Family aid

For every child under 14 years of age or dependents, the worker has assured a supplementary monthly benefit for each dependent, variable according to the salary received. This supplement will not be considered on the calculation of the social insurance and other due taxes.

5.14.4 Profit distribution

The companies may establish conditions for the distribution of profits and results obtained among the workers. Although initially there is no obligation for the employer to do that, once the benefit has been granted, it is submitted to the legal current rules, according to the formalities considered on the Law 10.101/2000. As long as the provided conditions by the legislation are fulfilled, the company considers the payments as deductible expenses.

5.14.5 Previous notice

The termination of the labor contract is optional both for the employee and for the employer, as long as informed 30 days before (previous notice). If one of the parties interrupts the labor contract without observing the previous notice, the 30 days will have to be compensated by the other party, as they would have been worked.

Should termination occur by common consent, the previous notice, if indemnified, will be cut to half, i.e., only 15 days.

5.14.6 General considerations

As it was pointed out previously, the Federal Constitution and the Consolidation of the Labor Laws are the main diplomas that rule the labor right in the country, however, other norms can be established thru federal laws and agreements and collective working conventions of professional categories. We do not include these details in this publication, but the considerations made here are those causing more impact on the day-to-day routine of the company.

5.15 Tax on salaries

5.15.1 Fund of Guarantee for Worked Time (“FGTS”)

The company has to pay monthly the equivalent to 8% of the total salary of every worker to the FGTS, depositing this amount on a proper account of a government bank in name of the worker.

The use of that Fund is made available to the employee under special conditions, such as the retirement, dismissal without fair reason, purchase of the home owning house and severe disease.

For employment contracts signed in accordance with Law 11.180/05 (Apprenticeship Contract), this percentage is reduced to 2%. In the case of domestic worker, the deposit corresponds to 11.2%, of which 8% is made on a monthly basis and 3.2% as an advance on termination payment.

5.15.2 National Institute of Social Insurance (INSS)

5.15.2.1 Contribution of the employer

The contributions for the social insurance have to be paid monthly by the company to the INSS, at a rate of 20% charged on the gross salaries of the employees and adding minority charges (insurance of the compensation of the worker, educational contribution and contributions for other governmental institutions, as “S” system, Senac, Sesc, Senai and Sebrae).

Payments to individual or honorary employees without a job link are also subject to the payment to INSS at a rate of 20%.

As from 2012, with the enforcement of Law 12.546/11, some economic sectors began to benefit from the “payroll exemption”, which consists of a change from a 20% payroll tax rate to one varying between 1% and 2% on gross revenues (except export revenues)

earned by companies. Below, some of the sectors benefiting from this exemption (not a complete list):

Sectors	Tax rate
Textile	1,5%
Apparel	1,5%
Leather and footwear	1,5%
Plastic	1,0%
Electric material	1,0%
Capital goods – Mechanic	1,0%
Bus	1,5%
Auto parts	1,0%
Naval	1,5%
Air	1,5% to 2,5%
Furniture	2,5%
IT	4,5%
Hotels	4,5%
Call Centers	3,0%

5.15.2.2 Contribution of the employee

The contribution of the employee is subject to a minimum tax, collected monthly by the employer, based on a specific progressive table varying from 8% to 11% according to the salary level of the worker.

The company is responsible for charging and therefore it must keep the percentage due from the workers.

The contributions have to be paid monthly to the respective agencies of the government. The delay in the payment of the contributions to the social insurance causes the banning of the distribution of bonus, dividends to the shareholders or distribution of the sharing of profits to partners, shareholders, or directors. Besides, companies are also prevented to make contracts with the government, among other penalties.

5.16 Domestic Workers

The PEC (Proposed Constitutional Amendment), 478/10, also known as “PEC das Domésticas”, enacted on April 2, 2013 as Constitutional Amendment no. 72 has expanded the rights of domestic workers thus making them equal with those of other urban and rural workers.

On June 1, 2015, with the promulgation of the Supplementary Law 150/2015, which regulates the

hiring of domestic workers, the following rights have been established: registration in the “Carteira de Trabalho Social e Segurança – CTPS”, the personal job card; minimum salary guaranteed; salary protection with criminalization of deliberate deduction; working hours not exceeding 8 hours a day and 44 hours a week; payment of overtime at least 50% higher than that of regular hours; compliance with hygiene, health and safety standards; compliance with collective agreements and conventions; prohibition of salary, function and admission discriminatory criteria; prohibition of discrimination against disabled persons; prohibition of night, unhealthy or hazardous work for people under 16 of age; unemployment insurance; “Fundo de Garantia por Tempo de Serviço - FGTS”, the Severance Indemnity Guarantee Fund; family allowance; payment for night work at least 20% higher than that for day work; occupational accident insurance; day-care and pre-school aid for children and dependents of up to 5 years of age; remunerated weekly rest preferably on Sundays; unfair dismissal indemnity; transportation allowance; 13th-month salary; vacation pay plus 1/3 as legally established; maternity leave; job stability due to pregnancy; “banco de horas”; compensation for hours worked during travel; meal and/or rest break; previous notice of contract rescission.

A further innovation is the “Simples Doméstico” a unified system for payment of taxes, contributions and employers’ charges, whereby a single document is used for collection of monthly contributions at the following rates: a) from 8% to 11% - social security contribution paid by insured domestic workers; b) 8% - social security contribution paid by employers; c) 0.8% - contribution to finance accident insurance; d) 8% - contribution to the “FGTS”; e) 3.2% - funding of unfair dismissal or reciprocal guilt indemnity; f) withholding income tax, if any. Besides, in the event of unfair dismissal, employers are also required to deposit in the employee’s secured account a 40% fine on the amount of deposits made during the employment contract, duly restated, plus 10% of contribution to the “FGTS”, although the latter is deemed illegal since 2012.

6. Tax system

The Brazilian tax system is based on the principle of strict legality and its fundamental principles are fixed by the Federal Tax Code of 1966 and by the Brazilian National Constitution of 1988. There are three jurisdictions and levels of charging taxes fixed by the tax legislation: federal, state, and municipal.

6.1 Federal tax

The main federal taxes charged by the companies installed in Brazil are: Income Tax of Corporation (IRPJ); and the Social Contribution on the Net

Profit (CSLL), that are calculated in a similar way.

There are not distinctions regarding the origin of the invested capital (be the investors foreign or national).

The subsidiaries of foreign companies, although seldom, are taxed in the same form as the autonomous subsidiaries. In principle, the company is considered to be seated in Brazil as long as it has been established according to the Brazilian corporate law and have its address in Brazil. Besides, the Brazilian law requires that the management of the company be effectively in Brazil.

The Brazilian fiscal year corresponds to the calendar year, independently of the corporate year.

6.1.1 Income Tax of Corporation (IRPJ)

The rules of the IRPJ, consolidated according to Decree n° 3.000, of March 26, 1999, apply to all tax payers. Only the federal government is entitled to charge income tax, but part of it after the charge is transferred to states and municipalities.

It should be pointed out that, with the new accounting methods and criteria adopted by law n° 11.638, (December 28, 2007); the neutrality for tax purposes by law N° 11.941/09 was defined, this is, the alterations that modify the recognition criteria of incomes, costs and expenses computed on the finding of the net profit of the fiscal year will have no effects on finding the real profit of the corporation subject to Transition Tax Basis, consequently for tax purposes should be considered the current accounting methods and criteria of December 31, 2007.

As from 2014, companies may opt for definitive IRPJ, CSLL, PIS and COFINS levying rules defined through the Law 12.973/2014, having in mind the accounting rules introduced by Law 11.638/07. And in 2015 the definitive taxation rules will be mandatory for all companies, and accordingly, as from January 1, 2015, the Transition Taxation Regime (RTT) instituted by the Law 11.941/2009 and in force from 2008 to 2004 will be revoked.

The IRPJ is charged on the taxable net profit, being applied the basic percentage of 15%, plus an additional of 10% on the parcel of annual income exceeding R\$240.000.00 per year or R\$ 20.000.00 (twenty thousand Reais) per month.

Lastly, it is worth stressing that with the enactment of the Provisional Measure 627 of 2013, IRPJ and CSLL (the later outlined in the next sub-topic), will begin to be determined by digital bookkeeping means (Sped), the records of

which are made at the “ECF – Escrituração Contábil Fiscal” (Accounting – Fiscal Bookkeeping). By defaulting on this regulation and failing to submit or submitting incorrect information, a taxpayer will be liable to fine calculated based on their company’s ability to pay taxes.

The annual corporate income tax return must be filed on the date set by the “Receita Federal do Brasil – RFB”, the Federal Income Tax Authority, usually the last business day in June, together with information on any special events such as mergers, acquisitions and splits.

As regards events occurred from January 1, 2014 onwards, companies are released from keeping the “Livro de Apuração do Lucro Real – LALUR”, the Tax Accounting Ledger, using a physical medium, and the “Declaração de Informações Econômico-Fiscais da Pessoa Jurídica DIPJ” – the Corporate Income Tax Return. However, they are required to provide the “Escrituração Contábil Fiscal – ECF”, the Accounting and Fiscal Bookkeeping.

The “ECF” must be annually filed with the “SPED” by the last business day of July in the year following the calendar year to which it refers.

The obligation to file the “ECF” does not apply to companies who opted for the “Simples Nacional” and inactive companies (i.e., those who have had no operational, equity or financial activity, including investments in the capital market throughout the calendar year and are required to meet additional obligations under specific legislation) because they are required to file a “Declaração de Inatividade” – Declaration of Inactivity.

6.1.2 Social contribution on profits (CSLL)

This tax was introduced to cover the costs of social and welfare programs and is a tax charged additionally to IRPJ.

CSLL is charged on the taxable net profit at a percentage of 9% and is not deductible from the IRPJ. The calculation basis is similar to the IRPJ, although some specific adjustments apply to one but not to the other one.

The CSLL percentage is 15% for financial institutions, private insurance companies and capitalization applicable to providing facts occurred from May 1, 2008 on.

6.1.3 Taxation methods

The legislation offers three methods to calculate IRPJ and CSLL that fall upon the profits:

the real profit, the estimated profit, and the arbitrated profit:

6.1.3.1 Real profit

According to the system of real profit, the taxable net profit corresponds to the accounting net profit of the company, calculated following the Brazilian accounting practices and adjusted through additions and exclusions, in compliance with the Brazilian legislation.

In this sense, according to the system of real profit, the companies are required to keep appropriate accounting registers, a book of Income Tax and documents of the calculation to confirm the demonstration of due taxes.

According to the system of real profit, the taxpayers have an option to calculate the taxes every three months or yearly. The option has to be made at the beginning of the calendar year and is valid for the whole fiscal year. Besides, the taxable profit is calculated yearly, although an anticipated monthly payment is required; (a) estimated basis; or (b) on real basis. The estimated corresponds to the basis of the tax on the estimated profit.

Among the main exclusions of the taxable profit are dividends received from other Brazilian entities, referring profits provided from 1996 onwards, and equity incomes of relevant investments in other companies. Moreover, the main additions refer to non-deductible account provisions and non-deductible expenses.

The deductible expenses usually are all the items referring to regular business of a company, correctly documented in a capable form and necessary to keep its income source. Now follow some examples of rules about how expenses for Income Tax purposes can be deducted:

- The depreciation can be debited based on the useful life of the referred asset. There is a detailed list of asset items published by the Tax Authorities containing accepted depreciation taxes. Higher taxes can also be accepted when they accomplish some requirements. When the company operates in two or three shifts, these taxes maybe increased in 50% or 100% respectively. Besides, the asset purchased according with approved or eligible projects for certain fiscal incentive programs can be depreciated on higher taxes.
- Technical assistance and payments of royalties are deductible, depending on the specific conditions and limits established by law, which requires, among other things, the approval of the National Institute of Intellectual Property (INPI).

- Fines coming thru notifications from the Tax Authorities and fines not related to taxes are not deductible. Fines due for delay in the payment of taxes are deductible.

Tax losses:

- Tax losses can be compensated indefinitely without a time limit for prescription.
- The compensation is limited to 30% of the taxable profit.
- Tax losses get lost if between the time of its provision and that of its use, cumulatively, occurs a change on the control and on the type of activity of the tax payer.

A few changes introduced by Law 12.973/2014 are worth stressing, because the amount of compensation for services rendered by employees or similar entities, as agreed, must be added to the net income for calculation of real income in the period to which costs and expenses are appropriated.

A further change, also introduced by Law 12.973/2014 refers to compensation paid to employees or associates based on shares, which must be added to the net income.

6.1.3.2 Estimated profit

The Brazilian companies have the option to calculate their taxes based on the estimated profit as long as, on the previous fiscal year there were no total incomes of more than \$ 48 million; and neither be financial institutions or similar, nor factoring companies: have no profit, incomes or values coming from abroad, directly or thru the foreign subsidiaries; and not be qualified for exemption or reduction of the IPRJ.

The choice, both for the IRPJ and for the CSLL, is made yearly at the beginning of the year and can be renewed every year. On this basis of estimated profit, the taxes have to be calculated and paid every three months.

The estimated profit is calculated by applying a pre-fixed estimated percentage on the total sales, which is variable according to the activity. The total of capital gains, financial income and of other income must be added directly to the basis of the estimated profit in order to calculate the corporation taxes, subject to percentages of 15% and 10% (additional, if due). For example, for the IRPJ, the tax for incomes resulting from the sale of products is 8%, but the tax resulting from services is 32%. For the CSLL, the taxes are 12% and 32%, respectively.

Illustrative calculation:

Percentage IRPJ	\$
Gross Sales	1.000
Estimated profit for Income Tax (8%)	80
Financial income	500
Total Estimated for Income Tax	580
Income Tax due (approx. - 25%)	145

Percentage CSLL	\$
Gross Sales	1.000
Estimated profit for Social Contribution (12%)	120
Financial income	500
Total Estimated Profit for Social Contribution	620
Social Contribution due (9%)	55.80

It should be pointed out that by the system of estimated profit, the compensation of the losses is not supposed to be used to reduce the profit.

The decision to pay the taxes on the income (profit) by the estimated system does not prevent the Brazilian entities to pay dividends corresponding to the amount of its account profit, if it exceeds the estimated profit.

However, it is required that the company keeps appropriate accounting registers and balance sheets to demonstrate the account profits.

6.1.3.3 Arbitrated profit

Under certain circumstances, such as keeping non-convenient or not trustworthy registers, the Tax Authorities can arbitrate the profits. In this sense the method consists of a kind of punishment applicable in situations provided by law.

The income tax paid about the arbitrated profit is definitive and cannot be compensated with future payments.

The system of arbitrated profit is similar to that of the estimated profit, but having higher percentages to be applied to the gross sales. Besides, the Tax Authorities can impose penalties. The management resources against decisions or official notifications must be required within 30 days after becoming aware of it. If that is maintained, the tax payer can appeal to an administrative court and, even so, if the decision

is maintained, can be appealed to a court of justice.

6.1.4 Penalties and fines

The penalty for delay in payment of federal taxes is 0.33% a day, up to the maximum of 20%, depending to the delay period. The interest rates on delayed federal taxes are charged at a fluctuating rate (SELIC) plus 1%.

The launching by letter for the non-payment of the tax or the contribution usually is subject to a fine of 75%, which can be reduced to 37.5% when paid within the time limit of 30 days. In the case of non-payment or less payment of the monthly advances of IRPJ and CSLL, the fine applicable is of 50%, even when there have been identified tax losses in the yearly calculations of taxes. If fraudulent intentions were proved, than the fine goes up to 150%.

When there is a delay in the payment of federal taxes or social contributions, the company entities are not allowed to distribute bonus in shares to its shareholders or pay any participation on the results to the "quota holders," partners, directors or members of the management council. The non-observation of these restrictions cause penalties.

6.1.5 Income Tax Withheld at the Source ("IRF")

The income tax withheld at the source applies in certain transactions made in Brazil, such as payment of fees to certain service providers, payment of salary and financial income resulting from bank investments (applications). In the majority of the cases, the IRF means an anticipated payment of the income tax on the final income tax statement of an individual or a corporation. However, in some cases it is considered a final tax.

The IRF is also due in most cases of non-residents that have a Brazilian income source (for example royalties, fees for services provided, capital earnings, interests, etc). According to the Brazilian tax legislation, the IRF is due on payment, credit, delivery, utilization, or remittance of funds; from these possibilities, what occurs first.

The percentages depend from the nature of the payment, from the residence of the beneficiary and the existence of treaties between Brazil and the country where the beneficiary has his seat. The most common percentages vary from 15 to 25%. Generally, the income paid to beneficiaries seated in jurisdictions with low taxes is subject to be withheld 25% at the source.

6.1.6 Program of Social Integration (PIS) and Contribution for the Financing of the Social Security (COFINS)

PIS and COFINS are federal contributions charged monthly on incomes, under two basis the cumulative and the non-cumulative.

Before, PIS and COFINS were charged at a percentage of 0.65 and 3%, respectively, from the majority of the companies, causing a harmful ripple effect, due to the lack of a credit mechanism and, consequently, increasing the tax incidence and the cost of products and services in Brazil.

The new legal provisions about PIS and COFINS, providing the non-cumulating, took effect on December 2002 (Law 10.637/2002) and December 2003 (Law 10.833/2003) with effects produced from December 1, 2002 and February 1, 2004, respectively. Because of these rules, the percentages of PIS and COFINS went up from 0.65% to 1.65% and from 3% to 7.6%, respectively, with the introduction of a credit mechanism.

According to this non-cumulative mechanism, the tax payers can, generally, recognize credits of PIS and COFINS corresponding to 1.65% and 7.6% of certain costs and expenses that are essential for a company's activities. These credits can be used to compensate PIS and COFINS due on its taxable income.

So, the tax payers that adopt the non-cumulative system are subject to an incidence of PIS at a percentage of 1.65% and COFINS at a percentage of 7.6%, being permitted to recognize tax credits of PIS and COFINS charged on certain inputs. Among these inputs are: products purchased for resale; goods and services used as inputs when offering services or manufacture; consumption of electric energy; property rental and fixed assets applied in the activities; purchase of fixed assets; and returned goods, if the corresponding income was included on the basis of taxable PIS and COFINS in the previous period.

The non-cumulative basis of PIS and COFINS is obligatory for companies that adopt the method of real profit to calculate the IRPJ.

The previous system of cumulative PIS and COFINS continues applicable to certain entities, such as financial institutions and companies that adopt the system of estimated profit, among other, and for certain income resulting from services of telecommunications, transport and development of software, which usually are taxed at a percentage of 0.65% for PIS and 3%

for COFINS, without available credits. The financial institutions are taxed for COFINS at a percentage of 4%.

The companies whose incomes are subject to the cumulative system and other incomes are subject to the non-cumulative system and will have to calculate PIS and COFINS separately, in both systems. On incomes referring to export transactions and to the sale of permanent assets, in general, these taxes do not fall upon.

There is special basis of PIS and COFINS for companies of certain types of industry, such as the automotive, car parts, cosmetics, pharmaceutical, oil, beverages, packing materials, energy, property, among other. Besides, from 1st May 2004 on the import of assets and services is also subject to the payment of PIS and COFINS at a combined percentage of 9.25%, as a general rule. In some cases, the tax payers can recognize credits of PIS and COFINS on imports.

6.1.7 Tax on Industrialized Products (“IPI”)

IPI is a federal tax falling upon the import and manufacture of goods. In many aspects, it works as a value added tax, charged on the added value to the final good. Generally, IPI paid on a previous transaction can be used to compensate the IPI obligation that comes up on subsequent taxed operations.

The applicable percentage depends of the product and its classification on a table of IPI percentages.

The IPI also has a normative nature, in other words, the executive power can increase its percentage at any moment, by decree, as a form to implement financial and economic policies. Further, the percentages can be higher in the case of non-essential products, as cigarettes, perfumes, etc.

Every installation (subsidiary) is considered a separate tax payer for IPI purposes.

In the case of imported products, the providing fact is the customs release, as well as the first time the product leaves the installations of the importer (in general, at a sale).

In most of the import products IPI is charged on the CIF value, plus certain custom tariffs and the import tax.

In most transactions in the country, the providing fact is when the manufactured product leaves the installation where it was manufactured. Normally IPI is charged on the transaction value plus the ICMS (a state tax).

The Brazilian tax legislation defines as manufacture every process that modifies the nature, the operation, the finishing, the presentation, or the purpose of a product, or that turns a product better for consumption.

The IPI payers have the right to an IPI credit equivalent to the tax paid on the purchase of inputs to be used in the manufacturing process. This credit can be compensated by IPI charged on subsequent transactions. In certain circumstances the excess of IPI credits that cannot be compensated with IPI due in subsequent transactions, can be used to compensate other federal taxes. IPI does not fall upon the sale of fixed assets, but for that certain requirements have to be fulfilled.

6.1.8 Contribution on Economic Activities (“CIDE”)

CIDE, instituted by Law 10.168/2000, is a contribution of 10% due on payments to non-residents as royalties, technical and administrative services, and technical assistance, among others. It should be pointed out that, differently from the tax withheld at the source, CIDE is charged on those paying fees in Brazil and therefore, cannot be reduced because of taxation treaties and does not provide a credit abroad.

There is a limited tax credit given to the Brazilian referring to the CIDE paid on royalties for the use of registered trademarks or commercial marks, which reduces the effective percentage of the tax. Law 11.452, which came into force on February 27, 2007 established that the royalties due to licenses of software are not subject anymore to this tax. The provision goes back to 1 January 2006, enabling the recognition of tax credits of CIDE for payments of software licenses.

CIDE Fuel is another contribution charged on the import and sale of oil and products related to petrol, including ethanol. The manufacturer, the formulator and the importer have to pay the CIDE Fuel, according to Law 10.336/2001.

According to Decree nº 8.395/2015 (which amended the Decree 5.060/2004), the percentages of CIDE on the import and trading of oil and its derivatives, natural gas and its derivatives, and fuel ethyl alcohol – CIDE were reduced to zero for certain products.

6.1.9 Tax on Financial Operations (“IOF”)

IOF is a federal tax charged on transactions involving credit, Exchange, insurance and securities made thru financial institutions. The tax is also applied on loan transactions between companies.

Now IOF is based on Decree nº 6.306/2007 with further alterations.

IOF percentages can be raised by decree of the federal government and come into force immediately. The calculation basis varies according to the providing fact and the kind of financial operation.

IOF is charged at variable percentages, depending on the expiration date and the kind of transaction.

In the case of loan transactions (credit operations) in Brazilian currency, the general rule says that IOF falls upon the daily average balance, or based on the transaction, at a percentage of 0.0041% plus the additional of 0.38%. There are situations provided that reduces the percentage to zero. On the subject, the discussion settled in mid-2013 by the Câmara Superior do CARF (CARF's Superior Chamber) is worth mentioning. The argument was that no IOF should be levied on activity of a current account between an assessed company and its parent company.

In the case of operations of exchange, insurance, transactions with securities, gold, financial asset, or exchange instrument there are also specific percentages, according to the situations and conditions provided on the referred decree.

6.1.10 Tax on Territorial Rural Property ("ITR")

ITR is a federal tax charged on property located outside the urban areas. The tax basis varies, according to its value, size and location and the percentage according to the use of the land.

6.1.11 Contribution for the Development of the National Cinematographic Industry ("CONDECINE")

"CONDECINE" is a contribution falling upon the diffusion, production, licensing and distribution of cinematographic and video works for commercial purposes.

6.2 State taxes

6.2.1 Value-added Tax on Services and Circulation of Goods ("ICMS")

ICMS falls upon operations related to the circulation of goods and on providing services of interstate and inter-municipal transport and communication.

It is a kind of value-added tax falling upon the import of products and certain transactions involving goods (including electricity), services of inter-municipal, and interstate transport and communication services.

In general, when the transactions involve two different states of the federation, the percentage is 7% (when the buyer has his seat at states located in the north, northeast and center-west regions or in the state of Espírito Santo) or 12% (for buyers headquartered in the south and southeast regions). For transactions made in the same state or in the case of imports, the percentages can be 17, 18, or 19%. The percentage of 19% is applied in the state of Rio de Janeiro; 18%, in the states of São Paulo, Paraná and Minas Gerais; and 17% in the remaining states.

In the state of São Paulo, sales of cars, communication services, and electricity are subject to the payment of, respectively: 18%, 25% and 25% (art. 52, I, 55 and 52, V, "b" of the Decree 45.490/2000). In the state of Minas Gerais, the percentages are 12%, 27% and from 25% to 30% (art. 42, "B.4", "j", and "A.12" NS "C").

In the case of imports, in general, the calculation basis of ICMS is the same as the CIF value, plus the applicable import tax, IPI, certain custom tariffs, the ICMS itself and PIS and CO-FINS due on the import.

It should be pointed out that the Commission of Economic Matters (CAE) of the Senate, approved the Resolution of the Federal Senate nº 13/2012, unifying the percentage of ICMS to 4% on the interstate operations with assets or goods imported from abroad, as provided on its Article 1º, § 1º.

ICMS also falls upon when a product is dealt in the domestic market or when it is physically removed from an installation of the manufacturer. The taxed basis is equal to the transaction value, including the ICMS itself ("inside calculation"), insurance, freight, and conditional discounts. To the calculation basis of ICMS also has to be added the IPI when the transaction is between tax payers that do not pay ICMS or when a product is involved that will neither be submitted to another manufacturing process nor will be dealt, as fixed asset.

As occurs with IPI, each subsidiary of the company is considered a separate taxpayer for ICMS purposes.

Also, with the enactment of the Constitutional Amendment 87/2015 (which amended art. Par. 2, sec. VII, of the Federal Constitution of 1988), in force since 3/31/2016, the ICMS on interstate operations is now paid by a new system.

For supply of assets and services to non-taxpayer end-consumers headquartered in a different state, and related transactions, the ICMS corresponding to the difference between the internal and the interstate tax rates (which can be 4%, 7% or 12%), shall be divided by the states of origin and destination as follows: I – 2015: 20% to the state of destination and 80% to the state of origin; II – 2016: 40% to the state of destination and 60% to the state of origin; III – 2017: 60% to the state of destination and 40% to the state of origin; IV – 2018: 80% to the state of destination and 20% to the state of origin; and V – from 2019 onwards: 100% to the state of destination.

In general, those paying ICMS have the right to a credit on the amount of the tax paid on the previous transaction with the same asset (inputs), as long as the buyer also pays ICMS on that product, meaning that as long as the subsequent transactions involving the purchased product also be subject to the payment of ICMS. The tax credit can be compensated by future obligations of payable ICMS. If the purchaser does not pay ICMS, and depending on his sales being or not subject to this tax, ICMS can become a cost and not be recoverable under the form of credit.

6.2.2 Tax on Causa Mortis Transmission and Donation of any Properties or Rights (“ITCMD”)

The “ITCMD” is a state tax applied to the transfer of the properties and rights due to death (succession) and donations. The percentages vary according to the legislation of every state.

6.2.3 Tax on Automotive Vehicles (“IPVA”)

The “IPVA” is a state tax charged on the property of motorized vehicles (cars, trucks, etc.).

The calculation basis is the value of the vehicle and the percentages are variable according to the legislation of every state.

6.3 Municipal Taxes

6.3.1 Tax on Services (“ISS”)

The “ISS” is a municipal tax charged on income resulting from services providing. Although this is a municipal tax, the services on which it falls upon are on a list of a federal Law

(Complementary Law 116/2003).

The calculation basis is the price of the service and the percentages vary from 2 to 5%, according to the municipality where the service provider is seated and the kind of service provided. In most of the cases there is a strong discussion if the ISS should be paid at the municipality where the provider has its seat or where the service is provided.

In principle, the taxpayer is the service provider. However, the municipal tax legislation can impose the responsibility of withholding the tax to the company that contracts the services.

Since January 2004, ISS is also applied to the import of services. The Brazilian companies that receive the services are supposed to withhold the tax on the payment of the services to non-residents.

Further, as provided on the Complementary Law 116/2003, the tax does not fall upon the export of services abroad.

When services providing involves also the supply of goods, ISS is applied on the total price of the service, except when there is a specific provision confirming that the ICMS falls upon the value of the goods.

6.3.2 Tax on Urban Territorial Property (“IPTU”)

“IPTU” is a tax on urban territorial property charged yearly by the municipalities, based on the value given to the property (which cannot correspond to its fair value on the market). The percentages vary according to the municipality and the location of the property.

The IPTU is supposed to be paid by the owner of the property or who leases / rents the asset when it is leased or rent and the contract provides its payment by whom is its indirect owner (art. 34 of the Brazilian Taxation Code).

6.3.3 Tax on Property Transfer (“ITBI”)

“ITBI” is a tax on the transfer of properties, charged at variable percentages (from 2% to 6%). This tax is not normally charged if the property is transferred within a reorganization process of a company (fusion, separation, payment of capital in cash, etc.).

6.4 Rules to avoid non-payment

The Brazilian tax legislation (National Tax Code) provides that the Tax Authorities can have the power for tax reduction of actions or transactions to reduce the amount of tax due, avoid or postpone the payment of a tax or hide aspects of a providing

fact or the real nature of elements that cause this fact.

However, under the legal point of view, these provisions are still dependent of a regulation through ordinary law and administrative entities to come fully into force.

6.5 Tax incentives

There is a wide variety of governmental incentives for projects of installations of companies in Brazil. In general, the international investor has the same access to these incentives than the local investors.

The use of governmental incentives is a relevant aspect of the Brazilian business environment.

Normally the incentives are rather subsidized and exemptions or reductions of taxes instead of money granting.

6.5.1 Federal, state and municipal incentives

The incentive programs of the federal government want to promote the objectives of internal Brazilian policies, including the increase of exports and capitalization of the national private industry, while the state and municipal incentive programs have specific objectives, such as the expansion of the opportunities of local jobs.

The state and municipal governments generally use the exemption or postponement of taxes on properties they have the right to charge, giving assistance to potential investors to be able to access the available federal programs. Therefore the company that decides to establish a new factory, whose production will be exported, and is qualified to participate in federal programs, will look for the best package of local incentives before deciding about the location of its factory.

Some of the main fiscal incentives are “Lei Rouanet” (Rouanet Law), “Lei do Audiovisual” (Audiovisual Law), “Fundo para Infância e do Adolescente (FIA)” (Childhood and Adolescence Fund), donation for “OSCIP- Organizações da Sociedade Civil de Interesse Público” (Civil Public Interest Organizations); donation for “Entidades de Ensino e Pesquisa, Lei Federal de Incentivo ao Esporte” (Federal Law of Sports Incentive) and “Fundo para Pessoas com Idade Avançada” (Aged People Fund).

However, there are certain limitations on the enjoyment of tax benefits. For example, micro and small businesses who have opted for the “Simples Nacional” cannot support or make donations to cultural and social projects using income tax incentives, nor can companies opting for the assumed-profit or arbitrated-profit taxation regime, or a donor or sponsor linked to

an individual, institution or company responsible for the proposal, except in case of not-for-profit institution formed by the one responsible for the incentive. Only companies who opted for the taxable-income taxation regime may opt for income tax incentives within a given calendar year.

6.5.1.1 Frequency of revisions

The incentive programs of the Brazilian government are subject to frequent revisions regarding both to the basic approach as well to the specific categories and levels of granted tax incentives. Therefore, the companies that want to get benefits from these programs should consider essential to get good information about it.

6.5.1.2 Subventions of capital

The governments do not grant available sums of money to reduce the initial expense with industrial constructions and equipments. The exception is the subvention of capital as land, obtained by municipal governments, frequently granted through state development agencies.

6.5.1.3 Financing at low cost

Several governmental incentive programs grant financing at low cost. In the past Brazil suffered under a chronic inflation and until today the bank interest rates continue very high. Under these circumstances, the financing at subsidized rates has been very important to certain areas of the Brazilian economy.

6.6 International tax aspects

6.6.1 Permanent establishment

Only the companies founded in Brazil are, in general, taxed as residents. In principle, the Brazilian companies have to register for tax purposes.

The companies that exercise taxable activities in the country without the due registers are also subject to the payment of taxes.

Unlike the international practices, the Brazilian tax law neither embodies the concept of permanent establishment nor gives a clear orientation about the potential impact, in terms of taxes, about the fact that foreign entities are Doing Business in Brazil.

There is no orientation of the Tax Authorities and we only know about some few administrative precedents (tax notification) about the issue. That may be due, in certain cases, that the tax charge on the income of non-residents continues to be higher than the final taxation of residents, what the characterization of an estab-

ishment as permanent would generate. For example, although the profits of a non-resident corporation be taxed at a combined percentage of 34%, while the gross honoraries for services of non-residents, in general, are taxed in 25% (tax withheld at the source and CIDE, if applicable).

Besides, the New Brazilian Civil Code (NBCC) bans foreign entities to operate in Brazil without authorization, which, in principle, is obtained by establishing a subsidiary, that is taxable in Brazil in the same way as a legal Brazilian entity.

However, the following situations can provide taxation in Brazil and therefore it is recommended to check the specific activities to be exercised in the country in order to evaluate the eventual risk:

- Subsidiary in fact: the foreign company has a non-registered subsidiary or office.
- Consignation: Sales are made by consignation, without keeping appropriate account registers by the addressee in Brazil.
- Link agent: Sales are made in Brazil thru an agent or contracted company and, normally, he does it.

6.6.2 Rules of sub capitalization

Thin capitalization rules were introduced in Brazil pursuant to Law 12.249/2010, limiting the deductibility of interest paid or credited by a Brazilian entity to a related party (individual or legal entity) or to an individual or legal entity (whether related or not) that is resident or domiciled in a tax haven jurisdiction.

Soon after the enactment of Law 12.249/10, the Regulatory Instruction RFB 1.154/11 stipulated that interest paid/credited by a Brazilian-based source to a related individual or company abroad, not organized in a country with privileged tax regime, or operating thereunder, will be deductible only for purposes of taxable income and CSLL calculation basis determination, whenever it is evidenced that they represent necessary expenses for operations in the base period, and on the condition that certain requirements mentioned in art. 2 of the Regulatory Instruction referred to above are met.

6.6.3 Taxation treaties

To avoid a double taxation Brazil signed treaties with several countries. The main method of tax relief, according to the treaties, is the tax credit abroad. The existing treaties offer very few opportunities of reduction or elimination of tax withheld at source about payments to other countries. Besides, many treaties in force con-

tain clauses of estimated credit.

Brazil has treaties with following countries to avoid a double taxation: Argentina, Austria, Belgium, Canada, Chile, China, Czech Republic, Denmark, Ecuador, Finland, France, Hungary, India, Israel, Italy, Japan, Luxemburg, Mexico, Norway, The Netherlands, Peru, Portugal, Russia Sweden, Trinidad y Tobago, Turkey, Ukraine and Venezuela.

A treaty has been signed with Paraguay, which is still pending approval by the Congress. Brazil had a treaty with Germany, which was reported by that country in 2006. The official reason for its cancellation, alleged by Germany, was the existence of many provisions that would only work one-sidedly and that were not corresponding anymore to the German policy and practices, even regarding developing countries. The treaty also would not be providing the necessary legal protection to the German economy.

In fact, there are many discussions about two issues referring to treaties: if the Brazilian rules of transfer prices, that are not based on OECD, would act against the provisions about "Associated Enterprises", contained in the treaty; and if the interpretation given by the Brazilian Tax Authorities regarding the withholding of income at the source, can be applied to honoraries for services, as these would fit into "Other Results" and not in "Business Profits".

Transfer prices

On the Brazilian transfer price regulations, the Law 12.766/2012, art. 5 (which amended the Law 9.430/1996) establishes that interest paid or credited to a related party will only be deductible for determination of actual benefit, if it does not exceed the amount calculated at the rate determined in accordance with this article, plus a margin such as diffusion, to be defined by the Ministry of Finance, based on the market average, apportioned in accordance with the period to which the interest refers. In this sense, early in the Regulatory Instructions RFB no. 1.321 and 1.322 came into force, whereby the deductibility of interest paid, credited or received under agreements with related parties abroad until December 2012 and registered with the Brazilian Central Bank by that date is not subject to transfer price regulations.

Any contracts signed subsequently, i.e., as from January 1, 2013, will be subject to the Law 12.766/12, which establishes interest rates based on the currency of the transaction, and provides for an annual spread to be defined by the Ministry of Finance according to the rates prevailing in the market.

6.6.4 Percentages of taxes withheld at the source

The main applicable percentages to payments to non-residents are the following:

- Interest - 15%.
- Interest on equity capital - 15%.
- Royalties - 15%.
- Fees for technical services 15%.
- Fees for non-technical services - 25%.
- Lease and rental taxes - 15%.

Below, what is not subject to the withholding of tax at the source (restricted to certain requirements):

- Interest and commission on export financing - 0%.
- Interest and commission on export notes - 0%.
- Export rates - 0%.
- Interest on certain public securities - 0%.
- Rental taxes of aircrafts and vessels - 0%.
- Chartering sea and air vehicles, stay of the boat at the port.
- Payments of container and freight to foreign companies - 0%.
- International hedge - 0%.
- Taxes for the register and keeping of patents, registered marks and plant varieties.

6.6.5 Jurisdictions with low taxation

In most cases remittances to beneficiaries seated in jurisdictions with low taxation are subject to withholding the tax at the source at a percentage of 25% .

They are the following: Andorra, Alderney (Channel Islands), American Samoa and West Samoa, American Virgin Islands, Anguilla, Antigua and Barbuda, Aruba, Bahamas, Bahrein, Barbados, Belize, Bermudas, British Virgin Islands, Campione d'Italia, Cayman Islands, Cook Islands, Cyprus, Djibouti, Dominica, East Samoa, Guernsey, Gibraltar, Grenada, Grenadines, Hong Kong, Isle of Man, Jersey, Lebanon, Liberia, Liechtenstein, Luxemburg (referring to 1929 Holdings), Macau, Maldives, Malta, Marshall Islands, Mauritius, Montserrat, Monaco, Nauru, Nevis, Dutch Antilles, Niue, Oman, Panama, Saint Kitts, Saint Vincent, San Marino, Saint Lucia, Sark, Seychelles, Singapore, Tonga, Turks and Caicos Islands, United Arab Emirates, Curacao, Saint Martin. Ireland, Ascension Islands, Brunei, Kiribati, Norfolk Island, Pitcairn Island, Franch Polynesia, Queshm Island, Island of Saint Helena, Saint Pierre et Miquelon Island, Solomon Island, Suaziland, Sultanate of Oman, Tristão da Cunha Island, Ilhas Turks and Caicos Islands. At any moment new jurisdictions may be added to this list.

6.6.6 Interest on equity capital

According to the Brazilian law, besides the dividends, the subsidiaries can also pay interests on the equity capital and its shareholders.

This interest is a mixed instrument as it is deductible for Brazilian tax purposes and, at the same time, be considered remuneration for the investor, based on the value of the shareholders.

In general terms, the interests on the equity capital are calculated by applying the daily variation "pro rata" of the long term governmental interest rate (TJLP) to the adjusted equity capital of the Brazilian entity, considering all the variations occurred during the year.

The interest on the equity capital is limited to what is higher between 50% of the profits withheld of the payer (accumulated) and 50% of its current profits, with some adjustments. However, although clearly provided by law, the Central Bank of Brazil is not accepting remittances of interests on equity capital based on the current profits, when the company has accumulated losses on the balance sheet of the previous fiscal year (on December 31).

Normally it is necessary and essential to compensate the accumulated losses.

The interest on equity capital is subject to 15% be withheld at the source, at the date of its payment or credit to whom gets them (it could also fall upon a withholding of 25% if the receiver is seated in a jurisdiction with low taxation - favored). On the other side, the local taxpayer can deduct the interests on equity capital paid to residents or non-residents shareholders as a remuneration on the invested capital - IRPJ and CSLL.

Besides, when the shareholder is a resident entity, the tax withheld at the source becomes a tax credit (and in this case, more tax consequences could come up, considering that other Brazilian taxes could fall upon it).

Therefore, it should also be considered the applicable tax treatment to the interests on the equity capital in the jurisdiction where lives the foreign beneficiary (either be the income taxable or the Brazilian tax at the source creditable, etc.) as the payment of interests on the equity capital may offer tax opportunities.

The promulgation of the Law 12.973/2014 has changed the federal tax legislation, by establishing a new basis of calculation of interest on equity reserve. Accordingly, from 2015 on, for cal-

culating interest on equity reserve for income tax and social contribution determination purposes, only the following shareholders' equity accounts will be taken into consideration: capital, capital reserves, revenue reserves, treasury stock and accumulated losses. Under previous legislation, the interest on equity reserve would be calculated on the whole shareholders' equity, except for the revaluation reserve.

6.6.7 Royalties

The tax withheld at the source is charged on the payment of royalties at the standard percentage of 15% or to that applicable, according to the treaty.

The payments of royalties are also subject to the payment of CIDE at a percentage of 10%. CIDE is not a tax withheld at the source. It falls upon the entity that pays royalties. CIDE generates a partial tax credit, in the case of royalties paid by trademarks and patents.

There are also discussions if the royalties are subject to the payment of PIS and COFINS, as well as ISS tax.

The royalties on trademarks, patents and know-how, as well as other agreements involving technology transfer (specialized technical services and technical assistance) are subject to specific requirements both for remittances to be sent abroad as for being deductible. The agreements have to be registered at the Central Bank and at the National Institute of Intellectual Property (INPI).

On the royalties fall certain global and individual limits based on the net income. For example, the royalties on trademarks are limited on 1% of the net income and the royalties on patents at a percentage of the net income varying according to the type of industry (from 1% to 5%).

Collectively, it is not supposed to exceed 5%. However, as there are specific limitations of tax deductions, they are not subject to transfer rules of valid prices in Brazil.

6.6.8 Fees for services

The taxation of fees for services is different depending on the provided services be considered technical or non-technical. In the Brazilian legislation there is not a clear definition of technical and non-technical services. However in a recent regulation of withholding taxes at the source, the Tax Authorities described technical services as works or companies whose performance requires specialized technical knowledge and is made by liberal professionals or artists.

The non-technical services are taxed at the source at 25%, while the technical services at 15% and fit into CIDE at a percentage of 10%. Both the technical as the non-technical services are subject to the payment of PIS and COFINS, as well as ISS. The percentages of PIS and COFINS are respectively 1.65% and 7.6%, while the ISS taxes may vary from 2% to 5%, depending on the regulation of each municipality.

The rules on transfer prices are supposed to be accomplished if the honoraries are to be paid to related parties, as well as should be observed the general requirements of being deductible, namely, evidence the work has been really made, formal agreements, etc.

In the case the services involve technology transfer, can be made specific requirements for remittances to be sent abroad and regarding the possibility of tax deductions, as mentioned on the previous paragraph about royalties.

6.6.9 Capital gains

When a non-resident sells an asset located in Brazil, including shares of the Brazilian company, the capital gains are taxed at the source at 15% (25% if the seller be in a country listed of the jurisdictions of low taxation).

The transactions between two non-residents used to be exempt of taxes in Brazil.

However, since 2001 these transactions are also taxed in Brazil, whenever they involve assets located in the country. The representative of a non-resident buyer is responsible for the withholding and payment of the Brazilian tax on capital gains.

The capital gains correspond to the difference between the value of the transaction (for example, Sales price) and the cost of the investment. However, there are two possible methods for computing the cost of the shares, which many times result on the fixation of different purchase costs and, consequently, to a different amount of capital gains.

One of these methods considers as purchase cost the historical value of the investment made in local currency (Reais), duly adjusted by the inflation of December 31, 1995. The other method considers the cost equal to the foreign capital registered at the Central Bank (RDE-IED).

There is a strong discussion which of these methods is correct and therefore it is recommended to discuss and check the issue properly before the sale or purchase of shares of the Brazilian company.

6.6.10 Taxation of foreign profits (rules of Federal Accounting Council - CFC)

The Brazilian rules about foreign subsidiaries companies are relatively new, with some provisions distant from the concepts and provisions that are on the CFC legislation of other countries.

The profits produced by foreign subsidiary or branch offices are supposed to be part of the financial statements on December 31 of the fiscal year in which the profits were made, independently of a distribution of dividends or profits. The profits would be considered taxable in Brazil, before December 31, under other circumstances, for example, liquidation of the Brazilian company.

The Brazilian tax legislation says that the financial statements of the subsidiary be made according to the local commercial legislation and converted in Brazilian currency (Reais).

In principle, the consolidation of profits and losses of foreign companies is not permitted in Brazil for tax purposes (except in the case of branch offices of the same entity, located in the same jurisdiction, as long as certain conditions be observed).

The foreign profits gained by the Brazilian entity, thru its subsidiaries, should be considered according to each subsidiary. However, the foreign subsidiary has to consolidate on the financial statements the results of its foreign subsidiaries. (from second step onwards).

On the other side, the losses suffered by the Brazilian entity by means of the foreign company may not serve to compensate Brazilian profits, although the rules allow the compensation of these losses with future profits of the same subsidiary, without quantitative or qualitative limitations.

Finally, it is important to mention that in case of foreign profits be subject to the payment of income tax in the country of the foreign company, the Brazilian controller would have the right to a tax credit in Brazil. However, this credit and the corresponding compensation are subject to certain restrictions.

For Brazilian companies that have investments abroad it is obligatory the use of the method of real profit to calculate the corporation taxes.

As regards the taxation in Brazil, the investments of non-residents in financial and capital markets and the incomes earned by foreign investors, in investments on the financial market are subject to the income tax at the source, at the following percentages:

- 10% for investments in stock funds, swap operations and operations on the future market, made outside of the stock markets or commodity exchange
- 15% in the other cases, including investments in fixed income.
- 0% for capital gains, defined as gains obtained with stocks, commodities, other similar transactions on the commodity Exchange, and for gold dealt outside of the market of commodities earned and distributed by these foreign investment funds; for income obtained with Brazilian public securities purchased from February 16, 2006 on, except in case of income provided by bonds dealt with a resale clause assumed by the purchaser (locally, this operation is called Repo, or repurchase operation); for mutual funds, in cases when the portfolio of the fund is composed by at least 98% of public securities; and for investments in investment funds in partnership (and for investments in emerging companies) and funds that invest in quotes of these funds (zero tax is applied only if the investor and the funds observe certain rules).

If the foreign investor is not investing according to the provisions of Resolution 2.690/00, or if the investor is seated in jurisdictions with low taxation, the income resulting from investments made in the Brazilian financial market is subject to taxation, in the same way as the investments for residents.

And finally the tax impact of IOF must be pointed out, as its percentages, as the providing facts can be instituted or changed by the government, by decree, and come into force immediately.

The foreign investments in financial and capital markets, except those of variable income (for example, shares dealt in stock exchange) are subject to IOF at a percentage of 1.5% in the liquidation of the exchange operations.

6.6.11 Register as tax payer – CNPJ

All non-resident entities that have shares, financial investments, assets or rights in Brazil must get a number of register as corporate tax payer (CNPJ) at the Secretary of the Federal Revenue of Brazil (SRF).





Republic of Chile

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3. Country Profile

Chile is a country located in the southwestern corner of South America and Santiago is its capital city. It has an immense geographical and topographical diversity that includes deserts, mountains, forests, glaciers, islands and a coastline that stretches more than 4,270 km in its continental section.

Considering its continental and insular areas and the Chilean Antarctic territory, Chile has an area of approximately 2,006,096 km². It has a population



of about 19,107,216. On average, the quality of life, economic growth, human development, globalization and GDP per capita indexes are among the highest in Latin America. It is politically organized as a unitary, democratic and presidential state with a clear separation of the executive, legislative and judiciary branches. Chile is recognized as one of the best-evaluated emerging economies of Latin America and worldwide.

During 2010 it became the first South American country to join the Organization for Economic Cooperation and Development (OECD).

Chile has an economy characterized by the exploitation and export of raw materials, strongly emphasizing the export of copper, fruits, fish products, paper and wine. In addition, Chile is now viewed as a foreign investment platform by other Latin American countries because of its economic, political and legal stability. The Chilean economy is one of the most open in the world, particularly considering the large number of ongoing trade agreements - strategic agreements, free trade agreements, economic complementation agreements and limited scope agreements - with countries that represent 60% of world population. Its main trading partners are the European Union, the United States, South Korea, China and the P4 Agreement. Chile is also a member of diverse economic forums such as APEC and is an associate member of the Andean Community and Mercosur. Also part of the Pacific Alliance since 2011.

Main taxes in Chile

4. The taxes most widely applied in Chile are:

- Income Tax to businesses and individuals.
- Value Added Tax (VAT).
- Stamp Tax.
- Capital Gains Tax.
- Municipal Licenses.

In addition, the tax regime includes property taxes, inheritances and donations taxes, and other minor taxes. Except for municipal licenses, all taxes are applied nationwide.

5. Tax Enforcement

The entity responsible for the control of taxes in Chile is the Internal Revenue Service (hereinafter the "SII"). In addition, the SII is the entity responsible for issuing instructions, administrative rulings and tax law interpretations.

In case of a dispute between the taxpayer and the SII, there is an administrative (not judicial) review by the same SII, which is optional for the taxpayer. If the judicial avenue is followed, the taxpayer may file a complaint with the Tax Court, whose first instance is the SII's Regional Director. CTDs are specialized and independent of the SII and the National Customs Service courts of first instance. Dedicated to resolving the tax and customs claims that individuals or companies have against administrative decisions.

Afterwards, there is the possibility of appealing to the Court of Appeals and, finally, the taxpayer may reach the Supreme Court to settle legal issues. As a rule, the statute of limitations is three years from the respective tax payment due date. In special cases, the statute of limitations period is extended to six years. Law 20,322 published in the Official Gazette on January 27, 2009 created the Tax and Customs Courts, which will settle controversies between taxpayers and the SII. These courts are currently operating in several regions of the country. However, they will start operating in Santiago in the year 2013.

6. Income Taxes

General

In general, individuals or legal entities resident or domiciled in Chile are subject to taxes on income from their global sources. This includes income received from activities pursued in Chile or abroad. In the case of non-residents, they will find themselves subject to taxes only on income they obtain from a Chilean source.

Exceptionally, foreign individuals will pay taxes only on income earned in Chile during the first three years of their residence in the country, a period that can be extended. Importantly, revenues of Chilean companies will always be considered as a Chilean source income. Also considered Chilean income sources are those that generate income from the disposal of shares or rights representing the capital of a legal entity incorporated abroad, made to a person domiciled, resident or incorporated in the country, whose acquisition would allow, directly or indirectly, holding more than a 10% ownership or profits of another company incorporated in Chile.

The Income Tax Law contains several categories of taxes depending on the taxpayer activity, namely:

- **The First Category Tax:** affects income from industry, commerce, mining, real estate and other activities involving the use of capital.
- **Global Complementary Tax:** affects income derived by individuals domiciled or resident in Chile, on the sum total of their income, whether the source is Chilean or foreign.
- **The Second Category Tax:** applies to income from personal services provided by employees.
- **Additional Tax:** affects Chilean source income received or accrued by individuals or legal entities not domiciled or resident in Chile.

Integrated Taxation

Income taxes are structured as an integrated taxation system with two levels. A first taxation level corresponds to the First Category Tax levied main line business activities. In the second taxation level we find the Global Complementary Tax and the Additional Tax, also known final taxes. This second taxation level is triggered once the income generated by the company is attribute to its members or shareholders. If the distribution is to a natural person domiciled or resident in Chile, the Global Complementary Tax is triggered with rates ranging from a 0% rate on an exempt income bracket up to a 40% rate. If the distribution is made to a nonresident, whether an individual or a juridical person, the Additional Tax is triggered, which generally reaches a 35% rate. Once company profits are distributed to partners or shareholders, the First Category tax paid by the company (25%-27) can be used as a credit against the partners' or shareholders' Global Complementary Tax or Additional Tax.

Below is a summary of the main tax rates found in the Income Tax Law:

TAX	RATE
First category	25%-27%
Second Category	Exempt to 40%
Global complementary	Exempt to 40%
Additional (non resident in Chile)	35%
Royalties paid abroad	30%
Royalties for the use, enjoyment, development of computer software and others	15%
Royalties paid abroad for films and videos	20%
Royalties paid abroad for copyright and publishing	15%
Technical and engineering jobs	15%
Professional and technical services (not related companies)	15%
Other services paid abroad	35%
Interest paid to foreign companies	35%
Interest paid to financial and banking institutions	4%
Sea freight	5%
Insurance premiums paid to foreign insurers	22%
Reinsurance premiums paid to foreign reinsurers	2%
Taxes of a unique character	
Rejected expenses Art. 21 in Corporations (non-deductible expenses)	40%
Capital gains taxes on the sale of shares	20%

(*) These rates are only referential since especially as regards the Additional Tax this varies depending on the concurrence of certain circumstances.

