

Doing Business in Latin America



Moore Stephens Latin America

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To be a leading, recognised and highly regarded international accounting and consulting network and the first choice in our chosen markets.

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Executive Summary

1. Moore Stephens

Moore Stephens is a global network of accounting, auditing and consulting firms with presence in 100 countries and more than 21.000 professionals. Since 1907 Moore Stephens provides accountancy and tax services to corporate and individual clients.

Moore Stephens has been present in Latin America for more than 100 years and today it has a well organized regional structure with approximately 50 offices and more than 2.300 professionals. More information can be found on the website: <http://msla.moorestephens.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 August 2013 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 Stephens 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 Stephens member firms in each country.

Moore Stephens Latin America

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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 southern region of South America. Its territory is divided into 23 provinces, and one autonomous city, Buenos Aires, the nation's capital and seat of the federal government. With a population of approximately 40 million inhabitants, its human development indices per capita distribution, 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, fourth in the American continent, and 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, because of the Mercosur, many are learning Portuguese.

Argentina recognises the freedom of religion that is guaranteed by section 14 of the National Constitution. Even though the State recognizes a preeminent role of the Catholic Church, with a separate legal status with regards to the rest of the churches and confessions: 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. Overall, it is a separate regime, which is not considered official as the religion of the Republic.

According to the new education act, adopted on 15 December 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 in all levels, except for university postgraduate studies.

The currency unit is the Peso, which is divided into 100 cents; it is the functional currency in Argentina. However, the US dollar and other foreign currencies can be used for internal transactions.

After the deep crisis of 2001, inflation has remained in two digits, even though governmental authorities do not acknowledge this. There is still a high level of intervention in the formation of some prices via subsidies, and in some cases, through indirect price 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. In addition, the use of joint ventures, trusts, and franchises has become ever more frequent in recent years. To cover company matters, both the civil legislation (Civil Code), and the commercial legislation (Code of Commerce) must be considered, as well as the different specific laws. The Companies Act 19550 and its amendments govern company types in their majority. Except for the cases of joint ventures or partnerships, all others must register in the Public Registry of Commerce, which is local (each province,

and the Autonomous City of Buenos Aires have their own jurisdiction). The main types of companies set forth in the Companies Act are:

- Corporations or Public Companies
- Limited Liability Companies
- Branches of Foreign Companies
- Trusts
- Non-Profit Associations
- Foundations

4.1 Corporations or Public Companies (SA)

Act 19550 does not define Corporations or Public Companies; however, section 163 describes the characteristics of this type of company in the following terms: Shares represent the capital, and shareholders limit their liability to the payment of the shares subscribed.

Corporations must have a minimum of two shareholders, and shares can be in the hands of private holders or they can be offered publicly. This is the only type of company where shares can be offered publicly. The shareholders' liability is limited to the capital contributed. The board of directors is liable for the administration of the corporation. Directors are chosen at the annual shareholders' meeting, and they are personally liable for their acts. All corporations are subject to control and supervision by governmental entities. Directors must be simple residents or native Argentineans in their majority. Shareholders can be individuals or companies, both national and foreign.

In the event a shareholder was a foreign company, before the creation of the local corporation, its by-laws must be registered and its legal existence must be proven with the Board of Legal Entities (IGJ), among other requirements. The foreign corporation must, thereby, appoint a legal representative, and establish a legal address in Argentina. In order to be incorporated, these foreign corporations cannot be created in a no-tax country, and they must maintain assets that exceed the value of those to be invested in Argentina, among other assumptions (we suggest that, before choosing an investment company, eligibility is verified with the Board of Legal Entities). Once a year, they must confirm, by means of evidencing documentation that they comply with the requirements abovementioned.

Corporations are created by public deed, and incorporation procedures are reviewed by the local control authority, the IGJ in the Autonomous City of Buenos Aires, and in the different provinces it has different names. The corporation is created by a deed executed before a notary public, and incorporation procedures take, approximately, 30 days. Corporate

name must contain the terms "sociedad anónima" (corporation) or its abbreviation, "S.A.". Shares are nominative, and non-endorsable. The majority shareholder cannot hold over 95% of the shares. In some cases, according to the corporate capital amount, shares in the stock market or in connection to the national state will require the appointment of an auditor, or an auditing committee.