Payment of income tax: Every taxpayer must file an annual income tax return and pay any tax due during the month of April following the closure of the financial year.

An employee who receives income only from remunerations does not need to pay an annual tax in April. In this case, the Second Category Tax is withheld and paid monthly to the Treasury by the employer.

The First Category tax or corporate tax is payable on income earned annually.

In most cases, provisional estimated payments must be made on account of First and Second Category, Additional and Global Complementary taxes.

7. Specific tax on mining activities

Given the importance of the mining industry for the Chilean economy, the "Specific Tax on Mining Activities" was established in 2006, also known as

the "Mining Royalty Tax". This tax affects the operating income of metallic mining operators. Mining operators include all individuals or corporations who extract minerals of grantable character and who sell them in any of their production stages. Applicable tax rates range from 5% to 14% depending on the operating margin as defined in the law.

8. Stamp tax

This tax is levied on the issuance of documents containing money loan operations defined by the law. In the case of forward transactions, the rate is 0.066% per month or fraction of a month between the issuance of the document and the date of expiration of the same with a maximum of 0.8% (beginning January 1, 2016). In the case of documents containing on demand money loan transactions or transactions with no expiration date, or foreign loans, the pertinent rate will be 0.322%.

External loans are subject to the Stamp Tax irrespective of whether they are formalized in a docu-

ment or not. This tax was suspended since April 2020 to September 2020.

9. Municipal licenses

The Municipal License is an annual tax on the activity carried out by a taxpayer in the territory of a particular borough. The fee is calculated on the taxpayer's assets at a rate set by each Municipality, with a minimum of 0.25% and a maximum of 0.5%. The annual fee cannot exceed 8,000 Monthly Tax Units (approx US\$640,000).

10. Value added tax, VAT

VAT primarily levies sales and other contracts covering material goods, real state and the provision of certain services. In both cases the taxable event is generally triggered when the sale or service is carried out routinely by a vendor or service provider, both concepts defined by the VAT Law itself.

The VAT operates on the basis of a Tax Credits and Debits system. That is, the taxpayer may take advantage of the VAT tax charged when he purchases a product or receives a service, against the VAT charged by the taxpayer when he sells his product or provides a service. Thus, the payable tax is determined by subtracting from the Tax Debit the Tax Credit accumulated by the taxpayer.

The VAT Law also contains some specific taxes such as the luxury tax and the alcoholic beverages tax, and other taxes that vary according to the type of item being sold.

11. International Taxation Considerations

Credit for taxes paid abroad

Foreign incomes are taxed in Chile on the basis of the net amounts received (except agencies taxed on an accrual basis). Provided they meet certain conditions established in the Income Tax Law, investors are entitled to a credit against the First Category Tax and Final Tax based on the income tax withheld abroad on profits remittances dividends and on revenues derived from permanent establishments. The credit is capped at 35% in the case of dividends and 27% and 25% for profits derived from a branch (depending on Tax Regime chosen by the company). In calculating taxable income, taxes paid abroad are added to the tax base. Taxes paid abroad that exceed the limit and therefore cannot be used as a credit, are allowed to carry forward (if there is losses in the same exercise receive the credit, this credit cannot be carried forward or as an expense)

The foreign withholding tax with a maximum of up to 27% or 25% may be used as a credit against the 27% or 27% First Category Tax, and the balance may be applied against the Additional or Complementary taxes of the local company's shareholders

or partners.

Without detriment to the above, credits are capped at 35% of net revenues from foreign sources, net revenue meaning foreign source income less expenses that were incurred to generate the same.

12. Convention to prevent double taxation

Chile has signed several general and specific double taxation conventions. The following conventions are currently in force: Argentina, Australia, Austria, Belgium, Brazil, Canada, Colombia, South Korea, China, Croatia, Denmark, Ecuador, Spain, France, Ireland, Italy, Japan, Malaysia, Mexico, Norway, New Zealand, Paraguay, Peru, Poland, Portugal, United Kingdom, Czech Republic, Russia, South Africa, Sweden, Switzerland, Thailand and Uruguay.

All these conventions are based on the OECD model.

In addition, Chile has subscribed double taxation convention with, the United States, which have not yet become effective.

In addition, Chile has signed bilateral agreements with several countries to avoid double taxation in international cargo and passenger sea and air transport services.

Article 41D of the Income Tax Law

Law No. 19,840, published in the Official Gazette on November 23, 2002, allows foreign investors to set up in Chile a base for their investments in other countries.

Under this Law, the open joint stock companies and the closed joint companies governed by the rules of the former, which are established in Chile in accordance with Chilean law where their foreign capital must be maintained at all times in the full ownership and possession of partners or shareholders not domiciled or resident in Chile or in countries or territories considered as tax heavens or harmful preferential tax regimes, shall qualify (with the exception of specific provisions in the Law) for Article 41D of the Income Tax Law instead of the general provisions of the same. According to Article 41D, for Income Tax Law purposes the above companies will not be considered domiciled in Chile and they will only be taxed in Chile on their Chilean source income.

Article 41D allows the participation of shareholders domiciled or resident in Chile, but limiting their holdings.

Among other requirements, the aforementioned companies must have the sole purpose of making

investments in the country and abroad. The capital contributed by the foreign investor must have a foreign source and bank secrecy rules will not apply to them.

13. Customs duties

Customs duties on imports of virtually all goods and products amount to 6% of their value. There are regional and bilateral reductions for some products, in the context of ALADI (Latin American Integration Association).

Chile has signed free trade agreements with Australia, Canada, Mexico, United States, European Free Trade Association (EFTA), Central America, European Union, South Korea, Panama, Japan, China and Turkey. These agreements tend to eliminate customs duties between member countries within the deadlines set out in each Convention.

There are also bilateral and economic complementation agreements. Among others, with Bolivia, India, Colombia, Brazil, Cuba, Venezuela, Peru, Argentina, Ecuador, all of them leading to the elimination of customs duties.

Chile is an associate member of MERCOSUR and has negotiated customs duties' reductions for some products as well as immediate or gradual eliminations for others.

The 21,210 02/24/2020 Law on "Tax Reform" was published in Chile, which envisages a gradual implementation, with fully effect by January 1, 2021. The main objectives of the Tax Reform are; Increase the tax burden to finance permanent expenditure and income fund the current fiscal deficit; Advance tax equity, improving income distribution; Introducing new and more efficient mechanisms for encouraging savings, investment and establishing new measures to curb tax evasion and avoidance.

Among the main changes, it highlights the Income Tax Reform, considering a first category tax of enterprises on 25% from 2020 (or 27%), according the tax regime adopted by the company.

In this regard, the tax reform contains two new alternative tax regimes, starting on January 1, 2020; SME companies regime, which will affect a rate of 25% income derived by companies in each tax year, having as a tax base just a "cash flow" with earnings and expenses.

Partial integration regime will affect a rate of 27% from 2020, income derived by companies. Under which it will be allowed to defer payment of final taxes affecting the partners or shareholders to cash withdrawal or distribution of profits of the company, but only allows use as a credit 65% of the taxes paid by the company, unless the shareholder is domiciled in a country with an agreement, in which case 100% is given.





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3. Country Profile

Colombia is the fourth country in South America by its territory and the only country in the continent with coasts in the Pacific Ocean and the Caribbean Sea. It limits with Panama to the northeast, Venezuela and Brazil to the east, and Ecuador and Peru to the South. Its government is a Democracy, a Presidential Unitary Republic with two Legislative Chambers.

Capital: Bogotá D.C.
Language: Spanish.
Correncia: Colombian peso.
President: Ivan Duque Marquez.
Population: Approximately 48.2 million people¹.

4. Corporate regime

4.1. Permanent activities in Colombia - Obligation to settle

In conformity with the Colombian commercial legislation, for a foreign company to develop permanent business activities in Colombia it shall be legally incorporated in the country, thus creating a legal relationship. Permanent activities are understood as follows:

- To open commercial establishments or business offices in the country.
- To act as a contractor for the performance of works or the rendering services.
- To be part of activities of management, use or investment of private savings funds.



- To be dedicated to the extraction industry.
- To obtain or be part of a concession by the Colombian government.
- The operation of assemblies, boards of directors, management, or administration in the country.

4.2. Means for the development of permanent activities

To develop permanent activities in the country, an investor may settle in Colombia through a branch of a foreign company or a commercial partnership.

4.2.1. Branches of foreign companies

The branches of foreign companies do not have a legal standing different from the legal standing of the foreign company that incorporate them in Colombia (Main Office).

Their incorporation requires a public deed and the legalization of some documents like those related to the creation, existence and representation of the company abroad, its bylaws, and those that include the decision to incorporate the branch in Colombia with the formalities required by the Colombian Law. The capital allocated to the branch shall be channeled through the authorized intermediaries in the Colombian exchange market, or through offsetting accounts, and register it as a foreign investment at the Central Bank (Banco de la Republics).

4.2.2. Commercial Partnerships

The commercial partnerships in Colombia may adopt the following types: Joint Stock Company (S.A.S. as per its acronym in Spanish), Corporation (S.A. as per its acronym in Spanish), Limited Partnership, and Limited Joint Stock Partnership. The most common types of companies in Colombia are the first three ones.

The incorporation of a commercial partnership

¹ National Population and Housing Census 2018 made by the National Statistics Department (DANE as per its acronym in Spanish).

is carried out by means of a public deed or a private document, depending on the partnership type chosen.

Each one of the partnership types has special rules regarding its incorporation, structure, liability by the partners or shareholders, management, and internal control.

4.3. General Requirements

4.3.1. Accounting Standards

Branches and partnerships incorporated in Colombia are required to carry accounting books in Colombian pesos and in Spanish, as well as to comply with the regulations and reports required by the control entities and tax authorities.

The International Financial Reporting Standards (IFRS)² are applied in Colombia since the year 2015. The entities that meet the requirements indicated by the law (SME's) started applying the IFRS in the year 2016. It is important to note that any changes to IFRS and IFRS for SMEs made by the International Accounting Standards Board - IASB, will be reviewed by the Technical Board of Public Accounting and approved by the Ministry of Industry and Commerce through a decree, which will define from when its application begins in Colombia.

As from 2017, the accounting books are carried under the Colombian Financial Information Standards to determine the taxable basis for the income tax.

4.3.2. Statutory Auditor

The appointment of a Statutory Auditor is mandatory for the corporations and branches of foreign companies. All other partnerships must appoint a Statutory Auditor if their gross revenues in the preceding year are equal or higher than 3,000 monthly minimum legal wages in force (SMMLV as per its acronym in Spanish)³ (approx. USD\$717,000)⁴ and/or if its gross assets are equal or higher than 5,000 SMMLV (approx. USD\$1.195 million).

4.3.3. State Surveillance and Control

Commercial partnerships and branches of foreign companies are subject to the supervision by the Superintendency of Companies, provided that their revenues or assets are higher than 30,000 SMMLV at the cutoff date of their financial statements (approx. USD\$7.17 mil-

ions). Depending on the activity carried out, other Superintendencies may exercise such control regardless the amount of their revenues or assets.

4.3.4. Mandatory Registrations

Commercial partnerships and branches of foreign companies must register before the Mercantile Registry managed by the Chambers of Commerce, which allows their public accreditation as business entities. A registration with the Single Registry of Offerors (RUP as per its acronym in Spanish) is required for the purpose of contracting with state entities, which takes place at the Chambers of Commerce. The identification before the tax authorities, they must process their registration to the Single Tax Registry (RUT as per its acronym in Spanish) before the National Direction of Taxes and Customs (DIAN as per its acronym in Spanish), based on which a Tax Identification Number (NIT as per its acronym in Spanish) will be assigned, and depending on the municipality or district of operation they shall register before the territorial tax authority to obtain the Tax Information Registry (RIT as per its acronym in Spanish).

All foreign investments must be recorded at the Central Bank; its entrance to the country must take place through the regular exchange channel with the compliance with the applicable exchange regulations regarding the foreign investment.

5. Labor Regime

Colombian labor legislation conforms to the dispositions of the International Labor Organization. Foreign employees have the same rights and obligations as local employees, except for some diplomatic privileges. Colombian laws apply to all employees from the moment they celebrate a work contract.

The modalities of work contracts are: *i*) Fixed Term: its term may not be over three (3) years; however, the parties may extend it; *ii*) For the term of a work or labor contracted: it has the same term as the activity commissioned; *iii*) Occasional, accidental or transitory: its term is not higher than one (1) month and addresses activities different for the regular company activities; and *iv*) Long-term: no contract's term is stipulated.

5.1. Minimum Wage

Colombia has a minimum payment that the em-

² Law 1314 of 2009 regulates the accounting principles and standards and the financial and assurance information accepted in Colombia.

³ The monthly minimum legal wage in force for the year 2020 is COP\$877,803 (approx. USD\$239).

⁴ The figures in dollars herein have been calculated based on an estimated exchange rate of COP\$3,672.8 per USD\$1.

employees must earn as a remuneration for performing their activities, called Monthly Minimum Legal Wage in Force (SMMLV as per its acronym in Spanish). The SMMLV for the year 2020 is COP\$877,803 (approx. USD\$239).

In addition, a monthly Transportation Aid is recognized, which in 2020 amounts to COP\$102,854 (approx. USD\$28), which must be paid to the employees that earn up to two (2) SMMLV (Equivalent to USD\$478 approximately).

5.2. Work Hours

The work hours are up to 48 hours per week. The daytime hours are from 6:00 a.m. to 9:00 p.m., and the nighttime hours are from 9:00 p.m. to 6:00 a.m. Nighttime hours include the payment of a 35% surcharge on the value of the daytime hour. Overtime in daytime and nighttime hours include the payment of a 25% and 75% surcharge, respectively, on the value of the daytime hour.

5.3. Fringe Benefits and Legal Obligations

Fringe benefits correspond to: i) Severance payment: 30 days of salary per year worked, or its proportion; ii) Interests on severance payment: 12% per annum on the severance payment; iii) Holidays: 15 salary days in time or in some cases in cash; iv) Legal bonus: 15 salary days paid on June 30 and 15 salary days paid on December 20, at the latest; v) Work clothes: Employees that earn up to two (2) SMMLV must receive a pair of shoes and the appropriate clothes from the employer three (3) times per year on April 30, August 31 and December 20.

5.4. Other Payments

Contributions to retirement pension: 16% of the salary (12% in charge of the employer and 4% in charge of the employee); contributions to Health (EPS): 12.5% of the salary (8.5% in charge of the employer and 4% in charge of the employee); payroll taxes to the family welfare funds, the Colombian Institute of Family Welfare (ICBF as per its acronym in Spanish) and the National Learning Service (SENA as per its acronym in Spanish): 9% entirely in charge of the employer; and the contributions to the solidarity fund which applies to employees with a monthly salary equal or higher to 4 SMMLV (equivalent to USD\$956 approximately) and its percentage depends on the amount of the

salary.

The partnerships and legal entities and similar ones that are taxpayers of the income tax, corresponding to the employees that individually earn less than ten (10) SMMLV (Equivalent to USD\$2,390 approximately), are exempt from the payment of parafiscal contributions in favor of SENA and ICBF.

5.5. Integral Salary

There a remuneration method called integral salary which minimum amount is equivalent to 10 SMMLV (Equivalent to USD\$2,390, approximately plus 30% equivalent to the fringe benefits. The employees that receive this salary are also entitled to 15 days of salary for holidays.

6. Migration Regime

Colombian migration regime is regulated to control the entrance of foreigners to the country, whether as investors or employees. The types of visas are: Visitor, Migrant and Resident Visa. In addition to the visa applications of foreigners that enter the country and the companies that hire them, they must meet the requirement to register in two platforms (SIRE and RUTEC) and report the activities he/she performs.

7. Tax Regime

Prior to the development of the Colombian tax regime, it is appropriate to specify that, through Ruling C-481 of October 16, 2019, the Constitutional Court ruled that the regulatory changes introduced by Law 1943 of 2018 (Tax Reform) would only have legal effects until January 01, 2020.

In addition to the above, the Chamber determined that if on December 31, 2019 the executive did not enact and publish a new law, the phenomenon of reviviscence would operate, so that the regulations amended or repealed through Law 1943 of 2018 would operate again in the legal system as of January 1, 2020.

Thus, on December 27, 2019, the National Government issued Law 2010 (Economic Growth Law), which largely reproduced the rules that had been incorporated or modified by Law 1943 of 2018. Finally, as happens every four (4) years, on 25 May 2019, Law 1955 (National Development Plan -



Pact for Colombia, Pact for Equity) was issued, which, within its articles, contains some tax provisions.

The main taxes in Colombia are as follows:

7.1. Income tax and related taxes

As a general rule, the tax is levied on all adjusted gross net income likely to increase the equity of a individuals or business.

7.1.1. Income from local sources and foreign sources

Colombian legislation indicates that Colombian income sources are those from the exploitation of material or immaterial goods in the country, those derived from the provision of services in the Colombian territory, and those obtained from the disposal of material and immaterial goods located in the country in the moment they are alienated. Colombian income sources include:

- Income for the provision of technical services, technical assistance, and consulting services in favor of a resident in Colombia, regardless they are provided in Colombia or abroad.
- Interest produced by credits held in the country or economically connected to it, except the interest from transitory credits originated in the import of goods and in bank overdrafts.
- Profit from the manufacture or industrial transformation of goods or raw materials in the country, regardless of the place of sale or disposal.
- For the contractor, the total amount of the respective contract in the case of the so-called "Turn-key" contracts and other contracts for the manufacture of material works.

Colombian legislation expressly indicates the income not considered as from a local source.

7.1.2. Legal Persons (Business)

The general income tax rate applicable to local companies and similar ones, including the permanent establishments of foreign entities, is 32% for tax year 2020; 31% for tax year 2021; and 30% as of tax year 2022. These same rates are applicable to foreign companies without domicile in Colombia that have an obligation to file a tax return.

Financial institutions with taxable income equal to or more than 120,000 UVTs⁵ will be taxed at a rate of 36% in 2020; 34% in 2021; 33% in 2022 and 30% as of tax year 2023.

Legal entities that are users of a free trade zone (except for the commercial users) are subject to

income tax at a rate of 20%.

Users of the new free trade zones created in the municipality of Cúcuta between January 2017 and December 2019 will have a rate of 15%, provided that (i) the new free trade zones have more than 80 hectares and (ii) it is guaranteed that the new free zone will have more than 40 users between domestic and foreign companies.

The income of the hotel sector, as well as those of thematic park, ecotourism and agritourism projects, publishing companies and new boating docks will be taxed at 9% provided that they meet the conditions pointed by the law.

Entities called "small enterprises" due to their assets volume and number of employees, that have incorporated by December 31, 2016, at the latest, have a special income tax rate, as follows: i) 9% during the first two years; ii) 9% + (the general corporate tax rate - 9%)*0.25 during the third year; iii) 9% + (the general corporate tax rate - 9%)*0.50 during the fourth year; and iv) 9% + (the general corporate tax rate - 9%)*0.75 for the fifth year. These companies shall be subject to the general tariff as from the sixth year of operation.

The Colombian companies, as well as permanent establishments of foreign individuals, companies, or entities of any nature, located in the country, will be taxed on the national and foreign source income and capital gains attributable to them. Foreign companies will only be taxed on their national source income.

Colombian companies must declare their equity owned within and outside Colombia. Permanent establishments of foreign entities and foreign companies will only declare their equity owned in Colombia.

The income tax is determined on the income that is higher between: i) The net ordinary income, and ii) The presumptive income. The net ordinary income is the result of separating the costs and deductions authorized by the tax legislation from the taxable income.

The presumptive income corresponds to a minimum income estimated to be obtained by the taxpayer, equivalent to 0.5% of the net equity in the preceding year. From the taxable year 2021 the above percentage will be reduced to 0%. If the entity determines tax losses, or presumptive income is higher than ordinary net income, it shall calculate its taxes through the presumptive

⁵ UVT – Tax Value Unit for year 2020 is equivalent to Col\$35,607 (USD\$9.89, approximately).

income system.

In cases where the presumptive income is higher than the net income, the difference will constitute an excess presumptive income that can be compensated with the net income generated within the following 5 taxable years.

The tax losses may be offset against the net income generated within the 12 taxable years following the time when they were obtained.

Local entities may deduct, based on the limitations set out by law, the taxes paid abroad on income from foreign sources they may have earned.

7.1.3. Income tax on dividends received by the business.

Dividends received by companies are subject to a withholding for income tax of 7.5%. Dividends received by foreign companies and entities are subject to withholding tax at the rate of 10%.

If the dividends derive from profits that were not taxed in the name of the company that distributes them, they will be additionally taxed at the general corporate tax rate (32% for tax year 2020); in these cases, the withholding tax of 7.5% or 10%, as applicable, will be applied once the 32% corporate tax has been deducted.

In the case of dividends received by national companies, the withholding tax of 7.5% is only applied to the national company that receives the dividends for the first time and will be credited for the final benefit of the natural person resident or investor resident abroad. The law contemplates exceptions to making the withholding tax of 7.5%.

The special rules for dividends from profits prior to year 2017 apply.

7.1.4. Natural Persons (individuals)

Natural persons resident in Colombia are taxed with the income and related taxes at progressive rates and by schedular incomes. They pay taxes on their income and capital gains of worldwide sources and must declare their equity owned in Colombia and abroad.

A foreign individual will be considered resident in Colombia, when he or she remains continuously or discontinuously in the country for more than 183 calendar days, including days of entry and exit from Colombia, during any period of 365 consecutive calendar days.

The incomes received by individuals residing in Colombia whose value exceeds 1,090 UVT

(approximately US\$10,780) and up to 31,000 UVT (approximately US\$306,590) will be taxed at rates ranging from 19% to 37%; the incomes exceeding 31,000 UVT will be taxed at the 39% rate.

The individuals without residence in Colombia pay taxes on their national source income and declare the equity owned in Colombia. In this case, the general rate that applies to those who must file an income tax in the country is of 35%.

7.1.5. Income tax on dividends received by individuals

The rate applicable to the income for dividends received by individual's resident will be of 10% when the amount distributed exceeds 300 UVTs (Equivalent to USD\$2,967, approximately). If the dividends arise from profits that were not taxed in the name of the company that distributes them, they will be taxed in addition to the general corporate rate (32% in the tax year 2020), in these cases, the withholding tax of 10% will be applied once the 32% corporate tax has been deducted.

The incomes for dividends received by individual's non-resident are subject to withholding tax of 10%. If the dividends arise from profits that were not taxed in the name of the company that distributes them, they will be taxed in addition to the general corporate rate (32% in the tax year 2020), in these cases, the withholding tax of 10% will be applied once the 32% corporate tax has been deducted.

7.1.6. Special tax regimes:

7.1.6.1. Regime of Colombian Holding Companies (CHC)

Tax regime applicable to national companies that have as their main activities the possession of securities, the investment or holding of shares or participations in Colombian and/or foreign companies or entities and/or the administration of those investments.

The requisites established for the access to this regime are the following: (i) To participate directly or indirectly in at least 10% of the capital of at least two Colombian and/or foreign companies or entities for a minimum period of 12 months, (ii) To have at least 3 employees, its own management in Colombia and be able to demonstrate that strategic decision making regarding with investments and assets of the CHC is carried out in Colombia and (iii) To communicate to the Colombian Tax Administration (DIAN) the intention to benefit from the CHC regime.

The CHCs are not taxed on the dividends that they receive from entities not resident in Colombia or for the income obtain from the disposal of investments in entities not resident in Colombia. The dividends that a CHC distributes to a Colombian non-resident (business or individuals) or the income derived from the disposal of shares held by a CHC will not be taxed either (limitations or conditions apply).

7.1.6.2. Regime of Mega-Investments

Regime that applies for 20 years for the new investments within the national territory with a value equal to or in excess of 30,000,000 UVTs (Equivalent to USD\$296,700,000 approximately), that generates at least 250 new direct jobs, in any individual, commercial and/or service activity, performed prior to January 1, 2014, when the requirements indicated in the law are fulfilled. Investors who carry out projects related to the evaluation and exploration of non-renewable natural resources will not be able to access this regime.

Those who access this regime will enjoy the following benefits: i) A preferential rate in the income tax of 27%; ii) If the dividends come from profits that have already paid tax in the name of the company that distributes them, they will not be subject to the dividend tax; iii) When the dividends come from profits that have not paid tax in the name of the company that distributes them, they will be taxed at the flat rate of 27%; iv) Will not be subject to the system of presumptive system; v) Depreciation of its assets may be effected over a minimum period of 2 years; and vi) Mega Investments shall not be subject to net worth tax.

Those who access this regime may sign legal stability contracts with the government, with which are guarantees that the tax benefits and other conditions will apply for the term of the contract.

7.1.6.3. Public works for taxes

Taxpayers of the income tax that in the immediately preceding taxable year or period had obtained gross income equal to or in excess of 33,610 UVTs (Equivalent to USD\$332,403, approximately) may enter into agreement with the public entities of national level, for which they will received in exchange negotiable securities for the payment of income tax.

The object of these agreement will be the direct investment in the execution of projects of economic and social transcendence in the different municipalities defined as Zones More Affected

by the Armed Conflict (ZOMAC as per its acronym in Spanish).

7.1.6.4. Simple Taxation Regime (STR)

Optional taxation model for annual return and bimonthly advance with rates that range from 1.8% to 14.5% according to the activity that substitutes the income tax and integrates the national tax on consumption and the industry and commerce tax.

Natural persons who develop an enterprise or legal persons in which their partners, participants or shareholders are natural persons resident in Colombia, who in the preceding taxable year had obtain gross income, ordinary or extraordinary, of less than 80,000 UVTs (Equivalent to USD\$791,200, approximately), in addition to comply with other requirements indicated in the law.

Taxpayers registered under the simple taxation system will not be subject to the presumptive income system.

7.1.6.5. Regime of Entities Controlled Abroad (ECE as per its acronym in Spanish)

An ECE is an investment means with no residence in the country, that is controlled by a Colombian tax resident. If the Colombian tax resident owns, whether directly or indirectly, an interest equal or higher than 10% of the ECE's capital or its results, and at least 80% of the ECE's total income is from passive income, the Colombian tax resident shall obtain passive income, according to its interest in the ECE that he/she must include in his/her income tax return.

7.2. Tax on Capital Gains

Tax on Capital Gains applies to the income from certain operations expressly listed by the law, among which are the income obtained from the disposal of fixed assets owned for more than two years and the income from inheritances, legacies, donations, and similar acts, as well as the income earned from the spousal portion.

This tax rate is 10%. However, lotteries, raffles, bets, and similar ones are taxed at the 20% rate.

7.3. Net worth tax

Tax created for years 2020 and 2021 payable by: (i) individuals and illiquid inheritance taxpayers of the income and related taxes, or income tax substitutes schemes (e.g. RST); (ii) non-resident individuals and illiquid inheritance of non-residents taxpayers, and (iii) foreign companies or entities that do not file income tax return but own goods located in Colom-

bia different from shares, accounts receivable and/or portfolio investments.

The tax will be assessable by the possession of equity as of January 1, 2020 for an amount equal to or more than Col\$5,000,000,000 (approximately US\$1.361.359) and will have a rate of 1%. The taxable base for year 2021 will be limited to that determined in year 2020 in the terms indicated by the law.

7.4. Normalization tax

Effective only for year 2020. The normalization tax will be settled at a rate of 15% on the value of the assets omitted or non-existing liabilities and this return will be submitted and paid in an independent tax return, that does not permit its amendment or belated submission.

The tax will be in charge of the taxpayers of the income tax who have omitted assets or non-existent liabilities, and by those who own assets different inventories, declared for a value of less than that of the market.

7.5. Value Added Tax (VAT)

This is a national tax that mainly applies to the sale of corporate furniture and real estate that are not assets and that are not excluded, the sale or assignment of rights on intangibles related to the industrial property, the provision of services in the national territory and abroad, and the importation of corporate furniture that are not expressly not excluded.

The party required by the tax authority to collect and pay the tax is whoever performed any of the generating facts, despite whoever financially supports this tax is the final consumer.

The current VAT rates in Colombia are 0%, 5% and 19%.

Exportation of goods and services is VAT exempt. Some specific goods and services are excluded, such as transportation services, education services, utilities, and interests, among others.

7.5.1. VAT on digital services

Digital and electronic service providers from abroad may submit the declaration of VAT bi-monthly basis or voluntarily apply the withholding tax.

The services that fall within the notion of digital services are (i) supply of audiovisual services (e.g. music, videos, films), (ii) services provided through digital platforms, (iii) online advertising services, (iv) supply of distance education or training, (v) supply of rights of use or exploitation of intangibles and (vi) other digital or electronic services intended for users located in Colombian territory.

The taxable base to liquidate the tax will be the totality of the invoiced value, collected and/or demanded from users located in Colombia.

7.6. Tax on financial transactions (GMF as per its acronym in Spanish)

GMF applies to the financial transactions that include funds deposited in current or savings accounts and deposit accounts at the Central Bank, as well as cashier checks.

The tax rate is 0.4% of the total financial transaction amount through which the funds are disposed of.

7.7. National Consumption Tax

The National Consumption Tax is levied on the following services and goods: i) Mobile telephone, internet and mobile navigation services, which are taxed at a rate of 4%; ii) The sale of some tangible movable goods, of domestic production or imported (e.g. cars, motorcycles and yachts) taxed at rates between 8-16%; and iii) the sale of food and beverages prepared in: cafeterias, restaurants, ice cream parlors, among others, which are taxed at a rate of 8%.

7.8. Carbon Tax

This tax is levied on the carbon content of all fossil fuels, including all oil derivatives used for energy purposes. The generating event is the sale, withdrawal and import for own consumption or import for sale of fossil fuels and is caused in a single stage with respect to the generating event that occurs first.

It has a specific rate considering the carbon dioxide (CO₂) emission factor for each given fuel, expressed in volume unit (kilogram of CO₂) per energy unit (terajoules), according to the volume or weight of the fuel.

7.9. Real Estate Tax

It is a tax that applies to the real estate owned, in charge of the owners, keepers or users, at each municipal jurisdiction. The rate oscillates from 0.3% and 3.3%, approx., and applies to the real estate appraisal in force or to the self-appraisal.

7.10. Industry and Commerce Tax (ICA as per its acronym in Spanish) and the Complementary Tax on Signs and Boards

It is a municipal tax that applies to the revenues applied by the performance of industrial, commercial and service activities, that are performed or carried out, whether directly or indirectly, individuals, legal entities or de facto companies in the respective municipal jurisdictions.

The taxable base is made up of all ordinary and extraordinary revenues received in each municipal jurisdiction of the taxable year, including revenues

for financial yields, commissions and in general, all that is not expressly excluded by the law.

The rate varies at each municipality jurisdiction according to economic activity and ranges from 0.3 to 1%.

The signs and boards tax, it is a related tax to the industry and commerce tax and its generating fact is the placing of fences, signs, and boards in the public space (it is use to advertise the business or your trade name through of the above mentioned means).

The taxable base for this tax is the value payable of the industry and commerce tax and its rate is 15%.

7.11. Registration Tax

It is a tax that affects all acts, contracts or legal documentary business that must be registered with chambers of commerce and offices of public instruments.

The taxable base for this tax is the value incorporated in the document containing the act, contract, or legal transaction. In documents without a value, the taxable base is determined according to the nature of the document.

The tax rate can range from 0.3% to 1%.

8. Agreements to Avoid Double Taxation

Colombia has celebrated agreements to avoid double taxation in the sea and air transportation with Argentina, Germany, Brazil, Chile, Ecuador, United States, France, Italy, Panama, Portugal, United Kingdom, Switzerland y Venezuela.

In addition, it has executed several agreements to avoid double taxation and prevent tax evasion Tax Treaties), which in general cover the income and equity tax, with Ecuador, Peru, Bolivia, Spain, Portugal, Canada, Chile, Switzerland, Mexico, India, the Czech Republic, and South Korea, United Arab Emirates, Italy, France, Japan and United Kingdom⁶.

9. Transfer Pricing

Colombian regulations regarding Transfer Pricing has been prepared based on the guidelines by the Organization for Economic Co-operation and Development - OECD.

In light of that regime, income tax payers who perform operations with related parties abroad must determine their ordinary and extra-ordinary income, costs and deductions, and their assets and liabilities, considering the prices and profit margins used in operations comparable with or between independent parties.

Special consideration must be given to the related parties located abroad, in free trade zones and/or to individuals located or residents in non-cooperating jurisdictions, with a low or null taxation, and with preferential tax regimes.

10. Foreign Investment and Exchange Aspects

10.1. General and Control Aspects

The exchange market is free, with specific exceptions that determine the operations that must be mandatorily channeled through the stock market.

The transactions that must be channeled through the stock market, with a stockbroker of the foreign market and/or through an clearing account (bank account in foreign currency), are: foreign investment and the wire transfer of profit, investment, Colombian investments abroad and their profit, importation and exportation of goods, external indebtedness of Colombian residents and their financial costs, operations from financial derivatives and endorsements and warranties in foreign currency.

10.2. General Exchange Regime

It applies to the companies incorporated under the Colombian legislation and the branches of foreign companies not dedicated to the oil and mining sector (coal, uranium, and ferronickel).

⁶ The Tax Treaties executed with United Arab Emirates, Italy, France, Japan, and the United Kingdom will become effective once all the national and international processes for their application are performed.

Under this modality, Colombian residents, with some exceptions, may not pay their liabilities with other residents in a foreign currency.

Access to the stock market is allowed to obtain the funds in a foreign currency to pay his/her liabilities to non-residents. Importation and exportation of goods are managed through this regime and access is granted to internal and external indebtedness.

10.3 Special Exchange Regime

Applicable to branches of foreign companies dedicated to the exploration and exploitation of hydrocarbons, coal, uranium, and ferronickel, and the branches that provide services to the oil sector, exclusively.

Under this modality, branches are authorized to receive and make payments in a foreign currency in the country, provided the foreign currency is from funds obtained as a result of its operation, not being required to reintegrate the funds from their sales in a foreign currency to the local stock market.

10.4 Foreign Investment

The investment of foreign capital is allowed, even for the purchase of real estate property. The investment in national security and defense is not allowed, along with the processing and disposal of toxic, hazardous, and radioactive waste produced abroad.

The foreign investment classes are called direct and portfolio investment.

Direct investment is understood as the purchase of shares, interests, social quotas, capital contributions or bonds mandatorily convertible into shares; the acquisition of stand-alone trusts created by means of trust contracts for the development of a company, supplementary investment of capital allocated to the branches in Colombia; the purchase of real estate properties and stock certificates derived from a real estate securitization process and the acquisition of interests in private capital funds.

Portfolio investment is understood as the acquisition of shares, bonds mandatorily convertible into shares, and other securities registered in the National Securities Registry; this investment is considered as speculative and not with a long-term investment purpose.

11. Contracts with the Government

The regulations to contract with the government are listed in the General Contracting Statute for Public Administration, applicable to all public entities in accordance with the Laws 80 of 1993, 816 of 2003, 1150 of 2007, 1450 of 2011, 1474 of 2011, 1508 of 2012, Decree 19 of 2012, Decree 1510 of 2012, among others; however, there are entities which contractual activity is subject to private contracting regimes.

The contractor's selection process may take place through any of the following modalities: tender, short-term, or abbreviated selection, direct contracting, merits contest, or contracting for a minimum amount.

12. Environmental Aspects

The Code of Renewable Resources, a law enacted in 1974, determines the requirements to obtain the environmental license to develop projects, civil works or activities that affect the renewable resources or the landscape; requirements for the prevention, mitigation, correction, compensation and management of environmental effects may be imposed in respect to the activities that must be undertaken as part of the project.

A license is required to carry out hydrocarbons, mining, electrical, hydrological, maritime, port, land, and air projects, and for nuclear energy, railroads, irrigation, and public fluvial works, and at national natural reserves.

13. Intellectual Property

In Colombia, Intellectual Property Rights are protected, as a development of the acquired obligations with The Community of Andean Nations (CAN as per its acronym in Spanish) as set in the CAN Decisions. In Colombia there is a local authority, which is autonomous from international organizations. There is also a local procedure for the registration and protection of Intellectual Property rights. The Superintendence of Industry and Commerce is the regulatory entity responsible for the control and registration of industrial property, while the National Directorate of Copyright oversees copyright.

Intellectual property rights are divided into two categories:

- Industrial property related to inventions, patents, industrial designs, layout design of integrated circuits, industrial secrets, and distinctive signs, like slogans, brands, names, and commercial emblems.
- Copyright related to the protection granted to scientific, artistic, and literary works susceptible of reproduction or distribution in any way, including to the rights of artists, interpreters, and producers of sound recordings, and holders of copyrights of computing software.

14. Financial Sector

The sector is under the supervision of the Superintendency of Finance, the state entity competent to inspect, supervise and control.

Other regulating entities are the Central Bank (Banco de la Republica) and the National Direction of Taxes and Customs (DIAN). The financial activity is considered as public interest as it may only be exercised previous authorization by the Government. Colombian financial market structure is based on a business group model, which is a middle point between specialized banking and multiple banking: Companies can only provide one type of financial service (specialized banking), however, these companies are allowed be part of a business group allowing the group owners to provide various financial services, only through different companies (approach to multiple banking). The financial companies must be constituted under the corporate type of public limited company.

Considering the situation caused by the COVID-19, the Colombian Government has been issuing new laws that could change the regulation and conditions stated in this document. Thus, we invite you to contact us to be able to give you a consultancy according to your needs and the law in force.





Republic of Costa Rica

1. Company information

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3. Country Profile

Costa Rica is known for its stable democratic tradition. The current constitution was enacted in November of 1949. Its political structure is based on a representative republican system, with three branches:

Executive Branch: It is headed by the President and two Vice Presidents, elected by direct popular vote for a 4-year term, with the possibility of non-consecutive reelection. Other members of the Executive Branch include 24 ministers appointed by the President, who is also the Head of Government.

Legislative Branch: Also known as the “First Power of the Republic”, the Legislative Branch is represented by the Legislative Assembly, with 57 members, elected by direct popular vote for a 4-year term.



Judicial Branch: Represented in the Supreme Court of Justice, comprising 22 magistrates elected by the Legislative Assembly for an 8-year term; the civil and criminal courts, labor courts and the electoral court, among other legal branches.

3.1 Geography

Located in Central America, Costa Rica is bordered by Nicaragua to the north and Panama to the south, by the Pacific Ocean to the west and the Atlantic Ocean to the east. Three mountain ranges define Costa Rica, forming five distinct regions: the tropical lowlands on the Pacific and Atlantic coasts, the North Central tropical plains, the Central Valley highlands, and the vast Northwestern region.

The Central Valley's easy access and temperate climate, with an average temperature of 20°C (68F), concentrate two thirds of the country's total population and an even greater portion of the industrial sector. It is also the site of the capital, San José, with an extension of 9.47 sqm (3.66 sq. miles), at 1,150 (3,773 feet) masl.

3.2 Road System

Costa Rica has one of the best developed road systems in Central America. There are more than 7,000 km of main highways and roads and approximately 16,000 km of rural roads. The Greater Metropolitan Area has a wide range of public transportation services: train, buses and taxis. These public services coexist with the collaborative transport options provided from digital platforms, such as Uber.

3.3 Air Travel

International Airport Juan Santamaría is the main point of entry from abroad. It is serviced by 26 international passenger airlines and 4 international cargo airlines. A new terminal is now operational to

increase the airport's capacity and comply with the expectations of fast quality services.

International Airport Daniel Oduber Quirós, located in Liberia, Guanacaste, serves tourists coming to visit Costa Rica's paradisiac beaches in this region. The airport was re-inaugurated in October 1995. In addition, there are approximately 31 small airfields in rural areas of the country, which fulfill the demand for domestic flights operated by Costa Rican airlines.

3.4 Shipping

Several shipping companies offer regular and frequent cargo service for containers arriving on both coasts from the United States, Europe, Japan and Latin America. The largest port in the country, Limón, handles almost 80% of all cargo. In October 2018, the megaport at Moín Container Terminal (TMC) started operations, overseen by Dutch company APM Terminals, with an investment of approximately USD\$1,000 million. It covers a total of 80 hectares, a 1500-meter dock, five berths, a breakwater and an access channel 18 meters deep. This megaport will serve as a hub for maritime transportation for the Caribbean and Central America.

The port of Caldera, located 90 miles from San José, was built in 1982 to replace the aging Puntarenas port. Caldera has ample storage space, three berths, and a passenger terminal. Caldera is a busy port handling approximately 30 to 40 ships per month. All three ports can service containers and roll on/roll off cargo.

3.5 Communications

The Costa Rican telephone system is excellent, offering direct dial access to most countries. Public telephones are available throughout the country. Costa Rica has a fully automated, top of the line, telecommunications system, both at a local and international level, including facsimile facilities and e-mail. Mobile telephones were introduced in 1994 with coverage throughout the entire Costa Rican territory, operated by government entities and private companies.

3.6 Political History

For a century and a half, Costa Rica has been building a stable society with benefits shared by all. The country's commitment to socioeconomic development is evident in present-date Costa Rica: the nation with the most equitable distribution of wealth, highest health standards, and longest life expectancy of Central American countries. In 1990, the United Nations cited Costa Rica as having the best human development indexes among developing nations.

In 1996, once again Costa Rica reached first place among Central American countries in terms of human development. For years, the traditions of this small democratic republic and peaceful business climate have encouraged and successfully attracted foreign investment. This is emphasized by the Costa Rican Political Constitution, which, except for participation in political affairs, guarantees foreign investors the same legal rights as Costa Rican citizens.

All this translates into an ideal place to conduct business. The country's industrial base is very strong; the highly educated labor force is easy to train; production infrastructure and a modern, efficient communications system are available; elements that ensure easy access to the global marketplace. In addition, the country has signed several multilateral and bilateral trade agreements with other nations, allowing for preferential access to foreign markets. The business environment is second in importance in the Central American region. A quick analysis and comparison of Costa Rica's social, political and economic policies with those of its neighboring countries make Costa Rica the best choice for international investors seeking good opportunities for their technology and know-how. The Costa Rican colon is the official currency, divided into 100 cents, generally used for internal transactions. The US Dollar and Euro are also used; the latter being particularly used for external transactions.

3.7 Population

The country has become a multiracial melting pot. Among more than 5 million inhabitants there is an extensive miscegenation, among indigenous people, descendants of Spaniards and other European, Asian and African families.

Population growth rate has been relatively stable over the last four years, reaching 1.12% in 2018. The Central Valley, with the highest concentration of inhabitants, will continue to absorb about 60% of this growth and has consolidated the Greater Metropolitan Area comprising the provinces of San José, Alajuela, Heredia, and Cartago. Family planning over the last 20 years has decreased birth rates and altered demographic trends.

3.8 Language

The country's official language is Spanish. English is the most widely spoken foreign language, and the most commonly used within the business community.

4. The Economy

Costa Rica has a market economy with major government participation in several sectors: insurance, refineries, electricity, telephone, and drinking wa-

ter; however, currently there are also private energy-generating companies, private telephone and data transmission (broadband Internet) service providers and private insurance companies.

Both the public and private sectors acknowledge that private foreign investment is essential for increasing exports and employment in the country. Import licenses have been virtually eliminated and the tariffs have been reduced from nearly 80 to 20% for most non-durable goods and 10% for capital goods. Import taxes have decreased substantially for raw materials, and since 1999, taxes on capital goods are 1% and 15% for finished products.

4.1 Free Trade Zones Regime

The Free Trade Zones Regime was created and is regulated by the Free Trade Zones Law No. 7210, consisting of a set of incentives and benefits granted by the country to companies making important investments in the country and meeting the requirements under the law to have access to said regime.

Companies benefitting from this regime are supervised by a governmental office called PROCOMER (Foreign Trade Promoter), which is attached to the Ministry of Foreign Trade of Costa Rica.

The law establishes categories of companies that may qualify for the regime, such as manufacturing, production, repair and maintenance of goods, redistribution of merchandise and provision of services for export or re-export.

Most incentives provided under the law are of a fiscal nature, particularly exoneration of certain taxes.

4.2 Investments and export incentives

The failed protectionist model of the 1960s and 1970s forced manufacturers to seek new markets outside Central America and to improve their production, pricing, and quality of their products. As a result of increased world production and competitiveness, the country's mostly traditional agricultural export products, had lower prices. In order to promote both domestic and foreign investment in non-traditional exports, the government streamlined import and export procedures and implemented a structural adjustment program to carry out economic reforms.

Today, fiscal incentives are available for reforestation and tourist-oriented projects.

4.3 Goals of Government Policy with regard to the Economy

Government policy is directed toward stimulating economic growth, especially in distant non-urban areas, and toward privatizing, as much as possi-

ble, state-owned industries and services currently under state monopoly. Industrial decentralization is one of the major objectives of government economic planning and regional incentives are available.

4.4 Trade Agreement and Treaties

Currently, Costa Rica has free trade agreements in place with Colombia, Central America, Canada, CARICOM, Chile, China, United States of America, Dominican Republic-Central America (CAFTA-DR), South Korea, AACUE, Dominican Republic, Mexico, Panama, Peru, Singapore, and the European Free Trade Association (EFTA). Bilateral investment treaties are also in place with Germany, Argentina, Canada, Chile, Taiwan, South Korea, China, United Arab Emirates, Spain, France, the Netherlands, Paraguay, Czech Republic, Venezuela, Switzerland, and Qatar, in addition to the multilateral agreement with the World Trade Organization (WTO).

The country is currently in negotiations to sign the following treaties and agreements: Pacific Alliance, Environmental Goods Agreement (EGA), Trade in Services Agreement (TiSA), and the Association Agreement between Central America and the United Kingdom of Great Britain and Northern Ireland (AACRU).

Moreover, Costa Rica has Tax Information Exchange Agreements in place with Argentina, Australia, Canada, Denmark, United States of America, Finland, Greenland, France, Mexico, Norway, the Netherlands, South Korea, Ecuador, Italy, Sweden, South Africa, Guernsey, Iceland, and Faroe Islands. The Inter-American Convention on Mutual Assistance and the Convention on Mutual Administrative Assistance in Tax Matters are also in force.

Regarding double taxation agreements of income and wealth taxes, agreements are currently in place with Spain, Germany, and Mexico. Agreements of this kind with the United Arab Emirates are currently in the legislative process.

A Tax Information and Exchange Agreement (TIEA) with the United States became effective in 1991, under which Costa Rica is now eligible for Section 936 funds. These are profits earned by U.S. companies in Puerto Rico that are tax exempt in the United States if such profits are invested in any country in the Caribbean Basin. In addition, the TIEA enables U.S. companies to hold conferences or seminars in Costa Rica and deduct those expenses from their U.S. income tax returns.

Also, in 2013, Costa Rica signed an intergovernmental agreement with the United States to implement "The Foreign Account Tax Compliance Act"

of FATCA, which seeks to obtain information about U.S. taxpayer accounts in other countries to fight tax evasion abroad and promote transparency.

4.5 Currency Exchange Controls

The Central Bank of Costa Rica is responsible for formulating the monetary and currency exchange policy in the country. It is also responsible for promoting favorable conditions to strengthen, ensure liquidity, solvency, and proper functioning of the financial system.

4.6 Capital repatriation

Although it is no longer necessary to register foreign capital with the Central Bank to ensure capital repatriation, investors are advised to convert their foreign currency through the national banking system.

5. Business entities

The main law regulating commerce in the country is the Code of Commerce. Foreigners are granted full freedom to acquire and operate businesses in Costa Rica with some exceptions in the area of communications.

5.1 Types of companies

Costa Rican law allows the incorporation of five types of companies:

- Stock Corporation (*Sociedad Anónima*)
- Limited Liability Company (*Sociedad de Responsabilidad Limitada*)
- Collective companies (*Empresa Colectiva*)
- Limited Liability Partnership (*Empresa de Responsabilidad Limitada*)
- Individual enterprise with limited liability (*Empresa individual de Responsabilidad Limitada*) (this option is the only one regarded as an individual rather than corporate figures).

Of these five, stock corporations and limited liability companies are the most commonly used by corporations and investors.

5.1.1 Stock Corporations

Being the most popular form of commercial company, the stock corporation is a public entity whose members are liable only to the extent of their own contributions. Just like limited liability companies, a minimum of two shareholders (partners) is required. A basic difference is that the administration of a Stock Corporation is more sophisticated. The company is organized through shares duly registered in the "Shareholders Register" book, kept by the company. This is a private record with access limited to shareholders and/or administrators.

Third parties may have access only by means of a court order.

There must be a board of directors with at least three directors and an overseer, all of whom may be foreigners if desired, in which case a "Resident Agent" must also be appointed for the corporation. This position is usually undertaken by the Notary Public who created the corporation. The name of the corporation must be different from those already registered and followed by the words *Sociedad Anónima*, or the abbreviation "S.A."

5.1.2 Limited Liability Company

A limited liability company is a stock-held corporation, with a minimum of two shareholders (partners) required for its constitution; each is only liable for their own contribution. The share capital is represented by nominal shares, which can only be transferred by assignment and with the prior consent of shareholders.

This type of company requires an administrator and, therefore, is suitable for medium-sized enterprises, where the basic needs pertain to the limitation of liability/risk and simple administration. It is the only required position, which acts as a manager with a general power of attorney, though other positions may be included. The company name must include either the phrase *Sociedad de Responsabilidad Limitada* (Limited Liability Company) or the abbreviation S.R.L. or Ltda., and it must appear on all forms of publicity, invoices, publications, and other documents.

A limited liability company is not dissolved automatically upon the death, interdiction, or bankruptcy of a partner unless otherwise provided for in its charter. Bankruptcy of the company does not extend to its partners. In this type of company, partners are only liable to the extent of their capital contributions. With the exception of stock corporations, this is the next most common figure used to constitute a company.

5.1.3. Foreign companies

Foreign companies may operate branch offices which, upon incorporation, will be subject to Costa Rican laws. A branch office of a foreign company is created by granting Power of Attorney to act as Attorney in Fact to the party in charge of branch business.

Foreign companies with offices in Costa Rica may operate under the laws of the country of origin, but they are bound by Costa Rican public law and must pay income tax on income generated in Costa Rica.

5.1.4 Registry of Transparency and Final Beneficiaries

Created by the Law to Improve the Fight Against Tax Fraud No. 9416 of December 14, 2016, it is a system aiming to identify all the participations, final beneficiaries and people who exercise control in a legal entity required to provide this information.

The Central Bank of Costa Rica is the entity in charge of the creation and administration of the Registry of Transparency and Final Beneficiaries.

Legal entity	Legal representative in charge
Stock Corporation	President
Limited Liability Company	Manager or Assistant Manager
Collective Companies	Administrator
Limited Partnerships	Manager
Branches of foreign companies	Attorney in Fact
Individual Limited Liability Companies	Manager
Civil corporations	Administrators

The following legal persons, through their legal representative, are obliged to present the declaration of participations and final beneficiaries in the Transparency and Final Beneficiaries Registry: The obligation to report this information is foreseen beginning in September 2019.

6. Specific information on legal ways of doing business

Powers of Attorney or appointments and trusts can be useful for doing business. The different types used in Costa Rican are described and explained in this section, as well as the pertinent aspects of business-related legislation.

6.1 Powers of Attorney

The document through which an individual or an entity confers certain rights to act in the name of and on behalf of another person is known as a Power of Attorney. A power of attorney is a rather common legal instrument that allows foreign investors to delegate handling of certain business matters to their attorneys or other trusted representative. The person granting the power of attorney is known as the "grantor". The person or entity who receives the power is known as the representative or proxy ("apoderado"). There are four types of powers of attorney, which allow the power delegated adjust to the nature of the task or type of actions that need to be implemented.

6.1.1 Special Power of Attorney

A special Power of Attorney is granted for a given action, in or out of court. The representative only act for the specific matter contained in the mandate. Once this action is completed, the power of attorney is no longer valid.

6.1.2 Very Special Power of Attorney

A Very Special Power of Attorney is granted to perform very concrete actions established by law, for example, to engage in marriage, sell a vehicle, or make a donation through a proxy.

6.1.3 General Power of Attorney

This Power of Attorney is characterized for granting ample authority for the management of one or several businesses as specified in the power, such as, for example, to enter into agreements or perform actions to maintain or exploit assets of the business, demand payment of credits in judicial or extra-judicial proceedings and give the corresponding receipts, in addition to performing all legal actions required by the nature of the business as part of company operations.

6.1.4 Very General Power of Attorney

Through this type of power of attorney, the representative or proxy may, for all the actions listed by the grantor, sell, mortgage or in any other way transfer or encumber any type of property; accept or relinquish inheritances, arrange for the execution of any type of contract in court or any other action that the grantor may require, as may be determined in the power. It may be limited a specific amount of national currency (colones) or its equivalent in foreign currency.

6.2 Trusts

The Code of Commerce contains provisions allowing the establishment of trusts. A trust is a contract through which a legal or physical person (called "trustor") transfers goods, money or right of ownership to another legal person or entity, called "trustee", and the responsibility to manage them according to the terms of the contract. Any person or legal entity having the legal capacity to acquire rights and contract obligations may serve as a trustee.

The original instrument designates the beneficiary (or "trustee") who will receive the assets covered by the trust. If no such designation exists, then the assets are returned to the trustor or heirs. A business can be the object of a trust and become a separate or independent asset for the purposes of the trust.

The following trusts are prohibited by law:

1. A trust made for secret purposes;
2. Trusts having the duration of more than thirty years if the trustee or beneficiary is a charitable, cultural, scientific or artistic entity.
3. A trust in which the trustee is allotted earnings, commissions, premiums, or advantages other than the remuneration indicated in the original instrument or determined in a judicial action.

7. Accounting Requirements

7.1 Accounting

Public and private companies are required to maintain accounting records as established in the Code of Commerce and the Income Tax Law, which also requires that the annual financial statements be prepared in accordance with International Financial Reporting Standards (IFRS), as well as other requirements for annual financial statements. Costa Rica adopted the IFRS in the year 2001.

7.2 Audits

According to the Law for the Professional Association of Public Accountants, only registered members are qualified to perform audits. External audits are mandatory for banks, retirement funds and other financial institutions. The accounting and auditing standards are laid down by the Professional Association of Public Accountants and are generally based on the International Auditing Standards.

8. Labor Relations

Though labor costs are somewhat higher in Costa Rica than in neighboring countries, the work force also has higher levels of education and productivity. The U.S. Embassy, in its "General Business Information on Costa Rica" states that the Costa Rican work force is well-educated, skilled and easy to train. The average worker has demonstrated a willingness to seek and an ability to absorb specialized training. Labor regulations have their legal base in the Costa Rican Labor Code and, additionally, as of the year 2000 the Law on Protection of Workers, which expanded certain labor rights.

Since its enactment in 1943, the Labor Code has been the country's principal law concerning labor relationships, establishing the rights and responsibilities for both workers and employers.

A law approved by the Legislative Assembly in December 2015 came into force in July of 2017, called Labor Procedural Reform. This law modifies essential aspects for in court and out of court procedures involving labor law. In addition, it establishes the prohibition of all forms of discrimination in the workplace, whether for age, ethnic origin, sex, religion, race, sexual orientation, civil status,

public opinion, national ancestry, social origin, filiation, disability, labor union affiliation, or financial situation.

It is recommended that potential investors consult with a lawyer specializing in labor law to understand this law in depth and comply with all its requirements.

8.1 Foreign employees

All foreign employees require a work permit. The employer has to submit a request to General Directorate of Immigration, which, in turn, will present its opinion to the Ministry of Labor and Social Security (MTSS). Article 7 of the Immigration Law states that the General Directorate of Immigration resolve the request after a favorable opinion from the MTSS. For these purposes, the temporary permit application form provided free of charge by the Information Department of the General Directorate of Immigration must be filled out.

With regards to applications for temporary residence for foreign employees, the Bylaws for the Registration of Companies before the General Directorate of Immigration simplify the procedure and the term for resolution of applications.

To opt for entry to the Register of Companies, companies must meet any of the following categories:

- a. Operates under special regimes for promotion and exports, managed by the Ministry of Foreign Trade and the Foreign Trade Promoter;
- b. It is dedicated to exporting goods or services outside special regimes for promotion of exports or performing activities of investigation and development;
- c. Operates in the tourism sector under a tourism certification and four-star classification or higher;
- d. Operates in the financial market, supervised by or registered with the General Superintendence of Financial Entities (banking sector), Superintendence of Pensions, General Superintendence of Securities (non-banking sector) and General Superintendence of Insurance (SUGESE);
- e. Operates within the telecom market and is supervised by the Superintendence of Telecommunications;
- f. Multinational companies with headquarters opted for opening a subsidiary in Costa Rica and has operations in at least three other countries (excluding Costa Rica);
- g. Companies awarded a bid promoted by Public Administration for a term exceeding one year.

8.2 Working hours

The law establishes three different shifts, according to the number of hours worked within a workday. The day shift is between 5:00 a.m. and 7:00

p.m., 8 hours per day, not to exceed 48 hours weekly. The night shift is any 6 hours between 7:00 p.m. and 5:00 a.m., not to exceed 36 hours weekly. Finally, a mixed shift is up to 7 hours of both day and night hours, not to exceed 42 hours weekly.

Overtime is paid at time and one-half the normal hourly rate (50% additional). The workday including overtime may not exceed 12 hours per day. No overtime is allowed when working conditions are dangerous or unhealthy. Employers must pay double time for work on holidays.

Minors over 15 and under 18 years of age are permitted to work without a work permit and are authorized to sign employment contracts. Employment of minors under 15 years of age is prohibited.

The workday is limited to 6 hours per day with a maximum of 36 hours per week. Overtime is prohibited.

8.3 Holidays and Vacation

Costa Ricans receive pay for all mandatory holidays listed in the Labor Code. Religious or civic holidays are not paid by law, and the decision to give time off varies according to the employer. If a company needs to work on a holiday, it can do so by letting employees know in advance; however, work on a holiday must be paid with double rates, as established by law.

In addition to those holidays listed in the Labor code, a worker is entitled to two weeks of paid vacation for every 50 weeks of continuous employment with the same employer. Employees terminated before the 50-week period is completed are entitled to receive pay for one day of vacation for every month of employment. In practice, additional vacation days is a common benefit offered by employers, especially as part of executive packages.

8.4 Sick leave

According to the labor Code, the employer is required to pay 50% of an employee's salary during the first three days of sick leave, while the social security system (Caja Costarricense de Seguro Social) pays the remaining 50%. As of the fourth day, the social security system (Caja Costarricense de Seguro Social) pays 60% of the worker's salary with no further obligation from the employer except to allow the employee to return to work after the sick leave period. It is customary, however, for big companies to pay the employee's salary in full for those first three days. Sick leave per person averages approximately four days per year.

8.5 Maternity leave

Expectant mothers enjoy special protection specifically regulated in the Labor Code. As part of this protection, pregnant women are entitled to up to four months of maternity leave, 1 month before and 3 months after the expected delivery date. The law establishes that while on maternity leave, the employer is required to pay 50% of the employee's salary and the Social Security Office covers the remaining 50%.

8.6 Leave for work-related injuries

The Occupational Risk Insurance of the National Insurance Institute (INS), as determined by the relevant legislation, is a mandatory requirement for employers. This insurance covers temporary or permanent leave, resulting from job-related accidents or illnesses which occur during the workday, or even when the employee is commuting to the workplace.

During the first three days of leave, the employer must cover the employee's salary. As of the 4th day and up to the 45th day of absence on leave, the occupational risk insurance policy covers 60% of the salary reported over the previous three months prior to the accident. After these 46 days of leave, the policy covers 100% of the minimum legal wage for the employee's job category, plus 60% over the surplus between the minimum and normal wage, based on the average reported salary over the last three months prior to the accident.

The cost of the occupational risks insurance to be paid by the employer on behalf of its employees depends on the risk category determined for each activity and ranges from 1% to 7% of the annual payroll. The policy may be paid on a quarter, semester or annual basis.

8.7 Wages

Minimum wages are established considering increases in the cost-of-living and productivity in the country. In October 2016, a new methodology was approved, and the wage review is now performed on an annual instead of semester basis. This methodology became effective in January 2017. Employees generally work 48 hours a week and are paid weekly or by half-month periods. Salaries of white collar and domestic employees are based on working hours of approximately 200 to 220 hours per month and are generally paid on a half-monthly basis. Costa Rica has a very competitive labor force, which motivates employers to pay above the minimum wage if they want to maintain a reasonable turnover rate. Salaries can be paid by bank check; however, companies usually use banking services to transfer salaries into personal employee accounts.

8.7.1 Mandatory payroll deductions and social security bonuses

Social Security

The social security system operates through the Costa Rican Social Security Office and covers health, compensation and retirement fees, disability, old age and death. The system has three-fold financing: state, employer and employee contributions. These contributions are proportional to the gross salary of the insured employee. The employer contribution is currently 26.33% of the salary of each employee. On the other hand, the employee contribution is 10.34% and is deducted from the monthly salary.

Christmas Bonus (13th month salary)

All workers are entitled to receive a Christmas bonus equivalent to one-twelfth of their annual income within the first twenty days of December. The employee does not pay taxes on this bonus, and the employer may deduct the amount paid as a Christmas bonus from the tax base for income tax purposes for the company.

Fringe Benefits

Costa Rican companies often grant workers benefits over and above those mandated by law. Such benefits may vary, but commonly include subsidized food, uniforms, transportation, company medical services, and education and scholarship programs.

9. Taxes

9.1 The Costa Rican Tax System

Tax regulations in Costa Rica are based on territoriality criteria. In this sense, the Income Tax Law states that the income subject to taxation is that which is considered to be of Costa Rican source. To these effects, the law considers the income originating from services rendered, assets located in Costa Rica, and capital used within the national territory as Costa Rican income sources.

In addition to the above, the Costa Rican tax system is characterized by the use of income/product criteria and a scheduler system. With respect to income/product, the law states that only the income derived from income-generating activities or normal commercial business of taxpayers will be considered for income tax purposes.

Finally, the scheduler model of income tax consists

of a division of income tax into schedules, depending on their origin. Each schedule has its own rules to calculate the taxable base and differentiated rates. There are five schedules under the law: profit tax, tax on dividends, tax on financial market returns, tax on wages and tax on foreign remittances.

On the other hand, with the entry into force of Law N° 9635 - as of July 1, 2019 - two of the aforementioned bonds will be eliminated: the tax on disposable income and the tax on the returns obtained in the financial market. These will become part of the tax on capital income, capital gains and losses.

9.1.1 Income Taxes

The current law states that all public and private companies involved in profitable activities or business within Costa Rica are subject to the payment of income tax, regardless of their nationality, domicile, place of incorporation of the company or the place where board meetings or contracts are held. This applies to all companies legally constituted in the country, as well as branch offices, agencies and other permanent establishments operating in Costa Rica of non-resident persons.

Starting on July 1st, 2019, corporations legally incorporated in the country will be subject to this tax, regardless of whether or not they perform a lucrative activity.

With regards to individuals, the law states that any person undertaking profitable activities in the country, regardless of their nationality, is subject to this tax, including liberal professionals.

Tax Year

The fiscal year is a one-year period beginning on January 1st and ending on December 31st. The Tax Administration is authorized to establish tax periods with different start end dates when justified.

Rates

a. Corporate Tax Rates

Legal entities whose gross income exceeds ₡ 109,032,000.00	30%
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Annual net income in colons	Annual net income in dollars*	Rate
Not over ₡ 5,143,000.00	Not over \$8,869.994	5%
Over ₡ 5,143,000.00 but not over ₡ 7,715,000.00	Over \$8,869.994 but not over \$13,306.312	10%
Over ₡ 7,715,000.00 but not over ₡ 10,286,000.00	Over \$13,306.312 but not over \$17,740.600	15%
Over ₡ 10,286,000.00	Over \$17,740.600	20%

*The exchange rate used for this calculation is ₡579.80 per US dollar.

b. Tax rates for physical persons with lucrative activities

Annual net income in colons	Annual net income in dollars*	Rate
Not over ₡ 3,732,000.00	Not over \$6,436.702	Exempt
Over ₡ 3,732,000.00 but not over ₡ 5,573,000.00	Over \$6,436.702 but not over \$9,611.935	10%
Over ₡ 5,573,000.00 but not over ₡ 9,296,000.00	Over \$9,611.935 but not over \$16,033.114	15%
Over ₡ 9,296,000.00 but not over ₡ 18,631,000.00	Over \$16,033.114 but not over \$32,133.494	20%
Over ₡ 18,631,000.00	Over \$32,133.494	25%

*The exchange rate used for this calculation is ₡579.80 per US dollar.

The above rates are applied to the taxpayer's net income. The net income is the result of deducting all the necessary and pertinent costs and expenses used to generate that income from the gross income.

Deductible Expenses

For expenses to be considered deductible, they must be classified as useful and necessary to produce the taxable income. Additionally, there must be proof of payment with vouchers that comply with the requirements and authorization of the General Tax Office, including any retentions required by the In-

come Tax Law, if applicable.

The Costa Rican Income Tax Law provides an example of expenses that can be considered deductible, as long as they comply with the above-mentioned requirements.

The following is a summary of deductions that corporations may apply in calculating the profit tax:

- The costs of goods and services sold, such as the purchase of goods and services for the object of company activities, including raw materials, parts, components and services needed to produce taxable income.
- Wages of the people with whom the company has an employment relationship, as long as the income tax on wages and social contributions of the Social Security Office have been withheld.
- Taxes and fees levied against the goods, services and transactions carried out in the normal course of business or activities undertaken by physical persons, with the exceptions outlined in the law.
- Insurance premiums for policies covering fire, theft or robbery and similar risks, paid to the National Insurance Office or another authorized insurance provider.
- Interests and financial expenses paid or incurred by the taxpayer during the fiscal year, directly related to company operations and the generation of income.
- Evident bad debts, if related to transactions in the ordinary course of business and only when all legal efforts have been exhausted to collect the debt.
- Depreciation to compensate wear and tear, or financial obsolescence of tangible goods used to produce company income.
- Social Security contributions (employer share) established by law.
- Payments to persons not domiciled in Costa Rica for royalties, the use of formulas, trademarks, technical, financial or other assistance, franchise and similar fees, as long as the company has made the corresponding tax withholding.
- Organization, publicity and promotion expenses, among others.

Depreciation

Unless authorized by the Costa Rican Tax Administration, depreciation rates cannot be higher than the amounts established under the Income Tax Law and its Regulations. Companies may choose either the straight line or the sum-of-digits methods of depreciation. Once the method has been chosen, it must continue to be used consistently.

Likewise, the Costa Rican Tax Administration may authorize accelerated depreciation methods in very specific cases, such as for companies dedicated to activities requiring constant technological upgrades, which have to purchase new assets in order to maintain and strengthen their comparative advantages.

Nondeductible Expenses

Expenses that cannot be deducted from gross income are those that are not useful or necessary to generate taxable income or that fail to comply with the deduction requirements established under the Income Tax Law such as: being excessive, unreasonable or that belong to another tax year. Some examples of non-deductible expenses are the following:

- Income taxes, general sales taxes, selective consumer taxes at the established rates when such taxes have been paid by either the legal or physical person as a taxpayer; the same applies to surcharges, late fees and interest paid in respect of any tax.
- Profits, social participations or dividends paid or credited to partners of a legal entity.
- Expenses relating to luxury investments or personal recreation.
- Remuneration not subject to the Social Security regime.
- Subsistence costs of the taxpayer and family, among others.
- Expenses corresponding to operations carried out, directly or indirectly, with persons or entities resident in countries or territories qualified by the Tax Administration as non-cooperating jurisdictions, or that are paid by means of persons or entities resident therein. For these purposes, it is understood as "non-cooperating jurisdiction" those that are in any of the following conditions:
 - a. Regarding jurisdiction with a tax rate equal to or lower than 18% tax on profits.
 - b. Jurisdictions with which Costa Rica has no current treat for exchange of information or for avoiding double taxation with a clause regarding information exchange.

Expenses associated with hybrid asymmetries that the taxpayer makes to related parties abroad, when such expenses do not generate a taxable income or generate an exempt income for said related parties, or when these expenses are also deductible for the related party domiciled abroad.

9.1.2. Tax on capital income, capital gains and losses

The taxable event of this tax is all income from a Costa Rican source, derived from the capital, of the capital profits and losses, resulting from goods or rights whose ownership corresponds to the taxpayer and that are not affected to the obtaining of rents taxed on the tax on profits.

Capital income is classified as real estate capital income, income from movable capital, and capital gains/capital loss.

Matters subject to tax

Capital Gains and Losses: variations in the value of the taxpayer's assets due to alterations in their composition, including those derived from the sale of shares in investment funds.

Real estate capital income: those resulting from a lease, sublease, as well as the constitution or assignment of rights or proxies for use or enjoyment of real estate.

Income from movable capital: interest derived from loans; lease, sublease, assignment of rights of use or enjoyment of key rights, royalties, and other intellectual and intangible property rights; distributions of disposable income, in the form of dividends or surpluses of cooperatives and joint associations; among others.

Rates

The general rate applicable to the taxable capital income and capital gains will be 15%. However, differentiated rates of 5%, 7%, 8%, and 10% will apply depending on the type of income.

9.1.3 Taxes on Salaries

Individuals residing in the country, who earn income from sources of dependent employment, retirement, pension or other personal services are required to pay income tax. Employers are responsible for withholding the tax each month, which is calculated as a progression of brackets based on the following table:

Gross income in colons	Gross income in dollars*	Rate
Not over ₡ 840,000.00	Not over \$1,448.775	Exempt
Over ₡840,000.00 but not over ₡ 1,233,000.00	Over \$1,448.775 but not over \$2,216.595	10%
Over ₡ 1,233,000.00 but not over ₡ 2,163,000.00	Over \$2,216.595 but not over \$3,730.596	15%
Over ₡ 2,163,000.00 but not over ₡ 4,325,000.00	Over \$3,425.00 but not over \$7,459.468	20%
Over ₡ 4,325,000.00	Over \$7,459.468	25%

* The exchange rate used for this calculation is ₡579.80 per US dollar.

9.1.4 Tax on Foreign Remittances

Tax on foreign remittances applies to any income or benefit from a Costa Rican source that is paid, credited or made available in any way to individuals residing abroad. For the purposes of this tax, the Law establishes which income shall be considered to be of Costa Rican source, as well as special cases.

The individual or corporation residing in the country making the remittance is responsible for withholding the corresponding tax, based on the following table of rates:

Remittance Type	Rate
Transportation and Communications	8.5%
Retirement and pensions, salaries, and any other compensation paid for personal work performed under employee status	10%
Fees, commissions, allowances, and any other personal services rendered outside of an employment relationship	25%
Reinsurance and premiums	5.5%
Radio and TV soap operas	50%
Dividends	15%
Interest, commissions, and other financial expenses and commercial leasing	15%
Royalties, technical and financial assistance	25%
Payments made to foreign nationals for stage performances and shows occasionally held in the country	15%
Others, undefined	30%

Payments or credits made by subsidiaries or branches to parent companies for royalties, franchises, trademarks, etc., are limited to 10% of total gross sales, for purposes of deductibility in the tax on profits.

The Law establishes a general withholding tax rate of 15% applicable to the payment or credit of interests, commissions, and other retribution of a financial nature, in favor of financial institutions registered with the National Council for Supervision of the Financial System (CONASSIF) and banks classified as first-tier banks.

9.2 Municipal taxes

The Municipal Code of Costa Rica stipulates that every company engaging in profitable activities must pay a patent tax to the local government or municipality of the administrative district (canton) where the activity is taking place. The company must obtain a commercial license from the municipality. The tax rate varies depending on the type of gainful activity and, in general, is calculated based on gross income, gross sales or taxable net income.

9.3 Real estate tax

This tax is applicable to real estate, land, buildings and permanent structures. The tax is collected and managed by local governments (Municipalities) of the administrative district where the property is located. The responsibility for payment lies with the owners, concessionaires, and occupants or holders with rightful legal title. The basis to determine this tax is related to the value of the property registered at the Municipality. The annual rate is 0.25%.

9.3.1. Added Value Tax

The taxable event is the sale of goods and the rendering of services usually performed in the territory of the Republic.

The Sale of Goods is understood as any of the following:

- Transfer of ownership of goods;
- Importation or entry of goods into the country, regardless of regularity;
- Sale on consignment and layaway of goods;
- Leasing of goods with an option to purchase;
- Withdrawal of goods for the taxpayer's personal use or consumption or transfer without consideration to third parties;
- Supply of standardized information technology products; and Acts that involve or result in the transfer of ownership of goods.

The provision of services is considered, among others:

- Agency agreements, exclusive right-to-sell agreements, or distribution agreements;
- Transfer of goodwill; and Personal use or for purposes other than the services rendered.

The general rate of this tax will be 13%, except for specific cases in which the Law provides differentiated rates:

Concept	Rate
a. Airline tickets for travel to or from national territory. Regarding international air travel, tax is assessed at a rate of 1% of the ticket value. b. Private health services provided by authorized health care centers or authorized health care professionals.	4%
a. Medication and the raw materials and supplies used in production. b. Private education services (primary, secondary, university, and diploma studies). c. Personal insurance premiums. d. Purchase and sale of goods and services by higher education state institutions.	2%
a. The sale, importation or entry of agricultural goods and livestock, including the basic food basket. b. The sale, importation or entry of the items defined in the basic food basket. c. The importation or local acquisition of the following raw materials and supplies. d. Veterinary products and agricultural, livestock, and fishing supplies, except sports fishing.	1%

Agriculture and Livestock:

Special tax treatment has been set in place for the agriculture and livestock sector regarding the value added tax, with voluntary admission or withdrawal:

The following taxable persons may not apply for this treatment:

- Those operating under the Simplified System;
- Major Contributors;
- Major National Companies; and
- Those operating under the Objective Estimation System.

9.3.2 Import Tariffs

When Costa Rica joined GATT (General Agreement on Tariffs and Trade) in 1990, the country had a 55% tax on imports. Under the GATT this percentage decreased in June 1993 to a maximum of 20% and a minimum of 5% with a few exceptions. However, luxury items such as cars are subject to tariffs and taxes that combined can reach 100%, including selective consumer tax, among others.





Republic of Ecuador

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3. Country profile

The Republic of Ecuador is a constitutional State of rights and social justice, democratic, sovereign, independent, unitary, intercultural, multinational and secular. It is organized in the form of a Republic and it is governed in a decentralized way. The country has an extension of 283,561 km² and an estimated population of 17'096,789. The State is organized territorially into rural regions, provinces, cantons and parishes.

In Ecuador there are 24 provinces. The powers of the state are divided into five functions: Executive Function, Legislative Function, Judicial Function, Transparency and Social Control Function and Electoral Function.

4. Investments

4.1 National Investment Regulations

Ecuador has an Organic Code of Production, Trade and Investments that regulates the productive activities carried out in the country, which include the stages of production, distribution, exchange,

trade, consumption, management of externalities and productive investments and in the which details incentives for their development, which include certain tax benefits, such as the exemption, for a certain period, of Income Tax for investments made in economic sectors considered priority for the State or in basic industries, and the possibility of maintaining tax stability for those who sign investment contracts.

Ecuador also has the Organic Law of Regulation and Control of Market Power that seeks to prevent, prevent, correct, eliminate and sanction the abuse of economic operators with market power.

Additionally, in Ecuador tax benefits are granted to investment projects carried out under the public-private partnership modality (strategic alliance between private companies and the Ecuadorian State), for those who carry out activities of any free digital technology that includes Ecuadorian added value, for micro-enterprises, for administrators or operators of a Special Economic Development Zone. These benefits may consist of exemptions from Income tax, from the Exit tax of foreign exchange and foreign trade taxes, or others defined in the tax law for each case.

4.2 Public procurement

In order to become a State supplier, natural and legal persons must be authorized as such in the National Secretariat of Public Procurement, registering in the RUP Single Registry of Suppliers.

In Ecuador, most public procurement procedures are carried out through the "Public Procurement" web portal.

4.3 Company Regime

There are several corporate legal figures that allow economic operations to be carried out in Ecuador, be it through national companies, branches and subsidiaries of foreign companies, holding companies, consortiums, among others.

4.3.1 National Companies

The corporate regime is regulated in Ecuador by the Companies Law and the Commercial Code.

Commercial Companies are those that are made up of one or more natural or legal persons and are subject to the control of the Superintendency of Companies, Securities and Insurance.

These companies are of various kinds: Company in collective name; Simple limited company divided by shares; Limited liability company; Anonymous company; Mixed economy company; and since 2020 Simplified Stock Companies (S.A.S)

In Ecuador it is common to establish two classes of commercial companies: corporations and limited companies, considering that the liability of their partners is limited to the contributions made by them.

However, since the issuance of the Organic Law of Entrepreneurship and Innovation in February 2020, simplified stock companies (SAS) have been created whose shareholders also respond limitedly up to the amount of their respective contributions, but where the incorporation process is more simple and cheap. They can be constituted with a single shareholder, by private document that is registered in the Companies Registry of the Superintendency of Companies, without the need to go to the Mercantile Registry, and they do not have a minimum capital requirement. These companies cannot carry out activities related to financial, stock market, insurance or other operations that have special treatment.

On the other hand, corporations and limited liability companies have similar characteristics with certain peculiarities such as:

Description	Authorless society	Limited Liability Company
Constitution	The documents are presented for approval before the Mercantile Registry	The documents are presented for approval before the Mercantile Registry
Governing	General meeting of shareholders	General Meeting of Members
Administration / Legal Representative	It depends on the denomination that the Social Statutes grant, they can be: General Manager and President. The Legal Representation can be joint or individual.	It depends on the denomination that the Social Statutes grant, they can be: General Manager and President. The Legal Representation can be joint or individual.
Business associate	2 Minimum shareholders. Foreign companies can not be shareholders if their capitals are represented by shares or bearer shares.	2 Members minimum with a limit of up to 15 members. Banks, insurance companies, capitalization and savings, foreign anonymous companies, or companies that have their capital represented by bearer shares or participations may not be partners.
Capital	It is divided into Actions. Minimum capital USD 800. You can pay 25% of the subscribed capital initially and the remainder must be completed up to within 2 years maximum.	It is divided into shares. Minimum capital USD 400. 50% of the subscribed capital can be paid initially and the remainder must be completed within a maximum of twelve months.
Actions / participations	The shares are nominative and freely negotiable in the stock market and over the counter.	The unanimous consent of the partners is required in order to assign them.
Institution of Control	They must have one or two Commissioners.	The designation of a commissioner or an inspection body is optional.
Obligations General	Take a Social Books: Book of Minutes of Meetings Book of Minutes of Minutes of Meetings Book of Shares and Shareholders Titles and Check of Actions	Take a Social Books: Book of Minutes of Meetings Book of Minutes of Minutes of Meetings Book of Participations and Partners Certificates of Participations
	Annual presentation of financial and corporate information to the control entity: Payroll of Shareholders, Administrators, Report of Manager and Statutory Auditor, Financial Statements.	Annual presentation of financial and corporate information to the control entity: List of Members, Administrators, Manager's Report, Financial Statements.

When the capital of one of these companies comes from foreign investors, it must be identified if they are direct or subregional foreign investments and must be registered with the Central Bank of Ecuador.

In the event that an Ecuadorian company has foreign companies as shareholders or partners, it must inform the Superintendency of Companies, Securities and Insurance who the shareholders or partners of said foreign companies are until identifying the natural person. In addition, legal information must be provided to the same entity about the existence of said foreign company in its country of origin, and it must designate a representative in Ecuador to represent it.

Likewise, the names of those who are ultimately listed as shareholders must be disclosed to the Internal Revenue Service, that is, until natural persons are identified.

4.3.2 Foreign companies

In order for a company incorporated abroad to habitually carry out its activities in Ecuador, it must have a representative in Ecuador permanently with broad powers to carry out all the legal acts and businesses that must be held and take effect in national territory and, especially, to that can answer the demands and fulfill the obligations contracted.

But if the activities that a foreign company is going to carry out in Ecuador involve the execu-

tion of public works, the provision of public services or the exploitation of natural resources of the country, it must be domiciled in Ecuador before the conclusion of the corresponding contract.

To establish a branch of a foreign company in Ecuador, a permanent representative with general power must be appointed, who must have residence in the country, and the branch must have a minimum capital of US \$ 2,000 (two thousand United States dollars of America). However, companies that grant general powers to foreigners, in order for them to apply for temporary residence visas, must have a minimum share capital of 100 unified basic wages (US \$ 40,000 by 2020).

There are other legal figures by which you can operate in the country, such as through consortia or Joint Venture, association in joint accounts or a holding or holding company.

5. Audit and accounting

The accounting will be carried out by the double entry system, in Spanish and in dollars of the United States of America, taking into account the accounting principles of general acceptance.

For companies subject to the control and supervision of the Superintendency of Companies, Securities and Insurance, accounting will be carried out in accordance with International Financial Reporting Standards (IFRS) and IFRS SMEs, as the case may be, adopted for the preparation and presentation of financial statements. In the case of Insurance Companies, accounting is carried out in accordance with the Special Standards and Resolutions established by said Superintendency and in the case of the Financial Sector, the Standards and Resolutions established by the Superintendency of Banks. In neither of these last two cases is IFRS (Financial and Insurance Sector) applied

Ecuadorian regulations require external auditing of national mixed economy and anonymous companies with the participation of legal entities under public law or private law for social or public purposes, and branches of foreign companies or companies whose assets exceed US \$ 100,000; and to national anonymous companies, limited by shares and limited liability, whose asset amounts exceed US \$ 500,000.

To be an external auditor of companies and the Insurance sector, you must obtain the qualification as such before the Superintendency of Companies, Securities and Insurance; To be an auditor of financial institutions (banks), you must qualify as an auditor before the Superintendency of Banks; and, to be an auditor of mutuals, cooperatives,

etc., you must qualify as an auditor before the Superintendency of Popular and Solidarity Economy.

6. Labor regime

According to Ecuadorian legislation, work is a social right and duty. The purpose of the employment relationship is the provision of legal and personal services in favor of the employer under his command. The relationship labor must comply with current regulations and collective labor agreements.

Within said regulations it is foreseen that employment contracts are both written and verbal, that is, that although there is no instrument or contract, the employment relationship can be proved. However, the law provides for certain cases that the written contract is mandatory. Additionally, several work modalities are contemplated, among which the most important are:

- **Indefinite term:** Ecuadorian legislation establishes the individual contract of work for an indefinite period. This is the typical modality of stable or permanent labor contracting and does not have a termination term.
- **Probation:** In the aforementioned contracts, when they are concluded for the first time, a probation time may be indicated, with a maximum duration of ninety days. Once this term expires, it will automatically be understood to be indefinite.
- Additionally, there are special considerations for the hiring of employees in the banana, tourism and floricultural, agricultural, livestock and agroindustrial sectors.

6.1 Remuneration

Salary is the stipend paid by the employer to the worker under the employment contract; and salary, the remuneration that corresponds equally to the employee.

The remuneration of a worker may not be less than the Unified Basic Salary, which as of January 1, 2020 corresponds to US \$ 400.

Additionally, there are other additional remunerations such as:

- **Thirteenth or Christmas bonus:** a remuneration equivalent to one twelfth of the remuneration received by the worker during the calendar year is paid until December twenty-fourth of each year. Workers can choose to pay this remuneration on a monthly basis in their payment role or request the accumulation to be paid until December 24.

- **Fourteenth remuneration:** it is an annual bonus equivalent to a unified minimum basic remuneration for workers in general that is paid until March 15 in the Coastal and Insular regions, and until August 15 in the Sierra regions, and Amazon. Workers can choose to pay this remuneration on a monthly basis in their role of payments or request the accumulation so that it can be paid in the terms indicated above.

6.2 Labor Benefits

- **Holidays:** Uninterrupted period of fifteen days of rest, including non-working days. Workers who have provided services for more than five years in the same company will be entitled to additionally enjoy one day of vacation for each of the excess years; Or, they may receive in money the remuneration corresponding to the excess days. These additional days cannot exceed 15, unless the parties, by individual or collective contract, agree to extend such benefit.
- **Profits:** The employer or company will recognize fifteen percent (15%) of the net profits for the benefit of its workers, which is distributed as follows:
 - The ten percent (10%) will be divided for all the workers of the company.
 - Five percent (5%) delivered directly to the workers of the company, in proportion to their family responsibilities, (spouse or common-law partner, children under the age of eighteen and disabled children of any age).

6.3 Other labor aspects

- **Compensation for untimely dismissal:** value corresponding to three months of remuneration if he works up to three years. If you work more than three years, pay the value equivalent to one month of remuneration for each year of service, without exceeding twenty-five months of remuneration. Special regulations apply in dismissals to pregnant or lactating workers or people with disabilities, in some cases dismissal being ineffective.
- **Eviction bonus:** twenty-five percent of the equivalent to the last monthly remuneration for each of the years of service provided to the same company or employer.
- **Employer retirement:** workers who for twenty-five years or more have provided services, continuously or interruptedly, to the same employer, have the right to be retired by their employer in addition to the retirement of the IESS (Monthly pension through the IESS or delivery

to the worker of a background only). This period can be anticipated to 20 years proportionally.

6.4 Social Security

- **Contribution to the IESS:** All workers under a dependency relationship have an obligation to join the Ecuadorian Social Security Institute (IESS). Said obligation falls on the employer and a monthly contribution equivalent to 21.60% of the Remuneration must be paid (Contribution to be paid by the employer: 12.15%. Contribution to be paid by the worker: 9.45%)

In the case of self-employed or independent professionals, they can join Social Security, but it is not mandatory. In the case of doing so, the affiliation obligation falls on all the income that he receives from his personal activity and the affiliation rate corresponds to 17.60%.

- **Reserve Fund:** Every worker who provides services for more than one year has the right to have the employer pay him an amount equivalent to one month's salary or wages for each full year after the first of his services. This amount must be deposited monthly at the Ecuadorian Social Security Institute or delivered directly to the worker if he so requires.

7. Exchange control

7.1 Currency Entry

All foreign investment must be registered with the Central Bank of Ecuador (BCE) for statistical purposes. The Central Bank of Ecuador will register these investments as direct, subregional or neutral foreign investment, at the current market price free of changes at the date of registration, as appropriate.

Likewise, the ECB registers foreign credits in foreign currencies agreed by natural or legal persons domiciled in the country, with financial entities, parent companies and other residents outside the national territory. Overdrafts in current accounts are excepted from these records.

7.2 Currency Outflow

Generates the Exit Tax on currencies, which we detail below.

8. Tax system

The Ecuadorian tax structure is made up of taxes, fees and contributions.

Regarding taxes, they can be national, provincial and municipal. Next, we detail the main Taxes:

8.1 National taxes:

8.1.1 Income Tax (IR)

This tax is established on the global income obtained by national or foreign companies, individuals and undivided successions. Taxpayers are all natural persons, undivided successions and companies that obtain income taxed with this tax.

There is no differential treatment between national and foreign companies.

The regulations establish that for the purposes of this tax, income is considered to be:

- The Ecuadorian source income obtained free of charge or for consideration from work, capital or both sources, consisting of money, species or services.
- Income obtained abroad by natural persons domiciled in the country or by national companies.

The taxable base of this tax is the total of the taxed income less the costs and expenses that according to Ecuadorian regulations are deductible.

It is important to mention that, according to legal regulations, there are income that are considered exempt from the payment of this tax, such as dividends distributed to shareholders and partners that are national companies, income obtained under international agreements, among others.

In addition, there are specific exemptions for making private investments:

- The companies that are incorporated to make new and productive investments, within the economic sectors considered priority for Ecuador, such as: agricultural, industrial, pharmaceutical, tourism, development and software services, etc., have a 12-year exemption, if they are carried out outside Quito and Guayaquil, and 8 years in these cities, provided they generate net employment. If they are carried out in the border cantons in the sectors: industrial, agro-industrial and agro-associative, the exemption will be 15 years.
- New and productive investments in economic sectors determined as basic industries such as: hydrocarbon refining, petrochemical industry, etc., will be exempt for 15 years, and for 5 more years if they are made in border cantons.
- The companies that are constituted under the

public-private modality will enjoy an exemption for a period of 10 years.

- Taxpayers who are administrators or operators of a Special Economic Development Zone, will be exempt for the first 10 years.
- **Income Tax of Natural Persons:** Individuals and those sole proprietorships have a system of payment of the tax proportional to their income, whose income tax rate varies by the income received, but may not exceed 35%.

Natural persons whose annual income does not exceed US \$ 100,000 can deduct their "Personal expenses" that include the items of: health, housing, education (art and culture), clothing and food. As a whole, personal expenses cannot exceed 50% of the total taxable income of the natural person without said value (personal expenses) nor can they exceed a value equivalent to 1.3 times the basic fraction deducted from personal income tax. natural (US \$ 11,315 for the year 2020)

The liquidation and declaration of the Income Tax of natural persons, as well as the presentation of the deductions that it makes, must be made in the month of March for the operations that are carried out between January 1 and December 31 of the immediately previous year .

It is important to note that natural persons also have the obligation to file an affidavit of assets (patrimony) annually and independently from the Income Tax declaration, when their assets exceed US \$ 226,300 in a personal capacity or US \$ 452,600 if it is a conjugal partnership.

- **Corporate Income Tax:** This tax has different rates for companies that can be 25% or 28% (if its corporate composition is not reported, or if within the chain of ownership of this composition there is a resident owner in a tax haven, lower tax jurisdiction or preferential tax regime and the beneficial owner is a tax resident of Ecuador), on a calculated basis, through a process called "Tax Conciliation", explained in the following paragraphs.

A discount of ten percentage points is granted in the tax rate, that is, it establishes it at 15%, for habitual exporting companies, as well as those that are dedicated to the production of goods, including those of the manufacturing sector, that have 50% or more of national component and those receptive tourism companies, if they reinvest their Available Profits, as long as said reinvested amount is destined for the acquisition of new machinery or new equipment, assets for irrigation, vegetative material,

seedlings and all vegetable input for agricultural production, forestry, livestock and floriculture, which are used for their productive activity, as well as for the acquisition of goods related to research and technology that improve productivity, generate productive diversification and increase employment. As a requirement to take advantage of this tax benefit, the company must formalize the reinvestment (via Capital Increase) in the Commercial Registry until the following year.

In addition, a rate reduction is granted for certain sectors, such as companies that have the status of small companies and habitual exporters, who have a reduction of 3 percentage points in the tax rate.

The liquidation and declaration of this tax must be made in the month of April for the operations carried out between the first of December 1 and December 31 of the immediately preceding year.

- **Microenterprise Income Tax:** Microenterprises, including entrepreneurs who meet the status of microenterprises, must pay a tax applying the two percent (2%) rate on the gross income of the respective fiscal year exclusively with respect to those income from business activity; while income received from sources other than business will be subject to the general income tax regime.
- **Single income tax on profits from the sale of shares:** Profits from the direct or indirect sale of shares, participations, other rights representing capital or other rights that allow the exploration, exploitation, concession or similar, of companies domiciled or permanent establishments in Ecuador, are subject to a single income tax with a progressive rate ranging from 0 to 10%.
- **Income Tax Tax Credit:** The tax credit is made up of those amounts paid in advance and the amounts that are retained during the year, which constitute rights so that the company can deduct them from their final payment of the Income tax. The credit is made up of:

Advance of Income Tax: The payment of the tax may be advanced voluntarily, and will be equivalent to fifty percent (50%) of the income tax caused from the previous fiscal year, less the withholdings at source made in said fiscal year.

Withholdings at the Source of Income Tax: Taxpayers who are qualified by the Internal Revenue Service have the obligation to withhold income tax on payments made locally or abroad and that constitute taxable income. Withholding

percentages can range from 1% to 10% on local payments, and 25% for payments abroad or 35% if the beneficiaries have a tax residence in a tax haven or lower tax jurisdiction.

In the event that the withholdings at the source plus the advance paid, exceed the value of the tax caused after paying the corresponding Income Tax, there is the possibility of requesting the restitution of these amounts paid in excess or the possibility of using the aforementioned credit in subsequent years for up to 3 years.

- **The Currency Exit Tax (ISD) paid on the import of inputs, raw materials and capital goods:** Tax credit is also considered for the purposes of the declaration, settlement and payment of income tax, payments made by concept of ISD, that would have been generated by concept of import of raw materials, capital goods and inputs in order to be incorporated into constant production processes in the list drawn up by the Tax Policy Committee.

The ISD paid (Income Tax tax credit) that could not be offset within the year it was generated or in the following 4 fiscal years, may be subject to refund by the SRI, or considered as a deductible expense from the Tax to the rent.

- **Tax Reconciliation:** This extra-countable process consists of determining the income that is taxed with this tax, from the great total of income received by the taxpayers, and subtracting from them all the expenses that serve to deduct this tax and that are related to the taxable income thus obtaining the tax base, on which the corresponding tax rate will be applied. The amounts corresponding to the tax credit are discounted from the amount obtained, caused tax, thus obtaining the income tax payable.
- **Transfer Price Regulation and Full Competition**

Ecuador, from 2005, accepted in its legislation the OECD guidelines to regulate transfer prices, whose objective is to regulate those transactions carried out between related companies when their operations do not comply with the arm's length principle.

The regulations determine as related parties the natural persons or companies, domiciled or not in Ecuador, in which one of them participates directly or indirectly in the direction, administration, control or capital of the other; or in which a third party, whether a natural person or company domiciled or not in Ecuador, participates directly or indirectly, in the direction, administration, control or capital of these.

The regulation requires certain taxpayers to submit studies and information on their transactions with related parties to the Tax Administration, along with their income tax declaration.

It is important to clarify that local regulations have imposed the obligation that the information to be presented includes both operations with local related parties (under certain conditions), as well as with those domiciled abroad.

8.1.2 Value Added Tax (VAT)

The Value Added Tax (VAT) is an indirect tax that is levied on consumption and is caused whenever the taxpayer performs an act or signs a contract that has as its object the transfer or import of personal property of a bodily nature, the transfer of rights of author or intellectual property and the provision of services (local and imported), including digital services. The rates of this tax are 12% and 0%.

This tax has the possibility that the taxpayer transfers the tax paid to another economic agent, since it is intended that the tax burden be assumed by the final consumer, as long as it produces goods and services taxed at a 12% rate, whether they are exporters or marketers of receptive tourism packages; otherwise, it must comply with the particularity of the use of a proportional part of said tax credit.

The VAT tax base corresponds to the value of the goods transferred or the services provided. In the case of imports, the tax base is made up of the sum of the Customs Value (transaction value plus transportation and insurance costs), taxes, duties, fees, rights, surcharges and other expenses that appear in the documents. import.

VAT taxpayers must file a monthly return for operations carried out within the immediately preceding calendar month, with the exception of micro-companies that must file the return every six months.

8.1.3 Currency Exit Tax

The Currency Exit Tax is levied on the value of all monetary transactions made abroad, with or without the intervention of the institutions that make up the financial system, the fact that generates this tax being the transfer or transfer of foreign currency abroad cash or through it money order of checks, transfers, shipments, withdrawals or payments of any nature, with the exception of compensations. The rate of the Currency Exit Tax is 5%.

In addition to the aforementioned generating event, there is a legal presumption that there has been an outflow of currency in the following

cases:

- In all payments made from abroad by Ecuadorian or foreign natural persons or companies domiciled or resident in Ecuador.
- In the case of exports of goods or services generated in Ecuador, that carry out economic export activities, when the currencies corresponding to the payments for such exports do not enter Ecuador within 6 months. This ISD is declared annually and the ISD caused by the presumptive payment for imports can be discounted.

The regulations that regulate this tax establish some exemptions, such as the payment abroad of dividends distributed by national or foreign companies domiciled in Ecuador, with some exceptions; in the payment for amortization of capital and interest generated on credits granted by international financial institutions, or qualified specialized non-financial entities, meeting certain requirements; or, in payments made abroad that are equivalent to the value of the capital entered into the country, as long as it has been used for productive investments.

Companies incorporated under the public-private modality, which meet the legal requirements, will be exempt from the payment of ISD in the payments necessary for the execution of the project.

Those who make productive investments are also exempt from the ISD, and therefore sign investment contracts with the Ecuadorian State, in the payments they make abroad for the import of goods necessary for the development of the project and for dividends distributed to its partners. or shareholders, even if the beneficial owner of these is a natural person residing in Ecuador.

Finally, cash currencies carried by Ecuadorian and foreign citizens, adults who leave the country or minors who do not travel accompanied by an adult are also exempt, up to three unified basic wages of the worker in general, otherwise they will be taxed (US \$ 1,200 by 2020).

In the event that the generating event occurs with the use of credit or debit cards for consumption or withdrawals made from abroad, an annual exempt amount equivalent to US \$ 5,017.33 will be considered, adjustable every three years; otherwise they will be taxed.

8.1.4 Tax on special consumption

Taxes cigarettes, alcoholic beverages, plastic sleeves, carbonated beverages, perfumes and

toilet waters, video games, firearms, sports weapons and ammunition, motorized and hybrid or electric vehicles, paid television services, fees, shares or subscriptions of social clubs, of national origin or imported.

The tax base is the retail price suggested by the manufacturer or importer, less VAT and ICE (without this item being less than the result of increasing the ex-factory or ex-customs price, as appropriate, by 25% minimum presumptive marketing margin) or based on the reference prices established annually by the Director General of the Internal Revenue Service.

8.1.5 Tax on holding assets abroad

The monthly tax on available funds and investments kept abroad by private financial entities and entities regulated by the Securities Market Administration of the Superintendency of Companies, Securities and Insurance, taxes the holding of any title of funds available in entities domiciled outside the national territory, either directly or through affiliated subsidiaries or offices abroad of the taxpayer and, investments abroad of entities regulated by the National Securities Council.

Taxpayers must pay the value equivalent to 0.25% per month on the average monthly balance of the funds available in foreign entities and investments issued by issuers domiciled outside the national territory.

When the fundraising or investments that are maintained or made through subsidiaries located in tax havens or preferential tax regimes or through affiliates or offices abroad of the taxpayer, the applicable rate will be 0.35% per month on the tax base.

8.1.6 Environmental Tax on Vehicle Pollution

The event that generates this tax is the environmental pollution produced by the use of motorized land transport vehicles, and in this sense, taxpayers are the owners of said motorized land transport vehicles.

This tax is paid prior to vehicle registration, together with the annual motor vehicle property tax.

The tax base is the vehicle's cylinder capacity expressed in cubic centimeters. In order to establish the amount of the tax, a calculation formula has been established that considers, in addition to the tax base, that is, the vehicle's cylinder capacity in cubic centimeters, the age of the vehicle through an adjustment factor.

8.1.7 Customs Taxes

The Customs Regime is governed by the Organic Code of Production, Trade and Investments, an instrument that aims to allow a strategic international articulation, through trade policy, facilitation to Foreign Trade, customs control and cooperation and exchange information through a modern transparent and efficient customs regime.

The taxes on foreign trade are:

- a. Tariff duties
- b. The taxes established in organic and ordinary laws
- c. Customs fees

The Generating Event of the customs tax obligation is the entry of foreign merchandise or the exit of merchandise from the customs territory under the control of the customs authority. The tax base of the customs duties is the customs value of the imported goods.

Companies incorporated under the public-private modality will enjoy the same benefits in terms of foreign trade as public entities.

8.1.7.1 Customs regimes

The common customs regimes are definitive exportation (the merchandise is exempt from all taxes) and consumer importation (the merchandise is subject to certain taxes, including customs duties).

Additionally, the importation of merchandise will be taxed with the value added tax (VAT) and the special consumption tax (ICE), if applicable. In specific cases, certain merchandise will be subject to countervailing duties (anti-dumping) and an additional fee corresponding to a safeguard.

There are other Import Regimes such as: Temporary admission for re-export in the same state, temporary admission for inward processing, replacement of goods with duty-free duty, transformation under customs control, customs warehousing, re-import in the same state, etc.

8.2 Municipal Taxes

Municipal taxes allow the financing of the sectional bodies where economic activities are carried out or the encumbered assets are found. The main ones include:

- Tax on Urban and Rural Properties.
- Alcabala tax levied on the transfer of real estate.
- Municipal Patent Tax levied on economic operations.

- Tax on Public Shows.
- Income Tax or Goodwill generated in the transfer of real estate.
- One point five (1.5) per thousand on the total assets that tax the exercise of economic activities.

9. International treaties

9.1 Bilateral investment agreement

Ecuador has signed bilateral investment treaties (BITs) with several countries, such as: Germany, Argentina, Bolivia, Bulgaria, Canada, Chile, China, Costa Rica, Denmark, El Salvador, Spain, the United States, Finland, France, Honduras, Italy, Nicaragua, Paraguay, Peru, the Netherlands, the United Kingdom, Sweden, Switzerland, the Dominican Republic and Venezuela.

However, some BITs were denounced on May 16, 2017, by presidential decree. Specifically, the “reciprocal investment promotion and protection agreements” with Italy (2001), Bolivia (1995), Peru (1999), Spain (1996), the United States (1993), Canada (1996), Argentina were not in force. (1994), Venezuela (1993), France (1994), the Netherlands (1999), Sweden (2001), Chile (1993), Switzerland (1968), China (1994), Germany (1996) and Great Britain and Ireland from Norte (1994), with whom the signing of new bilateral investment agreements (CBI) is sought.

9.2 Agreements to avoid double taxation

Ecuador maintains treaties to avoid double taxation, regarding Income Tax, with: Germany, Belarus, Belgium, Brazil, Canada, Chile, China, Korea, Spain, France, Italy, Japan, Mexico, Qatar, Romania, Russia, Singapore, Switzerland; and, Uruguay. In addition, it has signed Decision 578: regime to avoid double taxation and prevent tax evasion among the countries of the Andean Community (Ecuador, Colombia, Peru, Bolivia), where the principle of taxation prevails in the country of the source, and maintains an agreement with Argentina (applicable only for air transportation).

The international agreements to avoid double taxation will be automatically applied in operations that do not exceed the 50 basic fractions taxed with zero income tax rate for natural persons (U \$ 565,750 in 2020), when the payment of costs or expenses that are not deductible for the payer; or when the foreigner obtains an automatic classification of contracts that originate payments by the Tax Administration, provided that the payer has in his possession the beneficiary's tax residence certificate, in force at the time of payment, issued for the effect by the competent authority of the country or jurisdiction of the foreigner, with the translation into Spanish, if applicable, and authenticated before the respective Ecuadorian Consul abroad.

In cases of automatic non-application of agreements, the payer must withhold at the source the Income Tax of 25 or 35%, as appropriate (as long as there is no other specific withholding percentage for payment), but the beneficiary of the income You may request the refund of the tax unduly withheld from the tax administration.





Republic of El Salvador

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3. Country profile

El Salvador is located in Central America, between Guatemala in the West, and by Honduras in the North, bordering the Pacific Ocean in the South.

3.1 Population

6.4 million (2017, estimate).

66% urban population.

3.2 Language

Spanish: English is also understood by many members of the business community in the capital and larger cities.

3.3 Currency

US Dollar.

3.4 Geography and climate

Total area of 21,040 square kilometers.

El Salvador has a tropical climate with two seasons; the rainy season (May to October) and the dry season (November to April).

3.5 Economy

GDP Nominal: \$ 26,989 (2019, FMI).

GDP Per capita: \$ 4,027.488 (2019, FMI).

During the third quarter of 2019, the quarterly GDP increased by 2.7%. During the first two quarters, the economy recorded a greater dynamism during the quarter with respect to the same period of 2017. The average growth rate during 2019, was 2.3% lower than the same period during 2018 (2.6%). The economic activities that contributed to the above-mentioned results, were the Construction, electricity, gas, vapor, financial and insurance activities, manufacturing industry and real estate activities.

Due to the expenditure approach, final consump-



tion expenditure was mitigated by increases in investment and export activities during the third quarter of 2019, reflecting a lower dynamism in relation to 2.3% in 2018. This behavior is congruent with the increase shown by the credit portfolio for companies and household consumption. On the other hand, the export and investment activities also boosted the economy during July-September 2019.

3.5.1 Principal industries

Agriculture, chemicals, electricity, fishing, food processing, footwear, forestry, petroleum products, textiles and clothing.

3.5.2 Principal business partners

The country's principal business partners are: the Central America area, the United States of America, the European Union and Japan.

3.6 Political system

Democratic Republic (integrated by 14 Departments). The President of the Republic is in power for a term of five.

4. Legal presence

A legal presence in El Salvador, generally, implies a substantial investment for foreign investors. A legal entity in El Salvador, must comply with different legal, fiscal and accounting requirements; this compliance may result in significant expenses.

In this sense, the forming of a corporate presence in El Salvador, should be carefully studied, taking into account the following: is a legal presence necessary? is it recommendable? And what type of society?

Commercial acts including the different forms of business enterprise are governed by the Salvadorian Commercial Code that became effective in 1970, and has been modified and supplemented

by certain legislation.

Business may be undertaken in the name of individuals and in the name of entities that are granted existence by law as legal person. The companies in El Salvador are divided into partnership companies and stock companies, both can be of variable capital (C.V.).

4.1 Types of legal structures

Limited company (S.A.)

Limited responsibility society (S.R.L.)