The current minimum corporate capital amounts to \$ 12,000; in any case, it must be in accordance with the activity foreseen for the corporation. A name, corporate purpose, duration, 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)

In general, the creation and administration of a limited liability company (SRL) is relatively easy. However, the efficacy of its functioning depends on the existing relations of the partners since any modification requires the consent of the majority of the partners and, in some cases, of all of them. Its formation is similar to that of a corporation and, when capital is under Ar\$ 21 million, control and intervention by government authorities is much lower. Corporations cannot form part of limited liability companies. The company name must compulsorily include the terms "Sociedad de responsabilidad limitada" (Limited Liability Company), or its abbreviation, or the acronym "SRL". The capital is divided into units of interest, and the partners (must be more than one and up to 50) limit their liability to the payment of the units of interest subscribed. It can be created by a public or private deed, and the articles of organization must be registered with the Public Registry of Commerce, upon prior publication in the Official Bulletin.

4.3 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 of Commerce, 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.

4.4 Joint Ventures

There are different types of joint ventures. The ones mostly used are the collaborative associations, and the

temporary joint ventures (UTE). Regarding the latter, they are now accepted as a legally binding agreement between companies. The operating agreement must be registered with the Registry of Commerce.

A representative sufficiently empowered by each and all members will be appointed to exercise rights and undertake obligations pertaining to the development of the purpose of the agreement.

4.5 Other Types of Companies

Trusts, Non-Profit Associations, Foundations, and Cooperative Associations.

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 will become compulsorily applicable to open companies as from January 1, 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 labour agreements.

6.1 Payment and Compulsory Annual Bonus

The Federal Employment, Productivity, and Minimum Adjustable Living Wage Association (National Employment Act 24013) 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 Employee Contribution

Pension	10.17%	11%
National Social Security Administration	1.5	3%
Required External Funds (FEN)	0.89%	0%
Family subside	4.44%	0%
Health insurance	6%	3%
Life insurance (1) Ar\$ 2.46 per employee	0%	
Occupational Risk Insurer (ART) (1)	2-3%	0%
Business Employees Union (SEC)	0%	2%
Union	0%	0.50%

Argentine Institute of Professional and Technological

Training for Commerce (INACAP) Ar\$ 13.74 per employee (1), depending on the activity of the company

6.7 Unions

Act 23551 regulates the activity of the associations which purpose is the defence of the rights of the workers.

7. Exchange Controls

7.1 Currency Inflow

Except for the cases of company capital contributions, real estate purchases, or loans termed for more than two years, currency entered for investment purposes is subject to 30% non-remunerated reserves for a year. Investment currency must be registered with the Central Bank of the Argentine Republic (BCRA).

Currency will be converted into pesos, which can be deposited in a free availability bank account. Regarding the entry of currency for the export of goods and services, currency conversion in the exchange market remains compulsory. However, in the cases of activities for which the national law, contracts with the National State, or National Executive Power decrees had created specific exceptions, the entry of currency will not be compulsory.

7.2 Currency Outflow

Investors who wish to repatriate capital can do so, provided the currency is pesos, and without using the bank account debit mechanism. With regards to the wiring of profits and dividends, it is possible to perform the transfer provided they correspond to closed and audited balance sheets. Repatriation of investments originated abroad can be returned to the investor provided that, at the time of the investment, they were and continued to be informed to the BCRA.

BCRA regulations change constantly, hence, it is advisable to analyse any international operation before performance. 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 diverse partnerships 35%
Individuals (progressive rate) 9% to 35%

8.3.2 Assumed Minimum Income Tax

A 1% rate taxes international assets of Argentine companies. The payment of this tax, and of the income tax can be mutually compensated. The term to take the payment of the assumed income tax on account of the Income Tax is extended to 10 years.

8.3.3 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. It also taxes 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 double taxation in force.

8.3.4 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 main activity).

8.3.5 Bank Debits and Credits Tax

This tax is levied upon bank account deposits and extractions at a 0.6% rate. 34% of the tax on bank credits can be considered a payment accounted for the income tax.

8.3.6 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 services, 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.

8.3.7 Calculations and Collection

The tax resulting from the application of the provisions of this act will be settled and paid per calendar month on the basis of the tax return filed in an official form.

8.3.8 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 Ar\$ 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.

8.3.9 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.

8.3.10 Real Estate Taxes

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

8.3.11 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).

8.3.12 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.