4.1.1 Requirements

- The company is incorporated before a Salvadoran Notary Public by means of a Deed of Incorporation. In order to grant the Public Deed of Incorporation a minimum two (2) people should appear as founder shareholders, these can be either individuals or companies.
- The Public Deed must be registered at the Registry of Commerce in order to obtain a legal status (juridical person).
- The stock capital of the company shall be at least US \$2,000.00. At incorporation, at least 5% of the capital must be paid.
- The company's administration shall be performed by a Board of Directors or by a Sole Administrator. The Directors or Sole Administrator may last in their position from 1 to 7 years, and may be reelected by the members of the board.
- It is also necessary that the company registers in the Registry of Commerce its Business and Commercial License. This License must be renewed each year, paying duties during the same month the company was originally incorporated.
- The initial balance sheet must be registered in the Commercial registration Office; the entity must be registered with the Municipal City Hall, where it will operate; furthermore, the entity must be registered with the Department of Statistics and Census (DIGESTYC).
- There are no limitations regarding the nationality of the founder shareholders. If the shareholders are foreigners, they may grant a Special Power of Attorney to other persons (authorized by a Notary Public and bear the Seal of Apostille where applicable) to avoid traveling to El Salvador, to register the Public Deed of Incorporation, and perform the other legal activities that are necessary in el Salvador.

4.2 Branch and/or permanent establishment

For tax and commercial purposes the branch is having the same rights and obligations as local companies. The legislation that applies to a branch of a foreign company is the Salvadoran law.

In terms of the capital required by law to establish a branch in El Salvador, the minimum capital should be of US\$12,000.00 dollars, such investment is initially registered at the National Investments Office (ONI) of the Ministry of Economy before filing the registration of the entity in the Commercial Registration Office.

In addition, the branch must be registered in El Salvador with the following local authorities:

- Internal Revenue Office (DGII).
- Department of Statistics and Census (DIGESTYC).
- Ministry of Labor.
- The local Municipal City Hall
- Salvadoran Institute of Social Security (ISSS).
- Pension Fund Administrator (AFP).

4.3 Registrations

A branch in El Salvador must be inscribed with the Commercial Registration Office. The following documentation must be filed in this country:

- Certified copy of Articles of Incorporation (By-laws) of the foreign company that desires to establish the branch; everything must be translated into Spanish.
- The agreement issued by the Administration of the company (i.e. Shareholders Meeting, Board of Directors) approving: (i) the establishment/opening of the branch in El Salvador, and (ii) the designation of the legal representative.
- Power of Attorney granted by the company to a domiciled local person or to a foreigner residing permanently in El Salvador, to act as the legal representative of the branch and to follow the registration process at the competent authorities.
- The minimum capital must enter the country through a transference of funds to a bank of the local financial system in order to obtain the respective document in support of the remittance received, this investment must be registered with the National Investment office ONI.

4.4 De facto societies

In El Salvador, de facto societies are considered to be unions between 2 or more people with the same objective or interest in starting a commercial activity.

5. Banking system

5.1 Central Reserve Bank

El Salvador's financial sector is regulated by the Central Reserve Bank of El Salvador (BCR), which is supported by the Superintendence of the Financial System and the Institute of Guarantees and Deposits (IGD).

The Central Reserve Bank of El Salvador is the authority responsible for the activities performed in foreign currencies; in conformity with Law No. 746, dated April 12, 1991, the Central Reserve Bank is empowered to promote and maintain the monetary, exchange and financial conditions that most benefit the stability of the national economy.

5.2 Commercial banks

Due to various reforms in the financial sector, El Salvador has established a strong banking community, with positive tax laws that attract foreign investment.

To develop the Salvadoran banking sector in line with international standards, the Superintendence of Banks; (an independent regulatory body that supervises the banking sector according to the Basle Committee recommendations, was established in 1990). During the past years, the legal framework under which the banking system operates has been enforced with the introduction of legislation such as the following:

- Law against Money and Assets Laundry No. 498, dated December 2, 1998. The present Law has the objective of preventing, detecting, sanctioning and eradicating the crime of money and assets laundry, as well as the withholding of information.
- Law for Insurance Companies No. 844, dated October 10, 1996. This Law has the objective of regulating the constitution and functioning of insurance companies, as well as, the participation of insurance intermediaries, in order to ensure the public rights and facilitate the development of insurance activities.
- Banking Law No. 697, dated September 2, 1999, reformed during 2000, 2001, 2002, 2004 and 2005. The banking Law has the objective of regulating the functioning of financial intermediation and other bank operations, propitiating that these entities give transparent, reliable and agile service, which contribute to the development of the nation.

- Monetary Integration Law No. 201, dated November 30, 2000. This Law establishes that the legal exchange rate between the "Colon" and the United States Dollar shall be fixed and unalterable starting from the validity of this Law at 8.75 Colons per U.S. Dollar.
- Law No. 856, dated April 21, 1994, for the Creation of a Multi-sectorial Investment Bank. This Law created the Multi-sector Bank of Investments, (BMI), as a public credit institution. The bank's objective is to promote the development of investment projects in the private sector in order to:
 - Promote growth and development in the productive sectors;
 - Promote the development and level of competition between different businesses;
 - Promote the development and growth of micro and small businesses;
 - Generate employment;
 - Improve health and educational services.

Foreign Banks: According to Article 31 of the Banks Law No. 697, a foreign bank operating in El Salvador shall have the same rights and obligations as Salvadorian banks. Foreign banks will operate in the country through branches, which must obtain a previous authorization by the Superintendence of the Financial System (SSF). In addition, they will be subject to the same laws and regulations as national banks, and under the supervision of the above-mentioned Superintendence.

5.3 Banks in El Salvador

5.3.1 Central Bank

Central Reserve Bank of El Salvador.

5.3.2 Banco del Estado

Banco de Fomento Agropecuario.
Banco Hipotecario de El Salvador, S.A.
Banco de Desarrollo de El Salvador.

5.3.3 Bancos Privados

Banco Agrícola, S.A.
Banco Cuscatlan de El Salvador, S.A.
Banco Davivienda Salvadoreño, S.A.
Banco G&T Continental El Salvador, S.A.
Banco Promérica, S.A.
Scotiabank El Salvador, S.A.
Banco de América Central, S.A.
Banco Atlantida El Salvador, S.A.
Banco ABank, S.A.
Banco Industrial El Salvador, S.A.
Banco Azul de El Salvador, S.A.

6. Labor and Social Security

6.1 Requirements established by labor laws

These are contained in the Labor Code of El Salvador.

6.2 Wages and salaries

The Government has the power to establish the different salary levels. During December, 2016, an agreement to increase the minimum monthly salaries, was approved, coming into force in 2017; establishing the following amounts: commercial and service sectors US\$304.00; Agricultural sector US\$227.00, clothing and textile sectors US\$299.00.

6.3 Profit sharing

Is not mandatory; however, a bonus may be payable according to agreements with the employer and/or goals achieved by the employee.

6.4 Christmas bonus

This bonus applies in different categories:

- With more than 1 year but less than 3 years working for the same company, employees receive 15 days of basic salary;
- Workers with more than 3 years but less than 10 years of employment with a company, receive 19 days of basic salary; and
- For workers with more than 10 years of employment with the same company, the bonus is of 21 days of basic salary.

6.5 Employee benefits

Non-cash compensations given to employees (benefits in-kind) for the services rendered in the country, are considered as taxable income for the employee.

6.6 Labor hours

The maximum labor hours that are permitted by law are 8 hours daily, and should not exceed 44 hours a week; the workweek has to end at noon on Saturday. Any modification at the end of a workweek at different hour has to be approved by Ministry of Labor.

6.7 After each continuously worked year employees are entitled to receive fifteen workdays of paid vacation.

6.8 Termination of the labor relationship

Section 48 through Section 54 in the Salvadorian Labor Code establishes the causes for termination of contracts.

A Labor contract can terminate with or without legal liability for the parties and can be done with or without legal intervention.

Termination of the contract without legal liability and without legal intervention can be done by means of mutual consent, or by the resignation of the employee.

6.9 Payment of severance

Generally, the severance payment is payable in case of unjustified dismissal; the payment is equivalent to one month's salary for each, uninterrupted, year of service. The law specifies the causes of "just" dismissal.

6.10 Economic benefits for voluntary retirement

On January 1, 2015 the Law Regulating the Economic Benefits for Voluntary Resignation came into force, which has the objective of regulating the conditions under which the permanent employees working in the private sector and autonomous entities that generate income, and whose labor relations are subject to the obligations contained in the labor code, even though these are not mentioned in this Law, including the Salvadoran Institute of Social Security and the Comisión Ejecutiva Hidroeléctrica del Río Lempa (CEPA), employees are entitled to an economic benefit when they resign from their work on a voluntary basis, always summing they have completed a minimum of two years' service on a voluntary basis.

The economic benefit for voluntary resignation by permanent employees who have more than two years of service, will consist of the economic equivalent of fifteen days basic salary for each year of service.

For the purposes of the calculation of the economic benefit referred to in the previous paragraph, the salary cannot exceed twice the current legal minimum daily salary in the sector in which is applicable to the employer's economic activities.

6.11 Technical education tax

A payroll based contribution is imposed to employers that have more than 10 employees. Furthermore, in terms of financing the program for the technical instruction and employee training, managed by a specific institution (INSAFORP), the contribution required for employers is 1% of total monthly payroll.

INSAFORP, (the National Institution for Professional Training) ensures that the Salvadorian workforce remains a high quality asset within the region by offering training and courses for employees.

7. Social Security System in El Salvador

Law No. 1263 of the social security system in El Salvador, was enacted December 3, 1953, and was last reformed in 1994. The Law is also complemented by several regulations on the social

security interest. The Salvadorian Constitution in its Article 186 establishes the obligatory social security as an institution of public

7.1 The Social Security system contemplates

- **Health/Maternity Benefits:** In cases of disability the employer pays the first 3 days, after the third day social security covers 75% of salary. In case of maternity social security covers 100% of the monthly salary and the employer grants a 16-week period for maternity care.
- **Disability:** If an employee is disabled for, at least, one year, a percentage of the salary is paid by the social security, for over a year pension funds will recognize a percentage of the salary depending on the level of disability.
- **Old Age:** Retirement- men aged sixty (60) years and women aged fifty-five (55) years can retire after 30 years of labor service.
- **Death:** Pension funds will pay the family of the deceased an allowance depending on the amount of savings of the deceased.
- **Pension Fund (AFP):** Savings are obligatory through pension funds managed by private Pension Fund Administrators.

8. Accounting and auditing requirements

8.1 Accounting

The Supervisory Board of the Public Accounting and Auditing Professions issued Resolution 113 /2009, which establishes “the adoption of the International Financial Reporting Standard for Small and Medium Sized entities, official Spanish language version, issued by the International Accounting Standards Board (IASB), as a requirement in the preparation of general purpose financial statements and other financial information, for all of the entities that are not quoted in the stock exchange, except for the entities that, on a voluntary basis have adopted the full version of the International Financial Reporting Standards. Entities must present their first financial statements on the basis of this standard for the period commencing January 1, 2011. The early adoption of this standard is permitted”.

The entities that are not quoted on a stock exchange or that do not have public accountability, may adopt, on a voluntary basis, the full version of the International Financial Reporting Standards (IASB), the entity must disclose this fact in the notes to their financial statements.

8.2 Statutory audit requirements

In El Salvador, all local companies and branches operating in the country are required by law to ap-

point an External Auditor. Financial Statements prepared for companies and partnerships engaged on commercial, services or industrial businesses are also required to be audited by public accountants licensed in El Salvador, which must be appointed by the entity as the External Auditor for a 1 year period that can be renewed for equal periods.

Regarding Tax Auditors, according to the Salvadoran Tax Code, the appointment of a tax auditor is mandatory for:

- Entities that have total assets in excess of US\$1,142,857.14,
- Entities that obtain income in excess of de US\$1,465,186.89,
- Entities that result from a fusion or transformation process; and
- Entities in the process of liquidation.

In conformity with the Laws of El Salvador, commencing from the 2017 tax year, the same person or entity may not provide external audit and tax audit services.

8.3 Books and records

Both the Commercial Code and the Tax Code prescribe the principal books of accounting to be maintained by business enterprises. The books and records normally required are: Ledger and Major, Financial Statements, purchase book for VAT purposes, book of operations with final consumers and detail of exports, book of operations with VAT registered contributors, as well as the other special records and files required for the control of VAT.

These books are authorized by the external auditor, and each page must be numbered and then stamped with the seal of the public accountant.

According to the Commercial Code, all records must be in Spanish, and all accounts recorded in Colones or US Dollars. The accounting records books must be located, and maintained, in El Salvador, even for branches, agencies or subsidiaries of foreign companies.

9. Aspects relating to corporate taxes

In El Salvador, national taxes, duties and other special contributions on all types of goods, services and income are created by the Salvadoran Congress, while local governments (Municipalities) may elaborate and submit to the Congress for their approval taxes and contributions.

9.1 Taxes over corporate income

Applying a tax rate of thirty percent (30% over the taxable income, except for the taxpayers' who have obtained income equal to, or less than, one hundred and fifty thousand Dollars (US\$150,000),

to which a tax rate of twenty five percent (25%) will be applied.

Taxable income is net of the costs and expenses considered necessary for generating and maintaining the related source of income, and other deductions allowed by law. Gross income, on the other hand, comprises income or profits collected or accrued, either in cash or in kind, from any sources such as business, capital and all types of products, gains, benefits or profits, whatever their origin might be.

Juridical entities are required to follow the accrual method of accounting, which means that income is reported although not collected, and costs and expenses are reported when incurred and not when paid for.

For tax purposes, income is computed for 12-monthly periods, also known as taxable periods, and the tax period for judicial entities begins on 1 January and ends on 31 December of each year.

9.2 Advance income tax payments

A 1.75% tax rate is applied over the gross monthly revenues obtained, this is paid during the following month and represents an advance tax payments, which are applied against the Corporate Income Tax at the end of the year.

9.3 Tax over branch income

In El Salvador, tax rates on branch profits are the same as for domestic corporations. No tax is withheld on transfer of profits to the head office provided the entity distributing them reports and pays the corresponding income tax thereon.

Administrative offices: the law does not provide a separate treatment to administrative offices located in El Salvador. The general regulations in this respect indicate that branches, agencies and/or permanent establishments operating in the country, with owned or leased installed infrastructure, employing domestic staff, and performing their economic activities in a material and perceptible manner in the country are subject to the same taxes as duly incorporated local companies.

9.4 Value added tax (IVA)

VAT is levied at a rate of 13% over the taxable amount. As a general rule, the taxable amount is the price or remuneration agreed upon by the parties. For imports, the taxable amount is the custom value.

The following transactions are subject to VAT when performed within the Salvadorian territory:

- Transfer/sale of intangible assets;

- Withdrawal of tangible assets from the inventory made by the company for self-consumption by its directors or personnel.
- Imports of goods and/or services;
- The supply of services of any type whether permanent, regular, continuous or periodic; technical advice and project designs; lease and sublease agreement over tangible goods; lease sublease agreements over real estate for commercial purposes; lease of services in general; construction of real estate properties or building contracts; auctions; freight; whether inland; air or maritime; lease, sublease and any form of use regarding trademarks.

9.4.1 The following imports are exempt from VAT

Imports made by diplomats and consulate representatives of foreign nations with presence in the country according to international agreements adopted by El Salvador.

- Imports made by international organizations to which El Salvador is a party.
- Travelers' luggage according to customs regulations.
- Donations to non-profit organizations.
- Imports made by municipalities, if the good imported are for the public benefit of the community.
- Imports of machinery by taxpayers duly registered for this purpose, which will be part of the taxpayer's fixed assets.
- Vehicles for public transportation, which can only be transferred after five years.

9.4.2 The following services are exempt from VAT

- Health services rendered by public institutions.
- Lease and sublease of real estate properties for housing.
- Services rendered under a labor relationship, and those rendered by public and municipal employer.
- Cultural public performances authorized by competent authorities.
- Educational services rendered by authorized entities, (i.e. the Ministry of Education).
- Interest on deposits and loans, provided by local financial institutions or entities registered with the Central Reserve Bank of El Salvador, (BCR).
- Interest on securities issued by the government and/or private entities traded through a stock exchange.
- Water supplied by public institutions.
- Public transportation.
- Insurance premiums covering individuals, and reinsurance in general.

Exports are subject to a 0% VAT tax rate; income from foreign sources is not subject to VAT.

VAT taxes paid by a registered taxpayer company on its purchases (tax credits) are credited against VAT taxes charged to its customers (tax debits), on a monthly basis.

9.5 Tax on simple or sweetened soft drinks

This is an ad valorem tax levied at 10% over the selling price to the public as suggested by the manufacturer, importer or distributor, excluding VAT and returnable bottle taxes.

9.6 Tax over the importing and production of alcohol and spirits

This tax is levied on domestic or imported alcohol spirit at rates ranging from 0.0825 to 0.15 over each 1% of alcohol volume per liter or in proportion thereof. At the beginning of 2010 spirits and alcohol also have an ad valorem tax levied at 5% over the suggested selling price to the public.

9.7 Tax over tobacco products

This tax is levied at USD 0.005 per cigarette, cigar, cigarettes or any other tobacco product. Also, an ad valorem tax is levied at 39% over the suggested consumer selling price reported, excluding items such as VAT taxes, the specific tax established by the law.

9.8 Municipal taxes

Municipal taxes are assessed according to a progressive tariff issued by each municipality applicable to the company's assets located in each municipality. Taxes are paid on monthly basis.

The tariff list is applied separately to commercial, industrial and financial sectors.

9.9 Tax over the transfer of real estate

Transfers on real estate property are taxed according to the value of the real estate, at a tax rate of 3% applicable over amounts exceeding USD 28,571.43.

9.10 Tax over financial operations Law

Establishes a tax of 0.25% (for amounts over one thousand Dollars), which is applied over the amount paid by check or electronic transfers made in the national territory, in the legal currency in circulation in the country, in accordance with the regulations contained in this Law.

Furthermore, a tax withholding of 0.25% must be made over the excess of \$5,000, which originates from deposits, and cash payments or withdrawals,

whether in an individual or accumulated basis during the same month.

10. Other tax regimes:

10.1 Simplified regime for casino and slot machines

No special regime exists for casino, slot machines or betting games. In fact, legal limitations have been issued by local authorities in various municipalities prohibiting the functioning of these activities.

11. Corporate deductions

11.1 Permitted deductions

All business expenses considered necessary to produce taxable income and/or maintain income source (freight, marketing, power, telecommunication, water, salaries, lease contracts, merchandise and transport insurance, fuel and interest paid on loans used by income generating sources, and other similar items) are deductible for income tax purposes.

11.2 Interest

If a loan is made by a foreign company or bank that is not registered by the Central Bank or if the loan is between related parties, income tax is withheld at 20%. If the foreign bank is registered by the Central Bank in 2010, then 0% income tax will be withheld.

11.3 Taxes

Other than penalties and interest charges on unpaid taxes, income, VAT and conveyance of real estate property taxes, and state and municipal taxes and duties on imports of goods and services rendered by the company are not deductible.

11.4 Depreciation

Depreciation allowances on fixed assets are determined by the declining balance method at the following rates:

Type of asset	%
Buildings	5
Machinery	20
Vehicles	25
Other fixed assets	50

11.5 Amortization

Amortization of new software is admitted at a constant and maximum 25% over purchases or production costs.

11.6 Payments to foreign affiliates

Remittance of royalties, interest income and services fees to foreign affiliates are deductible provided proper contracts are in place and withholding tax of 20% is applied and if these services have actually been received. Payments to entities located in tax haven regimes, are subject to a withholding tax rate of 25%.

11.7 Other significant aspects

The deductibility of charitable donations is limited to 20% of the amount resulting from deducting the donation amount from the donors' net income of the respective tax period.

Amortization of goodwill, trademarks and other similar intangible assets are not deductible for income tax purposes.

11.8 Net operating losses

Operating losses cannot be carried forward to future years, and Salvadoran legislation does not permit the carry back of losses, for the purpose of being deducted for tax purposes.

11.9 Tax withholdings

Payments or amounts credited to non-residents arising from income obtained in El Salvador are subject to a 20% WHT. Income earned in El Salvador covers income from assets located in the country, and from any activities performed or capital invested in the land, and from services rendered or used in the national territory, regardless of whether they are provided or paid outside the country.

Income from services used in the country is income earned in El Salvador by the service provider, irrespective of whether the relevant income generating activities are performed abroad. Payments to foreign entities located in the tax haven regimes are subject to a withholding tax rate of 25%.

Payments to domiciled individuals with respect to services rendered other than under a labor relationship, are subject to a 10% income tax withholding.

The acquisition of intangible goods among domiciled entities in the country is subject to a 10% income tax withholding.

12. Tax incentives

6% over the free on board value (FOB) of the exports outside of the region.

This law was repealed during January, 2011, and substituted by a return mechanism that was approved, for the rights paid over raw materials and goods imported to be exported. El Salvador offers a wide range of incentives to attract foreign investments and drive new commercial and industrial developments. There are no restrictions on foreign ownership or on mergers, acquisitions or joint ventures.

There are three specific laws in El Salvador that seek to encourage foreign investment by improving the country's competitiveness in all areas involving the granting of tax incentives. These laws are the Industrial and Commercial Free Zone Law, Law of International Services and the Export Reactivation Law, which was replaced in 2011 by the Law of re-imbusement of tariffs over importations.

The industrial and Commercial Free Zone Law No. 405 dated September 3, 1998; grants companies the following incentives:

- Exemption from income tax.
- Exemption from VAT.
- Exemption from real estate transfer tax when the land is intended to be used for productive activities.
- Exemptions from duties for imports on machinery, raw material, equipment and intermediate goods used for production.
- Option to sell merchandise or services linked to international trade produced in the free zone in the Salvadorian market is permitted as long as companies pay the corresponding import tax, income tax, VAT, and municipal taxes on the finished goods sold.
- Any foreign company may establish and function in a free zone or bonded warehouse if they are engaged in: production, assembly, manufacturing, processing, transformation, or commercialization of goods and services; and/or rendering of services linked to international or regional trade, such as gathering, packaging and repackaging, cargo consolidation, distribution of merchandise and other activities connected or complementary to them.

The Law of International Services Law, No. 431, dated October 11, 2007; grants the same benefits as the Free Zone Law, but the beneficiaries are companies operating in Services Centers specially created according to this law and dedicated to international services as defined therein. This Law was modified by means of Legislative Decree No. 396.

The Export Reactivation Law No. 460 dated March 15, 1990; establishes a definite reimbursement grants reimbursement.

13. Compliance with corporate taxes

National taxes, fees and other contributions on all type of goods, services and income in El Salvador are levied by the National Congress, with local government (municipalities) may suggest contribution rates and propose their approval to the National Congress by means of specific laws.

Ministry of Finance; the Ministry controls the State's finances and defines and guides the government's financial policy, and also harmonizes, directs and implements its policies on taxation, through the following agencies:

Internal Revenue Service (DGII): was created by Law No. 451, dated February 22, 1990; replacing the former Direct Revenues Services, and is charged with managing and collecting the country's main internal revenues.

Customs Authorities (DGA); the DGA was created by Law No. 903, dated December 14, 2005; replacing the former Customs Revenues Services, and its main function in the exercise of its customs powers, to facilitate and control international trade within its domain, and monitor and collect duties and taxes imposed upon merchandise entering and existing the territory.

13.1 Tax returns

VAT returns are filed on a monthly basis within the first ten (10) working days of each month following the period under taxation.

In addition, public and private juridical entities, domiciled in the country for tax purposes, other than farm and cattle concerns, are required to make income tax advance payments at 1.75% of gross revenues. These advance payments are due, together with the corresponding return, within ten (10) working days following the corresponding calendar month.

The annual corporate income tax returns must be filed each year no later than April 30, following the end of the tax year. In El Salvador the fiscal year is from January 1 to December 31.



14. Current tax and withholdings rates.

14.1 The monthly income tax withholdings table for employees is presented below

Income tax withholding table for employees	
Monthly salaries	Rate
Up to USD 472.00	Exempt
From USD 472.01 to USD 895.24	10% over USD 472.00 plus USD 17.67
From USD 895.25 to USD 2,038.10	20% over USD 895.84 plus USD 60.00
Over USD 2,038.11	30% over USD 2,038.10 plus USD 288.57

14.2 The employee discounts and employer contributions to the Salvadoran Institute of Social Security ISSS), Pension Fund Administrator (AFP), Social Provision of the Armed Forces (IPSFA) and the Institute of Professional Formation (INSAFORP), are presented as follows

Annual tax table for employees		
Institution	Rate	Minimum salary applicable
ISSS - health	Employee (3%); Employer (7.5%)	US\$ 1,000.00
AFP	Employee (7.25%); Employer (7.75%)	US\$ 6,500.00
IPSFA	Employee (6.00%); Employer (6.00%)	US\$ 2,449.05
INSAFORP	More than 10 employees	US\$ 1,000.00



Republic of Guatemala

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3. Country Profile

Republic of Guatemala, is a country located in Central America, at its northwestern tip, with a wide native culture product of the Mayan inheritance and Spanish influence during the colonial era, for what is considered a multicultural, multilingual, multi-ethnic country.

Despite its relatively small territorial extension, Guatemala has a great climatic variety, product of its mountainous relief that goes from sea level to the 4.220 meters above. This leads to the existence of ecosystems in the country that range from the mangroves of the Pacific wetlands to the cloud forests of high mountains. It borders to the West and the North with Mexico, to the East with Belize and the Gulf of Honduras, to the Southeast with Honduras and El Salvador and to the South with the Pacific Ocean. The country has an area of 108,889 km², which is organized into 8 Regions, 22 departments and 334 municipalities. Its capital is the City of Guatemala, officially called Nueva Guatemala de la Asunción. Its population is approximately 14 million habitants, the indigenous population makes up 51% of the country's population. The official language is Spanish; it also has 23 Mayan languages, the xinca and Garifuna languages, the latter spoken by the Afro population descendant in the Caribbean department of Izabal.

Guatemala's is currently governed by the Political Constitution of the Republic of Guatemala of 1985 and reformed in 1994 in which Guatemala is es-



established as a free, independent and sovereign State, republican, democratic and representative government system.

In the economic sphere, the currency is the quetzal.

Guatemalan exports in the year 2019 totaled 11 billion dollars. Its main export products expressed in US \$ and millions, according to the "Banco de Guatemala" (Bank of Guatemala) are:

• Artcles of clothing	1,397	12.5	%
• Banana	843,6	7.5	%
• Sugar	695,0	6.2	%
• Coffe	662,4	5.9	%
• Cardamom	648,0	5.8	%
• Edible fats and oils	488,9	4.4	%
• Iron and Steel	359,0	3.2	%
• Plastic materials and their manufactures	357,4	3.2	%
• Alcoholic Beverages and Vinegars.	337,4	3.0	%
• Manufactures of Paper and Cardboard	326,0	2.9	%
• Fresh, dried, or frozen fruits	298,0	2.7	%
• Textile materials	246,0	2.2	%
• Pharmaceutical Products	245,0	2.2	%

It is worth mentioning that tourism and remittances from Guatemalan workers abroad have become a more important foreign exchange income of the country with 9,287 million, equivalent to 84% of exports in the case of family remittances. Tourism represents a foreign exchange income of US \$ 986 million, equivalent to 9% of total exports. Both data for the year 2018 according to the Banco de Guatemala.

The main destinations of exports are:

United States	35.6%
Central América	30.59%
Eurozone	05.4%
México	04.6%
Netherlands	03.25%
Panamá	02.22%
República Dominicana	1.6%
Canadá	1.5%

4. Investment

4.1 National Investment

Legally the establishment of a local company in Guatemala is a simple and fast procedure, taking approximately two weeks for provisional registration and a maximum of one month for final registration. A company can start its operations in the provisional register.

Registration requirements for a local company are as follows: A minimum of two persons, natural or legal persons, are obliged to form a company. To operate in most sectors of the economy, there is no requirement for local participation in a Guatemalan society. Likewise, no restrictions are imposed on foreign participation. The company's charter must be executed in a public document and in the presence of a Lawyer.

Types of Guatemalan companies

- **General Society (Collective Society):** The owners are personally liable for the legal actions and the debts of the company, their personal assets are subject to seizure and liquidation to pay the creditors.
- **Limited Liability Company:** a maximum of twenty members, in which each partner is personally responsible for the amount of the capital paid.
- **Limited Partnership (Simple Limited Partnership):** formed by two types of partners: one or more general partners that in direct insurance and are jointly and severally liable for the debts, and one or more limited partners whose liability is limited to the amount of capital paid. Limited

partners cannot have control of management in the operation of the company.

- **Limited partnership by shares:** A limited company is a hybrid between an association and a limited liability company. The capital and the ownership of the company are divided between the shareholders who have a limited liability and one or more partners who have full responsibility for the rest of the debts of the company. The general partner (s) directs the operations of the company, while the shareholders are passive investors.
- **Corporation:** Equity is divided and represented in shares of equal value. The liability of each shareholder is limited to the shares held. The company must have a board of directors, or a sole administrator, and must hold an annual meeting whose minutes must be notarized.

Registration in the Internal Revenue Service (Tax Agency "SAT") is necessary to obtain the tax identification number (NIT). The registration is issued at the same time that companies require it.

4.2 Foreign investment

It is usually carried out by establishing a local company or a branch of a foreign company.

4.2.1 Legal Framework for Foreign Investment

Guatemalan laws explicitly promote investment and include provisions that recognize and guarantee private property rights equally to nationals or foreigners, there is no restriction on the possession or limitation on the acquisition of shares in any Guatemalan company.

5. Audit and Accounting

The laws of Guatemala require an audit of financial statements only for special and large taxpayers, which are a list of 2 thousand companies defined by the governmental entity in charge of tax collection, however, most companies have the policy of hiring an external auditor.

The Commercial Code requires the authorization of the books: Journal, General Ledger, financial statements and the inventory book.

6. Labor Regimen

6.1 Types of employment contract and conditions of employment

Within the Guatemalan legislation, it is envisaged that the employment contracts are both written and verbal, that although there is no instrument or contract, it is enough for the employment relationship to begin so that the employment contract is established; within the types of contracts that govern the Guatemalan labor legislation are the following:

- **Fixed term:** Is that contract in which the exact time of the employment relationship is established, that is, both the employer and the worker knows the exact time in which the employment relationship ends, this type of contracts are not constant in the relationship Guatemalan labor, but it is recognized within the labor legislation.
- **Indefinite term:** This type of contract is the most used in the employment relationship, is the contract which the employer and the employee establish a working relationship without time limit, the relationship lasts as long as the parties want it.
- **Feasible:** Those that are made to meet the employer's circumstantial requirements, such as replacing personnel who are absent for vacation, leave, sickness, maternity, increased demand for production or services, etc.
- **By certain work:** Execution of a determined work for a remuneration that includes the whole of it, without taking into consideration the time that is invested in executing it.
- **Piecework:** The work is carried out by pieces, pieces, surface measurements and, in general, by work units, and the remuneration is agreed for each of them, without considering the time invested in the work.

There are other types of employment contracts according to laws that are not used in general practice.

6.2 Remuneration

It is one of the essential elements of the employment relationship, without remuneration the work becomes exploitation, the legislation allows payment or remuneration on a monthly, biweekly or weekly basis and can be as follows:

- Monetary.
- Share in the profits of the employer's business.
- Mixed: (salary or fixed salary + participation in the product of the employer's business).

Additionally, there are other additional remunerations such as:

- **Bono 14:** The annual bonus will be equivalent to one hundred percent (100%) of the salary or ordinary salary accrued by the worker in a month, for the workers who have worked at the employer's service, during an uninterrupted year and prior to the date of payment. If the duration of the employment relationship is less than one year, the benefit will be proportional to the time worked. To determine the amount of the benefit,

the average salary or ordinary wages accrued by the worker in the year which ends in the month of June of each year will be taken as a basis. The bonus must be paid during the first half of the month of July of each year.

- **Aguinaldo:** This annual bonus will be equivalent to one hundred percent (100%) of the regular salary of the wages received by the worker in a month, for the workers who have worked in the employer's service, for one uninterrupted year and prior to the payment date. If the duration of the relationship that can work less than a year, the benefit will be proportional to the time worked. To determine the amount of the benefit will be based on the average of regular wages or wages earned by the worker in the year ending in June of each year. The bonus will be paid fifty percent in the first two weeks of December and the remaining fifty in the second half of next January.

If a worker, for any reason, leaves or was separated from his job before the dates mentioned, he will receive the proportional part of the Bono 14 and Aguinaldo remuneration at the time of retirement or separation.

6.3 Labor Benefits

- **Vacations:** Under Guatemalan law every worker without exception is entitled to a period of paid leave after each year of continuous work in the service of the same employer, whose minimum duration is fifteen working days. For the worker to have the right to vacation, even if the contract does not require him to work all the hours of the ordinary day or every day of the week, he must have a minimum of 150 days worked in the year. The days in which the worker does not provide services for having paid leave, established by this Work Code of Guatemala or by collective agreement, due to occupational disease, common illness or due to an accident at work, will be computed as worked.
- **Compensation:** Employees who are dismissed without just cause are entitled to a monthly salary, for each year or fraction that the employee has worked for the employer, which is calculated with the average of the wages of the last 6 months, including the proportional part of the Aguinaldo and Bono 14.

6.4 Social Security

- **Contribution to IGSS:** All workers are required to join the Guatemalan Social Security Institute. The obligation is for both the employer and the employees. The employer pays 10.67% on gross wages and employees 4.83% on the same basis.

- **Contribution IRTRA and INTECAP:** (Instituto de Recreación para los trabajadores), IRTRA, and the Instituto Técnico de Capacitación, (Intecap): It is a benefit for the employees to use the facilities of an amusement park for their recreation and can be trained in the second case, paying 1% of the workers' salary for each of them, with which the IGSS worksheet increases to 12.67% on ordinary and extraordinary salaries of the worker.

6.5 Change Control

In Guatemala, the income and expenditure of foreign currency is free. For the recording of foreign exchange losses in accounting books, the purchase and sale of foreign currency is required in an institution supervised by the Superintendency of Banks.

The exchange rate from June 2018 to June 2020 of 7.67.

7. Tax System

7.1 Income Tax (ISR)

Income categories according to their origin; the following rents are taxed according to their origin:

Category		Applicable Rate	Gross Income	Taxable Income
1	The incomes of the lucrative activities.	-	-	-
1.1	Regime: Profits of Lucrative Activities	25%	The set of income and benefits of any nature, taxed or exempt, customary or not, accrued or received in the liquidation period, coming from sales of goods or services and other lucrative activities. Likewise, income derived from foreign exchange gains originated in the sale of foreign currency constitutes gross income; and the benefits arising from the collection of compensation in the case of extraordinary losses suffered in fixed assets, when the amount of compensation exceeds the carrying amount of the assets.	Gross income minus exempt income, plus deductible costs and expenses in accordance with this law and must add costs and expenses for the generation of exempt income.
1.2	Simplified Optional Regime on Income from Lucrative Activities	Q0.01 to Q30,000 Monthly 5% of taxable income. Q30,000.01 onwards, Q1,500 as a fixed amount and 7% on the surplus of Q30,000.	The taxable income is the total income of any nature.	Must deduct their exempt income from their gross income.
2	Salary Tax	Q0.01 to Q300,000 of Taxable Income 5% - Q300,000.01 of Income Taxable onwards Q15,000 as a fixed amount and 7% on the surplus of Q300,000.	It is the sum of your taxable and exempt income, obtained in the annual liquidation period;	It is determined by deducting from the net income the applicable deductions (Q60,000 conditioned, Donations, Fees to the IGSS, IPM and to the state and its institutions for installments of social security schemes, and life insurance premiums to cover risks in cases of death).
3	Capital income and capital gains	-	-	-
3.1	Other Equity Capital Income	-	-	-

3.1 a	Dividends, Earnings and Profits.	5%	-	-
3.1 b	Other Equity Capital Income other than Dividends, Profits and Profits	10%	-	-
3.2	Real Estate Capital Income	10%	-	-
3.3	Capital gains	10%	-	-
3.4	Income from Lotteries, Raffles, Draws, Bingos or similar events	10%	-	-

7.2 Quarterly payments of income tax

Taxpayers must make quarterly payments as an advance payment of income tax, to determine the amount of quarterly payment the taxpayer may choose one of the following formulas:

1. Make partial accounting closures or a preliminary liquidation of their activities at the expiration of each quarter, to determine the taxable income; or,
2. On the basis of a taxable income estimated at eight percent (8%) of the total gross income obtained from activities that are taxed by this regime in the respective quarter, excluding exempt income.

7.3 Solidarity Tax

This tax is determined by the calculation of 1% on gross income or total assets, whichever is greater, based on the financial statements of the previous year.

- You can be credited with the Income Tax for next year.
- It is paid quarterly.
- It is considered a minimum tax that must be paid, regardless of whether it obtains profits or not.

7.4 Withholding System for non-residents without permanent establishment in the country

Activity	Aplicable Rate
Activities of international transport of cargo and passengers -The value of the tickets sold in the country or abroad to be extended in Guatemala, regardless of the origin or destination of the passenger.	5%
International cargo and passenger transport activities - The value of freight charges for cargo originating in Guatemala destined abroad, even when such freight is contracted or paid in any form, outside of Guatemala. In the case of cargo freight from abroad, when the value of the freight is paid in Guatemala.	5%
Activities of international transport of cargo and passengers - The amount that non-residents dedicated to transport, as well as their representatives in Guatemala, charge transport users as part of the service they provide, including fuel, storage, delays, use of offices in the port, use of electricity or penalties.	5%
Insurance premiums, surety bonuses, reinsurance, retrocessions, and refinancing, obtained by non-residents.	5%
Telephony, data transmission and international communications of any nature and by any means, coming from the communications service of any nature, between Guatemala and other countries. In all cases, regardless of the place of incorporation or domicile of the companies that provide the service.	5%
Utilization of electric power supplied from outside the country.	5%
Dividends, distribution of profits, profits and other benefits, as well as any transfer or crediting in account to their parent companies abroad, without consideration from permanent establishments of non-resident entities.	5%

The supply of international news to user companies in the country, whatever the form of retribution and for the use in Guatemala of cinematographic films, strips of comics, fotonovelas, musical and auditory recordings and any other projection, transmission or similar diffusion of images or sounds in the Republic, whatever the means used.	3%
Interest derived from: i) deposits of money; ii) the investment of money in financial instruments; iii) credit operations and contracts, such as credit opening, discount, documentary credit or money loans; iv) the holding of credit instruments such as promissory notes, bills of exchange, bonds or debentures or the holding of other securities, in any case issued physically or through book entries; v) the price differentials in repurchase transactions, regardless of the denomination given by the parties, or other income obtained from the transfer of own capital; vi) financial leasing, factoring, securitization of assets. vii) any type of credit operations, financing, capital investment or savings. Paid or credited to non-residents. Except for the tax referred to in this numeral, the payments for crediting in interest account for loans granted by banking and financial institutions to entities duly authorized and regulated in their country of origin, according to the Law of Banks and Financial Groups, as well as those that the latter and multilateral institutions grant, to persons domiciled in the national territory.	10%
The royalties: For payments for the use, or the concession of use of: i. Copyright and related rights, on literary, artistic or scientific works, including films cinematographic video tapes, radio soap operas, phonograph records, musical and audio recordings, strips of comics, fotonovelas and any other similar means of projection, transmission or diffusion of images or sounds, including those coming from television broadcasts by cable or satellite and multimedia. ii. Trademarks, expressions or advertising signs, trade names, emblems, geographical indications and designations of origin, patents, industrial designs, drawings or utility models, plans, supplies of secret formulas or procedures, privileges or franchises. iii. Rights or licenses on computer programs or their updating. iv. Information related to industrial, commercial or scientific knowledge or experiences. v. Personal rights susceptible to assignment, such as image rights, names, nicknames and artistic names. saw. Rights over other intangible assets.	15%
Salaries, allowances, commissions, bonuses and other remunerations that do not imply reimbursement of expenses.	15%
Payments or accreditation in bank account to athletes and artists of theater, television and other public or performance shows.	15%
Professional Fees.	15%
Scientific, economic, technical or financial advice.	15%
Other taxable income not specified in the above numerals.	25%

7.5 Special Norms of Valuation between Related Parties

Area of application:

The scope of application according to what is established in article 57 of the law 10-2012, reaches any operation that is carried out between the person resident in Guatemala with the resident abroad and has effects in the determination of the tax base of the period in which the operation and in the following periods.

Related Parties:

Related parties are considered, between a person residing in Guatemala and a resident abroad, when the following cases occur:

- When one of them directs or controls the other, or owns, directly or indirectly, at least twenty-five percent (25%) of its share capital or voting rights, either in the national entity or in the foreign entity.
- When five or less persons direct or control both related parties, or have, as a whole, directly or indirectly, at least twenty-five percent (25%) of participation in the capital stock or the voting rights of both persons.

They are also considered related parties when:

- A person residing in Guatemala and a distributor or exclusive agent of the same resident abroad.
- A distributor or exclusive agent resident in Guatemala of an entity residing abroad.
- A person residing in Guatemala and its permanent establishments abroad.
- A permanent establishment located in Guatemala and its parent company residing abroad, another permanent establishment of the same or a related person.

7.6 Value added tax (IVA)

The Value Added Tax (VAT) is applied to a uniform rate of 12% and the following applies, among others:

- Sale of personal property and rights over assets.
- Services performed in Guatemala.
- Items imported into Guatemala.
- Sale or rental of real estate.

The exporting companies can request the refund of any remaining credit to the Superintendency of Tax Administration (Guatemala IRS)

7.7 Stamp Tax

Some of the legal documents require a three percent tax on the value of the transaction being documented. Transactions subject to Value Added Tax (IVA) are not subject to the Tax on Documented Legal Acts.

7.8 Import Taxes

With the exception of articles covered by special free trade agreements, incentives or purchased directly by government agencies, imports from outside the Central American region are subject to a tariff ranging between 0 and 20 percent of the value CIF. The Value Added Tax (VAT) is also paid to imports, unless the import corresponds to special exemptions.

7.9 Internationals deals

Guatemala does not have international treaties of a tax nature. If there are free trade agreements with the United States, Chile, Colombia, Mexico, Panama, the Dominican Republic and Taiwan.

7.10 Free Trade Zone (Decree 65-89)

A free trade zone is defined as a specially designated area of land, subject to a tariff classification, in which persons and goods of manufacturing or merchandise companies for export or re-export, or participate in foreign trade services. A free trade zone can be established anywhere in the country by private, as well as public companies. Private companies need approval by the Ministry of Economy. These apply only to clothing, technology and others. It does NOT apply to agricultural activities.

Moore Diaz Reyes & Asociados, S.C.

Our Services

The firm offers a wide range of services, supervised by a quality manager.

- Internal and External Audits.
- Fiscal Consulting and Auditing.
- Transfer Pricing Studies.
- Accounting Outsourcing.
- Legal advice.
- Human Resources Services.
- Financial administration.
- Corporate Finance.
- Valuation of companies.
- Due diligence processes.



Republic of Honduras

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3. Country Profile

The Republic of Honduras is located in Central America, with a large indigenous culture of the Mayan heritage and the Spanish influence during the colonial era.

Honduras for its location in the hemisphere is a Sub-Tropical country. The climate is hot and humid on the coast and cooler in the mountains. It is bordered on the northern coast by the Caribbean Sea and the Pacific Ocean and to the south by the Gulf of Fonseca. It shares borders with Guatemala to the northwest, El Salvador to the south and south-east by Nicaragua. The country has an area of 112,492 km². Its capital is Tegucigalpa, Department of Francisco Morazán. Its population is **9.587.522** million and its official language is Spanish. Honduras also has other aboriginal languages such as Garifuna. Its system of government is republican, democratic and representative. It is exercised by three branches: Legislative, Executive and Judicial: complementary, independent and without subordination.

On the economic front, the currency is the Lempira. Its main exports are:

- Coffee (30% del Agricultural GDP).
- Tilapia.
- Cultivated Shrimp.



- Bananas.
- Fruits.
- Woodwork.
- African Palm crude oil.
- Tobacco.

4. Investments

4.1 National Investments

For the legal establishment of a company in Honduras a period of more than two months is required for the entry of the records of the Municipality, and the Revenue Management **Services (Servicio de Administracion de Rentas - SAR)**.

Types of Commercial Companies:

- General Partnership.
- Limited partnership.
- Limited Liability Company (LLCs).
- Public Limited Company/Corporation
- Company Limited by shares.
- Cooperative.

Municipal Tax Records

For the registration of a legal entity in the records of the Revenue Management Services (Servicio de Administracion de Rentas – SAR), who is the body responsible for the country's tax administration, it is required to provide all documentation of identity, copies of the public deed to apply for and obtain the National Tax Registration Number (Registro Tributario Nacional, RTN), which identifies it as a taxpayer. Before starting commercial activity, an operating permit must be requested in the Mayor's office where the Company is established.

4.2 Foreign Investment

Any company that has an interest in operating in Honduras must register locally or possibly proceed to establish a branch office through formal-

ties with the Ministry of Finance.

4.2.1 Legal Framework for Foreign Investment

The laws of Honduras promote foreign investment and include provisions guaranteeing private property rights on an equal basis to both domestic and foreign investors.

Accounting

Starting 2012, the laws of Honduras require the preparation of the financial statements under the International Financial Reporting Standards for Small and Medium Entities (IFRS for SME).

5. Labor Regime

5.1 Employment Contracts and Conditions.

The Labor Code establishes that employment contracts shall be oral and written. However, the law provides for certain cases the mandatory written contract.

5.2 Remuneration.

Remuneration can be agreed in the following ways:

- Per unit of time.
- Per work or assignment.
- For participation in the profit, sales or collections.
- Mixed: a fixed part and a variable part.

There are other obligatory remunerations:

- **Seventh Day:** the employee will enjoy one day of rest, preferably on Sunday for every six days of work.
- **Thirteenth Month Salary:** as an additional salary. It will be paid calculated based on the average of ordinary wages received during the time worked in the corresponding year.
- **Fourteenth Month Salary:** as a social compensation. The payment of the Fourteenth Month of Salary will be 100 percent (100%), if the year of continuous work is completed until June 30, or the proportion thereof, according to the time worked, if at that date they are not met 12 months of continuous services with the same employer.

5.3 Work Benefits

- **Vacation Time:** vacation time will be paid after one year of continuous work in a range of 10 to 20 days maximum according to the Labor Code Law.

5.4 The law under the system of social protection

Legal Basis: On May 14, 2015, the National Congress approved the Law under the System of Social Protection, through Decree No. 56-2015 pub-

lished in the official journal dated July 2, 2015. (Gazette No. 33,771). Entered into force on September 04, 2015.

The Law under the System of Social Protection includes a system of social protection with a multi-pillar structure that grants cover contingencies arising from the major risks associated with the course of people's lives.

Object: This law aims to create the legal framework of public policies in the field of social protection, in the context of conventions, principles and best international and national practices that govern the matter, in order to allow residents, to achieve progressive and sustainable financially, decent coverage, through social promotion, prevention and management of risks that it involves people's lives ensuring medical care, livelihood protection and other social rights necessary for the achievement of individual and collective well-being.

Social Security: Year 2019

- **Contributions to the Honduran Social Security Instituto (Instituto Hondureño de Seguridad Social – IHSS):** the employer is required to enroll their employees to the IHSS. Under the new Law of the System of Social Protection from September 4, 2015. Las aportaciones en el año 2019 para las empresas de 10 empleados o más son las siguientes: Invalidez Vejez y Muerte: Patrono 3.5%, Trabajador 2.5% sobre un techo salarial de L9,326.42; Régimen de Seguro de Atención a la Salud: Patrono 5.0%, Trabajador 2.5% sobre un techo salarial de L8,933.97.
- **Contribution to Private Contributions Regime (Regimen de Aportaciones Privadas, RAP):** Starting from the entry in force of the Law of Social Protection, (Decree legislative 56-2015) and its reform (Decree 77-2016), in their articles 53 and 59-to, empowers **Private Contributions Regime** (RAP) to capture and manage the accounts of individual capitalization, starting from the date in which RAP was authorized by the National Commission of Banks and Insurance Companies (Comisión Nacional de Bancos y Seguros - CNBS) on August 30, 2016, according to resolution SS No. 659/12-08-2016.

To finance the Social welfare insurance regime, the Executive Agreement No. STSS-390-2015 sets a rate of contribution and compulsory monthly contributions from employers and workers respectively, equivalent to 1.5% by each of the contributors on the surplus of the top contribution of the capitalization (IVM).

- **Contribution to the Professional Development Institute (Instituto Nacional de Formación Profesional, INFOP):** The Companies that have five employees or more or whose capital stock is higher than L20,000 and have less than five employees shall contribute with a monthly 1% of the total salaries and wages.

5.5. Currency Exchange Control

The Monetary Unit of the Republic of Honduras is the Lempira (L) and the exchange rate in relation to the United States of America dollar (US\$) is regulated by the Central Bank of Honduras according to resolution No. 337-6 / 94 of the Central Bank of Honduras of June 20, 1994. In July 2011 the Board of the Central Bank of Honduras stated that the basic price of the currency will be reviewed monthly taking into account the inflation rate differential, the evolution of the exchange rates of partner commercial countries applying an adjustment to the result of the above factors, however, the exchange rate as of July 25, 2011 is L18.8951. Under this system, the purchase price of the foreign currencies is in constant change; closing 2019 with an average of L24.6350 for US\$1.

5.6 Regulation of the billing regime, other tax documents and registration tax of printers:

Legal basis: Agreement No. 481-2017. Published in the official newspaper "Gazette" No. 34,413 on August 10, 2017.

Object: The purpose of this Regulation is to develop the Billing Regime as an instrument that establishes the regulations to which the Tax Obligors are subject and to facilitate the procedure of issuing Tax Documents and other activities related to the control of said documents, incorporating all sectors of the economy from the country.

Scope of application:

This Regulation regulates the procedure for the authorization of the issuance of the types of Fiscal Documents, its requirements, the regulation of the electronic invoice, the natural or legal persons who must register with the Billing Regime, printing modalities, the Tax Registry of Printers, their certification, their obligations and prohibitions. Its observance is mandatory throughout the territory of the Republic of Honduras. The procedures for the application of these Regulations will be carried out in an eminently electronic way, without prejudice to the Tax Administration having other means.

Reform of the Regulation Billing Regime

Official Gazette No. 34,811 published on Dec. 04, 2018 AGREEMENT No. 817-2018

ARTICLE 1.- Reform Article 76-A of the Regulations of the "Billing Regime, Other Fiscal Documents and Tax Registry of Printers, added by Article 2 of Agreement No.725-2018 published in the Official Gazette dated 12 November 2018 "

"ARTICLE 76-A. TRANSITION PERIOD FOR THE RECOGNITION OF INVOICE, PURCHASE BULLETINS AND PREVALUATED INVOICE. Invoices, Purchase Tickets and Pre-valued Invoices that are issued until February 28, 2019, without including the requirements regarding the Exonerated Acquirer Data and the Discounts and Discounts granted, established in Articles 10, 11, 15 and 20 of the This Regulation will be valid documents to support the tax credit of Sales Tax and costs or expenses of Income Tax, Social Contribution of the Cooperative Sector or other tax that taxes net profits or net surpluses.

As of March 1, 2019, all taxpayers, regardless of the form of printing tax documents they use, must only issue tax documents that comply with all the requirements established in this Regulation.

Official Gazette No. 34,792 published on Nov. 12, 2018

Agreement No. 725-2018

Article 1. Reform Articles 8, 10, 11, 12, 13, 15, 16 and 37 of the Regulations of the "Billing Regime, Other Tax Documents and Tax Registration of Printers" contained in Agreement No. 481-2017 published in the Official Gazette dated August 10, 2017 and its amendment contained in Agreement No. 609-2017 published in the Official Gazette of October 2, 2017.

5.7 New Tax Code

Adoption of the new tax code, which entered into force January 1, 2017 through its publication on December 28, 2016, in the official journal La Gaceta No. 34,224 through Decree No. 170 - 2016. Such Code, among other important aspects, includes that Honduras is governed under the principle of "Territorial income", which favors capital-importing countries, since tax payers are obliged to tribute exclusively for revenues generated within the territory of a country. It also includes the determination of the monotax or one-time only tax, which is based staged aliquots, according to the parameters set out in the law; as well as, the creation of an administrative court called Tax Management empowered to dictate general administrative acts that contain the procedures and technical criteria necessary for the application of those regulations in tax matters. This new code regulates the granting and enforcement of tax exemptions. It is composed of 214 items and establishes the basic principles and fundamental standards which constitute the legal regime of the tax system and its applicability to all taxes.

Tax Code Interpretation

In Official Gazette No. 34,759 dated October 2, 2018, Legislative Decree No. 98-2018 was published containing the interpretation made by the National Congress to Article 213 of the Tax Code, which establishes that in the regularization, the final settlement and final stamp it implies the closing of fiscal periods, so that all rights and obligations are understood to be satisfied both for the taxpayer and for the tax and customs administration, as follows:

DECREE No. 98-2018

ARTICLE 1.- Interpret the scope of the tax and customs regularization benefit established in Article 213 of the TAX CODE, contained in Decree No. 170-2016 dated December 15, 2016, in the sense that the settlement and stamp Definitive means that fiscal periods are considered closed; therefore, it is understood that all the rights and obligations that emanate from these periods are satisfied, both for the taxpayer and for the Tax and Customs Administration, as well as Decree No.129-2017 of January 18, 2018.

5.8 New Minimum Wage 2019 and 2020

Executive Agreement No. STSS-006-2019 approved on January 7, 2019 and published in the Official Gazette No. 34,840 of JANUARY 9, 2019, was approved in each and every one of its parts, the Tripartite Agreement that in the framework of the negotiation of the minimum wage for the years 2019 and 2020 that was signed by the representatives of the private, worker and public sectors, timely setting the minimum wage that will rule throughout the country from January 1, 2019, in accordance with economic activities, worker strata and company size in relation to the number of workers, resulting in the following percentages:

Percentage Adjustment of the Minimum Wage		
Category	Year	
	2019	2020
From 1 to 10 Employees	4.77%	5.00%
From 11 to 50 Employees	4.77%	5.00%
From 51 to 150 Employees	6.40%	6.75%
From 151 and on	7.00%	7.00%
Maquila sector	8.00%	7.50%

5.9 Average Minimum Wage 2019 for tax purposes

The Revenue Management Services (Servicio de Administracion de Rentas – SAR), according to agreement No. STSS-006-2019 published on January 9, 2019 in the Official Gazette No. 34,840, notifies that only for fiscal purposes, the average minimum wage that will govern in the country as of January 1, 2019 amounts to **L9,443.24**.

5.10 Expansion of Amnesties

On December 20, 2018, Legislative Decree No. 180-2018 was published in the Official Gazette No. 34,825. In Article 253 of this decree, Decree No. 51-2018, the validity of Decree No. 51 was extended until March 31, 2019, which includes a package of amnesties, was extended: Tax and Customs Amnesty, IHSS, Telecommunications, vehicular, amnesty and condoning the clients of the ENEE and SANAA.

6. Creation of the Revenue Administration Service (Servicio de Administracion de Rentas – SAR)

Through executive decree No. PCM-084-2015 published on February 27, 2016 in the official newspaper La Gaceta No. 33,971, the **Revenue Administration Service (Servicio de Administracion de Rentas – SAR)** was created as a decentralized entity attached to the Presidency of the Republic with functional, technical, administrative autonomy and national security, with legal personality, responsible for tax administration, authority and competence in national territory and residing in the Capital. The SAR acquired the functions of the DEI which was suppressed and liquidated through Decree No. PCM 083-2015 from November 26, 2015.

Health Emergency / COVID-19

Due to the pandemic generated by COVID-19, the Government of Honduras was forced to take a series of measures to avoid contagion in the population, one of them being a state of emergency that involves the

temporary closure of companies with some exceptions, without these benefiting our activity, in such a way that our offices and performance are seriously affected; and remaining without activity since March 16, 2020. The aforementioned temporary closure was ordered by PCM-021-2020 dated March 15, 2020, and through other Decrees the closings have been extending weekly, currently knowing that the closure will be until Sunday, June 28 and without having Certainty at this time of a date when the restraining measures will be suspended.

Considering all of the above, both the Government and private banks and related institutions have issued temporary debt relief agreements, specifically in grace periods for the payment of loans during the months of April, May and June 2020.

The sector that has been enabled to operate gradually, to serve the population is the one made up of: Banks, Pharmacies, Supermarkets, Small and related markets, Hardware stores and lastly Restaurants (specifically home deliveries), being regulated by curfew schedule Monday through Friday from 7:00 a.m. at 5:00 p.m. and for daily circulation based on the last identification digit of the population's Identity Card. Saturdays and Sundays the curfew is complete without permission to circulate, except for duly authorized institutions.

On June 5, 2020, a statement was issued by the Ministry of Labor and Social Security, which indicates that there will be a gradual and intelligent economic reopening from the 8th of the same month, this being the first phase, which does not include educational services, transportation, public shows, cinemas, or cultural and artistic activities. All companies and institutions that start their activities with the respective approval must follow the biosafety protocols prepared and approved by the Ministry of Labor with the support of the European Union.

This reactivation will have different regulations, that is, due to its population, economic influence and its impact on Covid-19. Thus region 1 will start with 60% of the staff, region 2 with 40% of the employees, and region 3 (which includes Tegucigalpa and San Pedro Sula, place of our offices) with 20% of the workers to the first stage. The plan indicates that every fortnight the number of employees who will be able to work will increase by 20%.

Companies must proceed to reopen respecting the provisions issued by the central government, and those that fail to comply with said measures will be subject to sanction or closure by the competent authority.



6.1 Taxation System

6.1.1 Income Tax and Sales Tax

Tax Category	Description	Tax or Applicable Rate	Income or taxable base
Over Income: Companies	Taxes the income that comes from capital, work or a combination of both. The fiscal period in from January to December 31 of every year.	25%	Gross income minus exempt more non-deductible expenses according to the Income Tax Law.
Solidary Contribution	Legal entities pay a solidarity contribution (5%) applicable on the excess of net taxable income of more than one million Lempiras (L1,000,000) permanently.	5%	This surcharge of the income tax is not deductible from the income tax.
Net Asset	Companies shall pay a Total Net Asset Tax of 1% over the total net assets. The amounts paid for this concept are considered a credit against the payable income tax.	1%	The total net asset minus a credit (by law) of L.3,000,000 and other deductions by law.
Income Tax over salaries: Salary Withholdings	<p>The taxpayers (individuals, companies or independent employers) are required to withhold the income tax to its employees and executives that are liable to the payment of this tax in a progressive scale.</p> <p>According to Agreement No. SAR-015-2019 dated January 7, 2019 and published in the Official Gazette No. 34,840 of January 9, 2019, amended Article 22, as follows: ARTICLE 22.- The tax established by this Law shall be charged to natural or legal persons domiciled in the country, according to the following provisions: a) ... ; and, b) Natural persons domiciled in Honduras will pay for the 2017 Fiscal Year, in accordance with the scale of the following progressive rates:</p> <p>From L 0.01 to L 158,995.06 Exempt From L 158,995.07 to L 242,439.28 15% From L 242,439.29 to L 563,812.29 20% From L 563,812.30 onwards 25%</p> <p>Decree 31-2018, published in the Official Gazette No. 34,620 dated April 20, 2018, contains the amendment to Art. 22-A of the Income Tax Law contained in Decree 278-2013, in the Law of Public Finance Regulation, Control of Exemptions and Anti-Evasion Measures, published in the Official Gazette on December 30, 2013.</p> <p>The application of the rate for the fiscal period 2019, is as follows:</p> <p>Fiscal exercise 2019: De 0.01 to 300,000 Art. 2 Income Tax Law From 300,000 to 600,000 0.75% From 600,000 onwards 1.00 %</p> <p>Withholding Agents must use the table above to calculate the amount of the monthly Withholding that they must make to their employees, which is applicable as of January 1, 2019.</p>	<p>15% minimum 25% maximum</p>	Total income earned less the deductions permitted by law

Income Tax Withholding: Article No. 50 (12.5%)	Taxpayers (entities or individual employers) are required to withhold the income tax to their employees and executives that are liable to the payment of this tax for professional fees, allowances, commissions, gratifications, bonus and remunerations for technical services.	12.5%	The total income received under this concept.
Tax over capital gains	The capital gains or any extraordinary income from the Individuals or legal entities domiciled or not in Honduras.	10%	Capital gains minus direct costs derived from those gains.
Tax over Dividend Distribution in Cash	Income perceived by individuals or legal persons, residents or domiciled in the country or that receive income or any other share or reserve participation as well as dividend distributed by companies protected by special systems. The capitalizations of reserves or profit are exempt from this tax payment.	10%	Dividends declared and not paid, prepaid dividends, accounts receivable partners or related companies that do not arise from a commercial operation period greater than 100 calendar days.
Income Tax Payments on Account and Temporary Solidary Contribution	Results while dividing the income tax from the previous years' tax return divided by four. Three equal payments due on June 30, September 30 and December 31.	Quarterly	Represents a pre-paid sum of the Income Tax of the year.
Pre-paid withholding of 1% Income Tax	Individuals with liabilities and companies with income higher than L15,000,000 per year are assigned as withholding agents of 1% income tax to their suppliers.	1%	For the purchase of goods and services.



Tax Category	Description	Tax or Applicable Rate	Income or taxable base
One-Time Income tax to non-domiciled individuals in Honduras	1. Income from real estate or movables except for the ones included in numeral 5 and 7 of Article No. 5	25%	Gross income from Honduran sources by individuals or legal entities not resident or non-domiciled in the country, will pay ax according to the percentage detailed by this chart.
	2. Royalties from the operations of mines, quarries or other natural resources.	25%	
	3. Salaries, wages, commissions or any other compensation for local or overseas' services.	10%	
	4. Income or profit earned by foreign companies through their branches, subsidiaries, agencies, legal representatives among others that operate in the country.	10%	
	5. Income, profit, dividends or any other form of participation in the profit or reserves of individuals or legal entities.	25%	
	6. Royalties and any other amount paid for the use of patents, designs, procedures and secret formulas, factory brands and author rights, except for those included in numeral 12.	10%	
	7. Interest over commercial operations, bonuses, securities and any other class of obligations.	10%	
	8. Income for the operation of aircrafts, ships and automotive.	10%	
	9. Income from operations of telecommunication companies, use of software, IT solutions, telematics and other areas of telecommunications.	10%	
	10. Insurance premiums and deposits of any policy hired.	25%	
	11. Income derived from public shows	25%	
	12. Movies and video tapes for cinemas, television, video clubs and cable TV rights.	10%	
	13. Any other income not mentioned in the previous items.		

Tax Category	Description	Tax or Applicable Rate	Income or taxable base
Sales Tax	Calculated over the sales of taxable goods and services in national territory; it is applied in a non-cumulative basis during the import and in the sale over the value of the good or service.	15% for sale of goods and services in the national territory 18 % specifically for liquors and cigarettes	Over imports and sales of goods and services liable to the Sales Tax Law.
Sales tax over airline tickets	15% for national and international aircraft transportation and 18% for first and business class aircraft transportation.	15% economy class 18% business class	Over aircraft and service charges and the payment is monthly in the first ten days of the month
Sales Tax Withholdings	Major taxpayers are assigned as sales tax withholding agents of services indicated in the Law.	15% Monthly	Sales tax of the controlled service.
Advance payments, reform to Article 22-A, Law of income tax	1.5% over net income declared as advance payments of income tax when the taxpayer has net income of ten (10) million Lempiras onwards.	1.5%	Sales or net income of ten million lempiras onwards.

6.2 Municipal Taxes

Tax Category	Description	Tax or Applicable Rate	Income or taxable base
Tax over Industry, Trade and Services (Sales Volume)	Monthly tax over annual income from manufacturing activities or services.	Charge per every thousand according to the scale of the Municipality Law.	The total income of the fiscal period.
Personal Tax (Impuesto Vecinal)	Tax over the annual income that individuals receive in the Municipality.	Charge per every thousand according to the scale of the Municipality Law.	All the income earned by individuals.
Over Real Estate	Tax over the property equity in the Municipality.	Annual	The payment of this tax is due on August 31 of every year.

6.3 Security Charge (Decree No. 17-2010, Law for Population Security)

Tax Category	Description	Tax or Applicable Rate	Income or taxable base
Law for Population Security Financial Transactions	Financial transactions for population security. Transitional measure that will be in force for five (5) years.	<p>Debits (withdrawals), demand deposits to checking accounts performed in financial institutions, in savings account of legal entities, payments or transfers to third parties, transfer or money orders overseas or in the interior of the country. The applicable rate is L2 per every thousand.</p> <p>Cashier check emission, certified checks, traveler's checks and any other financial instrument existent will pay L1.50 per every thousand.</p> <p>Annual credit card membership renovation (applicable only to the cardholder) in agreement with the credit line between a payment range between L500 and a maximum of L1,000.</p>	The taxable amount is the total value of the transaction performed in a financial institution with the exception of the accounts of the Central Bank of Honduras, debits or withdrawals in savings deposits in local currency, with a monthly average of L120,000; debits or withdrawals of savings deposits in foreign currency with an average balance of US\$6,000; remittances and others included in the Law for Population Security.
Mobile Telephones	Taxes mobile telephone services.	1%	Total Monthly Gross Income
Mining Sector	Taxes the exploitation and selling of minerals.	The special transitory rate of the mining sector is 2%.	FOB (Free On Board) of the export.
Environment protection	Taxes the exploitation and selling of minerals in the country.	5%	FOB (Free on Board) of the export registered in the merchandise declaration.
Food and Beverage Sector	Taxes the selling of food and beverages under a special regime	0.5%	Total Monthly Gross Income
Casino and Slot Machine Sector	Taxes the income of casinos and slot machines.	1%	Monthly Income
Cooperative Sector	Requires a special contribution	An obligatory payment of 3.6% of the annual net profit.	Annual net profit

Special Assessment Norms between related parts

In Honduras, the Law on Transfer Pricing Regulation became effective as of December 10, 2010 and shall be applied effectively for fiscal year 2014. Its scope extends to any operation performed by individuals or legal entities domiciled or resident in Honduras, with individuals or companies linked or related overseas.

Transfer Pricing: Are the prices at which commercial or financial operations are registered between related parties.

Article 113: The obligation to submit Transfer Pricing Studies, of the operations carried out with local related parties, is extinguished.

In accordance with the provisions of article 113, natural or legal persons that have related or associated parties within the national territory are not subject to the presentation of the Transfer Pricing study. However, this regulation is not applicable to individuals or legal entities related to or linked to natural or legal persons covered by special regimes that enjoy tax benefits.

Reforms in the New Tax Code

With the new Tax Code and through Decree 170-2016, a new regulation in Transfer Prices published in the Official Diary the Gazette No. 34, 224 on December 28, 2016.

Article No. 113 from the Tax Code, establishes the following:

So that the Tax Administration or Customs Administration determine the tax obligations according to the Law of Transfer Pricing should verify the existence of transfer prices in the operations held among natural or legal persons domiciled or resident in Honduras with their related, linked or associated parts and those that are part of special regimes that enjoy tax benefits.

All operations among local related parts are exempt from the obligation of the presentation of the transfer pricing study.

- According to the established in the Article 113, the natural or legal persons that have related linked or associated parts in national territory are not subject to the presentation of the study of transfer pricing.
- Nevertheless, this regulation is not applicable to natural or legal persons related or linked to special regimes that enjoy fiscal benefits.

7. International Treaties

Honduras has no tax treaties. There are free trade agreements with Chile, Mexico, Panama, Dominican Republic and Taiwan, and the Free Trade Agreement CAFTA, between the United States, Central America and the Dominican Republic.

8. Free Trade Zone

The whole country has been designated as a Free Zone. Largely, the companies are located in these areas and in areas of Export Processing.

The factories in these zones enjoy the following benefits among others: duty free import of machinery, raw materials, supplies and everything required in the operation of the plant; dispatch of incoming and outgoing shipments in less than a day with minimal documentation; foreign ownership permit in a 100% sales tax exemption and unrestricted repatriation of profits and capital at any time.

The profits accruing from operations in the Free Zone are exempt from payment of income tax.

9. Free Tourist Zone (Zona libre Turística, ZOLITUR):

The benefits to this law were abolished, so that there is controversy and claims from the sectors affected requesting their restitution, due that they considered unconstitutional such abrogation.



United States of Mexico

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2. Country Profile

Mexico is a country located at North America's southern region: at north with the United States of America USA, south with Belize and Guatemala, east with the Gulf of Mexico and west with the Pacific Ocean. It is the fourteenth country with the widest surface nearly to 2 million square km and the eleventh most populated with approximately 125.93 million of persons as of December 2019. Spanish is the native language that government has recognized as the national language along with 67 indigenous languages.

3. Foreign investment Regime

Due to its extreme economy importance Mexico has rules to encourage the growth of foreign capital through the Foreign investment Law, which is flexible and establishes important advantages for investors since, in addition to saving time in the establishment of companies, it provides them with legal certainty necessary for foreign investors.

Mexico is one of the most attractive countries for foreign investment in the Latin American region considering advantages of the Mexican market, the borderline with the United States of America, the North American Free Trade Agreement (NAFTA) among Mexico, United States of America and Canada, the possibilities of the Latin America Integration Association (LAIA), the lack of restrictions to repatriate capital or to pay profits to foreign owners, as well as Mexico's politics stability, above all.

Likewise, within the more important general foreign investment resolutions related to the criteria to apply article 17 of mentioned Law entered in force as



from August 9th, 2012 whereby it is mainly established that based on Free Commerce Trade Agreements entered into by Mexico and the United States of America, Canada, Chile, Costa Rica, Colombia, Nicaragua, El Salvador, Guatemala, Honduras, Uruguay, Japan and Peru, Mexico is engaged to grant investors coming from these countries, the same treatment as it is provided to national investors.

On the other hand, it is important to remark that the following is considered as a foreign investment:

- Participation of foreign investors at any proportion in the Mexican company's capital stock;
- Mexican companies with investment mainly from foreigners and
- Foreign investment participation in activities and acts classified as such by the Foreign investment Law.

3.1 Direct Foreign investment

Foreign investors are allowed to directly participate in most economic sectors without complying with excessive requirements. Nevertheless, an authorization will be required if foreign investment is likely to be more than 49% and the value of its total assets is higher than the determined amount by the authorities.

3.2 Indirect Foreign investment

Indirect investment grants limited rights and obligations to foreigners by legal special procedures such as trust and non-share right investment (neutral investment).

3.3 Neutral investment

It is the investment that can be executed in Mexican companies or authorized trustees and will not be considered as direct foreign investment.

3.4 CNIE (National Commission of Foreign Investment)

This Commission is in charge of granting the authorization related to foreign investments in Mexico that shall be whether accepted or rejected in a term no longer than 45 days.

3.5 RNIE (National Registry of Foreign Investment) The Registry is directed by the Secretary of Economy (SE) in charge of controlling and registering all foreign investment transactions.

3.6 Energy Reform

Foreign investment in energy is welcome with well-established rules derived from the recent reform at the constitutional level and from which the secondary laws rules and adjustments have been issued since 2016 for immediate implementation. The sectors whose productivity will be benefiting and increasing with the Energy Reform and foreign investment are oil and its derivatives, as well as electricity, mainly.

4. Trading Corporations

In our country, there are different types of capital or persons, societies, and the following predominate:

- Anonymous Corporations (SA).
- Limited Liability Company (S de RL).
- Civil Society SC.
- Civil Association AC.

The two first mainly (that can also be of Variable Credit "CV") carry out social trade objectives for mercantile purposes. The last two, a social purpose, however under certain rules they are also able to carry a mercantile objective total or partial. In the corporate provisions to incorporate a company the following opportunities can be observed:

- The indefinite duration of the mercantile societies
- For S de RL de CV, minimum capital stock companies shall be set forth in the articles of incorporation and appointed by shareholders;
- Likewise, in the Anonymous Corporations (SA de CV) shareholders are free to establish the minimum capital stock;
- More flexibility to publish notifications and call for meetings.
- More protection to interests of minor shareholders.

4.1. As of December 14, 2018 corporations and limited liability companies are obliged to submit by electronic means to the Ministry of Economy website, the special book of partners and the register of shares, respectively. The purpose is to keep the

public registers up to date that allows the identification of the final beneficiary of these companies.

5. Unipersonal Society or Simplified Stock Company SAS

With the aim of encouraging and the resurgence of micro and small companies, as from September 14, 2016, the creation of a new sort of company with various flexibilities to develop a business is allowed: the Simplified Stock Company (SAS). Its main characteristics are: only individuals are admitted as partners with only one partner as minimum; its income may not exceed \$5,508,206 Mexican Pesos "MxP" (approximately \$275,000 dollars); its creation may not be carried out before a public notary, but by electronic means before the Ministry of Economy and the Public Registry of Commerce, within a period of approximately fifteen days; partners cannot simultaneously be shareholders of other companies; and the SAS will have a cash flow tax scheme on income and expenses.

6. Accounting registries

The Certified Public Accountants of Mexico College is the main institution governing the rules or guidelines regarding accounting registries matters adjusting them into the Financial Information Standards frame. Corporations listed in the National Stock Market shall apply the International Financial Information Standards. Besides, said College keeps updated the accounting, financial, tax and legal community in relation to main breaking news information for a business undertaking.

7. Wages and salaries

This is a main topic in the Mexican legal and tax system since it represents an important financial burden for companies. The Federal Labor Law, the Social Security Law and the Income Tax Law are the set of norms to be followed.

The legal burdens pertaining to this concept are the following:

- Income Tax (ISR).
- Social Security Contributions (IMSS).
- Housing Funds Contributions (INFONAVIT).
- Retirement Funds (SAR).
- Local Payroll Tax (Impuesto Sobre Nóminas) of each State.

Said concepts increase the employees' income as well as the company's fixed expenses.

8. Federal Labor Law

In December 2012 our labor matters legislation was strongly amended in order to obtain an adequate equilibrium of the working relationship between employer and employee.

With these amendments it is accomplished an important safe protection to employers, highlighting the new regulation of subcontracting (outsourcing), an annual limit for salaries accrued (in case of litigations for staff settlements), a new type of testing or training contracts, payment of salaries by electronic means and a better control and supervision of unions. These labor amendments benefit foreign investment allowing to having a better certainty and labor environment transparency that affect/benefit employers and employees directly.

9. Mexican Taxing System (MTS)

It is a set of laws and legal rules that arise from the Political Constitution of the United Mexican States, through which the responsibility of contributing to defray the expenses of the States, the Federation, and the Municipality throughout our country is established. The main objective is to collect the mandatory resources of taxpayers through the application of jurisdictional powers of the State as the tax authority.

Contribution classification:

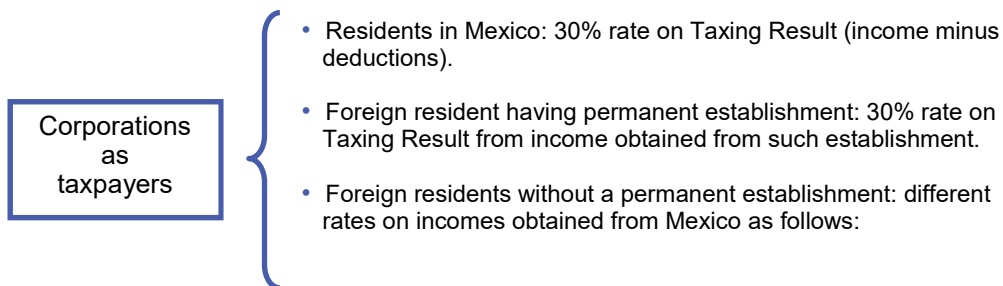
1. Taxes.
2. Social Security Contributions.
3. Contribution Improvements.
4. Rights.
5. Contributions for the use of public services.

9.1 Taxes

Taxes are divided as follows:

9.1.1 Income Tax (ISR)

This tax assesses corporations and individual's income that modifies their patrimonies, and it is classified as follows:



Main Concepts of income coming from Mexico obtained by foreigners without a permanent establishment

- I. **Salaries and wages:**
 - It is exempt by the first \$125,900 (\$6,295 dollars approximately).
 - 15% on income between \$125,900 and \$1,000,000 (\$50,000 dollars approximately).
 - 30% on income exceeding \$1,000,000.00.
- II. **Fees income for the rendering of independent professional services:** 25% on total income without any deduction.
- III. **Temporal use or enjoyment of real state properties:** 25% on total income without any deduction.
- IV. **Temporal use or enjoyment of goods or assets:** 25% on total income without any deduction.
- V. **Alienation of Real State:** 25% on income without any deduction.
- VI. **Alienation of Shares:** 25% on sales price without any deduction.
- VII. **Interests:** different rates from 4.9% up to 30% depending on each type of interest.
- VIII. **Royalties and technical assistance:** Different rates from 5% up to 30% depending on the operation.
- IX. **Artists, show business, sportiest:** 25% without deduction on income.

Along with the chapter of resources coming from México obtained by individuals abroad residents, when it is pointed out the obligation to apply the maximum rate, 35% will be such rate, otherwise, the corresponding tax rate listed above will be the applicable one.

9.1.2 Individuals living in Mexico

Tax Regimes. Individuals pay taxes according to their type of income:

- I. Wages and salaries.
- II. Business activities and professional services.
- III. Temporal use and enjoyment of goods.
- IV. Alienation of goods.
- V. Acquisition of goods.
- VI. Dividends.
- VII. Interests.
- VIII. Other income.

Payable tax for individuals is obtained by applying a progressive rate. For the year 2018 (as in 2017) 30% was applied on income up to \$750,000 MxP (\$37,500 dollars approximately); 32% on income superior to the previous amount and up to \$1'000,000 MxP (\$50,000 dollars approximately); 34% on income exceeding the previous amount and up to \$3'000,000 MxP (\$150,000 dollars approximately); and 35% on income higher than the aforementioned amount

9.2 Tax Incorporation Regime RIF

With the expectation of weakening the informal trade in México, individuals with business activities who do not require a professional title to carry out

their activities are allowed to contribute through the RIF's Regime. They must earn income annually less than \$2'000,000 MxP (approximately \$100,000 dollars) and one of the main advantages is to tax on cash flow.

9.3 Value Added Tax

The following acts or activities are VAT taxed:

- Alienation of goods.
- Rendering of independent services.
- Granting the temporal use and enjoyment of goods.
- Importation of goods.

Applicable VAT rates:

- 16% general rate
- 0% for certain acts or activities (such as exportation and sale of foods and medicine)

Likewise, some acts and activities can be exempt or considered VAT free.

9.4 Cash Deposits greater than 15,000 MXP

As a part of their internal policies and guidelines as well as based on their obligations as financial institutions and in observance of the provisions that prevent "money laundering" (discussed below), Mexican banks may notify the supervisory

authorities of beneficiaries who receive deposits in their respective bank accounts exceeding \$15,000 Mexican pesos (approximately \$750 dollars).

9.5 Taxes on Products and Services (IEPS)

Its purpose is to tax special operations such as telecommunications, tobacco, and alcohol, among others. This tax rate varies with respect to each activity performed. Since 2014 this tax has been imposed on products with a caloric content of more than 275 kilocalories (soft drinks, desserts) in order to avoid high rates of obesity in the country. Rates of some pure energy products and special services increased too.

As from 2016, it was established the adoption of the IEPS on a fixed rate scheme for automotive fuels, instead of the variable rate currently applied. In turn, it is stipulating the differentiation between fossil and non-fossil fuels, their definitions and applicable rates.

It is also envisaged that a maximum and minimum bands scheme will be established for maximum prices as from 2016 to 2018 with the aim of protecting consumers from price volatility during those two years. Such scheme is in line with the existing proposal to advance in the liberalization of fuel prices as from 2016 thereby leading to a gradual and orderly transition to the full opening of the automotive fuel market in 2018.

9.6 Social Security Contribution

These are contributions to the employee's social wellbeing, mainly in charge of employers; however, these contributions are granted in three parts: Employer, Employee, and Government. The workers and their economical dependent families are the beneficiaries, considering hospital medical attention, medicines, economical support, retirement funds and mortgage credits (pertaining to INFONAVIT).

9.7 Improvement Contribution

This contribution shall be paid when the taxpayer obtains a direct benefit from Federal Public Infrastructure.

9.8 Rights

They are contributions to the use of National public domain properties.

9.9. Use of public services contributions

These contributions are income collected by the State on the tax base of its public and legal functions and duties.

9.10 Electronic invoicing

In 2010 Mexico started a tax technological process (by internet means) and as from 2014 the electronic invoicing of sales and purchases is manda-

tory in order to support business transactions. One of the most controversial subjects was the liability of issuing electronic invoices to support payroll payments.

9.11 Dividends

Dividends generated as from 2014 and paid to Mexican individuals and foreign residents are taxed with a definitive 10% income tax.

9.12 Sending the accounting registries via the internet

Another new liability for taxpayers (companies and individuals) is to submit by electronic means part of the accounting registries (e-conta), to be received and re-viewed discretionally by the authority. The information to send is (1) chart of account, (2) monthly balance sheet, and (3) accounting registries, in different moments and under different rules for each of them. The Tax E-Mailbox "Buzón Tributario" is the electronic application to send this information.

9.13 Tax domicile visits, reviewing of accounting registries and electronic audits

With the same approach to the use of computerized means, the tax authorities' faculties to review and verify facts or omissions that result from the non-compliance of contributions payment will be applied through the use of the Tax E-Mailbox "Buzón Tributario". It is intended to reduce the duration of the reviews carried out by the tax authorities.

With this platform, taxpayers will be informed of the facts or omissions detected by the authority in tax domicile visits, reviewing of accounting registries and electronic audits.

Therefore taxpayers must check daily the contents of their tax E-mailbox in order to be able to exercise their rights within legal deadlines.

9.14 Personal data

The protection of individuals' personal information is one of the two most important administrative tasks that companies must cover as a result of their business operations (which is regulated by the Federal Law on the Protection of Personal Data Held by Particulars). Its object is to regulate and legitimate the controlled and reported treatment of personal data in order to guarantee the persons privacy and the right to self-determination. The territorial scope of this Law will address i) the establishment of the responsible person that treats personal data and that is located in Mexican territory; ii) personal data that are treated by an in-charged regardless of its location in the name of a responsible in Mexican territory; iii) to the person who is not established in Mexican territory but the Mexican Law is applicable to him, derived from the

conclusion of a contract or in terms of international Law, and iv) to the person who is not established in Mexican territory and uses national means. The sanctions established to ensure proper compliance with this Law are extremely onerous for offenders without leaving aside that in some cases will face imprisonment when it constitutes a crime.

9.15 Anti-Laundering Money Law

The second major administrative task for organizations in Mexico relates to the Money Anti-Laundering Act. In order to achieve greater compliance with the international requirements recommended by the GAFI (International Financial Action Task Force on Money Anti-Laundering Group), the Federal Law for the Prevention and Identification of Operations with Resources of Illicit Origin was created and is in force as from July 17, 2013 and is intended to protect the financial system and the national economy. This norm establishes a series of measures and procedures to prevent and detect acts or operations with resources of illicit origin through interinstitutional coordination (Tax - Judicial Government Powers). Its purpose is to gather useful elements to investigate and prosecute crimes related to operations with sources of illicit provenance, the financial structures of criminal organizations and avoiding the use of resources for their funding.

9.16 Tax stimulus for the immediate deduction of investments

Certain new investments in fixed assets can be deducted in the tax year of acquisition by applying attractive depreciation rates, such as Building 74% in 2016 and 57% in 2017; machinery in general 85% in 2016 and 74% by 2017. Beneficiaries must meet various tax requirements. 2018 would be the last year in which this provision would be applied.

9.17 Repatriation of capital

A tax stimulus was enacted during 2016 for natural and legal persons who had obtained income from direct or indirect investments they had maintained abroad. This stimulus was translated to the possibility of paying the income tax at the rate of 35% or 30% provided that such investments were returned to México. Despite several limitations, this stimulus was presented equally until 2017 and it is expected to be applied in years to come.

9.18 As from 2019 it was derogated the possibility to compensate balances in favor of Federal Taxes against amounts to pay of different types of contributions (except trade commerce and contributions derived from wages) that was known as Universal Compensation, although it was maintained the possibility to apply compensations only against taxes of the same nature. It means that a balance in favor of income tax would only be compensated against an amount to pay of the income tax of the

same taxpayer.

10. Auditing and Tax Opinion

As of 2013 it had been set forth the tax liability for taxpayers to audit their financial statements for tax purposes when they were within the grounds whether income higher to \$39'140,520 MxP (\$1'957,026 dollars approximately), assets with a higher value of \$78'281,070 MxP (\$3'914,054 dollars approximately) or a monthly average of more than 300 workers during the audited year. The auditing main objectives had been to provide credibility on the financial information and to the correct compliance of taxpayers' tax obligations. The revision and evaluation could only be performed by a Certified Public Accountant (CPA) whose final work was the issuance of a tax opinion. The tax audit had been representing a taxpayers' protection who had audited their financial information (as obligation or option) because in case the authority practices a direct revision, it would firstly request the CPA paper works.

As from 2014, the tax audits obligation was abolished and it is only exercised as an option for those whose income is higher than \$100'000,000 MxP (\$5'000,000 dollars approximately), an average of assets higher than \$79'000,000 MxP (\$3'950,000 dollars approximately) or an average of 300 employees on monthly basis.

11. International Treaties to Avoid Double Taxation

Mexico has played a main role in tax evasion in the world by entering different treaties to avoid double taxation as well as agreements with the wide interchange of financial and tax data. At the end of 2017 Mexico had entered into more than 80 agreements to avoid double taxation, to interchange information and others related to international transportation, plus those in the process of being approved. In the Latin American region Mexico has entered into agreements with the following countries:

- Argentina: international transportation.
- Argentina: to avoid double taxation.
- Belize: information interchange.
- Brazil: to avoid double taxation.
- Colombia: to avoid double taxation.
- Costa Rica: information interchange and for penal matters.
- Costa Rica: to avoid double taxation in negotiation
- Chile: avoid double taxation.
- Ecuador: to avoid double taxation.
- Guatemala: To avoid double taxation in negotiations.
- Jamaica: to avoid double taxation in negotiation, in force since 2019
- Nicaragua: Double taxation in negotiation.

- Panamá: to avoid double taxation.
- Peru: to avoid double taxation
- Uruguay: to avoid double taxation.
- Venezuela: Double taxation in negotiation.

12. Foreign Trade

Relevant progress in this item is the VUCEM (acronym in Spanish) Single Window Web Page of Foreign Commerce. This application has the aim to connect the different Federal Public Administration entities in order to ease the administrative paperwork regarding customs. The use of this Web Page is mandatory for all individuals and companies performing imports and/or exports with the following benefits:

- Delivering electronic information in one single contact location.
- Permanent attention from any place.
- Reduction of costs and time incurred.
- Better logistics.
- More transparency.
- More legal certainty.
- Elimination of hard paper formats.
- Better information safety.

Regarding Free Commerce Agreements, Mexico has had good advances in South and Central America, such as the case with Peru (Mexico Peru Trade Integration Agreement), and the Unique Free Trade Agreement Mexico Central America (Guatemala, El Salvador Honduras, Costa Rica and Nicaragua) that unifies the commitments and areas applied to commerce between the Parties. Besides, this last agreement deeps into the countries integration and updates the customs and commercial situation. Same purposes are reflected in the Economic Complementation Agreement (ACE 55) with Argentina in the automotive field.

The Free Trade Agreements Mexico has entered into with the countries of the Latin Area are the following:

In order to avoid paying such contributions VAT and IEPS, the corresponding rules establish that taxpayers shall be certified; nevertheless, if they do not wish to do it, they shall guarantee such contributions for each temporary importation practiced.

Companies interested to be certified must prove the accomplishment of their tax liabilities, their social security schemes obligations, that they have "maquila" and investment in México agreements in force, as well as that they accomplish with all their corresponding obligations derived from trade operations authorizations.

The certification protection is subject to its type (A, AA, AAA) that might be for one, two or three years with automatic renewal as long as they credit that

remain continue fulfilling with all of the certification requisites.

13. Related Parties

Based on the Income Tax Law, transactions among Related Parties take place mainly when one party participates direct or indirectly in the administration, control or stock of another party. Some samples of Related Parties are:

Free trade agreements with Central and South America	In force since:
Costa Rica	Jan 1, 1995
Colombia. Venezuela stopped operating on November, 19, 2006	Jan 1, 1995
Nicaragua	Jul 1, 1998
Chile	Aug 1, 1999
Northern Triangle	Salvador and Guatemala, Mar 15, 2001, and Honduras since Jun 1, 2001
Uruguay	Jul 15, 2004
Central America	El Salvador and Nicaragua Sep 1, 2012. Costa Rica, Guatemala, and Honduras with a later date

In Mexico, this concept has rapidly gained importance.

13.1 Certification of Companies

The IMMEX companies (permanent importing and exporting activities), the automobile and auto transport industries, the taxed strategy place (storage), and to elaboration, transformation and repairing in taxes place, are obliged to pay the value added tax VAT and, in case, the Special Tax on Products and Services IEPS, by the time of temporary importations of goods destined to their productive processes due to the opening of the multinational companies' market and the growth of domestic entities towards abroad and also nowadays the permanency and feasibility in company's operations can be easily reached. In view of above mentioned, in the audit of financial information, the CPA shall provide the information of the transactions among related parties in order to provide his opinion about the reasonableness of the income prices and deductions on market's values.

14 Transfer Pricing

14.1 Legal frame

Generally, the main obligations from taxpayers that perform the operation with related parties are:

- To obtain and keeping supporting documentation (Transfer Price Study) of said operations with related parties.
- Jointly present the annual return and the operations informative report with foreign related parties (both of them based on the transfer price study information).
- To demonstrate that accrual income and authorized deductions were agreed on market values through the application of any Income Tax Law method.

Requisites that supporting documentation shall include regarding transfer price studio matter:

- Related parties names, trade names, address of each, and tax locations;
- Documentation to demonstrate the direct or indirect participation between related parties;
- Information related to activities or functions carried on, assets used and taken risks by the taxpayer in each type of operation;
- Information and documents about operations with related parties and their amounts for the related party involved and by each type of operation;
- The applied methodology to be analyzed.

14.2 Authority faculties regarding transfer pricing study

Some of the authority faculties regarding the transfer pricing are as following:

- Verifying processes.
- To perform adjustments.
- To use confidential operations to determine the payments between related parties.
- To solve APA's (anticipated pricing agreements with the authority).

14.3 Consequences of not having supportive documentation of Transfer Pricing

- The independent Auditor shall report it in his tax opinion.
- The benefit of fines reduction is canceled.
- Classification and computation of prices under an estimating process by the authority.
- In case the Transfer Pricing Informative Report is not submitted, payments made abroad shall not be deductible.

14.4 Additional benefits of the transfer price study

Some of the additional benefits of elaborating the transfer price study are as follows:

- Improvement market analysis where the company is acting;
- Improvement of the group corporate structure;
- Allowing the appropriate taking of decisions regarding the internal control of different areas;

- Developing strategic alliances;
- Defining competence strategies and organizational structure, sales, and marketing.

Based on the aforementioned, it is imperative that national taxpayers carry on the fulfillment of the above-mentioned liabilities when entering into transactions between related parties located in Mexico or abroad.

15. Related Parties - Additional information returns

In order to follow up the BEPS Erosion and Profit Shifting recommendations of the Organization for Economic Cooperation and Development (OECD), in particular number 13, whose purpose is to weaken bad business practices of some taxpayers with international operations that erode contributions, as well as to weaken the abusive use of the gaps, frictions and inconsistencies of the tax rules, in 2016 Mexico included in the Income Tax Law the obligation to submit at the latest December 31, of each fiscal year three informative returns related to transfer prices:

- Master Return of related parties of the multinational business group.
- Local Return of related parties.
- Country by country information Return of the multifunctional business group.

Obligors are (subject to certain exceptions):

- Companies of the general regime with income equal to or greater than \$644,599.005 MxP (approximately \$32,229,950 dollars) in the last year. Or in case that in said year they had placed shares in a stock market;
- Companies that belong to the Optional Tax Regime for Groups of Companies (formerly called "Tax Consolidation");
- State Entities ("Empresas Paraestatales") of the Federal Public Administration; and
- Companies residing abroad with a permanent establishment in the México.

In the same sense of this commitment of Mexico with the OECD, it was incorporated into the Federal Tax Code a mechanism that should be complied by the Financial Institutions resident in Mexico or those residing abroad with a branch in Mexico, with the purpose to generate a Standard Common Report, which involves the identification and automatically exchanging of information on new and preexisting high and low value financial accounts.

16. FATCA

Following the international commitments as mentioned in the previous point, the Mexican tax authority will be able to know the financial information regarding investments that Mexican citizens main-

tain in the US and might verify if they have paid taxes correctly on the profits generated by those investments, in accordance with the Foreign Account Tax Compliance Act (FATCA), which entered into force in October 2015.

As a consequence of the above, Mexican authority is granted to carry out audits derived from the information received under the aforementioned Act to taxpayers suspected of having failed to properly comply with the payment of interests and exchange rate taxes generated by the mentioned investments.

17. Decoupling of the Minimum Wage

The general minimum wage was no longer used as a unit of account, index, base, measure or reference to establish prices used by federal and local laws, with the purpose of helping to restore the purchasing power of the general minimum wage of Mexican workers. Instead, since 2017, the Unit of Measurement and Updating "UMA" has been used for the purposes of measuring the general minimum wage.





Republic of Nicaragua

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2. Country profile

2.1 Overview

The Republic of Nicaragua is a country constituted as a free and independent unitary state that is located in the center of the Central American isthmus. It is bordered on the north by Honduras, on the south by Costa Rica, on the west by the Pacific Ocean, and on the east by the Caribbean Sea. Its northernmost part is the Cabo Thank God.

Nicaragua has a territorial extension of 130,373.4 square kilometers and a population of 6.4 million inhabitants (according to information in 2019). It is the only country in the world that has an archipelago of 276 square kilometers inside a lake (with an area of 8,264 square kilometers). The country participated in the contest "Seven Natural Wonders of the World", according to the approval of the United Nations Educational, Scientific and Cultural Organization, abbreviated internationally as UNESCO.

The political system of Nicaragua is democratic, organized by four governing bodies, to be called: Legislative Power, Executive Power, Judicial Power and Electoral Power.

- **Capital:** Managua
- **Language:** The official language is Spanish, but, due to the British colonization of the Atlantic Coast, English is common alongside natural languages such as Miskito, Rama and Sumo, and other indigenous languages.
- **Currency:** Cordoba



- **President:** Daniel Ortega Saavedra.

2.2 The economic activities present in the economy of the last three years, have been

- a. Commerce, hotels and restaurants.
- b. Manufacturing industries.
- c. Agriculture, livestock, forestry and fishing.
- d. Transport and communications.
- e. Home ownership.
- f. Financial intermediation services.
- g. Construction.
- h. Health.
- i. Exploitation of mines and quarries.

3. Investment legal framework

The legal framework for investment has different legal norms, among them, the Civil Code and the Commercial Code (as general norms). In addition, the Law for the Promotion of Foreign Investments, Law No. 344, achieves legal certainty towards foreign investors; who will enjoy the same rights and means to exercise them under equal conditions with national investors. Likewise, the foreign investor is granted full exercise of the right to enjoyment, use and ownership of the property related to their investment without any limitations other than those established by the Political Constitution. The foreign investor enjoys free access to the purchase and sale of available foreign currency and the free convertibility of the currency; meaning, there are no restrictions with respect to the translation or transfer of funds related to investments. There is also the freedom to transfer earnings, dividends, and profits before the payment of taxes; as well as, the freedom to remit abroad payments for debts incurred abroad, interests: royalties; rents and technical assistance. The Law on Mediation and Arbitration, Law No. 540, regulates alternative methods to solve any type of dispute that results from contractual relationships; its scope of application is

national and international, without prejudice to treaties, agreements, pacts or any other instrument of International Law of which Nicaragua is a party.

The country has also signed several bilateral and multilateral agreements with different countries and regions of the world, such as CAFTA-DR, the Association Agreement with the European Union, the Free Trade Agreement of Central America and Mexico, the Free Trade Agreement between the Republic of Nicaragua and the Republic of China (Taiwan), the Free Trade Agreement with Panama, the Free Trade Agreement between Central America and Chile, the Partial Scope Agreements signed with Colombia, Ecuador and the Bolivarian Republic of Venezuela and others that are in the process of negotiation. Nicaragua is inserted in the world market through the different organisms of which it is part, such as WTO, SICA, COMIECO, SIECA, CAUCA, CEIE and the BCIE.

It is also part of the ICSID, OMGI, OPIC, UNCTRAL, the New York Convention and the Inter-American Convention on Commercial Arbitration, and the agreements concluded with the Multilateral Investment Guarantee Agency of the World Bank (MIGA). All this broad international normative body regulates Nicaragua's trade relations with the world, constituting a favorable destination for investment and economic development.

4. Legal Environment related to the investment

I. Generous fiscal incentives

The Tax Concertation Law, Law No. 822, establishes various tax benefits for certain productive sectors of the economy with the aim of promoting their growth and/or development. The tax exemptions and waivers granted by this Law are established without prejudice to those granted by the legal provisions established in art. 287 of the same.

II. Export benefit

Exports of goods of national production or services rendered abroad will be subject to a rate of 0% of Value Added Tax (VAT), the same applies for the Selective Consumption Tax (SCT). A tax credit can be applied to advances or annual income tax without the need for prior authorization by the tax administration in an amount equivalent to 1.5% of the FOB value of exports.

III. Benefit to producers

Article 127 of the Tax Concertation Law raises a list of objective exemptions, regarding the transfer of VAT, on disposals, some of them related to the agricultural sector.

Additionally, article 274 exempts from VAT and SCT the disposals of raw materials, intermediate goods, capital goods, spare parts, parts and accessories for machinery and equipment to agricultural producers and micro, small and medium-sized industrial and fishing companies, through an exhaustive list.

IV. Benefits to the Forestry Sector

The Tax Concertation Law, extends until 2023, the benefits granted to the forestry sector in the Law of Conservation, Promotion and Sustainable Development of the Forestry Sector (Law No. 462). Investors will enjoy the exemption of the payment of fifty percent (50%) of the Municipal Tax on Sales and of fifty percent (50%) on the Income Product of the Use, with respect to those plantations registered before the regulatory entity.

The payment of the Real Estate Property Tax is exempted from the areas of the properties where forest plantations are established and to the areas where forest management is carried out through a Forest Management Plan.

The companies of any line of business that invests in forest plantations, may deduct 50% of the amount invested for income tax purposes as an expense.

Second and third transformation companies that import machinery, equipment and accessories that improve their technological level in the processing of wood, excluding sawmills, are exempt from the payment of duties and import tax.

V. Temporary Admission Regime

Law No. 382, Temporary Admission Law for the Active Improvement of Export Facilitation, is the tax system that allows both the entry of goods into the national customs territory and the local purchase of them without payment of any kind of rights and taxes, companies that export directly or indirectly, at least 25% of their total sales and with an exported value of not less than US \$ 50,000 per year, can benefit from this regime, the goods that can be covered under this regime are the following:

- Intermediate goods and raw materials such as: inputs, semi-finished products, containers, packaging, any merchandise that is incorporated into the final export product, samples, models and patterns essential for the production and instruction of personnel.
- Capital assets that directly intervene in the production process, its spare parts and accessories, such as: machinery, equipment, parts, molds, matrices and utensils that serve as a

complement to said capital assets.

- Materials and equipment that will form an integral and indispensable part of the necessary facilities for the productive process.

VI. Industrial Free Trade Zones for Export

Nicaragua offers important fiscal incentives under the free zone regime for companies interested in establishing export-oriented operations in the Textiles and Clothing, Manufacturing and Agro-Industry. These benefits are granted to all export activities of international services, such as Business Process Outsourcing (BPO), Knowledge Process Outsourcing (KPO), Information Technology Services (ITO), etc.

Exemption of 100% of the income tax payment generated by your activities in the Zone during the first fifteen years of operation if you are an Operator and during the first ten years if you are a User. Said period of exemption can be extended by another equal, with previous authorization of the National Commission of Free Zones, ruling entity of this regime, for both type of free zone. Nevertheless, if being extendable or not the term of exemption, once expired, the User Free Zone will continue to enjoy the 60% exemption from income tax and the Operating Free Zone will be required to pay the income tax in full, without any exemption.

The exemption from income tax does not include taxes on personal income, wages and salaries paid to Nicaraguan or foreign personnel working in the company established in the Free Zone.

Exemption from the payment of Taxes on alienation of real estate property in any way, including the Capital Gains Tax, provided that the company is closing its operations in the Free Zone, and the real estate property continues to be subject to the Free Zone regime.

Exemption from the payment of Taxes for the incorporation, transformation, merger and reform of the company, as well as Stamp Tax. Exemption of all taxes and customs and consumption duties related to imports, applicable to the introduction to the country of raw materials, inputs, equipment, machinery, matrices, parts or spare parts, samples, molds and accessories intended to enable the Company for its operations in the Free Zone; as well as taxes applicable to the equipment necessary for the installation and operation of economic dining rooms, health services, medical assistance, daycare centers, recreational centers, and any other type of goods that tend to meet the needs of the company's personnel that work in the

Free Zone.

Exemption from customs taxes on transport equipment, that are cargo vehicles, passenger or service vehicles, intended for the normal use of the company in the Free Zone. In case of the disposals of these vehicles to purchasers outside the Free Zone, the Customs Taxes will be charged, with the discounts that are applied due to the time of use, to the similar disposals made by Diplomatic Missions or International Organizations.

Total exemption of indirect taxes, on sales or on selective consumption taxes. Total exemption from municipal taxes. Total exemption from export taxes on products manufactured in the Free Zone. Exemption from tax and municipal taxes on local purchases.

VII. Law for the Promotion of Electric Generation through Renewable Sources

Electricity generation projects with renewable sources have the following tax and tariff benefits in accordance with Law 532, Law for the Promotion of Electric Generation through Renewable Sources. These tax and tariff benefits cover new projects and those that extend their installed capacity.

Exemption from the payment of Import Tariffs on machinery, equipment, materials and supplies exclusively for pre-investment work and construction work.

Exemption from the payment of the Value Added Tax (VAT), on machinery, equipment, materials and supplies used exclusively for pre-investment work and construction works.

Exoneration of all current Municipal Taxes on real estate property, sales and registration fees during the construction of the Project, for a period of 10 years and 5 years in the case of geothermal energy projects, from the entry into commercial operation of the project. The exoneration will be applied as follows: 75% exemption in the first three years; 50% in the next five years and 25% in the last two years. Fixed investments in machinery, equipment and hydroelectric dams will be exempt from all types of taxes, levies, municipal taxes, for a period of 10 years from its entry into commercial operation.

Exoneration of all taxes that may exist for the exploitation of natural resources for a maximum period of 5 years after the start of operation. In the case of hydroelectric projects, the construction or operation of a project is exempted under the Water Administration Permit for a maximum

of ten years. Exemption from Stamp Tax that may cause the construction or operation of the project or extension of the same for a period of 10 years.

VIII. Special Law on Exploration and Exploitation of Mines

The activities related to the exploration and exploitation of mineral resources are regulated by Law 387 and its Regulations, Decree 11-2001.

In accordance with the aforementioned law, the holders of mining concessions are obliged to pay:

- Surface rights, consisting of a progressive payment per concessioned hectare over the duration of the mining concession.
- Right of extraction, established in three percent (3%) for all minerals, which is not deductible from the income tax applicable to this industry.
- In accordance with the General Law on the Exploitation of Our Natural Resources (Law No. 316), concessionaires are entitled, through prior indemnification of the case, within or outside the limits of the lands included in the mining concession, and provided that they were not national lands, to obtain the superficial easements necessary to carry out the exploration or exploitation granted. The mining authority will support the concessionaire in the constitution of the easement, in cases that it is not possible to reach a direct agreement with the owner of the real estate property.
- In accordance with the aforementioned Law No. 316, in cases where a concessionaire considers that, for the development of the works corresponding to its concession, or for the execution of the necessary works, installations or buildings were not enough to establish easement on private or municipal property, or it would be uneconomical to pay the corresponding compensation, the expropriation of property in favor of the State may be required.

Given the importance of the mining sector for the economic development of the country, the State guarantees fiscal stability for domestic and foreign investment related to mining activity, applying the following benefits:

- a. Temporary admission regime, which, in accordance with Law No. 382, (Temporary Admission Law for the Active Improvement of Export Facilitation), allows the entry of merchandise into the national customs territory, such as the local purchase of goods or raw material without paying any kind of tax or tariff, as long as the

merchandise is re-exported or exonerated in its case, after being submitted to a process of transformation, elaboration, repair or other contemplated under the applicable legislation.