8.3.13 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 taxpayers 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 2009:

TABLE A

Deduction	Sum Ar\$
Non-taxed income	9,000
Spouse	10,000
Children (each)	5,000
Other dependents	3,750
Deductions applicable on income for	43,200

8.4.4 Applicable Rates

TABLE B

Scale Range (Section 90)		Accumulated Sums		
Accumulated Net Taxable Income		Will Pay		
From More Than Ar\$	To Ar\$	Ar\$	Plus	On Surplus of Ar\$
0	10,000	--	9 %	0
10,000	20,000	900	14 %	10,000
20,000	30,000	2,300	19 %	20,000
30,000	60,000	4,200	23 %	30,000
60,000	90,000	11,100	27 %	60,000
90,000	120,000	19,200	31 %	90,000
120,000	Hereinafter	28,500	35 %	120,000

8.4.5 Tax Payment

The AFIP (tax authority) sets, by General Resolutions, the term 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 remaining taxpayers, 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.

8.4.6 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 inheritance based therein for property located in the country and abroad.

- Individuals domiciled abroad, and undivided inheritance 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. Individuals whose property, as appraised pursuant to what is provided by law, is equal or under Ar\$ 305,000 will not be taxed.

The tax to be paid by tax payers will derive from its application on the total value of the taxable property, excluding shares and capital contributions of any kind of company governed by Act 19550 (except for sole proprietorships which capital exceeded Ar\$ 305,000), and the proportional rate for each case shall be as follows:

Value in Pesos	Applicable Rate %
Under 305,000	0.00
Between 305,000 and 750,000	0.50
Between 750,000 and 2,000,000	0.75
Between 2,000,000 and 5,000,000	1.00
Exceeding 5,000,000	1.25

Persons domiciled in Argentina, whether individuals, corporations, or any other type of entity that owns, administers, uses, keeps, etc. any property, which is owned by individuals domiciled abroad and taxable shall be compelled to pay a total tax of 1.25% on the value of the property.

9. Bilateral Treaties

Argentina has signed bilateral investment treaties with several countries such as Germany, Austria, Armenia, Australia, Bolivia, Bulgaria, Canada, South Korea, Croatia, Cuba, Chile, China, Denmark, Ecuador, Egypt, Spain, the U.S.A., Finland, France, Holland, Hungary, Indonesia, Israel, Italy, Jamaica, Luxembourg, Malaysia, Morocco, Peru, Poland, Portugal, Romania, the United Kingdom, Senegal, Sweden, Switzerland, Tunis, Turkey, Ukraine, Vietnam, and Venezuela, in order to protect investments, and to avoid double taxation. Within the framework of the Mercosur, two agreements were signed to promote external investments, thus ensuring a fair and national treatment for any investment made within the Mercosur: the Investment Promotion Protocol for non-member countries, in 1994 (Act 24554), and the Colony Protocol, in 1997 (Act 24891).

10. Agreements to Avoid Double Taxation

Likewise, Argentina has entered into 17 Large Agreements to avoid double taxation, and to prevent tax evasion; 15 of them are already in full force. These agreements avoid investments made between signing countries to pay income, capital and/or property tax twice.

As a main benefit from the agreements signed, the reduction in the income tax rate on royalties and interest paid abroad can be mentioned. Argentina has also signed 21 Agreements to avoid double taxation regarding international transport, out of which 17 are in force.

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 321.115 in July 2011, with a growth rate of 2,056 % per annum. The ethnic composition is as follows: 48.7 % mestizo, 24.9% creole, 10.6% Maya, 6.1% Garifuna, and 9.7 % other. 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 12 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. 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 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 March 2012, in which the United Democratic Party won by two 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.

Other business types allowed include:

- Sole Proprietor
- Partnerships
- Limited Liability Partnerships

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 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.

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 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.

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 workweek 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 workweek 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 1 week notice; 6 months to 2 years are given two weeks' notice; 2 years to 5 years are given 4 weeks' notice and the employees who have worked more than five years 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 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. Pregnant women 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 6.5% of salary, while the average cost to employees is a maximum of 3% of their remuneration in the form of deduction and excluding income tax.

TABLE A

Weekly Salary	Employer's Contribution	Employee's 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 and Above	\$16.05	\$9.55	\$25.60

7. Exchange control

7.1 Foreign investment income

Foreign investment income, which is 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 exchange earned for the export of goods and services, the Central Bank of Belize acts as the clearinghouse 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 Income Tax Department. The repatriation of investments originating from overseas can be returned to the investor once authorized by the Central Bank of Belize.