- B. In accordance with this law, if it is not possible to apply the prior suspension of duties and taxes for tax administration reasons, the benefit will be applied under the procedure of subsequent refund of taxes paid.
- c. Exemption from the payment of taxes levied on the company's property within the perimeter of the mining concession.
- d. Zero percent rate (0%) for exports, applicable to exports in general.

IX. Tourism Incentives Law

Law No. 306, Tourism Incentives Law of Nicaragua offers several tax incentives for investments in this sector and is considered the most generous and competitive in the region. This provides incentives and benefits for investment in accommodation, food and beverages, travel agencies, tourist transport, airlines, among others. The incentives are:

- a. 80% to 100% exemption from Income Tax, for a term of ten years.
- b. Exemption from Real Estate Property Tax, for ten years.
- c. Exemption from Value Added Tax (VAT) applicable to design/engineering and construction services.
- d. Exoneration of import duties and taxes and / or Value Added Tax (VAT) on the local purchase of furniture, equipment, ships, motor vehicles of twelve (12) passengers or more, and cargo, which are declared by the INTUR necessary to establish and operate the tourist activity, and in the purchase of equipment that contributes to the saving of water and energy, and of those necessary for the safety of the project.
- e. Exemption from import taxes and Value Added Tax (VAT) in the purchase of non-sumptuous construction goods, of fixed accessories for building.

In case of reinvestment, if at the end of the incentive regime for ten years, the investor decides to reinvest at least 35 percent of the value of the initially approved investment, they can receive all the benefits for an additional ten years.

X. General Law of Ports of Nicaragua

In May 2013, Nicaragua approved a port legis-

lation to encourage the construction of new ports in the country.

According to article 128 of this law: "The approved investment projects, during the period of construction, improvement, expansion or development of port infrastructures shall be considered exempt from import duties and taxes, local purchases and municipal taxes and shall enjoy the following fiscal benefits: import of machinery, equipment, materials, spare parts and implements required for the construction, improvement, expansion or development of port infrastructures, ports and terminals, state-owned, for public use, under public administration or concessioned, enabled for domestic and foreign trade."

XI. Organic Law of the Institute of Urban and Rural Housing

The Government of Nicaragua has aimed to encourage and promote the construction of households, with an emphasis on social interest housing. Based on this, it granted powers to the Institute of Urban and Rural Housing, to establish rules and regulations that facilitate and stimulate the optimization of investment in the production of housing and urban land. Also, Organic Law of the Institute of Urban and Rural Housing in its article 39 provides direct incentives to people who invest in the construction of housing of a social nature.

The incentives for this type of investment are:

- Exemption from the payment of taxes for operations, acts, construction permits, formalization and registration of acts, contracts, deeds, processing and authorization of plans.
- Exemption from the payment of all types of taxes for the purchase of construction materials, tools and minor equipment related to social interest housing and related civil works of urbanization, qualified and approved by the Institute of Urban and Rural Housing.

The certifications to enjoy these benefits will be issued by the Institute of Urban and Rural Housing and the Ministry of Finance and Public Credit, in addition, they will be used for VAT exemption for the purchase of construction materials, tools and equipment.

5. Corporate Regime (fiscal, labor and social security)

5.1 Tax Regime:

The tax regulation in Nicaragua is Law No. 822, Tax Concertation Law, and began to be effective

as of January 1, 2013. The main objective was the modernization of the tax system at a general level through the introduction of the DUAL system, which segregates the application of tax rates depending on the type of income obtained. It also introduced new concepts of international taxation and expanded the regulations on issues of exemptions and exonerations. Likewise, on June 30, 2017, the transfer pricing regulation applicable to transactions between persons and/or related entities entered into force; this regulation intends to ensure that such transactions are made at the corresponding market value.

The taxes contained in Law 822 are identified below:

5.1.1 Income Tax

The Income Tax, whose ordinary fiscal year comprises from January 1 to December 31 of each year, is a direct and personal tax levied on the income of Nicaraguan sources obtained by contributors, residents or non-residents. It is classified as follows:

- Work income.
- Income from economic activities.
- Capital income and capital gains and losses.

Likewise, the income tax is levied on any unjustified increase in equity and income that is not expressly exempted by law. The law contains a particularity in relation to the tax residence of nationals and foreigners who come from abroad, as long as they remain in the national territory for more than 180 days during a fiscal year, even if they are not continuously. This law contains a clear definition of the place where a non-resident person (natural or legal) performs all or part of their economic activity, which is considered a Permanent Establishment, this tax can be found with the forms indicated below:

a. Work income

Work income is obtained from all kinds of consideration, compensation or earnings, whatever their denomination or nature, in money or in kind, that derive from personal work provided by another person. Some examples of work income include fixed and variable salaries, seniority, bonuses, wages, performance recognition and any other form of additional remuneration. The tax base for the income tax from work income, is the net income, resulting from the gross income not exempt less the deductions authorized by the same law.

b. Income from economic activities

Income from economic activities is income accrued or received in cash or in kind by a contributor that supplies goods and services.

The income from economic activities originates in the economic sectors of: agriculture, livestock, forestry, fishing, mining, quarrying, manufacturing, electricity, water, sewage, construction, housing, commerce, hotels, restaurants, transportation, communications, financial intermediation services, home ownership, government services, personal and business services, other activities and services. Other economic activities subject to the payment of taxes are established in Article 14 of Law 822. The tax base of the annual income tax for the income from economic activities is the net income, resulting from the gross income minus the deductible costs and expenses. In accordance to Law 987, the Law to Reform Law 822, Tax Concertation Law, the obligation to integrate income from economic activities and income from capital and capital gains and losses is maintained only for financial institutions and is eliminated for the rest of taxpayers.

c. Capital income and capital gains and losses

Capital Income is the income accrued or received in money or in kind, arising from the exploitation of assets or transfer of rights. It is classified as immovable capital income and movable capital income; likewise, capital gains and losses are changes in the value of the assets of the contributor, as a result of the disposal of assets, or transfer or grant of rights; even when the sale or transfer of securities or rights under any legal form is made outside of Nicaragua and has effects in Nicaragua. In addition, capital gains derived from games, bets, donations, inheritances and legacies, and any other similar income; the aliquot of income taxes payable on capital income and capital gains and losses will be 10%, 15% and 30% according to the type of activity and migratory condition of the contributor with whom a commercial transaction was made.

In accordance to Law 987, the Law to Reform Law 822, Tax Concertation Law, the withholding rates increase for the three types of income. Next, we mention the new withholding aliquots most relevant to the reform

- I Work income
 - 25% allowances for residents and non-residents.
 - 20% remuneration for work income to non-residents.
 - 15% severance pay additional for 5 months, on the excess of C\$500,000.
- II Income from economic activity
 - 20% general withholding to income received by non-residents.

III Capital income and capital gains and losses

- 15% general withholding for capital income (movable or immovable) and capital gain or loss received by residents and non-residents.
- The taxable base for movable or immovable capital income is increased.

5.1.2 Value Added Tax

The Value Added Tax (VAT) levies acts performed in the Nicaraguan territory on the following activities:

- Disposal of property;
- Import and internment of goods;
- Export of goods and services; and
- Provision of services and use or enjoyment of goods.

The VAT rate corresponds to 15% on the value of the product or cost of the activity carried out except for the exports of goods of national production and services provided abroad, which have a rate of 0%.

The Law establishes lists of services and goods exempt from VAT, among others, goods related to academic studies, medicine and human health, agricultural goods, basic foods, etc.; as well as services of the medical sector, financial markets, sports events, religious, etc. Exempt goods and services are defined in a tax lists issued by the Ministry of Finance and Public Credit.

In accordance to Law 987, the Law to Reform Law 822, Tax Concertation Law, the list of goods and services exempt from VAT was reduced and, consequently, as of the entry into force, the following goods and services will be taxed with 15% VAT:

Goods

- Agricultural goods other than: rice, corn, wheat, black and red beans, tomatoes, onions, white and yellow onions, bell peppers, cabbage, potatoes, bananas and plantains.
- The rice of quality superior to 80/20, in any presentation and the ground coffee of any quality in presentations greater than 115 grams.
- Fresh meat: ribs, special cuts and beef tongue, pork chops, ribs and bacon and chicken breast fillets and brisket.
- The national production of toilet paper, washing and bath soaps, detergent, toothpaste and toothbrush, deodorant, broom, matches or sanitary napkin.
- The disposals of insecticides, pesticides, fungicides, herbicides, defoliants, fertilizers, fertilizers, seeds and biotechnology products for

- agricultural or forestry use.
- Irrigation machinery and equipment, which are used in agricultural production, as well as their parts and accessories, their spare parts and tires, among others.

Services

- The services of the agricultural sector of threshing, processing, depulping, debarking, grinding, drying, peeling, cleaning, thinning, baling, bagging and storage.

5.1.3 Selective Consumption Tax

The selective consumption tax is an indirect tax that affects the value of the transfer and imports of goods or merchandise in accordance with Annexes I, II and III of the Law 822 Tax Concertation Law. Exports are taxed at a rate of 0% of selective consumption tax.

5.2 Labor Regime

The minimum guarantees of the Nicaraguan Labor Law enjoy constitutional protection and include the right to:

- I. Equal salary for equal work in identical conditions, without discrimination for political, religious, social, sex or any other kind;
- II. 8-hour working day, weekly rest, vacations, remuneration for national holidays and salary for the thirteenth month in accordance with the law; and
- III. Social security for integral protection and means of subsistence in cases of disability, old age, occupational risks, illness and maternity; and their families in cases of death, in the manner and conditions determined by law.

The Labor Code is mandatory for all natural or legal persons established in Nicaragua. The rights stipulated in favor of the workers are inalienable.

Employers are required to hire at least 90% of Nicaraguan workers, except in cases that for technical reasons, the employers are authorized by the Ministry of Labor to hire more foreigners. Foreigners who wish to work must obtain the corresponding authorization granted by the General Directorate of Immigration and Aliens.

The main characteristics contained in this regulation are the following:

5.2.1 Types of work day

- I. Diurnal: it takes place between 6:00 AM and 8:00 PM. The ordinary day work shift is 8 hours a day, completing 48 hours a week.

- II. Nocturnal: the night work is considered between 8:00 PM and 6:00 AM of the following day. The ordinary night shift is 7 hours a day, completing 42 hours a week.
- III. Mixed: the mixed work day is 7.5 hours per day, for a total of 45 hours per week.

- IV. Extraordinary Hours: the work that takes place outside the daily ordinary days constitutes overtime / extra hours and must be paid 100% more than agreed for the regular day. Overtime hours cannot exceed 3 hours per day, nor 9 hours per week.

5.2.2 Types of Labor Contracts due to their term

The individual work contract is presumed indefinitely, unless the parties have agreed on a deadline.

However, if the term of a fixed-term contract expires and the worker continues to provide services for 30 more days, or if the term is extended for the third time, the contract will be considered for an indefinite period.

5.2.3 Social Benefits

The total of the social benefits amounts to 49.49%. Sometimes, the parties agree to pay in cash for vacations and holidays not enjoyed, but the employer is not obliged to make those payments. According to consultations made to the Ministry of Labor, vacations must be rested, meaning that the obligation of the employer is to grant them in the form of rest.

- I. Paid vacations: all workers are entitled to 15 continuous days of vacation with salary for every 6 months of continuous work for the same employer.
- II. Thirteenth-month bonus: for each year of continuous work, all workers are entitled to the thirteenth month of salary (bonus). If the worker does not have a year of continuous work, the thirteenth month is calculated proportionally to the months worked. The thirteenth month must be paid within the first 10 days of the month of December, otherwise, a penalty equivalent to one day of salary will be applied for each day of delay.
- III. Severance for seniority: as a general rule, an employer can dismiss without any cause any worker, having to pay a Compensation according to article 45 of the Labor Code. The Compensation is also applicable when the termination occurs by mutual agreement or by resignation and consists of the payment of 1 month of salary for each year worked, during the first 3 years; and 20 days of salary for each additional year worked after the 4th year, up to a maximum of 5 months of salary.

5.2.4 The list of National Holidays, with salary, is as follows

i) January 1 (new year), ii) Holy Thursday (Holy Week), iii) Holy Friday (Holy Week), iv) May 1 (international workers' day), v) July 19 (Triumph of the Sandinista Popular Revolution), vi) September 14 (Battle of San Jacinto), vii) September 15 (Independence of Central America), viii) December 8 (Day of the Immaculate Conception of Mary, catholic festival), ix) December 25 (Christmas), and x) patron festivities (2 days for the capital and 1 for other cities).

5.3 Social Security Regime

This regime is comprised of the contribution to social security, which contains the benefits of medical care and old-age pension, as well as the contribution to an institute that guarantees the training and professional updating of employees. The regime is further described as follows:

5.3.1 All employees must be registered in the Nicaraguan Social Security Institute (INSS) within the first 3 days of starting work. The employer must withhold the labor quota (7.00%) in the salary of its employees, and as of February 1, 2019, must pay the employer's quota of 21.50% (for companies with 50 or fewer employees) or 22.50 % (for companies with more than 50 employees) calculated on the monthly gross salary. As of February 2019, the maximum taxable salary was eliminated, which in 2018 amounted to C\$88,005.78 (Eighty-eight thousand and five with 78/100) (equivalent to US\$2,722).

The benefits included in the security correspond to the following:

I. Subsidy for maternity:

Women are entitled to maternity allowance, which consists of a prenatal rest period of 4 weeks and a post-natal rest period of 8 weeks, both with full salary. Prenatal rest is scheduled according to the date of delivery predicted by the doctor. If the prenatal rest is not taken in its totality due to a premature delivery, the worker can add the days that she did not rest in her prenatal period to her postnatal rest period.

II. Subsidy for illness:

There is no limit to the number of days an employee can request due to illness. However, if an illness subsidy extends for more than 12 months, the worker must be submitted to the examination of an INSS Medical Committee to determine if his / her total disability is declared, the subsidies for health reasons can only be granted by the doctors authorized by the INSS.

The employee must present the INSS certificate to the employer stating the subsidy and its duration. During the period in which the subsidy lasts, the INSS pays the worker 60% of his ordinary salary. Employers are not required by law (corresponds to a custom) to supplement the remaining 40%.

5.3.2 In addition to social security, the employer pays 2% of its payroll to the National Technological Institute (INATEC - for its initials in Spanish), for a fund created to promote technical education. INATEC offers training in several disciplines at low prices. By law, this percentage of the salary is given to INATEC to be applied to the cost of the courses offered, or to be used in training seminars or courses offered by the employer.





Republic of Panama

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2. Country Profile

The Republic of Panama is a sovereign country with a democratic government with political, financial and economic stability. The Government of Panama is by constitution, unitary, republican democratic and representative. The public power emanates from the people and is exercised by the state through three organs:

1. Legislative, enacts the laws.
2. Executive, is the ruler of the country, including the president and ministers of state.
3. Judicial, administers justice.

Its capital is the City of Panama and the country is divided into 10 provinces, 3 indigenous regions and 2 indigenous municipalities. Panama is the isthmus linking Central and South America, bordered to the north by the Caribbean Sea, south by the Pacific Ocean, east of the Republic of Colombia, and the West with the Republic of Costa Rica. Panama is located in northwestern South America and South-Central America and extension territory of 75,517 square kilometers.

Its population according to the last census of 2015 is 3,662,009 inhabitants, composed by age; 29.2% under 15 years, 63.4% between 15 and 64 years and 7.4% over 65 years.

The geographical position of Panama has become one of the most important logistical centers of world trade, mainly because the isthmus is located between North and South America, bordered by the Caribbean Sea and Pacific Ocean. This was one of the reasons why France, in 1881, then the United States, in 1904, decided to build the Panama Canal, which opened on August 15, 1914. To-



day is the most important logistics point for the trade world, and transiting annually, are more than 14,000 ships bound for 144 sea routes.

Panama also has free zones for transit of goods, as the Colon Free Zone, which is today the largest in the Western Hemisphere, where more than 2,000 companies are established. In addition, there is the Special Economic Zone, for business establishments with special activities like house performances, regional corporations, and high-tech services or call center operators. Panama has a strong financial and banking structure with more than 78 banks and financial institutions established in the country.

The legal currency in Panama is the Balboa (B /.) which is at par with the US dollar (USD) and its use is legal since 1904 and an inflation rate for 2017 of 0.9%

The official language is Spanish, but English is commonly spoken because it is the commercial language. Other languages spoken in Panama are French, Italian, Portuguese and Mandarin.

The climate in Panama is tropical and has two stations in the year: dry season occurs between the months of January to April, this time of year the weather is sunny and the rainy season from the months of May to December. The average temperature throughout the year is between 20C to 27C or 68F to 80F.

3. Foreign Investment Regime

In Panama, according to Panamanian constitution, any foreigner can come to invest in the country, but must meet the basic requirements of starting a business and operating legally authorized business activities in the Republic. However, foreigners are restricted from operating retail activities and professions requiring suitability licenses for exercise.

The official list of restricted professions in Panama is:

- Nursing. Law N° 1, 1954.
- Barbering and Cosmetology. Law N° 4, 1956.
- Dentistry. Law N° 22, 1956.
- Architecture. Law N° 15, 1959.
- Agricultural Sciences. Law N° 22, 1961 .
- Pharmacy. Law N° 24, 1963.
- Chiropractors. Decree N° 8, 1967.
- Nutrition. Decree N° 362 of 1969.
- Medicine. Decree N° 196 1970.
- Psychology. Law 56, 1975.
- Medical Assistant. Decree N° 32, 1975.
- Accounting. Law N° 57, 1978.
- Journalism. Law N° 67, 1978.
- Laboratory Technicians. Law N° 74, 1978.
- Public Relations. Law N° 37, 1980.
- Speech Therapy, therapists and the like. Law N° 34, 1980.
- Economics. Act N° 7, 1981.
- Social Work. Law , 1981.
- Veterinary Medicine. Act N° 3, 1983.
- Physiotherapy. Law N° 47, 1984.
- Medical Radiology. Law N° 42, 1980.
- Advocacy and Law. Act N° 9, 1984.
- Dental Assistant. Law N° 21 1994.
- Sociology. Law N° 1, 1996.
- Chemical. Law N° 45, 200.
- Education. Law N° 47 1946.

4. Corporate regime

Today, more companies are incorporating are:

- Limited companies.
- Limited Liability Companies and
- Private interest foundation.

But there are also in our legislation the following entities:

- Trusts,
- Cooperatives,
- Civil Partnership, and
- Non Profit Association.
- The codes that govern the societies are:
- Commercial Code, and
- Fiscal Code,
- Special Laws.

And government agencies are:

- General Directorate of Revenue, Ministry of Finance (DGI).
- Ministry of Trade and Industry (MICI).
- Public Registry.
- SMEs Authority.

4.1 Foreign Companies

According to the Commercial Code, foreign commercial companies that want to establish or create branches in the Republic, submitted to the Regis-

trar for registration, besides the testimony of the notarization of its statutes, contracts and other documents relating to its constitution, the final balance operations and a certificate to be incorporated and licensed under the laws of the respective country, issued by the Consul of the Republic in that country, and in his absence by a friendly nation. If the scriptures are in another language they must be translated into Spanish; They must also appoint a legal representative in Panama, which must be a lawyer (resident agent).

According to what is established in law 52, the obligation of foreign companies to have accounting books and supporting documentation available to the competent authorities in the Republic of Panama, eliminating the paragraph of the article 73 of the Commercial Code exceptioning the same, which includes a journal book, a major General a book of Minutes of shares. The accounting records shall be kept available to the authorities that request it for a period of not less than five (5) years counted from: (i) the last day of the calendar year within these records apply were completed; or (ii) the last day of the calendar year in which the legal entity ceases operations.

The accounting records will be kept in the offices of the resident agent or in any other place inside or outside the national territory. In case they are kept in an office other than the resident agent, the companies will have the obligation to inform the resident agent in writing of the physical address and contact information of the person who keeps the accounting records and supporting documentation in custody. In the event that the resident agent is not the custodian of the accounting records, the Company must provide the following information to the latter:

- i. Physical address where the accounting records and supporting documentation are maintained
- ii. Name and contact information of the person who keeps them in their custody.

The company must also notify the resident Agent within a period not exceeding fifteen (15) business days, the change of residence and contact information if any. At the request of the competent authority of the accounting records and in the case that these are kept outside Panamanian territory, the company must provide them to the resident agent within a period of fifteen (15) business days. If the company does not comply with the obligations described in Law 52, "it will be sanctioned by the competent authority with a fine of one thousand balboas (B / .1,000.00) and one hundred balboas (B / .100.00) for each day in which it passes

without remedying the irregularities that cause non-compliance.

4.2 Types of Companies

4.2.1 Limited company

Law N°32 of February 26, 1927, creates the Corporations (SA). This law applies equally to all Corporations incorporated in the Republic of Panama, either performing local businesses, within the Republic, or companies whose activities are carried out outside the territory.

To form a corporation is required to prepare the public deed and its registration with the Public Registry. By law three directors and three officers are needed, which will form the board of the company, taking the positions of President, Secretary and Treasurer, the President being the legal representative of the company, if not expressed about appointment is made.

In writing the purpose and business of the company, the activities detailed must be lawful or legally authorized in Panama. There is no minimum capital requirement and the shares may be par value or no par value and capital need not be paid. The document should also detail the period of existence of the society that is normally at perpetuity. Any change has to be done in relation to the company must be made through a public deed and register with the Public Registry. To clarify a question always made by an investor, one person can own a 100% of the shares constituting the entire share capital without the company losing its legal status.

As of October 2016, all Offshore Companies must maintain accounting records and the resident agent must be responsible for the holding of those accounting records. In the event that the accounting records are outside Panamanian territory, the Company must provide the Resident Agent with the following information:

- i. Physical address where accounting records and supporting documentation are maintained; and
- ii. Name and contact details of the person who keeps them in their custody.

In the event of a request by the authorities, if the accounting records are outside Panamanian territory, they must be submitted to the Resident Agent, in no more than fifteen (15) business days. In case the resident agent does not receive the information, the information must be submitted within a period of no more than ten (10) days and face a fine of 500.00 USD. If the company does not provide the accounting rec-

ords, it will incur a penalty of 1,000.00 USD and 100.00 USD for each day that passes without providing the records.

4.2.2 Limited liability company

Law 4 of January 9, 2009, is when the Limited Liability Companies (SRL) or Limited Partnerships (SL) in Panama are established. The SRL or SL companies may have commercial activities anywhere in the world. In Panama the SRL or SL are incorporated through a private document or also by a public deed both have to be registered in the Public Registry of Panama.

The incorporation of the company is carried out with a minimum of two partners. Besides its partners may be natural or legal persons. The authorized equity capital contribution has no minimum or maximum, but the amount must be written in the document of incorporation. Such companies do not have a time limit, since its lifetime can be defined or undefined.

The SRL or SL have an administrator who is responsible for the company and manages assets on behalf of the other partners and must be appointed in writing. A Social Shares book should be carried where the assets invested by each partner is recorded. The limited liability companies must have a resident agent who must be a lawyer or a Panamanian law firm.

4.2.3 Private interest Foundation

Law 25 of June 12, 1995, creates the Private interest Foundation companies. This company is registered with the Public Registry through a public deed. The purpose of the Private interest Foundation companies is to protect all assets registered in the company. Including the assets in the foundation, this protects the heritage, and help in estate planning. Under the legislation, the Private Interest Foundation cannot conduct business unless it is done sporadically and serving the accomplishment of the purposes of the foundation. This has no members or shareholders but is governed by a body that manages the assets on behalf of the beneficiaries and the administrative body it must be detailed in writing. The minimum capital to form the foundation is B / 10,000.00, and must have a resident agent who is a lawyer. Also, you must keep the register of goods, where the details of the goods you have in the foundation remains.

5. Audit and Accounting

The Law N° 57 of September 1, 1978, is the one that regulates the profession of the certified public accountant. This law states that the Technical Board of Accountancy; which is under the Ministry of Trade and Industry (MTI) is responsible for ensuring that the meter complies with the law and

with the regulations in the private sector, on this last point, the public sector is the responsibility of the Office of the Comptroller General of the Republic.

Since 2005, legally accounting standards adopted in Panama, they are the International Financial Reporting Standards (IFRS). Other entities may also establish rules and different to IFRS accounting practices, and are accepted in Panama, are the Superintendency of Securities, the Superintendency of Banks and Insurance and Reinsurance, and is allowed because of the kind of business They are depending on their relationship with the international market. Also, the generally accepted accounting principles (GAAP / USGAAP) are used because there are subsidiaries of US companies that need to consolidate, but you have to use the IFRS for the official books.

The required accounting records that all merchant should bear are: A Journal and Mayor. Commercial companies must also keep records of Minutes and a register of shares and shareholders, and a Record of quotas or contributions from proprietary interest or Social Participation. These can be in the form of books or folios can be in the form of accounting system, provided it is authorized by the Directorate General of Revenue, Ministry of Finance (DGI).

Legal entities that do not perform transactions that are perfected, consummated or have effect in the Republic of Panama are not obliged to keep its accounting records necessary unless domiciled and operating in the Republic of Panama. Any merchant that has a commercial establishment in the Republic of Panama, without exception in terms of location, shall be obliged to bring their accounting records in Spanish and in the legal or trade currency in the Republic of Panama. The documents supporting transactions and correspondence may be in the language in which it originates and, if a translation is required by any competent authority, the trader must deliver within a reasonable time and cost, a translation of the same.

5.1 Employment regime

Anyone over 18 may work in the Republic of Panama. Foreigners who wish to work in the Republic must have a residence visa and their respective work permit. There are different ways to obtain residency, but if a foreigner wants to work abroad in the Republic of Panama can get your resident visa as an investor or through a foreign or local company, which is responsible to help you get your resident visa and work permit, if agreed by both parties. In both cases, you must have an immigrant visa either permanently or for the period that he will be working in Panama. The resident visa is granted by the National Immigration Service (DGM) and the work permit is granted by the Ministry of Labor and Workforce Development.

In the Labour Code it is defined and established that the employment relationship is equated with the existence of an employment contract and has the same effects and sets out criteria to establish that legal subordination and economic dependence. The employment relationship may be of definite or indefinite or permanent.



Employment benefits are detailed below:

Description	Under dependency ratio	
Regulation	Labour code	
Governmental Authority	Ministry of labour and the Caja de Seguro Social	
Relation	Employer-Employee o Patron-Worker	
Sustenance	Work contract 1.Indefinite 2.Fixed period/ definite	
Liability	The contract is an agreement for the provision by lawful services of the worker in exchange for payment. The worker is legally subordinated to the employer's orders, with fixed schedule.	
	Personnel Costs	Dependence relationship
Wage or Salary		Minimum wage in Panama is established by hour, region and economic activity which ranges from 1.53 to 3.47 USD.
Thirteenth month		Additional payment made in 3 installments, April 15, August 15 and December 15, and corresponds to a month of additional salary divided into three parts August and December and corresponds to one month's salary further divided into three parts.
CSS contribution		For employees lies a contribution in respect of future retirement, disability and applied to 100% of salary. Employee contribution is 9.75% and 12.25% for the employer For independent concept lies a contribution for pension and disability that is discounted over 52% of their gross annual income.
Vacations		A day of rest for every eleven days of the employment relationship, which equals thirty (30) days annual paid.
Termination of the employment relationship		Payments
Unjustified		Thirteenth proportional month, proportional leave, notice in case of having less than two years of work, seniority premium, compensation.
Justified or resignation		Proportional thirteen month, proportional vacations, seniority premium.

The Labor Code governs the protection and safety of the employee, establishing the day breaks, holidays, contracts, and obligations of the worker, employer obligations, employee health and safety. In addition, other laws have been established as the law 59 of 2005, which protects people with chronic, involuntary and / or degenerative diseases when they are not included in the labor code.

The Social security fund (Caja de Seguro Social) (CSS) is the entity in charge of being the collecting agency of the income tax of natural persons, so at the end of each fiscal year, a report, Form 03 is prepared in which It detailed per employee proceeds and presented to the DGI for this entity to collect taxes from the CSS.

According to the Organic Law of the Social Security Fund, a compulsory membership is required for all nationals or foreign workers who provide services within the Republic of Panama, including employees and self-employed.

Therefore, whether or not there is a work permit and appropriate visa, the employer is obliged to register their foreign employees on the same terms and conditions as national employees.

Once affiliates, the company is obliged to calculate, withhold and pay to the state corresponding labor-management fees, as established by the law itself.

6. Exchange controls and regulations

The monetary unit of the Republic of Panama is the Balboa. The current dollar of the United States and its multiples and divisions will be legal tender in the Republic for his equally to the respective nominal value Panamanian currency.

This has been one of the determining factors for the economic stability of the country and therefore has no foreign exchange regulations.

7. Tax system

The tax system is established under the Constitution of the Republic of Panama. Taxes and national contributions, as well as tariffs and customs duties are set to become law by the Legislature. The law ensures that any tax or charge on the taxpayer is in direct proportion to their economic capacity.

In the Republic of Panama there are two sub-systems tributaries:

1. National and
2. Local,

The national system is administered by the Directorate General of Revenue (DGI) of the Ministry of Economy and Finance. Instead, the local system is managed by the respective municipality.

The Panamanian tax system is essentially territorial, in the sense that is considered taxed at the income tax only those operations and assets located within Panamanian territory.

7.1 National taxes

7.1.1 Tax import

The Tax import is applied on any product entering the country which has to pay tax according to tariff table.

This table contains detail, class, equipment, use and disclosure, indicating the tariff to be applied to products being imported on the territory.

7.1.2 Income taxes for natural persons and their related

The taxes paid by individuals are on their taxable income, which are the result of all revenues generated during the fiscal period less expenses and costs authorized by the tax code. The tax rate is described below:

- From B/. 0.0 to B / 11,000.00 annual taxable income is exempt, (first stage).
- From B/. 11001.00 to B/.50000.00 pays a rate of 15% (second stage).
- From B/. 50,001.00 onwards, pays a rate of 25% (third stage).

Payment is made through a Sworn Statement of Tax Income for Natural person and his presentation is until 15 March following the fiscal year end. There is an extension period of onemonth, which expires on April 15 and this prevents a fine of B/.100.00 for late filing, but not the surcharges and interest for the payment of tribute.

7.1.3 Income taxes for legal persons

Income tax of legal persons is applied to the net income, from taxable income generated in the country.

The income tax rate is 25%. The tax assessment is done by a Sworn Statement of Income tax for legal persons and should be submitted by 31 March following the fiscal year end, with an extension of one month which expires on April 30.

The Tax Code provides that legal persons pay income tax to 25% of the greater of:

- The net taxable income calculated by the method called Traditional; or
- The net taxable income resulting from applying the 4.67% to the total taxable income, as long the taxable income excess the amount of one million five thousand dollars, during it fiscal year (1.500.00 USD).

If by reason of payment of income tax, the legal person were to be in losses, he may request to the Directorate General of Revenue, the non-application of paragraph 2 of this article. Same application may request the taxpayer whose effective rate of income tax exceeds twenty-five (25%).

Sworn Statement of Revenue excluding natural persons, or legal with taxable income less than B / 250,000.00 should prepare its tax return on the basis of the International Financial Reporting Standards (IFRS).

Micro, small and medium sized enterprises (SMEs) pay the tax according to the rate of natural persons on that portion of its net taxable income attributable to their annual gross income not exceeding B / 100,000.00 and according to the normal rates applicable to legal persons on the part of the net income exceeding the annual gross income of B/.100,000.00 without exceeding the amount of B/.200,000.00.

The period of fiscal closing of taxpayers is 12 months and usually is from January 1 to December 31. However, if the company requires another fiscal year or what is known as special periods, you can get permission from the DGI. Taxpayers need to file your Affidavit of Income Tax, and have up to three months after the fiscal closing. An extension ordered can be of one (1) month to submit the same, so that B./500.00 fine for late filing can be avoided, but not, of surcharges and interests should pay the tax.

Taxpayers must file and pay their taxes by payslips, although you can pay online, it is preferable to ensure which will be credited and the use of ballots is advised.

These ballots are identified according to the tax they have to pay. If the tax generates interest, surcharges and fines are to be paid at the same time.

Tax returns and tax reports are prepared and sent electronically via the internet. There may also be special cases in which the presentation of the same via diskette, CD or portable memory that engages USB will be requested.

The tax is levied on taxable income less costs and expenses that are deductible in accordance with established regulations. Deductions for expenses incurred must comply with the provisions of the Tax Code in force.

7.1.3.1 Accumulated losses

Accumulated losses may be amortized over five years, at a rate of 20% per year, and up to 50% of taxable income. Unused amounts are lost.

7.1.4 Carry-forward tax credit

Carry-forward tax credit is made up of the amounts paid to the Treasury for estimated tax in the next year based on the amount paid in the previous period and any amount that has been overpaid. This credit can be applied for the payment of income tax you have to pay in the next fiscal period.

7.1.5 Complementary and Dividend tax

According to Article 733 of the Tax Code, the applicable tax rates on dividends are:

- 10% if dividends are derived from local operations or Panamanian source;
- 5% in the case of foreign dividends, foreign source or exempt.

If dividends are not distributed or if the distribution is less than 40%, you must pay a supplementary tax rate of 4%.

The rate is 20% for bearer shares. Branches of

foreign legal entities in Panama will pay 10% for 100% of their taxable income obtained in Panama, minus taxes paid by the same income in the country. In this case when you pay the tax is a flat fee.

Whenever dividends are distributed, must first exhaust the incomes of Panamanian source before distributing dividends exempt income, foreign or export operations.

7.1.6 Capital gains tax

The capital gain on any sale of bonds, securities, stocks, real estate, when the latter is not part of the ordinary course of business of the company. These transactions are taxed at 10% on the gain on the sale. When it comes to selling securities, it is required to pay 5% of the total sales price as advance tax. This can be claimed if the result of this tax is more than 10% of the profit or you can opt for this advance as a final payment of tax. In the case of real estate, the same process is followed on the gain value, with the difference that the percentage is 3%.

7.1.7 Tax on Transfer of Personal Property and Services (I. T.B. M. S.)

This tax is applicable to the ultimate consumer and in other countries is known as the IVA or VAT. In Panama, the rate is 7%, being the lowest in Latin America.

It is a land tax to specific transactions listed in the tax base and its scope are the economic activities within Panamanian territory. It is not decisive:

- The place where the contract is concluded;
- The residence or nationality of the parties;
- The place where payment is made;
- The place where payment is received

This tax is considered as an exemption of the same on food supplies, health services, medicines, educational services, ships and aircrafts, among others.

In sworn statements-liquidations, the taxpayer determines the tax difference between the debt and the tax credit. The tax debit shall consist of the sum of the tax payable on taxable transactions of the calendar month. The tax credit will consist of:

1. The sum of the tax included in the purchase invoices on the domestic market for goods and services corresponding to the same period, provided they meet the requirements for documentation.
2. The tax paid during said period as a result of the importation of goods.

As of January 1, 2016, an ITBMS retention regime will come into force for those who, whether or not they are ITBMS taxpayers, and comply with the criterion of annual purchases of goods and services, the same or in the immediately preceding fiscal period, over five million balboas (B / 5,000,000.00).

The amount to be withheld will be fifty percent (50%) of the ITBMS included in the invoice or equivalent document that is presented to the provider by the withholding agent.

In case of professional services, the retention will be applied to 100% of the ITBMS included in the invoice or equivalent document. Exclusions: Payments made through petty cash are excluded according to the regulations of the General Revenue Directorate.

The companies in this obligation will be published in an official list by the DGI every year.

7.1.8 Remittances abroad

It is considered taxable and therefore subject of Income Tax by Withholding, the income received by natural or legal persons whose domicile is outside the Republic of Panama product of any service or act, documented or not, that benefit individuals or corporations, domestic or foreign, which are located within the Republic of Panama.

For purposes of this provision, the concept of minimum income equals to the concept of residual income. The concept of taxable income includes, but is not limited to fees and income from copyright royalties, key brands or trademarks, patents, "know-how", technological and scientific knowledge, trade or commercial secrets. It includes services rendered abroad.

Such income shall be the income tax over the income retention, to the extent that such services have an impact on the production of income from a Panamanian source or the conservation of this and the expenditure has been considered as expenses deductible by the person who received them.

The natural or legal person, national or foreign, located in the territory of the Republic of Panama who benefits from the service or act concerned shall apply the general tariffs laid down in Articles 699 and 700 of the Tax Code on the fifty percent (50%) of the amount to be remitted. In the case of a foreign legal entity, the effective holding will be 12.5% (25% over 50%). The retention of the Income Tax applies over the consignment or gross pay, regardless of any costs.

Every natural or legal person not resident in the Republic of Panama is obliged to withhold the income tax to, on any Panamanian source income paid or credited by:

- Public entities, be they the central government, semi-autonomous bodies, local governments, state enterprises or joint stock companies in which the state owns 51% or more of its shares;
- Entities which are not taxpayers of the income tax; and/or
- Taxpayers who are in loss.

If the services are rendered in Panama, the ITBMS retention should also be made by those who pay or credit retributions for taxable transactions made by resident individuals or incorporated entities abroad, in case they do not have a branch, agency or establishment in Panama.

The thus determined amount withheld will be a tax credit in case the taxpayer is a withholding agent. Such credit shall be included in the liquidation of the month in which the withholding is made.

It is applied to the entire bill, retention 0.065421 and no later than within 10 days from the date of the retention the payment of the ITBMS should be sent to the Tax office through a multiple payslip.

7.1.9 Transfer Price Regime

From 2012 onwards, is mandatory the documentation of transactions with related parties made by the taxpayers in Panama, with entities located outside of Panama, provided that these transactions generate taxable income or deductible costs or expenses.

Taxpayers are responsible for reporting to the DGI if they perform transactions with related entities established outside Panama that could be subject to the regulations of transfer pricing, provided that such transactions exist, they are accountable to the entity to present the Annual Report of the Transfer Pricing (Article 762-I of the Tax Code) and Study of Transfer Pricing (Article 762-J of the Tax Code) accordingly.

For the interpretation of the provisions contained in this field apply the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, adopted by the Council of the Organization for Economic Co-operation and Development in 1995, or those that replace them in insofar as they are consistent with the provisions of the Tax Code.

7.1.10 Property Tax

The property tax is levied on all real estate and the

tax is levied on property owners, depending on the value of the property which includes land and buildings or permanent structures that have been made over the territory. In 2017, through the law 66, the property tax is modified, exonerating the homes up to 120 thousand dollars (new or not) that are fiscally constituted as tax family property or main residence at the request of the taxpayer, modifying the table of Progressive property tax by reducing it as follows:

The application of the combined rate of this tax is as follows:

Amount	Rate
Up to B / .120,000.00	0%
From B / .120,000.00 to B / .700,000.00	0.5%
More than B / .700,000.00	0.7%

Also, as of January 1, 2019, the combined progressive rate for properties commercial and industrial, as well as other residences and land will be the following:

Value	Rate%
Up to B / .30,000.00	Exempt
From B / .30,000.00 to B / .250,000.00	0.6%
From B / .250,000.00 to B / .500,000.00	0.8%
More than B / .500,000.00	1.0%

The real estate that is exempted at the entry into force of this law, will pay 1% on the cadastral value of the land, until the expiration of the exemption, applying the tables described above.

7.1.11 Ship tax

At present, worldwide, registering ships in Panama remains the vessel registration number 1 in the world by tonnage, followed by Liberia, UK and Bahamas. Because of that, the Law No. 8 of 1925 adopted the open registration system and restrictions on nationality and residence were removed. Since then, the Ship Registration in Panama accepts vessels owned by nationals and foreigners alike. The condition is that they must comply with the provisions, especially those concerning the management of ships, safety standards for pollution control, technical standards and taxation.

The Ship Registration in Panama offers owners the following advantages:

- An open register. Any person or company, regardless of their nationality or place of incorporation, is eligible to register ships under the flag of Panama.
- Registration fees are low compared to other countries.
- Total exemption from tax on income derived from the operations of ships engaged in international

trade.

- Double registration, provided that the country that issued the original record of the ship still allows it.

7.1.12 Excise tax

It is a tax on consumption of soft drinks, spirits, wines, beers and cigarettes domestically produced and imported, hereinafter the encumbered assets and certain services, such as mobile phones and luxury goods and prizes in games of chance. The general rate is 5%.

7.2 International Taxation

7.2.1 International Taxation Agreements

Panama in compliance with international standards in order to avoid double taxation has signed based on Law 33 of 2010. Panama has signed a series of Double Taxation Agreements with seventeen (17) different jurisdictions like Mexico, Barbados, Qatar, Spain, Luxembourg, the Netherlands, Singapore, France, Italy, Korea, Portugal, Ireland, Czech Republic, United Arab Emirates, United Kingdom, Israel and Vietnam.

In addition to the above, Panama has signed Information Exchange Agreements with the United States, Iceland, Canada, Finland, Norway, Sweden, Greenland, Faroe Islands and Norway.

The use of the benefits contained in the Treaties to Avoid Double Taxation requires a Prior notification of the use of the treaty to the DGI.

In December 2017, Panama signs in Paris, the Multilateral Agreement between Competent Authorities (MCAA), which allows the automatic exchange of information, while Panama retains the power to decide with which countries it will exchange automatic information, starting in 2018, considering that there is 50 countries interested in exchanging information.

7.2.2 FATCA Foreign Account Tax Compliance Act

Panama signs the IGA agreement through Decree 124 of 2017, which complements and internally regulates the FATCA, in order to establish the information and due diligence that must be sent by the Banks for tax purposes to exchange information with the Internal Revenue Office of the United States for those citizens, residents or legal entities of US origin, who carry out economic activities outside of this country.

The IGA reinforces the 2016 automatic exchange commitment through the agreement to the Common Reporting Standards (CRS) as of 2018, for the exchange of tax and financial infor-

mation between Panama and other Administrations.

7.3. Municipal tax

Municipalities in Panama are the ones applying the local tax and each municipality in the country imposes the tax in their municipality. In the municipality of the city of Panama, you must submit the Affidavit of gross annual income during the month of January following the closing fiscal year. The tax is applied is based on a table prepared by the municipality according to business operations.

Currently it has two municipal taxes

- Label tax monthly according with the size measured in sqm, the charge is 2.00 USD per sqm, and the minimal charge is one (1) sqm.
- Municipal tax paid monthly depends on this table and according to their operations.

Through the municipal agreement 283, the main tables (1 and 2) of municipal tax on economic activities are modified, suffering an increase of up to 30%.

8 Additional Information

8.1 Colon free Zone

The Colon Free Zone (ZLC), since its inception in 1948, is a secreted free trade wholesale operations located on the Atlantic coast, near the entrance to the Panama Canal area. This area is located in a unique international center for trade.

The goods coming into the ZLC can be imported, stored, re-packaged and re-exported without being subject to charges or import taxes. Companies operating in the ZLC require authorization from the Free Zone Administration to settle in the ZLC. The Free Zone Administration gives permission to be free from export taxes, capital gains or dividend payments of external operations, transfer or direct operations. Among the benefits there are no consular fees or any other charges on shipments to or from the ZLC.

Customs authorities make a service charge on Surveillance custody of goods re-exported and this charge is applied as appropriate and Free Zone Administration does an annual fee of B/.200.00 by a key operation, this charge applies to all companies.

8.2. Special areas

Panama Pacifico Special Economic Zone

The special economic zone of Panama Pacifico was established by law 41 of 2004. This zone grants tax benefits to business such as:

- Regional International corporations,
- Administrative Offices or representation

- Call or Operators centers.
- Logistics Services.
- Technological Institutions.
- Maintenance and repairs of aircraft.
- Any business related to aviation services.
- Foreign companies Source (offshore).
- Film industry.
- Scheduled Radio TV, audio and video transmission.
- Transfer of inventory between companies.
- Travel services; cruise ships, aircraft and passengers.
- Export of products manufactured in countries outside of Panama.

Tax incentives that Panama Pacifico offers the legally established and release form companies in the special area are listed below:

Exemption from:

- Income taxes
- Transfer Taxes
- Exempt from any rate tax import tariff, on products, equipment, services and other equipment sent to Panama Pacifico.
- Exempt from paying Transfer Tax for Movable Property and Service (I.T.B.M.S.) this is a Value Added Tax, it is charged for each commercial transaction.
- Exempt from paying tariffs for imports, fuel storage and their derivatives.
- Exempt from paying tariffs on imports of any product, equipment or services,
- Exempt from paying taxes on loans, interest, commissions and royalties on any type of financing granted to entities established in Panama Pacifico that extend business operations.

Furthermore, the institutions have payment as work incentives,

- Overtime is paid 25%
- Day festive weeks the surcharge is 50%
- An entity may ask for more foreign workers than the previous limit is 10%, ie for every 10 employees in January Panamanian abroad.

Note: Any entity established in Panama Pacifico, is subject to pay direct taxes:

- Income tax,
- Dividends and additional taxes
- Transfer Tax

A **waiver** of the above and the respective permit exemption.

Through Decree Law 62 of April 2017, the requirements for the incorporation of companies in the free zones are modified and simplified.

10. Mandatory Invoicing Regime

It is mandatory to document all transactions concerning transfers, returns, discounts, sale of goods

and provision of services by all persons resident in Panama for issuing invoices.

All invoices must be issued through fiscal printers purchased from suppliers duly authorized by the Ministry of Economy and Finance (MEF).

The program or software that will be used for handling and printing invoices must also be approved by the Ministry of Economy and Finance.

Requirements to be met with bills:

- The name that is appropriate for the type of document, whether invoice or receipt.
- The consecutive numbering and unique point of billing.
- The registration number of the fiscal printer.
- The name and surname or company name, address and number of Taxpayer Registration of invoicing.
- The date (in the format of day, month and year) of issue of the invoice or equivalent document.
- The description of the operation indicating quantity and amount. the amount may be omitted in operations which by their nature cannot be expressed.
- The breakdown of ITBMS, excise tax and any other applicable taxes.
- The individual value of the transfer, the sale of goods or the service, and the total amount of the invoice.
- The fiscal logo.
- Where they are loaded or incur additional concepts that discounts, refunds, cancellations, and any adjustment to the price paid or agreed, description and value they are made.

9. Agreements and Trade Agreements in Force

Panama has signed 21 free trades and agreements, which contain cooperation agreements and special duties, upon presentation to the certificate of origin.

- 1) Panama Trade Agreement - Cuba.
- 2) Partial Scope Agreement between Panama and Colombia.
- 3) Partial Scope Agreement Panama - Trinidad and Tobago.
- 4) Association Agreement between Central America and the European Union (ADA).
- 5) Agreement on Economic and Commercial Cooperation Panama - Israel.
- 6) Latin American Integration Association - ALADI.
- 7) Protocol of incorporation into the Central American Integration System.
- 8) FTA between the EFTA States and the Central American States (EFTA).

- 9) FTA Panama - Canada.
- 10) FTA Panama - Costa Rica.
- 11) FTA Panama - Chile.
- 12) FTA Panama - El Salvador.
- 13) FTA Panama - Guatemala.
- 14) FTA Panama - Honduras.
- 15) FTA Panama - Nicaragua.
- 16) FTA Panama - Peru.
- 17) FTA Panama - Singapore.
- 18) Panama FTA - México.
- 19) Panama Trade Treaty - Dominican Republic.
- 20) Trade Promotion Treaty between Panama and the United States.
- 21) Central American Customs Union.

In addition, in 2017, Panama begins its diplomatic relations with China, inaugurating two embassies in both countries and the signing of 19 agreements among the most relevant are:

- 1) MOU of Cooperation between Exim Bank and the MEF.
- 2) FTA feasibility MOU.
- 3) MOU of cooperation in productive capacity and investment.
- 4) Agricultural Cooperation Memorandum of Understanding.
- 5) Memorandum of Understanding of economic, commercial and investment cooperation.
- 6) Memorandum of understanding for cooperation in economic and commercial zones.
- 7) Air transport agreement.
- 8) Agreement on maritime cooperation.
- 9) Economic and technical cooperation agreement.

10. Tax Update

Panama, signs in Paris, the OECD BEPS treaty, becoming part of the 78 signatory countries of this treaty.

The digital invoice begins in 2018, its trial stage with 43 voluntary companies. Its use is voluntary and its massive implementation is expected in August 2018.





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3. Country Profile

Peru is a democratic, independent, and sovereign republic. The government is unitary, representative, and decentralized, and it is organized according to the principle of separation of powers. It is located in the South American Pacific region and has an area of 1.285.216km², being the third largest country in the region and is characterized by a territory geographically divided into three regions: Coast, Highlands and Rain-forest.

It is politically divided in 24 departments and has an estimated population of 31 million people, being its capital the city of Lima.

The country has also several ports, the main one is the Port of Callao, which is strategically located in the middle of the Pacific coast of South America, being therefore an important point of exchange of goods and circulation of people for various countries in this region, especially those states that are on the Atlantic South American side,



Thus, it is consolidation as a bridge of connection between markets of South America, Asia and the United States is expected.

Peru as an ancient country, collects within its population and native communities, the same ones that have their own native languages. These communities are derived from ancient cultures that inhabited Peru, specifically in Cuzco, the Inca culture remains as one of which has had more recognition worldwide.

In this sense, Spanish is the official language that predominates and so are the quechua, Aymara, and other Aboriginal languages, according to law.

With respect to its strategic location, the Inter Oceanic Highway and the Amazon River have access to the regions located in the Atlantic side of South America. Also through the Andes, Peru is interconnected with five South American States. Through the Pacific Ocean, Peru is interconnected with the APEC countries, the most important, rich and fastest growing market in the world, of which Peru is a member.

Since late 2014, the official currency is the SOL, and it is possible to use other currencies. The second most used currency is the U.S. Dollar; the currency exchange is tax free.

In 2019, Peru has remained one of the most stable and promising economies in the region. For this reason, the country's resilience allowed it to achieve a growth rate of 2.5% in 2019 and it is expected that in 2020 a recovery of growth will be seen, despite the impacts of COVID-19 on the Peruvian economy.

In Latin America, Peru is a member of the Andean

Nations Community - CAN and the Latin American Integration Association - ALADI, also has signed an agreement of Economic Complementation (AEC) with MER- COSUR.

4. Foreign Investment Regime

4.1 Types of companies

In Peru there are no restrictions for the incorporation of companies and other local entities by foreigners, except certain exceptional cases provided by the respective regulations.

The Law 26887, General Corporations Law, effective from January 1, 1998, governs Corporation's regime, without prejudice to special regimes governed by other rules. The General Corporations Law recognizes various types of companies; the most common and widely used are the corporations, the Limited Liability Company and branches of foreign companies, and is also common to use joint ventures, consortiums and other business collaboration contracts and Partnerships.

a) Common Corporation (Corp.)

In the Corporation, the capital is represented by shares and is constituted by contributions from shareholders, who are not personally liable for corporate debts. The number of shareholders is at least two and there is no maximum number. No minimum capital is required.

Shares representing the capital must be fully subscribed and paid at least in 25%. The supreme governance body of the Corporation is the General Shareholders Meeting.

The Common Corporation has in the General Corporations Law three modalities: The ordinary that is which has been described, the private and open.

b) Private Corporation (Private Corp.)

Used for middle or small businesses with no more than 20 shareholders. Shareholders are not personally liable for corporate debts.

They must meet the same requirements of Constitution which is required for others Corporations regulated in the General Corporations Law, and in case of failure to comply with any of the requirements to be considered as such is you should change of regime and adapt to the Common Corporation or Open Corporation.

c) Public Corporation (Public Corp.)

Used for business that requires large capital, there is no limit to the number of shareholders s. It is open to the contribution of any person or entity through the Securities Market and is under the control of the Superintendence of Securities Market. Shareholders are not personally liable for cor-

porate debts.

Is liable to control of the Superintendence of Securities Market - SMV and no restrictions on trading or transmission of shares he admits.

d) Limited Liability Company (LLC)

The Limited Liability Company is the alternative to a Private Corporation for small and middle businesses. As the Private Corporation, there is a limit of 20 partners. Partners are not personally liable for company debts.

The capital is divided into participations, which may not be incorporated in certificates. The will of the Company does not need a General Shareholders Meeting to form it

e) Single Member Limited Liability Companies (SMLLC)

This type of company is regulated under a special regime; it is a legal entity established by decision of an individual and for the purpose of conduct a small business. The liability of the company is limited to its assets. The initial capital of the company is formed by the contributions of the individual.

The company bodies are composed by the individual and the Management and its social capital may be constituted in money or movable or Immovable assets.

f) Branches

Local and foreign corporations can freely establish branches in Peru. The branch must be registered within Legal Entities Record of the place of operation.

The branch has no legal individuality; however for tax purposes is considered as an independent taxpayer. The branch must have a permanent legal representative with appropriate powers and faculties to develop the business and activities of its parent.

The legal representative of the branch, must have sufficient powers to resolve any matter relating to the activities of the company, to bind the corporation by the operations that perform the branch and the general's procedures representation required by the law.

g) Collaboration Agreements

The objective of Collaboration Agreements is to create and regulate the participation and integration of independent corporations or parties in a common business. The agreement does not create an independent legal entity from its parties and is not subject to registration in the Public Record.

The General Corporations Law recognizes three

types of Collaboration Agreements: the “Asociación en Participación”, the Consortium and the Joint Venture.

The resources destined to the contracts mentioned above, shall be considered as foreign direct investment when:

- Be granted to the foreign investor a form of participation in production capacity, without involving capital contribution.
- It corresponds to contractual commercial operations through which the foreign investor provides goods or services to the recipient company in exchange for a share in physical volume of production, the overall amount of sales or in net profits of the mentioned receiving company

4.2 Foreign Tax Credit

Due the foreign-source income levied by the Peruvian Income Tax Law (PITL), the taxpayers may deduct the foreign income taxes paid provided that it doesn't exceed the amount which results from applying the average rate of the taxpayer to the income obtained abroad, or to the tax paid abroad.

It's important to keep in mind that the amount that is not used in the corresponding fiscal year cannot be compensated in others fiscal years, nor can it be re-funded.

Otherwise, it should be taken into account that (i) tax credit will be granted for the entire tax paid abroad that falls upon income taxed by the PITL; (ii) taxes paid abroad whatever their denomination shall bear the characteristics of income taxes; and (iii) tax credit will only be granted when the payment of the foreign income tax is supported by reliable documentation.

4.3 Tax Incentives

4.3.1 Special deduction regime for projects related to scientific research, technological development, and technological innovation

According to Special deduction regime for projects related to scientific research, technological development, and technological innovation, established as of 2016, taxpayers investing in projects of this nature will be able to deduct 150% or 175% of the expenses incurred in them.

- 175% of the expenses incurred if the project is executed directly by the taxpayer or through centers dedicated to scientific research, technological development, and technological innovation domiciled in Peru.
- 150% of the expenses incurred if the project is executed by non-domiciled centers dedicated to

scientific research, technological development, and technological innovation.

4.3.2 Early recovery of The Value Add Tax (VAT)

Companies in the preoperative phase with large projects in process can request the early recovery of VAT before starting operations. For that, an investment agreement is required with the government (the ministry of the sector involved).

5. Audit and Accounting

The accounting profession in Peru is ruled by the provisions of the International Federation of Accountants - IFAC, which emits the International Accounting Standards.

Also, to the preparation and presentation of financial statements companies should be based on Peruvian Generally Accepted Accounting Principles, which involve the application of IFRS, internationally adopted as established by the International Accounting Standards Board - IASB.

Additionally, according to IAS 21 in force in Peru, companies are allowed to prepare their financial statements considering the functional currency prevailing in their operations.

6. Labor Regime

Peruvian labor legislation recognizes different types of employment contracts, including fixed-term contracts, contracts for sporadically activities and service contracts

In relation to working hours, the general labor regime establishes a maximum of 8 hours per day or 48 hours per week, for people over 18 years old.

6.1 Contracts Subject to Special Conditions

For all labor contract subject to form, should be understood that an employment relationship exists, the mode may be contained in the duration of the contract, because it can be for definite or indefinite period, so that the employer may determine the time by which require the employee or, if it were indefinite, the worker works for as long as your account and if the conditions for this effect are given, except as may legitimately limit the duration of employment or termination of specific causes .

Under Article 53 ° of the Labor Law, employment contracts subject to special conditions may be entered in case of market needs or increase of production, both of them for a fixed term (in accordance with the nature of the activity to be performed). Contracts for intermittent or seasonal activities can be permanent.

6.1.1 Contracts of Temporary Nature

- The contract for new activities or a new busi-

ness: These contracts are caused by the start of a new business. The maximum term is three years.

- **The contract for market needs:** Entered to face temporary increases in production caused by substantial changes in the market demand. This contract may be renewed, not exceeding a total period of five years.
- **The contract for corporate restructuring:** Entered to face the variation or increase of the activities developed in the corporation, and in general to face technological changes or the variation of internal procedures. The maximum term is two years.

6.1.2 Contracts of Accidental Nature

- **The occasional contract:** entered in order to face temporary needs not covered by the existing workers. Its maximum term is six months per year.
- **The substitution contract:** entered in order to temporarily replace a stable worker whose employment relationship is suspended by any justified cause under the current legislation or by contractual provisions applicable in the workplace. Its duration depends on the circumstances.
- **The emergency contract:** entered in order to face disaster or events occurred by force majeure. Its duration depends of the emergency.

6.1.3 Construction contracts or Service contracts

- **The specific contract:** entered in order to perform a specific activity or service. They have an object previously established and a fixed duration.
- **The intermittent contract:** entered in order to perform permanent but discontinuous activities. In this contract there are not necessity of a new celebration or renovation.
- **The seasonal contract:** In order to apply specific needs of the business of the company or establishment, in an specific seasonal requirements.

6.1.4 Hiring Foreign Staff

Peruvian companies can hire foreign staff not exceeding 20% of total employees. Remunerations of the foreign staff may not exceed 30% of the total payroll of the company.

The contracts of foreign employees must be concluded in writing and for a specified term, for a minimum of 12 months and maximum of 3

years renewable successively for similar periods.

The employer can be exempted of accomplishing the referred limit in case of specialized professionals or technical staff, as well as in the case of management and/or directional employees of a new business.

Employees from any country member of the Andean Community are not subject to the above-mentioned limits, being considered as local employees.

6.2 Employment Benefits

- **Public Health Contribution (ESSALUD):** in charge of the employer and is equivalent to 9% of the employee's remuneration.
- **National Pension System (SNP) or Private Pension System (SPP):** in charge of the employee and is equivalent to 13% - 12.75% of the employee's remuneration.
- **Life Insurance:** in charge of the employer and applicable to employees with more than 4 years.
- **Compensation for unfair firing:** 1 ½ remuneration per worked year with a maximum of 12 remunerations.
- **Compensation for Time of Service (CTS):** in charge of the employer and is equivalent to 1 remuneration each year. The employer must deposit the CTS in an especial bank account opened on behalf of the employee.
- **Vacations:** 30 days for each complete year of service.
- **Two (2) legal rewards per year,** one in July and one in December of each year, equivalent to a monthly remuneration.
- **Distribution of the net income among employees:** equivalent to a percentage that varies between 5% and 10% of net income, depending on the type of activity they perform. Companies with fewer than 20 employees are not required to distribute the net income.

The minimum remuneration in Peru is PEN 930 Soles (approximately USD 267).

6.3 Outsourcing

Companies established to perform specialized activities or services, at their own risk, using their own financial, technical and human resources, being responsible for the results of their activities.

7. Exchange Rate Regime

The Peruvian State guarantees the free possession, use, and disposition of the foreign currency. It also guarantees the free convertibility of the national currency to a single exchange rate. There is no tax on currency exchange.

8. Peruvian tax system

The Peruvian tax system is composed by the following taxes:

8.1 Taxes for Central Government

- Income Tax.
- Value Add Tax.
- Excise Tax.
- Financial Transaction Tax.
- Temporary Tax on Net Assets.
- Custom Duties.

8.2 Taxes for Local Governments

- Real Estate Transfer Tax.
- Real Estate Tax.
- Tax on Vehicles.
- No Sports Public Entertainment Tax.
- Tax on Games.
- Tax on Gambling.

8.3 Other taxes

- Tax of Garbage Disposal and Maintenance of Parks.
- Special Contribution of Public Works.
- Municipal Taxes.
- Social Security Contributions, if applicable.
- Housing Fund Tax - FONAVI.
- Technical Training - SENATI.
- Construction Industry (SENCICO).

8.4 Income Tax-General Regime

Applicable on profits originated from the use of capitals, from the work and from business activities.

For tax purposes, income is divided into five categories:

- First Category: lease or sub lease of goods and real estate.
- Second Category: interests, royalties, patents, capital gains and others.
- Third Category: Business, industrial, and services activities.
- Fourth Category: fees for the development of any profession, science or art.
- Fifth Category: remunerations and salaries obtained within a labor relationship.

For jurisdictional purposes, there are two types of taxpayers, the resident and non-resident. The first

ones are taxed on their worldwide income, while the second ones, including permanent establishments of foreign companies, are taxed on their Peruvian source income.

Residents are required to make monthly advance payments along the fiscal year. The payment performed by a non-resident via withholding is of immediate realization.

For the Income Tax purposes, a foreign individual will be considered as resident in case he stays in the country for more than 183 calendar days during any period of 12 months.

8.4.1 Corporate Income Tax

In the general regime, the corporate income tax applicable to residents is determined by applying the rate of 28% (2016), and since 2017: 29.5% on net income.

In the case of non-residents, different rates are applicable according to the source of income on gross income.

For services provided by non-resident entities that are classified as Technical Assistance, the applicable rate is 15% on the gross income and required of a report from an auditing firm certifying that technical assistance has been provided effectively if the consideration for the service is in excess of 140 UIT (S/4,200 for the 2019 and S/ 4,300 for the 2020).

This report can be elaborate by resident companies with current registration in the Audit Company Register in a Public Accountants School or other audit companies empowered according to the country where are established.

International Fiscal Transparency System Since the year 2013, Peruvian Income Tax introduced the International Fiscal Transparency System to avoid the reduction of the Income Tax taxable through the application of international tax planning.

This new section of the Peruvian Income Tax applies to Peruvian residents who own a controlled foreign corporation (CFC) located in a tax-haven jurisdiction or countries when the Income Tax rate is less than 22.5 %. They will be taxed in Peru by passive incomes (dividends, leases, royalties, capital gains and interests) obtained by CFC, attributing these incomes as their own.



8.4.3 Mutual Funds and contributions for non-pension

Since the year 2013, the pension fund management companies and mutual fund management companies should have withholding the Income Tax when the participation fees will be sold or redeemed.

Therefore, the type of investment (shares, sovereign bonds, corporate bonds, bank interest and others) that performed the mutual fund is not considered to determinate the quality or source income of the sharer.

8.4.4 Income tax on individuals

The income tax payable by resident individuals is determined by applying to the sums of labor net income and the following cumulative progressive scale to the total net income originated from work and foreign source income:

Sums total net income originated from work and foreign source income	Rate
Up to 5 UIT	8%
In excess of 5 UIT and up to 20 UIT	14%
In excess of 20 UIT and up to 35 UIT	17%
In excess of 35 UIT and up to 45 UIT	20%
In excess of 45 UIT	30%

UIT: Reference Unit Tax, whose value for 2019 is S/ 4,200 and for 2020 is S/ 4,300.

Dividends and other type of profit distribution received from legal entities are subject to withholding tax at a rate of 6.8% (2016) and 5% since 2017, which is a definitive payment.

In case of non-resident individuals, they will be subject to tax for their Peruvian source income according to the following rates:

Type of Income	Rat
Dividends and other type of profit distribution, except those listed in paragraph f) of Article 10 of the Law.	5%
Income from the sale of real estate	30%
Interests. If the operation is involves related parties or the beneficiary is located in a tax haven, the applicable rate is 30%.	4,99%
Capital gains derived from the sale of securities held abroad.	30%
Other income derived from capital	5%
Income from business activities	30%
Remunerations and salaries	30%
Royalties	30%
Income of artists for shows performed in the country	15%
Other Incomes	30%

8.5 The Value Added Tax (VAT)

The value added tax is technically structured as a Value Added Tax, being applied to each stage of the production and commercialization of goods and services, being the final consumer, who finally takes the total tax burden, as befits the indirect taxation.

The applicable rate is 16% plus 2% for Municipal Promotion Tax, both by the total of 18% applicable to the incomes perceived to operations taxed by the VAT.

This tax applies to the following operations:

- The sale of goods located in the country.
- The use or rendering of services in the country.
- Construction contracts.
- The first sale of real estate made by the construction company.
- The import of goods.

From 01st August, 2012 the sale of "future goods" and sale transactions subject to a "suspensive condition" (whereby the payment is made prior to the existence of the good) have been included as transactions subject to VAT.

Likewise, earnest, deposits and guarantees that are delivered to the provider as a consequence of a sale, service or construction agreement, will also be subject to VAT if those exceed 3% of the purchase price agreed by the parties in the particular transaction.

The Peruvian VAT Law regulates the non-taxable transactions, for example the export of services, whose treatment is summarized in the following chart:

Transaction	From 08.01.12
Maintenance and repair of furniture to non-domiciled.	VAT: 18%
Managing investment portfolios in the country to non-domiciled.	VAT: 18%
Complementary services of international freight in primary zone to non-domiciled.	Exportation: 0%
Services part of tour package in favor of the agencies tour operator or non-domiciled.	Exportation: 0%
Transaction	From 08.01.12
Data processing services.	Exportation: 0%
Commercial commission to non domiciled for the sale in the country of goods from abroad.	VAT: 18%

The payable tax will be determined based on the difference between the VAT applicable on purchases and the VAT charged on sales.

8.6 Financial Transactions Tax (ITF)

This tax is applicable on any transaction or operation made within the banking system, in domestic or foreign currency. The rate is 0.005% and is a deduction from the Income Tax.

8.7 Temporary Tax on Net Assets (ITAN)

This tax is Applicable to business activities. Is applicable on the net assets at the December 31th of last year and the obligation arises on January 1st from each year. The tax is equivalent to 0.4% of the value of net assets exceeding US 1 million.

8.8 Mining Taxation

The Law 30230 published in July 02 th, 2014 modified the 82 Article of the General Mining Law. Also, the 82-A and 83-B Articles were incorporated.

A relevant modification is the 83-B Article, it was incorporated by the Law 30230 that determines the extent of tax stability to additional investments when they gave for not less than US \$ 250 million amount, among other requirements.

The Executive has consider that that amount is not appropriate since in trying to predict with certainty the amount of additional investment after initial investment; and also are associated with the investment project, it would be ignoring a large number of additional investments for smaller amounts that are essential for the development of the mining activity in the country.

For this reasons, it was agreed to change the minimum amount of the additional investment of US \$ 250 million to US \$ 25 million. In the Eight Complementary Provision the Law establishes the resignation of the companies that had signed stability agreements, they will require the resignation of the contracts or agreements that they had signed their shareholders or investors for investments in companies that choose to give up to the stability to benefit from the provisions identified.

items	To 09.30.11	From 10.1. 2011
Originative Income	1. Good Standing fee	1. Good Standing fee
	2. Mining Royalties	Legal
		Contractual
3. Special Mining Contribution (SMC)		
Income Derivatives (No related taxes)	1. Income Tax	1. Income Tax
	2. Value Add Tax (VAT)	2. Value Add Tax (VAT)
	3. Excise Tax (ISC)	3. Excise Tax (ISC)
	4. Custom Duties	4. Custom Duties
	5. Financial Transaction Tax (ITF)	5. Financial Transaction Tax (ITF)
	6. Real State Tax	6. Temporary Tax on Net Assets (ITAN)
	7. Real State Transfer Tax	7. Real State Tax
	8. Tax on Vehicles	8. Real State Transfer Tax
		9. Tax on Vehicles
		10. The Special Mining Tax (SMT)
		11. Complementary Retirement Fund for Mining, Metallurgic and Steel Activities
Income Derivates (Related Taxes)	Contributions Municipal Taxes	1. Contributions 2. Municipal Taxes

9. Transfer Pricing

In order to adapt the existing national legislation to international standards and recommendations issued by the Organization for Economic Cooperation and Development (OECD), regarding the exchange of information for tax purposes, international taxation, erosion of tax bases, transfer pricing and the fight against tax evasion was published on August 24, 2018, Legislative Decree No. 1381, effective since 01.01.2019, in order to amend article 32-A of the Income Tax Law, in whose text establishes the guidelines for determining the market value of transactions between related parties.

- New guidelines are established for the application of the method of comparable non-controlled regulated price, in item 1), item e), to export or import operations of goods and services whose prices are known in the local or destination market including derivative financial instruments. For such purposes, the date or quotation period agreed upon by the taxpayer to the SUNAT is considered as date of the quotation value, provided that it is in accordance with what was agreed by independent parties under the same or similar conditions.
- An obligation is incorporated to the new method to be used in the determination of the prices regulated in number 7) of the aforementioned clause e). It is established that the taxpayer must submit a communication with the character of a sworn statement no earlier than 15 working days from the date of embarkation or disembarkation.

It is planned to present two types of informative statements:

- Subjects whose income exceeds 2300 ITU: They are obliged to submit the Transactional Affidavit of Transfer Prices - Local Report and must consider transactions that generate taxable income and / or deductible costs or expenses. By Resolution of the Superintendence SUNAT may require the presentation of said statement regarding transactions exempted, unaffected and non-deductible costs or expenses for determining the IR .
- Subjects belonging to an economic group and whose income accrued in the taxable year exceeds 20,000 ITU: They are obliged to present the Affidavit Transfer Pricing - Master Report and should detail the organizational structure, business or business description and Transfer pricing policies on intangibles, group financing, financial position, and taxation. The presentation will be annual as indicated in the regulations.
- Subjects that are part of a multinational group: They are obliged to submit the Transfer Pricing Affidavit - Country Report by Country and must report the global distribution of income, taxes paid and business activities of each entity Belonging to the multinational group that develop their activity in a country or territory.

The information provided through these declarations will be used by SUNAT in the exercise of its functions and for the exchange of information according to the international treaties or decisions of the Andean Community, being bound to the rules of confidentiality and information security indicated in the same.

10. Agreements to avoid double taxation

Now, there are agreements to avoid double taxation signed with Chile, Canada, Brazil, Mexico, Portugal, Switzerland and Korea. Also, the agreements signed with Spain and Thailand are in the process of ratification by the Congress.

In addition, for investments performed between countries member of the Andean Community, it is applicable the agreement to avoid double taxation contained in Decision No. 578.

11. Legal and Tax Stability

Through the subscription of a contract, the State may grant legal and tax stability.

There is a system of general legal stability, including stability of the regime of income tax, which is accessible for investors, both domestic and foreign, and domestic companies receiving investments.

In order to promote the development of productive investments, there are other promotional regimes that include tax stability, such as mining, hydrocarbons and petrochemicals.





Dominican Republic

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3. Country Profile

The Dominican Republic is located in the center of the Caribbean, sharing with Haiti the island of Hispaniola, with an area of 48,442 km². It is the second largest nation in the Caribbean, occupying two thirds of the island.

Thanks to its geographical position, it enjoys a competitive advantage because of its easy access for North and South America, the Caribbean and the European continent. It's an independent and sovereign country, committed to the sustainable development of its people and its resources, geared toward globalization.

Santo Domingo is the capital of the country, founded in 1496. Dominican Republic is a country of young people discovered by the Spanish. Declared its independence on February 27th, 1844 and in 1966 began the process of democratic consolidation. As of this date, the country has carried out twelve electoral periods, alternating power between the three main political parties.

The structure of the government system of the Dominican Republic is composed of three main state powers:



- **The Legislature:** Within the constitutional hierarchy, the legislature power is the first power of the state. It is represented by the Senate and the House of Representatives.
- **The Executive:** The Constitution establishes that the Executive Power is exercised by the President of the country, elected every four years by direct vote. The President may opt for a second consecutive single constitutional term.
- **The Judiciary:** The third power of the state is, according to the Constitution and laws, the institution responsible for managing justice through special committees called "Supreme Court". Its function is to ensure the protection or guardianship rights that have been established in the norms or laws. The set of all these courts constitute the Judicial Branch.

4. Investments

Dominican Republic is a country with excellent investment opportunities due to political and social stability, offering multiple business opportunities. Statistics show that it is a country with a steady growth in the various business areas. Economic indicators show that growth is sustained by the dynamics of the Dominican economy.

The Dominican Republic has developed a physical infrastructure for the requirements of a company focused on the production and marketing of goods and services:

- Roads that link all destinations within the country.
- 8 international airports.
- 13 ports, in which the DP World Caucedo is located, world-class terminal, located in Punta Caucedo, 25 kilometers from the city of Santo •

Domingo, capital of the Dominican Republic.

- Telecommunications systems provided by private suppliers, ranked among the most advanced and efficient worldwide.
- In 2015, the modern Puerto Amber Cove was inaugurated on the north coast of the country, near Puerto Plata. This port represents one of the largest investments in the cruise industry in the Dominican Republic.

4.1 National Investment Regulations

For the past years, some laws have been reviewed or approved, as well as some institutions have been created to promote foreign investment and national competitiveness, under a favorable legal environment, including:

- Centro de Exportaciones e Inversión (Export and Investment Center ~ CEI-RD), whose mission is to promote the attraction of foreign capital by strengthening the overall investment atmosphere.
- Consejo Nacional de la Competitividad (National Council of Competitiveness), whose mission is to formulate, implement, and develop the competitive strategies of the main productive sectors of the economy.
- Adoption of the Law on Prácticas Desleales del Comercio y Medidas de Salvaguardas (Unfair Trade Practices and Safeguard Measures), which establishes the rules of behavior of economic agents to promote free competition and prevent distortions caused by unfair trade practices.
- A law, which declares national priority to the sectors belonging to the textile, clothing and accessories chain; skins and leather footwear manufacturing, creating a national regulatory regime for these industries.
- Adoption of the Ley General de Defensa de la Competencia (General Law on Protection for Competition), which confirms and recognizes the constitutional right for free enterprises, trade and industry, supporting the economic efficiency, effective competition, and good commercial faith.
- Ley de la Competitividad e Innovación Industrial (Competitiveness and Industrial Innovation Law), enacted in order to create a new institutional framework allowing the competitive development of the manufacturing industry, proposing policies and support programs that encourage the renewal and industrial innovation.
- Ley de Sociedades Comerciales y Empresas Individuales de Responsabilidad Limitada (Corporations and Individual Limited Liability Companies Law), proposing a modernization of the regulation on corporate matters in the country.
- Law 155-17 against money laundering and financing of terrorism, promoted to standardize the normative instruments for the prevention, detection and punishment of transnational criminal phenomena.

nal phenomena.

Among the main investment areas are:

- Telecommunications.
- Banking.
- Insurance.
- Duty-Free Zones.
- Tourism.
- Agriculture.
- Mining.
- Construction.
- Electricity.

4.2 Procurement

The Ley de Contratación Pública (Public Procurement Law) is to establish the general principles and rules governing public procurement, related to the goods, works, services and concessions from the State, as well as detailed rules within each specialty that can be considered. The Sistema de Contratación Pública (Public Procurement System) consists of these principles, standards, and governing bodies used by government agencies to purchase goods and services, hire public works, and giving concessions with public funds.

The public sector agencies that comprise the following institutional aggregates are subject to the regulations provided under this Law and its rules.

These are the Central Government; the autonomous decentralized institutions financial and non-financial; the public institutions of the social security; the municipalities and the National District; the non-financial and financial public enterprises, and any other entity that hires the acquisition of goods, services, works and grants from public funds.

4.3 Corporate Regime

The Ley General de Sociedades Comerciales y Empresas Individuales de Responsabilidad Limitada (Corporations and Individual Limited Liability Companies General Law) number 479-08 which came into force on December 11, 2008 modernizing the corporate regime of the Dominican Republic mainly because it introduces three new vehicles in order to conduct business in the country:

- Societies in Collective Name;
- Limited Partnerships;
- Partnerships Limited by Shares;
- Limited Liability Companies (S.R.L.)
- Corporations Incorporated (S.A.)
- Simplified Corporations (S.A.S.)

They are recognized, in addition:

- Joint Venture;
- Individual Limited Liability Company (E.I.R.L.)

This legislation incorporates corporate practices of new corporate figures and business scheme, which makes it an ideal instrument for the organization and operation of businesses in the Dominican Republic, focused on adequate patrimonial planning and adequate development within the stock market.

Societies in Collective Name: those that exist under a corporate name and in which all partners have the quality of merchants and respond, in a subsidiary, unlimited and in solidarity with social obligations.

The creditors of the company can only pursue the payment of the social debts against an associate after having put the company in default by extrajudicial act.

Limited Partnerships: those that exist under a corporate name and is composed of one or several joint partners who are subsidiaries, unlimited and jointly responsible for social obligations, and each or several limited partners who are only indulged to pay their contributions.

Partnerships Limited by Shares: these societies consist of one or more general partners, who respond in a supportive, unlimited, and subsidiary way to social obligations, and three (3) or more limited partners, who have the quality of actions and as such, should only withstand the losses in the proportion of their contributions.

Limited Liability Companies (S.R.L.): these consist of two or more people under, a social denomination, through contributions from all partners (called social quotas), who do not personally respond to social debts and whose liability for losses is limited to the contributions of partners. It does not establish a minimum capital for its formation. Amended in Law 68-19.

They have a more flexible and simple corporate regime, and are the vehicles of preference for the vast majority of businesses and commercial activities taking place inside the country, especially recommended for family businesses, employees and freelancers for any business that has a single organizational structure.

Corporations Incorporated (S.A.): these societies consist of two or more people under a company name and consists exclusively of partners whose liability for losses is limited to the contributions of the partners. Its capital will be represented by essentially negotiable securities called shares, which must be fully subscribed and paid before they are issued. The type of corporate governance defined by the law is oriented towards the transparency of financial information, with the idea of

boosting the stock market.

Corporations are recommended for large investments and businesses and is mandatory for companies (partnerships) to appeal to public resources for training or in order to increase capital. It is worth mentioning that almost all societies of the Dominican Republic were organized as Corporations Incorporated (S.A.) or companies for shares in the old legal regime. Nevertheless, since a few of them had a capital of thirty million Dominican pesos (RD\$30,000,000.00) or unwilling to submit to a much stricter regulation and meet additional requirements, many have had to go through a process of transformation into Limited Liability Companies (SRL) and some into Individual Limited Liability Companies (EIRL).

Simplified Corporations (S.A.S.): these are constituted by two or more people, who will be responsible to the creditors and for the losses up to the amount of their respective contributions. It will have legal personality, the words Simplified Corporation or the acronym SAS will be added to its corporate name. This type of company is designed for large companies that do not attract resources from the public. Its social capital must be set by the statutes, which must not be less than RD\$3,000,000.00.

The capital will be divided into negotiable instruments called shares, which must be paid in cash or through contributions, and which will have a value expressed in freely convertible national or foreign currency. Various classes and series of actions may be created, including, but not limited to, preferred shares, with or without the right to vote.

Joint Venture: They constitute a contract by which two or more people who have the quality of merchants take interest in one or several specific and transitory business operations. These must be executed by one of them in his or her own name and under his personal credit, with a charge of rendering an account and divide with its participants the gains or losses in the agreed proportion. These companies lack a corporate name, patrimony and address. They will not be subject to formal requirements or registration and may be approved.

Individual Limited Liability Companies (E.I.R.L.) that are not commercial companies but are entities with legal form with individual membership. These are advantageous to the extent that can separate the business' assets from the owner's personal assets.

This means that the owner's liability is limited to the assets of the EIRL and the individuals' personal property can not be prosecuted in case of conflict resulting from the business conducted through

the EIRL. This corporate vehicle is recommended for freelancers and businesses that tend to be more "informal" such as mini markets, etc. In addition, it does not have a minimum capital requirement but it is determined by the values or amounts that the owner decides to testify on behalf of the company.

4.4 Foreign Companies

These are companies incorporated under the laws of a jurisdiction other than the Dominican Republic. Among the provisions of the Ley General de Sociedades Comerciales y Empresas Individuales de Responsabilidad Limitada (General Law of Corporations and Individual Limited Liability Companies) Number 479-08 dated December 11, 2008 that have generated major controversies are those contained in Article 11. This law states that any foreign companies performing legal acts or operates businesses in the Dominican Republic is obliged to make their entries in both the Registro Nacional de Contribuyentes (National Taxpayers Registry) within the Dirección General de Impuestos Internos (General Directorate of Internal Revenue – DGII, by its acronym in Spanish) as well as in the Registro Mercantil (Commercial Register) at the Cámara de Comercio y Producción (Chamber of Commerce and Production).

The issuance of bearer shares was forbidden, henceforth legal entities can only issue registered shares (article 103 of the law on money laundering amended and inserted article 305 and 305 bis Law of Companies 479-08);

5. Audit and Accounting

The Law 479-08 "Ley de Sociedades Comerciales y Empresas Individuales de Responsabilidad Limitada" (General Law of Corporations and Individual Limited Liability Companies), provides that the operations of commercial companies must be recorded in accounting books in accordance with accounting principles and standards generally accepted nationally and internationally, in accordance with national regulations and therefore must generate information that allows the preparation of financial statements that reflect the situation financial, the results of operations, changes in equity and cash flows and disclosures that the notes to the financial statements should contain.

Said Law also provides that any commercial company that uses credit from financial intermediation entities, or issues obligations of any kind, or has gross annual incomes exceeding one hundred (100) minimum wages of the public sector, shall audit its financial statements in accordance with the law and norms recognized by national regulations. It is expressly understood that the reference to audited statutes in the law, will be applicable

only when in accordance with this article a company is obliged to audit its financial statements, although the Tax Code does not discriminate, indicating that all tax returns must be accompanied by their respective Audited Financial Statements.

The accounting system used is through double entry, generally in Spanish language. The functional currency used will depend directly on the volume of economic transactions of the societies, however, they are determined by the Dominican Peso (RD\$) or the U.S. dollar (US\$).

The Instituto de Contadores Públicos (The Institute of Public Accountants) of the Dominican Republic, is the entity that by law regulates the accounting profession in the country, and it has instituted the use of International Financial Reporting Standards (NIIF), the NIIF-PYMES, the NIC-SP and Clarity Auditing Standards. Each company according to their size and sector should choose which regulations it would abide by.

Societies governed by public interest: Superintendencia de Valores (SIV) (Securities Superintendente); Superintendencia de Bancos (SIB) (Banking Superintendence); Superintendencia de Seguros (SS) (Insurance Superintendence); Superintendencia de Salud y Riesgos Laborales (SISALRIL) (Health and Labor Risks Superintendence); Superintendencia de Pensiones (SIPEN) (Pensions Funds Superintendence) they are authorized to register their operations according to the dispositions dictated by said organisms. Shall additionally comply with the guidelines, resolutions, regulations, and procedures required by these organizations. One of the requirements demanded of them is the presentation of the Audited Financial Statements at the end of each fiscal period. The issuance of the Audited Financial Statements is made under the rules set forth above and under the International Auditing Standards. Specialized firms that are registered and authorized to operate as such by ICPARD and the Association of Audit Firms carry out this function.

6. Employment System

The employment relations in the Dominican Republic are governed by the Law number 16-92 dated May 29, 1992, commonly known as the Código de Trabajo de la República Dominicana (Labor Code of the Dominican Republic), and its amendments, as well as its Reglamento de Aplicación (Regulation Implementations) number 258 -93. The Ministerio de Trabajo (Labour Ministry) is the agency responsible for implementing the labor standards.

6.1 Employment Contract

Generally, any relation to a person obliging to pro-

vide a personal service to another, under the authority and immediate direction or delegation to this one, in exchange of a remuneration, is considered to be an employment contract (Article 1 in the Labor Code).

Not mattering if the relation is done by a written manner or as the product of a purely verbal agreement. The existence of an employment contract is presumed from the fact of service provision (Article 15).

Any of the parties to an employment contract may demand from the other that the verbally entered contract be formalized in writing (Article 19). The existence of a written agreement requires that any modification must be made in writing (Article 20). In order to establish clear rules governing the employment relationship, it is always advisable to establish the contract in writing.

6.2 Employees benefits

- **Christmas Salary:** The employer must pay to the employee during the month of December, the twelfth part of the ordinary salary earned by the employee during the calendar year, without prejudice to the uses and practices of the company.
- **Vacations:** Employers are required to give all workers a vacation period of fourteen days, annually, including a salary scaled as follows: Starting from the first to five years of service, fourteen days of ordinary salary, after five years or more, eighteen days. The employee obtains the right of take vacations each time a period of one year is accomplished regarding any interruption inside the company. The vacations may not be divided into periods less than one week and should not be replaced by additional payments of salary.
- **Sharing the Benefits of the Company with the Employees:** It is mandatory for every company to grant a share equal to ten percent (10%) of the annual net profits or benefits to all employees (Article 223). However, this participation should not exceed the equivalent of 45 days' wages for workers who have served for less than three years, and 60 days of salary for employees with more than three years. The ones exempt from this participation are: a) agricultural entities, industries, forestry and mining, for the first three years of operation, b) agricultural companies whose capital doesn't exceed one million pesos, and c) the duty-free zone companies.
- **Work Periods:** The normal work week is of 44 hours, with a normal eight-hour a day work schedule. Common practice is to work from Monday to Friday and, in some companies, on Saturday. The work hours of part-time employees cannot exceed 29 hours.

6.3 Other Labor Aspects

6.3.1 Termination of Labor Contract

The employment contract may be terminated, among other reasons, in which is not necessary to plead a cause; layoff, when there is a reasonable cause and by mutual consent. During the first three months of work, employees can be laid off without having to pay some sort of compensation. After this period, the employee is entitled severance depending on seniority. In case of dismissal for a cause in accordance with the causes and procedures under the Código de Trabajo (*Labor Code*), the employer does not have to pay any compensation to the worker, if the dismissal is declared unjustified; workers are entitled to compensation corresponding to the termination of the contract. The employer must give an advance notice of layoff to the worker in accordance with the deadlines established, in which they can be ignored almost always the employer pays to the worker the corresponding salary. These payments are not subject to income tax.

6.3.2 Income Tax

The employer has the obligation to act as a withholding agent of the income tax and pay said amount to the tax authorities. Currently, the employer should only act as withholding agent for workers who earn higher wages than RD\$416,220.01 per year or RD\$34,685.08 per month, as these are the minimum wages to pay income tax.

6.3.3 Social Security

The Law number 87-01 on Social Security requires employers and employees to contribute to the insurance scheme established by the Law, which provides for three types of assistance: a) health insurance, b) old-age insurance, disability and survival (Pension Funds), and c) insurance against labor hazards. The employer must finance 70% of the cost of all health pensions, while each employee must pay the remaining 30%. The employer must fund 100% of the labor risk insurance and 0.4% of the wages to contribute to the Fondo de Solidaridad Social (*Social Solidarity Funds*).

6.3.4 INFOTEP

Todo empleador debe contribuir mensualmente con el 1% del valor de su nómina de empleados al Instituto de Formación Técnico Profesional (INFOTEP), la cual tiene como objeto la formación y capacitación técnica de los trabajadores dominicanos. In case the employee receives the payment of the participation in the profits of the company, he must contribute one percent of said payment.

7. Exchange Regulations

The Exchange Regulation has been implemented under the provisions of the Monetary and Financial

Law, in order to establish "rules, policies and procedures" governing foreign exchange transactions in our country, in order to maintain an environment of "competitiveness and efficiency" and to preserve price stability. This document defines the entities authorized to conduct foreign exchange operations and the rules and laws to be followed by them. In addition, the following are highlighted notes:

- For statistical, countable and similar purposes, the dollar is the countable unit used to express all foreign currencies.
- The Banco Central (*Central Bank*) will publish a reference exchange rate of a purchase and a sales price based on the weighted average number of daily transactions by exchange intermediaries and financial institutions. This resulting type of reference exchange rate shall be applied for accounting, legal and reporting purposes.
- All foreign exchange transactions must be channeled through the exchange intermediaries and authorized financial institutions.
- The purchase of financial services by individuals or legal entities located in Dominican territory to financial service providers from abroad shall be subject to the foreign exchange regulations adopted or maintained by the Junta Monetaria (Monetary Board) under the current legislation. (Source: Exchange Regulation: General Provisions. Banco Central de la República Dominicana).

8. Dominican Republic's Tax System

The Código Tributario (Tax Code) Law 11-92 and its amendments govern taxes in the Dominican Republic. The Dirección General de Impuestos Internos (General Directorate of Internal Revenue – DGII) issue the rules, an independent body responsible for the collection and administration of taxes (Article 3 Law 227-06).

8.1 Income taxes on individuals

Tax the income of working in dependent or exercise of profession or trade liberal commercial activities and investment or financial gains abroad. It applies a progressive tax scale of 15%, 20% or 25% of the value of income earned during the year.

8.2 Income Tax legal person or company

Taxes net taxable income in a given fiscal period.
Corporate rate 27%

8.3 Advanced income tax

Individuals subject to the annual affidavit income tax, and those presenting commercial activities in their annual income tax affidavit must pay this income tax.

The calculation of the advanced payments for individuals or entities is determined from the effective

tax rate (TET= tax paid ÷ gross income). If the TET is greater than 1.5%, the liquidated tax is taken as a base; and if less than or equal to 1.5% the result of applying the 1.5% is taken as a base for the reported income in the fiscal year. For individuals, single business owners, and undivided, the calculation of the advance payment is made from the liquidated tax paid in the income tax affidavit. The resulting amount must be paid in twelve equal and consecutive fees, which are a deductible tax credit of the tax paid in the next fiscal period.

8.4 Withholding Income Tax

Entities that act like withholding agents are public entities, commercial companies and other institutions mandated by the Law, which shall deduct from the amount payable to individuals and undivided successions, the amount of the appropriate tax, delivering to the Tax Administration within the prescribed period. Services subject to withholding tax and tax rates are:

- 27% on remittances abroad.
- 10% on interest paid or credited abroad.
- 10% on interest paid or credited to resident individuals.
- 10% on dividends paid in cash.
- 10% on fees, commissions, and rents paid to individuals not performing as an employee. The profits obtained through betting banks and lottery have the following withholdings:
- 5% on prizes of RD \$ 100,001 up to RD \$ 500,000.00.
- 10% on prizes of RD\$500,001.00 up to RD\$1,000,000.00
- 25% on prizes of RD\$1,000,001.00 an up,
- 25% on profits obtained through promotional or advertising campaigns, among others.
- 10% on prizes slot machines.
- 5% on payments made by the State to individuals and legal entities.
- 10% on other income not expressly contemplated in the Tax Code.
- 2% on other withholding tax. (Norm 07-2007).
- 1% on capital gain when companies or entities acquire shares and stocks.
- 27% on donations (norm 7-10).
- 1% of the interest paid to legal entities (companies) by financial institutions (norm 13-11).

8.5 Additional Compensations or Supplementary Remunerations

Taxes are applied to all compensation or individualized benefits that an employer gives to their employees in addition to their salaries in cash. Within the compensation or payments made by companies that are subject to the payment of supplementary remuneration are:

- Education coverage.

- Life insurance, health, and pensions in addition to those stipulated by Law.
- Housing allocation.
- Food subsidy.
- Special discounts and bonuses on goods or services acquired in the same company.
- Vehicle allocations and fuel consumption.
- Maintenance staff. A 27% rate is applied on the value of the supplementary remuneration.

8.6 Tax on Assets

Taxes on the total value of assets, including properties listed on the balance sheet, not adjusted by inflation and applied after the deduction for depreciation, amortization and provisions for uncollectible accounts. Excluded from the taxable base of this tax are investments in shares in other companies, land in rural areas, real estate by nature of agricultural holdings and advanced taxes or advanced income taxes.

When the value of the income tax calculated (27% on the net taxable income) is less than 1% of the assets, the company must pay the difference as a complement to its annual sworn statement.

8.7 Tax on Industrialized Transferences of Goods and Services – ITBIS

It is a general consumption tax rate, serving as an added value concept in the shape and manner prescribed by the Law, to the following operations:

- The transfer of industrialized properties.
- The import of manufactured properties.
- The provision and location of services.

Through the entry into force of Law 253-12, the rate that is applied is 18%. The Tax Administration can designate, as retention agents, the recipients of certain services or purchasers of certain goods, identifying precisely those services and goods. The 100% withholding of the invoiced ITBIS is established for the following services:

- Services offered by individuals.
- Rental of real estate and securities billed by individuals.
- Commission paid by airlines to the travel agents from the sale of airline tickets.

The 100% withholding tax is established for the following services:

- Commission paid by hotels to the travel agents, brokers and others, when they are billed for lodging, accommodations.
- Commission paid by insurance companies in favor of brokers, insurance agents and others, when they are billed for services brokerage.
- Companies engaged in providing security services.

- Property or services billed by companies that operate under the PST (method which helps with the tax compliance of the medium and small taxpayers, whether legal or natural, that can help settle the income tax based on purchases and/or income and pay the tax on the transfer of goods and services (ITBIS) based on the added gross value).

Companies of any nature are instituted as ITBIS withholder agents when they pay the liberal professional services to other companies or non-profit societies. The applicable withholding tax for these services will be 30% of the billed ITBIS. Among the services in which the withholding taxes apply are the following:

- Engineering services in all its branches, architecture, accounting, auditing, law, computing, management, design, consultancy and general consultancy.
- Rental on property goods.

8.8 Simplified Tax Regime – RST

It is a method that facilitates the tax compliance for medium and small individuals or legal taxpayers, allowing the income tax to liquidate based on purchases and/or income and pay tax on the transfer of industrialized goods and services based on the gross value added.

The ones eligible for this method are:

- Individual or legal persons that are tax payers in the commercial sector of detail and wholesale supplies and small industries, whose purchases round up to RD\$40,759,725.00 annually. Amount adjusted by the annual inflation.
- Individual or legal taxpayers who provide professional services independently, non-salaried, with no organized accounting, whose income does not exceed RD\$8,771,771.50 annually. This amount is adjusted annually for inflation.

8.9 Tax on real estate, sumptuary housing and unbuilt urban plots – IPI

- Taxes imposed on homes and business centers in urban or rural sites and urban sites not built property of individuals.
- A tax is established of 1% of total property assets which exceed RD\$7,138,384.80.

8.10 Selective consumption tax – ISC

This tax is applied on transfers of certain national produced goods at the manufacturing level, and their importation, telecommunications, insurance and payments thru written checks. This tax will be paid with different rates depending on the goods or services to which it applies, among which we quote:

- Alcohol Products: Specific amounts depending on

- the number of liters of absolute alcohol.
- Tobacco Products: Specific amounts depending on cigarette packs and 130% for cigars.
- Telecommunication Services: 10%.
- Checks and Electronic Transfers: 1.5 x 1,000 (0.0015).
- General Insurance Services: 16%.
- Other goods established by Law: Specific amounts depending on the good.

8.11 Successions and Donations

Any transfer of real or personal property by inheritance or donation is taxed. A rate of 3% is applied on the successors' amount and 27% on donations.

9. Other taxes managed by the General Directorate of Internal Revenue (DGII)

- Tax on Company Incorporations.
- Tax on casinos.
- Tax on lottery banks.
- Tax on sport betting banks.
- Tax on slot machines.
- Tax on telephone games.
- Tax on online games.
- Tax on Duty-Free Zones.
- Tax on Commercial Banks, Savings and Loan Associations, Savings Banks and Credit and Corporate Credit.
- Tax on motor vehicle.
- Tax on real estate transfers.
- Ad-valorem tax on fossil fuels and petroleum. Tourist Card.

10. International Treaties. Bilateral Investment Agreements

International trade plays an important role in the Dominican economy. For this reason, the government and the private sector have made efforts to strengthen it through regional integration, bilateral and multilateral agreements with various countries:

- Free Trade Agreement between the United States, Central America and the Dominican Republic (DR-CAFTA).
- Lomé and Cotonou for EU cooperation with the Dominican Republic, through the ACP countries (Africa, Caribbean and Pacific).
- Letter of intent for FTA with Taiwan.
- Economic Partnership Agreement between the CARIFORUM, States and the European Union and its member states.
- Bilateral Investment Promotion and Protection of the Kingdom of Spain, Ecuador, France, Republic of China, Argentina, Chile, CARICOM and Central America.

11. International Agreements

- Agreement between the Government of the Dominican Republic and the Government of the United States of America, for the exchange of

tax information.

- Agreement with the United States on the FATCA law.
- Agreement between the Dominican Republic and Canada to avoid double taxation and prevention of fiscal evasion with respect to taxes on income and capital.
- Agreement between the Dominican Republic and the Kingdom of Spain for the avoidance of double taxation and prevention of fiscal evasion (pending approval by the Senate of the Dominican Republic).

12. Transfer Price

Starting the fiscal year 2011, taxpayers reporting income taxes by operating with related or affiliated companies, must submit to the Dirección General de Impuestos Internos (DGII) an informative declaration of enabled operations with related or affiliated parties. The documentation and information forming part of the declaration will contain the details of each transaction and the identification of the related parties, according to the established format.

In addition, a report is submitted on the assessment process of the transfer prices agreed on with their related companies. If after applying the methods to determine the market price that fits the reported transaction, the price or amount declared or established differs from the market price, will be by either over- or undervaluation, the Dirección General de Impuestos Internos (DGII) shall proceed to challenge it, making the settlement for the acquirer and the transferor.

13. Special Regimes

With the entry of the Law 253-12, several benefits were eliminated under incentive laws.

- Law No. 158-01, eliminates the benefits established by this law granted to individuals or legal persons who invest directly with promoters or developers.
- Law No. 108-10 encourages Film and Cinematography activities, it is also established that the tax credit provided in this law, shall not be transferable and must be used exclusively by the producer.
- Law 57-07 on Renewable Energy incentives eliminates income tax exemptions to renewable energy generators. It reduces the tax credit from a 75% to a 40% over the cost of investment in equipments.
- For Duty-Free Zones under Law 8-90, it is established a rate of 3.5% on its gross sales in the local market.
- For Trade Zones under the Law 397 as modified by the law 315, establishes a rate of 5% on gross sales.
- Classification of Special Zones are suspended according to the law 8-90.

- The refund of tax to the goods producers that are exempt, are eliminated. The self-producers.
- For the Commercial Free Zones covered by Law 4315, modified by 397, a rate of 5% is established on gross sales.

14. Law 155-17 On Money Laundering and Financing of Terrorism

The enactment of the Law against Money Laundering and the Financing of Terrorism No. 155-17, was declared on June 1st of the year two thousand seventeen (2017), which repeals Law No. 72-02 on laundering of Assets Coming from Illicit Drug Trafficking, of the seven (7) day of June of the year two thousand two (2002). This law brings new challenges for the whole society and especially for the financial intermediation entities and the so-called obligated subjects, bringing with it very serious consequences against all those who violate this law.

It is convenient to highlight that this new legislation constitutes an important advance for the Dominican Republic. It introduces to our legal system the new international standards on the fight against money laundering and the financing of terrorism, according to the recommendations of the International Financial Action Group (GAFI, by its acronym in Spanish), issued in the month of February of the year two thousand and twelve (2012) and updated in the year two thousand and sixteen (2016).

The purpose of Law No. 155-15 is to establish: (i) The acts that typify money laundering, the preceding or determining infractions and the financing of terrorism, as well as the criminal sanctions that are applicable; (ii) Special investigative techniques, cooperation mechanisms and international judicial assistance, and precautionary measures applicable to money laundering and financing of terrorism; (iii) The regime for the prevention and detection of money laundering operations, financing of terrorism and the financing of the proliferation of weapons of mass destruction, determining the obligated subjects, their obligations and prohibitions, as well as the administrative sanctions derived from their non-observance; and, (iv) Institutional organization aimed at avoiding the use of the national economic system in money laundering, financing of terrorism and financing the proliferation of weapons of destruction.

The Law Specifically determines, as money laundering (i) the conversion, transfer or transportation of goods, knowing that they are the product of any of the preceding offenses, with the purpose of hiding, concealing or concealing the nature, origin, the location, disposition, movement or real property of possessions or rights over possessions; (ii) hide, disguise, or conceal the nature, origin, location, disposition, movement or real property of goods or property rights, knowing that said property comes from any of the preceding offenses; (iii) acquire, possess, manage or use properties, knowing that they come from any of the preceding offenses (iv) assist, advise, support, facilitate, incite or collaborate with people who are involved in money laundering to avoid prosecution, submission or criminal convictions; and, (v) the participation, as an accomplice, in any of the activities mentioned in the above numerals, the association to commit this type of acts, the attempts to perpetuate them and the fact of helping their commission with an essential provision for perform them or facilitate their execution.

Another important modification is with respect to the Tax Code in its article 50, literal C, which indicates that taxpayers, responsible persons and third parties are obliged to register in the National Registry of Taxpayers and the pertinent special registers. This article has been modified to include that, for any legal entity or entity without resident legal personality, as well as non-resident, in the cases specified by the Law, the obligation to have updated information of its final beneficiaries is established.

Likewise, Article 64 of said law establishes that it "prohibits any person, physical or moral, from paying or liquidating, as well as accepting the settlement or payment of acts or operations through the use of cash, coins and banknotes, in national currency or any other, as well as through precious metals ". With this provision we will see limited all cash payment in transactions. The lawyers and the institutions that intervene must make sure that the payment was real and that it has been recorded by means established by law. Law No. 155-17 introduces a transitory article to Law No. 141-15 on Mercantile Restructuring and Liquidation of Companies and Merchants, by which the Dirección General de Impuestos Internos (DGII) (General Directorate of Internal Taxes) is empowered to regulate by general rule an abbreviated procedure to urge the expeditious liquidation of companies.



The Republic of Suriname

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3. Country Profile

Suriname, officially known as the Republic of Suriname, is a sovereign state on the northeastern Atlantic coast of South America. It is bordered by Guyana to the west, French Guyana to the east and Brazil to the south. The capital of Suriname is the city of Paramaribo.

As of January 1, 2020 the population of Suriname was estimated to be 573.311. As a result of the implemented colonial labor policy the population has a large ethnic diversity. The ethnic composition is as follows: Indians (27%), Maroons (22%), Creoles (16%), Javanese (14%) and other (Chinese, Brazilians, Europeans etc.). Suriname is also known as a country where various religions (Christianity, Hinduism, Islam, and Judaism) are being practiced in harmony.

In 1954 Suriname became one of the constituent countries of the Kingdom of the Netherlands. On November 25, 1975 Suriname became an independent state: the Republic of Suriname. Nevertheless, Suriname maintained most of the legal policies and principles of the Netherlands. The official language is Dutch.

The Republic of Suriname is a parliamentary de-



mocracy. The legislative power consists of a 51-member unicameral National Assembly, simultaneously and popularly elected for a five-year period. The President of Suriname is also elected for a five-year period by a two-third majority of the National Assembly; the Vice-president is chosen by a simple majority. As a head of the government, the President appoints the cabinet of Ministers. Suriname is divided in ten districts and subdivided into 62 resorts. Each district is headed by a district commissioner appointed by the President.

Suriname is from the cultural side considered to be a Caribbean country and is a member of the Caribbean Community (CARICOM).

The currency of Suriname is the Surinamese Dollar (SRD). However, the US Dollar and Euro are also frequently applied on foreign transactions.

4. Foreign Investment Regime - Types of Companies

The types of business entities mostly used by foreign investors are the (Public) Limited Companies by Shares (Ltd.) and branches of foreign companies. Both the civil legislation (Civil Code) and the commercial legislation (Code of Commerce), as well as the different specific laws, must be taken into consideration when a company is established in Suriname.

The following types of companies are being recognized by the Chamber of Commerce and Industry:

- Sole Proprietorship;
- General Partnership;
- Limited Partnership;
- (Public) Limited Company by Shares (Ltd.);
- Foundation;
- (Cooperative) Association;
- Branch of a foreign company.

According to the Trade Register Act, every company established in Suriname must be registered in the Trade register at the Chamber of Commerce and Industry. The following companies are not obligated to register in the Trade register: bodies governed by public law, companies belonging to minors (who are not married and do not have a release of pledge) and companies who are exclusively conducting activities in agriculture, horticulture, fishery or hunting (unless the activities are conducted through a corporation, foundation or association).

4.1 Sole proprietorship

A sole proprietorship is a company that is conducted by a (resident) natural person who is also the owner of the company. The sole proprietorship is not regulated by law and therefore has no legal personality.

Only a resident of Suriname can establish a sole proprietorship. It is not compulsory to establish a sole proprietorship by notarial deed. The (resident) sole proprietor can start its business activities when the business permit has been granted and the company has been registered in the Trade register at the Chamber of Commerce and Industry. The sole proprietor holds the rights of and is liable for the obligations of the company with all his assets; creditors can recover their claims on both private and company assets.

4.2 General partnership

The general partnership is a partnership for the conduction of business activities under a common name. The general partnership has no legal personality.

The purpose of a general partnership is to gain collective financial benefits by a collaboration of two or more persons.

The general partnership can be established through a cooperation/partnership agreement between two or more persons. The general partnership must also be registered in the Trade register at the Chamber of Commerce and Industry.

The partners of the general partnership can act on behalf of the company as long as the actions are in line with the purpose of the company. The partners are jointly and severally liable for all the obligations of the general partnership.

4.3 Limited partnership

The limited partnership is a partnership between one or more general partners and limited partners. Limited partners participate in the limited partnership by a contribution in cash and/or kind; in principle they do not act on behalf of the company and they are in principle only liable for their contribution. The limited partnership has no legal personality.

The limited partnership can be established by a mutual agreement. The limited partnership must also be registered in the Trade register at the Chamber of Commerce and Industry.

General partners are jointly and severally liable for all the obligations of the limited partnership. As mentioned above, limited partners are in principle only liable for their contribution to the limited partnership. The limited partner can be held jointly and severally liable anyway in case he acts on behalf of the company and/or interferes with the conduction of the business activities.

4.4 (Public) Limited Company by Shares (Ltd.)

The (Public) Limited Company by Shares (Ltd.) is a company with a capital divided in shares, held by its shareholders. The Ltd. has legal personality.

According to the amended Civil Code it is as of August 18, 2016 no longer mandatory to establish a Ltd. by multilateral legal action by notarial deed; the Ltd. can be established by one person using the standard deed of establishment as determined by the Ministry of Trade and Industry. The Ltd. must be registered in the Trade register at the Chamber of Commerce and Industry. Various documents (such as articles of association) must be filed at the Chamber.

With the implementation of the amended Civil Code there are no longer mandatory minimum requirements with regard to issued and/or paid capital.

As the Ltd. has legal personality, the Ltd. itself holds therefore the rights and is liable for the obligations of the company. In case of mismanagement the management of the Ltd. can also be held liable by both shareholders and third parties; in case of bankruptcy the burden of proof can be reversed to the management. Shareholders are in principle only liable for their paid-in capital in the Ltd., but according to the amended Civil Code shareholders can also conclude additional conditions and/or obligations in the articles of association and/or in a shareholder agreement.

4.5 Foundation

The foundation is a legal entity that is established by notarial deed or will, in order to accomplish a certain purpose. The purpose is often social, cultural, charitable, scientific or for a general benefit. The purpose of the foundation cannot consist of the distribution of profit to its founders, directors or other persons connected with the foundation.

The foundation must be registered in the Public Foundation register at the Chamber of Commerce and Industry. The articles of association must also be filed at the Chamber. In case the foundation is

conducting economic business activities, the foundation must also be filed at the Chamber. In case the foundation is conducting economic business activities, the foundation must also be registered in the Trade register at the Chamber of Commerce and Industry.

The foundation has legal personality and therefore the foundation itself holds the rights and is liable for the obligations arisen from the activities conducted by the foundation. The directors are only acting on behalf of the foundation to the extent of their authority in accordance with the articles of association.

The directors of the foundation are only jointly and severally liable for consequences related to the negligence of the registration requirements.

4.6 (Cooperative) Association

The association is established by a multilateral legal action (by notarial deed). The association is a legal entity where the parties/ members/founders cooperate in order to accomplish a certain purpose. There are two types of associations: cooperative associations/mutual associations and all other associations. The purpose of the latter type of associations cannot be the distribution of profit.

The association must be registered at the Chamber of Commerce and Industry; the articles of association must also be filed at the Chamber. The members of an association are not personally liable for the actions of the association. The association itself is liable for all its obligations arisen from the activities conducted by the association.

4.7 Branch of a foreign company

In general a branch of a foreign company is conducting activities in Suriname under the name of the foreign parent company. A branch has no legal personality.

The foreign parent company must be established in accordance with the legal regulations of the foreign country and the branch must be registered in the Trade register at the Chamber of Commerce and Industry in Suriname. The articles of association, the extract of registration of the foreign parent company and the letter of employment of the branch manager must also be filed at the Chamber of Commerce and Industry.

The branch is subject to the legal regulations of Suriname and is also tax liable in Suriname. The branch manager is in charge of the activities conducted by the branch. The foreign parent company holds the rights of and is liable for the obligations of the branch.

5. Audit and Accounting

As of October 6, 2017 the Act on Annual Accounts has been implemented. In summary, the Act on Annual Accounts states that the public interest entities (including entities listed on a stock exchange) are subject to certain accounting principles, depending on their size (large, medium or small). In order to determine as to whether the entity qualifies as large, medium or small, the following general criteria should be taken into account:

- The average number of full-time employees during the financial year;
- Net sales, assuming normal non-recurring operating activities for the financial year;
- The total value of assets according to the balance sheet at the end of the financial year.

Furthermore the Act on Annual Accounts states the following obligations:

- Drawing up the annual accounts and management report within 6 months after the end of the financial year;
- Publication of the annual accounts, the management report and the auditor's report within 8 working days of the adoption of the annual accounts;
- Mandatory audit of annual accounts by a certified accountant for public interest entities, large entities and medium-sized entities;

The applicable reporting standards for the preparation of the annual accounts in accordance with the Act on the Annual Accounts are:

- For large entities/ public interest entities: (Full) International Financial Reporting Standards (IFRS) or other internationally accepted accounting standards;
- For medium-sized entities: International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SME);
- For small-sized entities: Tax valuation principles in accordance with sound business practice.

The annual accounts of large entities must comply with the above mentioned reporting standards and obligations starting from the financial year 2020 and for medium and small-sized entities starting from the financial year 2021.

As of October 2, 2018 the Act on Suriname Chartered Accountants Institute (SCAI) has been implemented. This law aims to make the Surinamese Association of Accountants (SUVA) a public-law professional organization that carries out work and provides services for the accountancy profession and the accountancy laws and regulations of Suriname. The professional organization is member of the Institute of Chartered Accountants of the Caribbean (ICAC)

and is in the process of obtaining international affiliation with the global umbrella professional organization for accountants (IFAC).

6. Labour Regulations

In the Labour Act the general rights and obligations with regard to employers and employees are determined.

6.1 The Labour Agreement

According to the Civil Code there are three essential elements which define a labour agreement:

- There should be a relationship of authority between the employer and the employee;
- The employee is performing labour;
- The employer is paying the employee a salary in return.

The labour agreement can be determined for a defined period or for an indefinite period. In general there is a trial period of maximum two months before the labour agreement becomes enforceable.

It is prohibited to let the employee perform labour for longer than 8.5 hours per day or 48 hours per week.

For certain types of jobs (such as security) a higher maximum of working hours can be applied. For overtime to be performed by employees, the employer/ company must have a permit. Furthermore, it is mandatory by law that the employee who worked more than five hours should get a break for at least half an hour.

6.2 Payment

As of September 13, 2020 the Minimum Wage Law 2019 has been implemented and the Minimum Hourly Wage law 2014 has been withdrawn. On July 11, 2019 the Resolution Minimum Hourly Wage 2019 has been implemented. According to this Resolution the minimum hourly wage is SRD 8.40 as of March 1, 2019. The minimum hourly wage set by this Law or pursuant to this Law, does not affect a minimum hourly wage agreed between employer and employee that exceed SRD 8.40. For certain types of companies (such as security companies) there is higher minimum hourly wage (SRD 8.60).

For overtime 1.5 times the wage must be paid in case the overtime was performed on working days. In case the overtime was performed on Sundays and/or holidays, 2 times the wage must be paid to the employee and in case the employee is not compensated with other rest days in replace for the days worked on Sundays and/or holidays, the employer is obligated to pay 3 times the wage to the employee.

There is no obligation by law to pay an annual bonus.

6.3 Vacations

According to the Vacation Law the employee is entitled to a minimum of twelve vacation days per calendar year (one day for each month worked) with preservation of the wages. In each subsequent year the number of vacation days will be raised with two days per calendar year with a "maximum" of 18 vacation days. Employers can provide more vacation days than prescribed by law.

The employee who is entitled to vacation days is also entitled to vacation allowance. The vacation allowance is minimal 50% of the wages over the period of the vacation days.

6.4 Social security and insurances

In general social security premiums are shared by the employees and the employer.

According to the Health Care Law every resident of Suriname is obligated to have a health insurance. In case of employment the employer is obligated to contribute a minimum of 50% of the health insurance premium. The other 50% of the health insurance premium is withheld by the employer on the wages of the employees and accordingly remitted to the health insurance company. Foreign employees who can be considered to be residents of Suriname (such as expats) are also subject to the stipulations of the Health Care Law.

According to the General Pension Law every working resident of Suriname is obligated to participate in an approved Pension Plan in accordance with the stipulations of the General Pension Law. The employer is obligated to contribute a minimum of 50% of the pension premium. The other 50% must be withheld from the wages of the employees by the employer. The total pension premium must accordingly be remitted by the employer to a pension insurance company. Foreign employees working in Suriname who can be considered to be residents of Suriname are also subject to the stipulations of the General Pension Law. The (foreign) employee who reached the retirement age of 60 years and who contributed to the Pension Plan for at least 5 years, is entitled to the pension payment.

Besides the pension premium of the General Pension Law there is also an obligatory Old Age Premium (4% of the wages) due by the employee who is a resident of Suriname. The Old Age Premium is withheld from the wages by the employer and accordingly remitted to the Government. Residents of Suriname with a Surinamese nationality are entitled to the Old Age Premium when the retirement

age of 60 years has been reached. Residents of Suriname with a foreign nationality are entitled to the Old Age payment when the retirement age of 60 years has been reached and they contributed for at least 10 years to the Old Age Fund.

Employers are also obligated to insure their employees for accidents related to labour. The premium for the accident insurance is determined based on the day salary of the employees and the function (office/fieldworkers etc.).

6.5 Unions

The Collective Labour Agreement Act states that only labour unions and employers can conclude a collective labour agreement. In the collective labour agreement additional rights and obligations can be determined for the employees.

7. Exchange Controls

A foreign exchange commission is in charge of the foreign exchange control. In principle, permission from the foreign exchange commission ("FEC") is needed for the transfer abroad of capital (such as dividend distributions and interest payments on loans) and for providing loans by a resident to a non-resident and vice versa. For the import of capital, no permission is needed from the FEC. Payments abroad to foreign suppliers on goods, services etc. should take place through the commercial banks. Although certain conditions (administrative) should be met, no specific permission is needed from the FEC. As a result of the various stipulations with regard to the prohibition of discriminatory restrictions under the CARICOM treaty, certain restrictions on the movement of capital in the CARICOM have been waived by Public Decree by the FEC.

The foregoing is not an exhaustive treatment of the foreign exchange control regulations, but deals with some relevant provisions. Because of the complexity of the foreign exchange control provisions, a more detailed outline of the relevant foreign exchange control regulations can be provided, if needed.

As of March 24, 2020 the Currency Control and Transaction Offices Law 2020 has been implemented. This Law further regulates the transactions of foreign currencies. It also attempts to discourage the use of foreign cash currencies for transactions. At the same time, it also encourages the use of cashless payments for transactions in foreign currency. Due to certain issues regarding the Law, the Law has been suspended by a court verdict until further notice.

8. Tax System

In Suriname the following taxes are currently applicable:

- Corporate Income tax.
- Personal Income tax.
- Wage withholding tax.
- Dividend withholding tax.
- Net wealth tax.
- Turnover tax.
- Import, export and excise duty.
- Stamp duty.
- Rental value tax.
- Various gambling taxes (raised corporate income tax, lottery tax, casino tax).

8.1 Corporate Income tax

Companies resident in Suriname are subject to corporate income tax which is levied on their worldwide income after deduction of business expenses and possible tax losses. The basis for assessment of a resident company's corporate tax liability is the amount of profit remaining after certain deductions and a possible relief for tax losses. Surinamese Tax Law defines "profit" as "all the benefits derived from the carrying on of an enterprise, regardless of the name or form of the benefits". Profit includes income from all sources, domestic and foreign (such as profit derived from a foreign permanent establishment and dividends received from a foreign subsidiary).

Non-resident companies are taxable only on income derived from a permanent establishment (branch of a foreign company), income from immovable property located in Suriname and certain other types of Surinamese source income such as interest received on loans secured by a mortgage of real estate located in Suriname. The Suriname Tax Law also has stipulations with regard to deemed profit derived from a permanent establishment for instance for exploring and exploiting natural resources in Suriname.

Companies who are conducting business activities in Suriname are obligated to file annual provisional and final corporate income tax return for respectively the current tax year and the past tax year. Within 2.5 months of the pending tax year a provisional corporate income tax return should be filed based on an estimate of the company's/branch' taxable profit of the current year.

The corporate income tax due on this estimated profit should be paid in 4 equal installments during the current year. A final corporate income tax return should be filed within 6 months after the end of the company's/branch' tax year accompanied with a balance sheet and profit & loss account.

The corporate income tax rate for resident companies and Surinamese branches of foreign companies consists of one flat rate of 36%.

If certain conditions are met, a Surinamese company or permanent establishment can request to report its annual tax accounts and results in another currency than the Surinamese Dollar.

8.2 Personal Income tax

Resident individual tax payers are taxed on their worldwide income while non-resident tax payers are taxed only on specific sources on income in Suriname (such as labour performed in Suriname and rental income derived from real estate in Suriname). No municipal or other local taxes are imposed on income. A non-resident tax payer is according to formal Suriname tax law as of day one liable for Surinamese individual income tax purposes.

Individual tax payers are also obligated to file annual provisional and final personal income tax return. The provisional income tax return must be filed within 2.5 month of the current tax year and the final income tax return within 4 months after the end of the tax year.

The tax rate for the individual tax payer is a progressive rate from 0 – 38% divided in the following brackets.

In the calculation of the taxable income of a resident individual tax payer a tax free amount of SRD 2,646 applies. In addition there is a maximum deductible of SRD 125 per month (SRD 1,500 per year) applicable in calculating the income tax. A fixed deduction can be applied for general work expenses equal to 4% of the gross salary payments with a maximum of SRD 1,200 per year both for a resident and a non-resident tax payer. In case the employer can substantiate that the actual work expenses of the employee are higher than the fixed deduction, the actual work expenses can be deducted from the gross salary.

Due to the Covid-19 crisis in Suriname, the Government has decided to increase the monthly payroll tax deduction from SRD 125 to SRD 750. This measure will apply for 6 months starting May 2020.

8.3 Wage Withholding tax

In general, personal income tax in respect of employment income is withheld from wages and salary payments. All employers in Suriname (including branches of foreign companies) should deduct wage tax from wages, salaries and other taxable remunerations paid to both resident and non-resident employees. The withheld wage tax must accordingly be remitted at the tax authorities on (normally) a monthly basis as determined by the employer. Therefore, a withholding, filing and payment liability exist for the employer with regard to wage withholding tax.

The wage withholding tax return should be filed ultimately on the 7th working day after the end of the month the wage period is ended.

The payment of wage withholding tax should also take place ultimately on the same date.

The applicable wage withholding tax rates are equal to the personal income tax rates (0 - 38%) and the deductions also apply accordingly.

Taxable income in SRD		Tax rate
From	To	
0	2,646	0%
2,646	14,002.80	8%
14,002.80	21,919.80	18%
21,919.80	32,839.80	28%
Above	32,839.80	38%

8.4 Dividend withholding tax

Dividends distributed by a Surinamese company to its (foreign) parent company are subject to 25% dividend withholding tax. This tax is like the wage withholding tax also an advanced levy to personal income tax. A withholding, filing and payment liability exist for the distributing company. Under tax treaties this rate is normally reduced to a lower level.

If certain conditions are met a participation exemption is applicable; dividends received by a Surinamese resident company from a resident company are then not subject to dividend withholding tax.

Interest, royalties, management fees, fees for technical assistance etc. paid by a Surinamese company to a company abroad are according to the current applicable laws not subject to withholding taxes.

No withholding tax is imposed on profit distributions by a branch in Suriname.

8.5 Net wealth tax

In addition to personal income tax, individuals resident in Suriname are subject to tax on the value of their net wealth as of January 1 of each year. Taxable wealth for this purpose is the total value of the tax payer's net assets except for certain items such as life insurance policies and cash value of pensions. Non-resident individuals are only subject to the net wealth on certain assets situated in Suriname such as immovable property. The rate of the net wealth on both residents and non-residents is 3 promille of taxable wealth. There are certain exemptions for single persons and for married individuals.

8.6 Turnover Tax

Currently a turnover tax is applicable in Suriname. The turnover tax is levied on:

- Goods produced and delivered by entrepreneurs within the scope of their business;
- Specific listed taxable services (Schedule I of the Turnover Tax Act) rendered by entrepreneurs within the scope of their business;
- The importation of goods.

The turnover tax rates are as follows:

Taxable performance	Tax rate
Delivery of goods	10%
Specific rendered taxable services	8%
Importation of goods	10%
Exportation of goods	0%

Note: the deliveries of certain basic necessities are subject to a zero rate and the importation of certain luxury goods are subject to a raised rate of 25%.

If a foreign company performs taxable services in Suriname to a Surinamese company, the turnover tax is not due by the foreign company but by the Surinamese company (reversed charge mechanism).

The turnover tax return must be filed and accordingly paid before the 15th following the tax month.

The current government has the intention to implement a Value Added Tax (VAT). At first the new VAT legislation was supposed to be introduced as of January 2018 but the implementation is postponed until further notice. The new VAT legislation is supposed to replace the current applicable turnover tax legislation.

8.7 Import, export and excise duties

Import duties are imposed on most imported goods and materials at rates varying from 5 to 45% of the cif value. Import duties on machinery, spare parts, raw materials etc. are in most cases 5% of the cif value.

Apart from the import duties, two special duties known as the “statistics” duty (0.5%) and the “consent” duty (1.5% on import and 0.1 on export) are imposed on import and export of goods and material.

An excise duty is charged on local distillates at varying rates. A turnover tax is imposed at varying rates on the sale of beer, soft drinks, tobacco, cigarettes and motor gasoline.

8.8 Stamp duty

Among others, the transfer of movable goods by written documents and immovable goods are subject to stamp duty at varying rates.

8.9 Rental value tax

A rental value tax is levied on the imputed rental value of buildings. The applicable rate is 6% of the imputed rental value. A tax exempt amount of SRD 50,000 applies. The rental value tax is payable by the owner of the building (the person who has the legal right of the property). Certain buildings such as school buildings and factories are tax exempt.

8.10 Various gambling taxes

In Suriname various gambling taxes are being levied.

For generated income derived from casino activities a corporate income tax rate of 50% is applied.

Casino's are also subject to casino tax on the gambling tables and gambling machines in operation.

There is also a lottery tax for lotteries held by holders of a lottery permit.

9. Investment Incentives

The Investment Act 1960 provides special tax incentives for the following:

- Tax holiday for a number of years;
- Free and accelerated depreciation;
- Special facilities (reduced tax rate etc.) for holding, investment, shipping and air transport companies;
- Full and partial import duty exemption.

For every special tax incentive various qualifying conditions are applicable. The special tax incentives are granted by the competent authorities upon written application.

The Investment Act 1960 also has various non-tax incentives that can be applied (for instance the granting of working permits for expats) in case an investment incentive already has been granted.

10. Tax Treaties

In the case of the taxation of foreign income this will normally result in double taxation. Surinamese tax law contains a provision for the granting of unilateral relief for foreign tax by the issue of a decree. Up to now such a decree has never been issued.

Suriname has a tax treaty with The Netherlands and Indonesia for the avoidance of double taxation. In the tax treaties the allocation of taxing

rights has been determined and various reduced tax rates are applicable (for example for dividend, interest and royalties).

Suriname is also a member of the CARICOM. With the Treaty of Chaguaramas the idea of a common market CARICOM transformed into the CARICOM single market and economy. The CARICOM also concluded various (tax) treaties with other non-CARICOM countries.

The agreement among the Governments of the CARICOM member states for the avoidance of double taxation has not yet been ratified by the Government of the Republic of Suriname.



Bolivarian Republic of Venezuela

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2. Country Profile

Venezuela has a population of 27,150,095 inhabitants, according to the last census performed in 2011. The official language is Spanish, but the aboriginal languages are of official use for ethnic groups. There is freedom of religion with predominance of the catholic religion. The legal time corresponds to the Greenwich Meridian, decreased by 4 hours. The legal measurement unit system is the International Unit System (SI), adopted by the General Conference of Weights and Measures. The currency is the Bolívar and for 2019 the last inflation published by the Central Bank of Venezuela (BCV) was 9,585.5%, according to the accumulated variation of the National Consumer Price Index.

It is a Social Democratic State of Law and Justice. The government is democratic, participatory, voted in elections, alternate, responsible, pluralistic and of revocable governing periods. National Public Power is divided into Legislative, Executive, Judicial, Citizen, and Electoral. The Constitution is the supreme law and the foundation for the national legal system.

3. Foreign Investment System

There a system in place to record foreign investments, essential for the protection of such investments and for guaranteeing the subsequent repatriation of capital equity and dividends. It implies complying with a series of procedures before the SIEX (Superintendence of Foreign Investments).

Despite the fact that Decree No. 1.438 with the Rank, Value and Force of Law of Foreign Invest-



ments ordered the suppression of the Foreign Investment Superintendence (SIEX) and transferred its powers to the National Center for Foreign Trade (CENCOEX), in practice, SIEX remains the competent authority for foreign investment matters.

The foreign investor who is a legal entity must apply for the Foreign Direct Investment Registry and, if he is a natural person, he must apply for the Credential of Investor. In both cases, it is requested before SIEX and updated annually.

The companies incorporated in the country must request the Certificate of Company Qualification: National, when the foreign capital is less than 20%; Mixed, when foreign capital is between 20% and 49%; and Foreign, when it is higher than 49%.

The registration of contracts on technology importation and on the use and exploitation of trademarks and patents, which companies and / or legal entities, public and private in Venezuela, with companies and / or individuals or legal entities from abroad, is mandatory; as well as submit annual performance report.

Competence in the area of Copyright, Trademarks and Patents is exercised through the Autonomous Intellectual Property Service (SAPI).

International investments will be treated fairly and will not be the object of arbitrary measures that deprive their management, maintenance, use and enjoyment, expansion, sale and liquidation. The Law contemplates some guarantees for the protection of foreign investments.

4. Different Kinds of Companies

4.1 General Partnership

Responsibility that is unlimited, joint and severally, for all the partners, having partners' names or some

of the partners' names as the name of the company.

4.2 Silent Partnership:

Three or more partners, in which at least one shall be the general partner (responsibility that is unlimited, joint and severally) and the rest shall be partners in commendam (responsibility that is limited to the amount of capital contributed).

4.3 Limited Liability Company

The capital stock is divided into parts and the responsibility of the partners circumscribes exclusively to the capital contributed individually (it should not be exceeding Bs. 2,000).

4.4 Stock Company

Participation in capital stock through bonds or shares that are distinctive due to their different nominal value or due to the different privileges associated to such bonds or shares. Responsibility is limited to the capital contributed.

4.5 Personal Signature

It has only one participant, no other signature or commercial name can be used other than the participant's last name with or without a first name.

4.6 Cooperative Associations

Groups of at least five partners, which operate for the equal benefit of all its members, without contributing yields to external investors. The Cooperative Association Law regulates these associations.

4.7 Joint Ventures

Joint ventures are considered as consortiums formed by companies with the objective of carrying out a specific economic activity in a joint manner. In the cases of equity participation agreements, the associating member and the associates should calculate their corresponding parts in the periodic results of the operations relating to the equity account, within their respective annual economic periods.

5. Auditing and Accounting

Generally accepted accounting principles are constituted by International Financial Reporting Standards (IFRS) adopted: VEN-NIF GE (big companies) and VEN-NIF PYME (small and medium companies). Also adopted were International Auditing Standards (IAS), issued by the International Federation of Accountants (IFAC).

6. Labor System

6.1 Different Kinds of Employment Agreements and Terms

Employment agreements must be in writing. These can be for undetermined periods or for determined jobs. Unless there are causes justifying the termination of the work relationship, labor stability is

guaranteed for:

- Workers contracted for undetermined periods, as of the first month in which service is rendered (first day after the second month in which uninterrupted services are rendered);
- Workers contracted for determined periods until expiration of employment agreement, and;
- Workers contracted for a particular job, until completing the tasks for which contracted.

Employees holding directive positions are the only ones excluded from the absolute stability system of employment.

There is labor immobility (job freeze) in certain cases set forth in the Organic Labor Law, The Workers, and other Special Law, among which the following can be highlighted:

- Pregnant workers (and their partners), from beginning of pregnancy up to 2 years after giving birth;
- Workers that adopt children under 3 years of age, for a term of 2 years as of adoption date;
- Workers with handicapped children or with illnesses that make them dependant of others;
- Workers during any suspension of the work relationship.

The workday has daily and weekly limits: 8 hours a day and 40 daytime hours, 35 night hours or 42 weekly mixed hours. Minimum salary is adjusted every year by mandate from the National Executive Government.

A 30% salary plus is added to the night shift, and for overtime 50% is applied having to notify the corresponding Work Inspection Office thereof; if not, these extra hours must be paid at a 100% salary plus.

In the case of employers who occupy 10 or more workers, foreign workers must not exceed 10% of the total number of employees and their salaries must not exceed 20% of the total remuneration paid.

6.2 Participation in employees' profit sharing

Employees' profit sharing is distributed at no less than 15% of the liquid incomes obtained at the closing of the economic year. Employees' profit sharing should have a minimum amount of 30 days up to a ceiling of 120 days of salary.

6.3 Vacations

At least 15 remunerated working days must be granted to workers (plus 1 additional day for every cumulative year of service, up to a ceiling of 15 days).

A vacation bonus is due that corresponds to at least, 15 days of salary (plus 1 day for every year of permanence on the job up to a maximum of 30 days).

6.4 Payment of Social Benefits

Upon termination of the work relationship, the worker shall receive for the concept of social benefits, the higher amount of that deposited for social benefit guarantee and the equivalent to the social benefits as computed at job withdrawal date.

6.4.1 Guarantee of Social Benefits

This is related to a fund, the purpose of which is to guarantee payments of social benefits to the workers, which is calculated during the course of the work relationship, as follows:

- **Quarterly guarantee:** 15 days of salary for every quarter calculated based on the last salary earned in said quarter.
- **Additional days:** after the first year of service, 2 additional days per year are added, cumulative up to 30 days.

In both cases, the basis for calculation shall be the worker's whole salary.

6.4.2 Severance Indemnities

When a work relationship is ended regardless of the cause, the social benefits shall be calculated at the rate of 30 days of whole salary per year or fraction of a year over 6 months.

If a work relationship is terminated due to causes beyond worker's will, or in such cases of unjustified dismissal, if the worker involved expresses his/her desire to not file the proceeding to request re-contracting, the employer must pay, in addition, an amount for indemnity that is equivalent to the amount corresponding to such worker for social benefits.

6.5 Social Security

- National Institute of Training and Socialist Education (INCES): The Law that governs said that work entities that have 15 or more workers must hire and train a number of apprentices equivalent to at least 3% and a maximum of 5% of the total of its workers. Labor entities that give employment to 5 or more workers are obliged to contribute 2% of the normal monthly salary paid to workers within the first 5 days at the end of each quarter.
- The Law on the Housing and Habitat Preservation Regime establishes a monthly and obligatory contribution to dependent workers and their employers, for the financing of the Housing and Habitat Preservation

Concept	Limits to amounts to be contributed for each worker	Employer's Contribution	Worker's Contribution
Social Security	5 Minimum Salaries	9%-10%-11%	4.00%
Employment Benefit System	10 Minimum Salaries	2%	0.50%
Compulsory Public Housing Savings Trust (FAOV)	No limit	2.00%	1.00%
INCES	No limit	2.00%	0.50%
Food Program	3 Minimum Salaries	Tickets or Food	Not applicable
Children's Day Care Program	5 Minimum Salaries	Up to 40% enrollment fee and school registration fees	Not applicable

System. For this, a registration with the Bank is required before the National Housing and Habitat (BANAVIH) through registration to the online system of the Mandatory Housing Savings Fund (FAOV).

6.6 Other Labor Aspects of Interest

- **Maternity:** leave of 6 weeks prenatal and 20 weeks postnatal; job freeze during pregnancy and up to 2 years after giving birth.
- **Paternity:** License for 14 consecutive days as of birth. Job freeze up to 2 years after birth.
- **Special job freeze:** general system ordered by decree from the National Executive Government. Workers protected cannot be dismissed without a qualified justified cause by work authority.
- System for workplace safety, conditions, and environment related to health, hygiene, security, and wellbeing.

7. Exchange Control

There is a partial Exchange Control System for buying and selling currencies. Currently, the exchange operations, in accordance with the new agreement, can be carried out through two mechanisms: (i) the mechanism applicable to the public sector which is centralized in the Central Bank of Venezuela (BCV), which it implies that the bodies and entities of that sector can only buy and sell foreign currency through the BCV and (ii) the mechanism applicable to the private sector which can carry out foreign exchange operations directly, without needing to intervene with the BCV.

The Central Bank of Venezuela establishes that the banking institutions authorized to act as exchange rate operators in the exchange market system, may agree through their exchange tables, based on the reports provided by the exchange operators, the BCV will publish daily on its website the weighted average exchange rate, which will be the reference exchange rate of the day.

Mandatory sales to the Central Bank of Venezuela are 20% of the currencies that enter the country from exports of goods and services, according to Exchange Agreement No. 1 in force since September 7, 2018.

8. Tax System

8.1 General

8.1.1 Tax Unit

The tax unit (U.T.) is the measure of value created for tax purposes, and is updated annually by the National Assembly. The current value as of March 13, 2020 is One Thousand Five Hundred

Bolivars (Bs. 1,500.00).

On the other hand, there is the Sanctioning Tax Unit (UTS), which is used exclusively to determine the amount of fines and financial penalties, whose calculation base is foreseen in tax units, in the respective normative instruments that foresee them. The Current Value of the Sanctioning Tax Unit has not been published to date.

8.1.2 Penalty Regime

To quantify the pecuniary penalties for tax crimes, the official exchange rate of the currency with the highest value published by the Central Bank of Venezuela (BCV) is used as an indexing element.

8.2 Taxes on Incomes of Companies

8.2.1 Kind of System

World income system; taxation on annual incomes, net and available, obtained in money or kind, originating from economic activities performed in Venezuela or from properties located in the country. All residing individuals and domiciled companies must pay taxes on their incomes regardless of origin, and regardless of whether the cause of source of income is located in or outside the country.

8.2.2 Tax Period

The calendar year or the period of 12 months chosen. Once the period is chosen, it cannot be changed without the authorization from the Tax Administration Bureau. The final income tax return is presented within 3 months after closing the period.

8.2.3 Taxpayers

All companies are taxpayers, including irregular ones; associations, funds, corporations, and other juridical or economic entities; permanent

Rate No. 2	Segments	Rate 2	Reductions
From 0 U.T.	Up to 2,000 U.T.	15 %	- 0 -
From 2,001 U.T.	Up to 3,000 U.T.	22 %	140 U.T.
From 3,000	U.T. And over	34 %	500 U.T.

establishments, centers or fixed bases located in the country. Companies of individuals, communities, and joint ventures are liable for taxes applicable to the partners, associate members, or joint ventures.

8.2.4 Rates

Rate N° 3-B: Exploitation of hydrocarbons, refining and transportation, or the purchase or sale of hydrocarbon and derivatives for exports: 60%.

8.2.5 Rents subject

The increases in equity that result after subtracting from the gross income, the costs and deductions allowed in this Act, more or less the effect of the adjustment for fiscal inflation. (Taxpayers qualified as special are excluded from the adjustment system by taxation).

8.2.6 Transfer of losses

- Net losses of territorial exploitation not compensated: they are transferred up to three fiscal years, but only up to 25% of the tax revenue can be imputed in each fiscal year.
- Net extraterritorial exploitation losses can only be compensated with income from that source and are transferred up to three fiscal years, but only up to 25% of the fiscal income can be imputed in each fiscal year.
- Losses from inflation adjustment are not transferable.

8.2.7 Withholdings on local payments.

The payment of remuneration for different concepts is subject to a withholding at the source of ISLR of 5%, in the case of contracts of works and provision of services is 2%, and in the case of freight is 3%.

Concepts paid	Tax Base	Withholding	Concepts paid	Tax Base	Withholding
Professional service fees	90%	Rate 2	Technical assistance	30%	Rate 2
Commissions	100%	5%	Technological services	50%	Rate 2
Interest financial institutions	100%	4,95%	Premiums from insurance and re-assurance	30%	10%
Interest other non-domiciled companies	95%	Rate 2	Execution of project works/ service rendering in Venezuela	100%	Rate 2
Freights for transportation Venezuela-Abroad	5%	Rate 2	Leasing of movable property	100%	5%
Freights for transportation only in Venezuela.	10%	Rate 2	Publicity, propaganda and spaces	100%	5%
Exhibition of movies and similar items	25%	Rate 2	Purchase of shares of Venezuelan companies outside of stock market	100%	5%
Royalties and similar participations	90%	Rate 2			

Rate 2 is always applied in a cumulative manner: the amounts paid at previous dates are added to the amount paid at each date, within the same economic period; Rate 2 is applied; the total amount withheld at previous dates are subtracted from the resulting amount, within the same economic period.

8.3 Income taxes of individuals

8.3.1 Tax Period

Calendar year. The final income tax return is presented within 3 months following the closing of the economic period.

8.3.2 Liable for taxes:

The following are considered domiciled in the Bolivarian Republic of Venezuela for tax purposes:

- Individuals having stayed in the country for a period consecutive or interrupted of 183 days in one calendar year, or in the previous year.
- Individuals having their residence or place of abode in the country, unless having stayed in another country for a period consecutive or interrupted of more than 183 days, and they prove having acquired residence in that other country for tax purposes.
- Fixed bases in the country of individuals residing abroad by means of which freelance personal services are rendered (any place where independent personal services of a scientific, literary, artistic, pedagogical educational nature, among other, are rendered besides the independent professions).

8.3.3 Rates

Rate No. 1: Only for residing individuals: from 6% to 34% (progressive rate, with deductions).

Proportional tax: Only for non-residing individuals: 34%.

8.3.4 Incomes liable for taxes

The same rules set forth for companies apply.

8.3.5 General Principles for Costs and Expenses

The same rules set forth for companies are applicable, except for the effect of adjustment for inflation. In the case of purchases of no monetary assets, special adjustment for inflation can be imputed. Individuals have the right to make deductions (being able to choose one sole amount without supporting document or one variable amount subject to restrictions and supporting documents).

8.3.6 Withholdings on Local Payments

Payments of remunerations for different concepts are object of income tax withholdings at the source of 3%; in the case of agreements for project works and service rendering, 1%.

8.3.7 Withholdings on Payments to Abroad

Payments of remunerations for different con-

cepts are object of income tax withholding at the source of 34%; the same tax bases set forth for non-domiciled companies are applied. In the case of salaries and similar items, the tax basis is 100%.

8.3.8 Advances

During the years 2018 and 2019, a temporary regime of Income Tax advances constituted by an aliquot of 1% on the sales declared weekly in the declaration of the Value Added Tax has been in effect.

8.4 Incentives

8.4.1 The reductions for new investments in the following activities **were eliminated** in the last partial reform of the Income Tax Law published on December 30, 2015:

- Tax rebates for new investments to holders of enrichments derived from all those activities under the mention of industrialists.
- Tax reduction of new investments for the construction of hotels, lodgings, inns and the provision of tourist services.
- Reduction of new investments for taxpayers who carry out agricultural, livestock, fishing or fish farming activities.
- Reduction of additional tax on investments in assets, programs and activities aimed at conversion, defense and improvement of the environment.

8.5 Anti-evasion Rules

8.5.1 Transfer Pricing

All taxpayers carrying out operations with foreign related parties are required to present an informative declaration and to document a transfer pricing analysis. This system is based on the Arm's Length Principle.

8.5.2 Thin Capitalization

The deduction of interest paid directly or indirectly to related parties depends on whether the amount of debts held direct or indirectly with related parties, added to the amount of debts held with independent parties do not exceed the taxpayer's net equity. The amount of debts considered as excessive shall be treated as net equity. Two procedures are established: objective method with a fixed ratio of Debt/Capital 1:1 and a subjective method based on market conditions.

8.5.3 Tax Transparency

Taxpayers who are directly or indirectly related

to countries with low tax imposition and who carry out activities or have any type of investment in these territories are required to present an electronic informative declaration of such investments.

As for banks and financial institutions, they should make an informative statement monthly from the resident holders of the country who have accounts located in jurisdictions of low taxation.

8.6 Equity Tax

Not applicable concerning taxes on income, however, there are state revenue stamps that tax capital stock upon incorporating companies or if subsequent capital increases are made.

8.7 Taxes on Capital Gains

- **Games:** Gains obtained from games are taxed at 34% and prizes from lotteries and from horse racing tracks: 16%.
- **Dividends in general:** 34% in proportion with the net book income exceeding net taxed fiscal income and not originating from exempted or exonerate incomes. For dividends originating from foreign companies 34% is applied.
- **Dividends originating from exploitation of hydrocarbons and related activities:** 50%.
- **Dividends originated from royalties for exploitation of mines:** 60%.
- **Dividends in shares:** 1% advance (this can be credited to the tax when such shares are sold).
- **Presumed dividends:** there are suppositions for the case of branches of foreign companies and for withdrawals of stockholders.
- **Purchase of shares in domiciled Stock Market:** 1% of gross income.

8.8 Taxes on successions and donations

This tax is applied to gratuitous transmissions of rights, movable property, immovable property, or shares located in the country, caused by death or by acts between living individuals. The tax base is computed based on the market value of the property. Exemptions and exonerations are included. The rate varies from 25% (first degree of relationship) up to 50% (no relationship).

8.9 Value Added Tax

8.9.1 Taxed operations

Liable for this tax are the sale, importing, and exporting of movable property; also, the render-

ing and importing of services and it is managed over a system of tax debits and credits.

8.9.2 Rates

The general rate can be set between 8% and 16%. Currently the general rate is 16%. There is a reduced rate of 8% for certain exceptional operations. In addition, an additional rate of 15% is applied, which is added to the general rate for goods classified as luxury consumption. Exports are taxed with a 0% rate. The Law contemplates exempt goods and services and the National Executive may grant exemptions. There is a withholding tax at source for VAT, of 75% or 100%; said withholdings are declared and found out weekly. Additionally, an additional rate will be applied that may be modified by the National Executive and will be comprised between a minimum limit of five percent (5%) and a maximum of twenty-five 25% of the goods and services paid in foreign currency, cryptocurrency or cryptoactive other than those issued and backed by the Bolivarian Republic of Venezuela (PETRO). The Present Value of the Additional Rate has not been published to date.

8.9.3 Advances

Since September 2018, a temporary regime of Value Added Tax (VAT) advances has been in force, constituted by an aliquot of 100% of the net VAT payable declared in each week, distributed in five daily portions during the following week. Tax on Large Financial

8.10 State Taxes

The states are entitled to create taxes for the use of their property and services, as well as to collect fiscal revenues (official seal-printed paper, revenue stamps).

8.11 Municipal Taxes

The main tax applies to Economic Activities of Industry, Commerce, Services, or of a similar nature (where variable rates are applied according to the activity and municipality, on gross incomes received). Other taxes are Urban Real Estate Tax, Tax on Propaganda and Publicity, Tax on Public Shows and Tax on Vehicles.

8.12 Tax on Large Financial Transactions IGTF

It taxes debits or withdrawals made in bank accounts, correspondent's accounts, escrow deposits, or any other kind of demand deposits, liquid assets funds, funds and other funds of the financial market or any other financial instrument, carried out in banks and financial institutions by legal entities and economic entities without legal personality qualified as special taxable persons by the Tax Administration. The rate can be set between 0% and 2%. Currently, the fee is 2% as of November

19, 2018.

8.13 Tax on Large Assets (IGP)

Tax created by Constitutional Law in July 2019, which is aimed at Natural and Legal Persons, classified as special taxpayers by the Tax Administration, whose Net Worth has a value equal to or greater than one hundred and fifty million tax units (150,000,000 UT). It will be incurred annually on the value of the net worth as of September 30 of each year. In addition, this Law indicates the criteria for the valuation of the assets, rights and obligations that make up the assets taxed by the tax on large assets. The aliquot can be set between 0.25% and 1.5%. Currently, the tax rate is 0.25%

8.14 Other National Taxes

Other national taxes are applied by sector, such as: on betting and gaming activities; on alcohol and alcoholic beverages; on cigarettes and manufacture of tobacco; on the industry and commerce of hydrocarbons; on the exploitation of mines; on telecommunications; on idle lands.

There are also rates for public acts; public recording, revenue stamps, court costs. There are also certain contributions, such as; for the broadcasting of images and sounds within the national territory; for the rendering of tourist services; on the agro-industrial producers; on the national cinematographic activities.

Special contributions stand out in the following matters:

- **Prevention of Drugs:** applicable to companies employing 50 or more workers (1%) or manufacturers of alcoholic beverages, tobacco and their blends (2%), calculated based on the profit in operations for the year.
- **Sports:** applicable to companies carrying out economic activities within the country (1%), calculated based on the net income in excess of 20,000 TU.
- **Science, Technology and Innovation (LOCTI due to its acronym in Spanish):** Applicable to companies incorporated or domiciled in the country, a percentage calculated based on the gross incomes for the previous year in excess of 120,000 T.U.: stake games sectors and gambling, alcohol beverages and tobacco (2%); Mining and hydrocarbons (1%); and big companies from other sectors producing goods and services (0.5%).



Double Tax Treaties

LATIN AMERICA	ARGENTINA	BELICE	BOLIVIA	BRASIL	CHILE	COLOMBIA (**)	COSTA RICA (**)
WORLD							
Alemania	Alemania		Alemania		Alemania (3)	Alemania (3)	Alemania (4)
Argentina			Argentina	Argentina	Argentina	Argentina (3)	Argentina (5)
Australia	Australia				Australia		Australia (5)
Austria		Áustria		Áustria	Áustria		
Bahrein							
Barbados							
Belarus							
Bélgica	Bélgica		Bélgica	Bélgica	Bélgica		
Bolivia (1)	Bolivia					Bolivia (4)	
Brasil	Brasil				Brasil	Brasil (3)	
Bulgaria *RIIF							
Canadá	Canadá			Canadá	Canadá	Canadá (4)	Canadá (5)
Caricom		Caricom					
Chile	Chile			Chile		Chile (3), (4)	
China			China	China	China		
Colombia (1)			Colombia		Colombia		
Corea del Sur					Corea del Sur	Corea del Sur (4)	Corea del Sur (5)
Croacia					Croacia		
Cuba							
Dinamarca	Dinamarca			Dinamarca	Dinamarca		Dinamarca (5)
Ecuador				Ecuador	Ecuador	Ecuador (3), (4)	Ecuador (5)
EEUU					EEUU (3)	EEUU (RIIF), (3)	EEUU (5)
Emiratos Árabes Unidos	Emiratos Árabes Unidos				Emiratos Árabes Unidos (3)	Emiratos Árabes Unidos (7)	Emiratos Árabes Unidos (7)
Eslovenia							
España	España		España		España	España (4)	España (4)
Estonia							
Filipinas							
Finlandia	Finlandia			Finlandia			Finlandia (5)
Francia	Francia		Francia	Francia	Francia	Francia (3), (7)	Francia (5)
Grecia							
Groelandia							Groelandia (5)
Guernsey							Guernsey (5)
Holanda							
Hungría				Hungría			
India				India		India (4)	
Indonesia							
Iran							
Irlanda			Irlanda (1)		Irlanda		
Islandia							Islandia (7)
Islas Feroe							Islas Feroe (7)
Israel				Israel			
Italia	Italia		Italia	Italia		Italia (3), (7)	Italia (5)
Japón				Japón	Japón	Japón (7)	
Jersey							
Kuwait							
Lituania							
Luxemburgo			Luxemburgo	Luxemburgo			
Malasia					Malasia		
Malta							
México	México (1), (4)			México	México	México (4)	México (4), (5)
Noruega	Noruega			Noruega	Noruega		Noruega (5)
Nueva Zelanda					Nueva Zelanda		
Países Bajos	Países Bajos		Países Bajos	Países Bajos			Países Bajos (5)
Pakistán							
Panamá					Panamá (3)	Panamá (1)	
Paraguay					Paraguay		
Perú			Perú	Perú		Perú (4)	
Polonia					Polonia		
Portugal				Portugal	Portugal	Portugal (1), (4)	
Principado de Liechtenstein							
Qatar							
Reino Unido	Reino Unido	Reino Unido	Reino Unido		Reino Unido	Reino Unido (3), (4)	
Rep. Checa				Rep. Checa	Rep. Checa	Rep. Checa (4)	
Rep. Dominicana							
Rep. Eslovaca							
Rumania							
Rusia	Rusia			Rusia	Rusia		
Singapur					Singapur (3)		
Sudáfrica							Sudáfrica (5)
Suecia	Suecia		Suecia	Suecia	Suecia		Suecia (5)
Suiza	Suiza	Suiza	Suiza			Suiza (1), (4)	
Tailandia					Tailandia		
Taiwan							
Trinidad y Tobago				Trinidad y Tobago			
Turquia				Turquia			
Ucrania				Ucrania			
Uruguay					Uruguay (3)		
Venezuela			Venezuela	Venezuela	Venezuela (3)	Venezuela (1)	
Vietnam							

*RIIF: Tax Information Exchange Regime.

(1) To Avoid Double Taxation on International Transportation.

(2) For tax criminal matters.

(3) Maritime and Air Companies.

(4) Double taxation agreement.

(5) For information exchange.

(6) Andean Community.

(7) CDI signed but pending to enter into force (issuance of law or exchange of notes pending)

(**) Colombia and Costa Rica have a "Mutual Administrative Assistance Agreement in Tax Matters" with the member countries of the OECD.

ECUADOR	EL SALVADOR	HONDURAS	MÉXICO	PANAMA	PERU	REP. DOMINICANA	SURINAME	VENEZUELA
Alemania			Alemania		Alemania *RIIF			Alemania
Argentina (1)					Argentina *RIIF			Argentina (3)
			Australia		Australia *RIIF			
			Áustria					Áustria
			Bahrein					
			Barbados	Barbados				Barbados
Belarús								Belarús
Bélgica			Bélgica		Bélgica *RIIF			Bélgica
Bolivia					Bolivia (6), (7)			
Brasil			Brasil		Brasil *RIIF, (7)			Brasil
					Bulgaria *RIIF			
Canadá				Canadá (2) *RIIF	Canadá (7)	Canadá		Canadá
							Tratado de Chaguaramas	
Chile			Chile		Chile (7)			Chile (3)
China			China					China
Colombia		Colombia (1)			Colombia (6) *RIIF, (7)			
Corea del Sur			Corea del Sur	Corea del sur	Corea del Sur *RIIF, (7)			Corea del Sur
			Dinamarca	Dinamarca (2) *RIIF	Dinamarca *RIIF			Cuba
			Ecuador		Ecuador (6), (7)			Dinamarca
		EEUU (1)	EEUU	EEUU (2) *RIIF		EEUU (1) *RIIF		EEUU
				Emiratos Árabes Unidos				Emiratos Árabes Unidos
España	España		España	España	Eslovenia *RIIF	España		España
					Estonia *RIIF			
Francia			Finlandia	Finlandia (2) *RIIF				
			Francia	Francia	Francia *RIIF			Francia
			Grecia		Grecia *RIIF			
					Guernsey *RIIF			
			Hungría					
			India		India *RIIF			
			Indonesia		Indonesia *RIIF		Indonesia	Indonesia
								Iran
			Irlanda	Irlanda	Irlanda *RIIF			
			Islandia	Islandia (2) *RIIF	Islandia *RIIF			
			Israel	Israel	Italia *RIIF			Italia
Italia			Italia		Japón *RIIF			
Japón			Japón	Japón (2) *RIIF	Jersey *RIIF			
			Kuwait					Kuwait
					Lituania *RIIF			
			Luxemburgo	Luxemburgo	Luxemburgo *RIIF			
					Malasia *RIIF			Malasia
					Malta *RIIF			
México				México	México *RIIF, (7)			
			Noruega	Noruega (2) *RIIF	Noruega *RIIF			Noruega
			Nueva Zelanda		Nueva Zelanda *RIIF			
			Paises Bajos	Paises Bajos	Paises Bajos *RIIF		Paises Bajos	Paises Bajos
					Pakistán *RIIF			
			Panamá					
Perú								
			Polonia		Polonia *RIIF			
			Portugal	Portugal	Portugal *RIIF, (7)			Portugal
Qatar				Qatar				Qatar
			Reino Unido	Reino Unido	Reino Unido *RIIF			Reino Unido
			Rep. Checa	Rep. Checa				Rep Checa
			Rep. Eslovaca		Rep. Eslovaca *RIIF			
Rumania			Rumania					
Rusia			Rusia					Rusia
Singapur			Singapur	Singapur	Singapur *RIIF			
			Sudáfrica					
			Suécia	Suécia (2)				Suécia
Suiza			Suiza		Suiza *RIIF, (7)			Suiza
			Taiwan *RIIF					
								Trinidad y Tobago
			Ucrania					
Uruguay			Uruguay		Uruguay *RIIF			
			Venezuela					
								Vietnam

*RIIF: Tax Information Exchange Regime.

(1) To Avoid Double Taxation on International Transportation.

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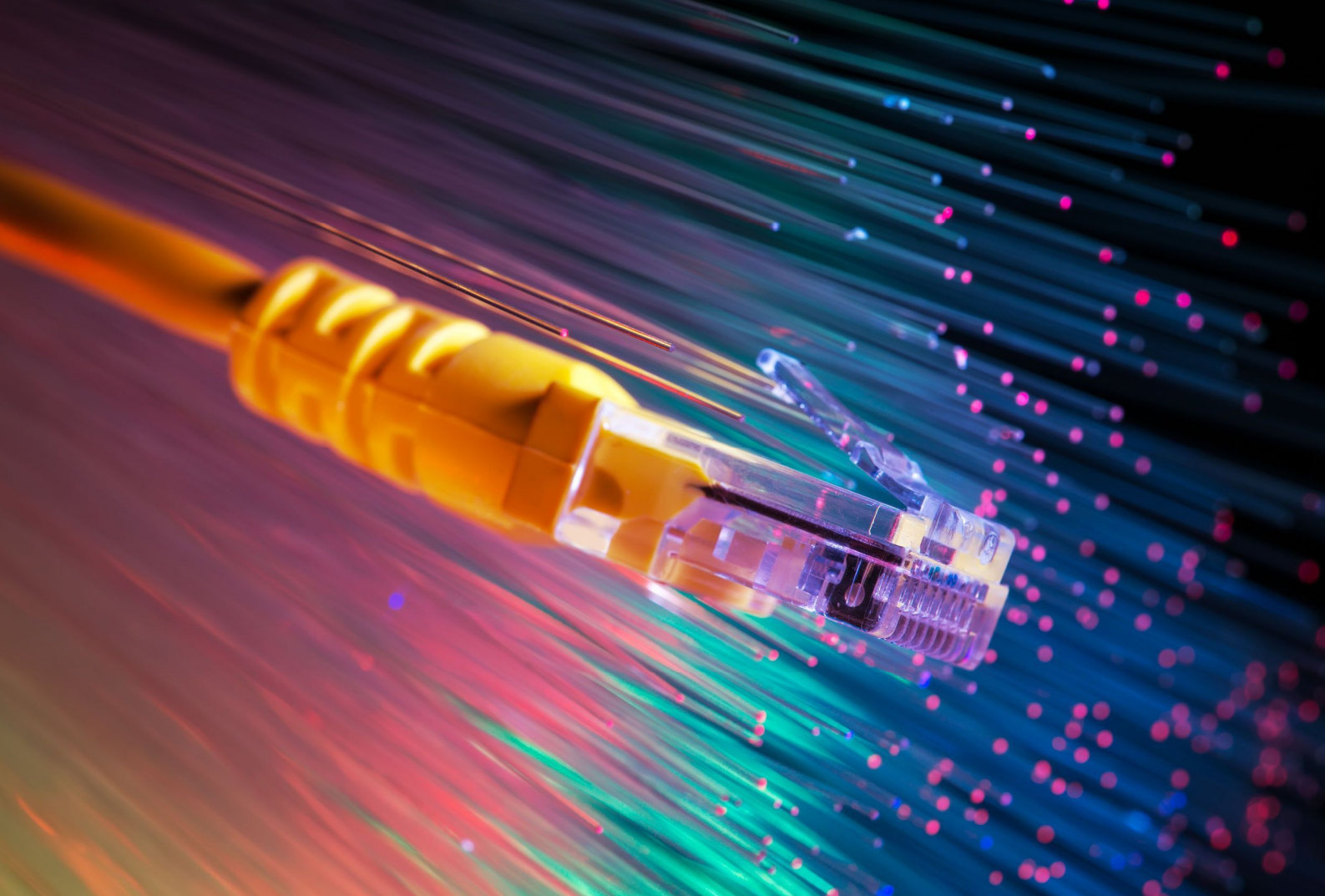
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