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 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 Tax 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% y 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% y 1.75%
Casino and gambling	8.0%
Real estate business	1.75% y 15.0%
Tour operators and travel agencies	6.0%
Construction	1.75% y 6%
Local dividends	15%
The interest income from financial institutions	6%, 12% y 15%
International financial services	3%

TABLE C

Tax rate on foreign payments:

Type of payment	Tax %
Dividends	15.0%
Management fees	25.0%
Withholding tax	15.0% to 25.0%
Petroleum Company Tax on net profit	40.0%

TABLE D

Corporate tax rate:

Tax Type	Tax %
Tax on net income	25.0%

Business tax payments made during the year under TABLE B count as credit toward income tax on net income of corporations. 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 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.

Some products and services are exempt from this tax.

The GST percent is 12.5%.

8.2.3 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.

8.2.4 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 alike are required to pay 5% 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.

8.2.5 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 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 Department 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, Haiti, Jamaica, Montserrat, St. Kits and Nevis, St. Lucia, St. Vincent and the Grenadines, Surinam, and Trinidad & Tobago.

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 11 double taxation avoidance treaties, all of which are in full force. Countries that have signed these agreements are members of CARICOM (9), Austria (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

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 offered:

- Fiscal Incentives Program (also known as development concessions).
- Export Processing Zones (EPZ).
- Commercial Free Zone (CFZ).
- Program of the Qualified Retired Persons (QRP).
- 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.

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.

13. International financial services

Belize continues to experience steady growth in its International Financial Services (IFS) industry. 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 vibrant 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 continues to grow. Also supplementing this sector are our historical ties to the United Kingdom, and European Union.

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

Services include:

- International Business Corporation - IBC
- International Companies with Limited Liability (Limited Liability Corporation – LLC)
- Belize Exempt Trust
- Foundations
- Mutual Funds
- International Insurance
- Offshore Bank

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 (Prevention) Act of 1996, 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 Offshore company (International Business Corporation – IBC)

An offshore company is a company registered in a country that offers a very advantageous taxation system, provided the activity is not exercised in the territory in which it is registered. More specifically, offshore companies have three characteristics: First, must be registered as an entity within the territory.

Second, the "founders" (customers) must be domiciled outside the territory in which the company is registered. Finally, the company should exert most of their business outside the territory in which it is registered.

13.2 Offshore companies with limited liability (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.

Usually offshore LLCs are more appropriate for people with high medical risks and people whose insurance coverage is inadequate or are not available.

13.3 Belize exempt 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 Trust include:

- No legal requirements to audit Belize trust accounts
- A Belize 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 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 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.
- The Belize trust laws also permit the establishment of private trust companies.

13.4 Foundations

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 people or by a company with a member of the Council.



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 accepted 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 operations 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 therein 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 alien, 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 proposed. 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
On wages
On commission
In kind
With participation on the benefits
Combined

Additionally, there are other types of remunerations such as:

- **Annual Bonus:** It is equal to 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 a productive effort, additional as well, different from the annual premium, and it is aimed at exceeding a 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 uninterrupted work.
- **Severance Pay:** When the worker was suddenly dismissed due to reasons not attributed to the

worker, 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).

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:

WORKER CONTRIBUTION	COMPANY CONTRIBUTION
Retirement Contribution	10%
Common Risk Premium	1.71%
AFP Commission	0.5%
National Joint Fund	0.5%
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%)

- **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 Wages, and the third one is a single payment, equal to the Minimum National Wages 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. Regarding taxes, these 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 travellers 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 consumables 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 extract, 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. Income 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, professional, and unions.
- Interest in favour of international credit entities, and foreign official entities which agreements 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 securities 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 wholesale, 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 gratuitous donors, 20%

8.1.8 Tax on Flights Abroad (ISAE)

This tax affects all Bolivians and residing aliens 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 1st of January 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 Hydrocarbons Superintendence, 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, and savings accounts.
- Payments, and fund transfers.
- Issuance of management cheques, traveller'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

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 traveller'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.

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 Stephens performs its activities in more than 10 Brazilian cities. Contact data of each of them please see on site: <http://brazil.moorestephens.com>

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2. Country profile

2.1 Territory

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

According to the data collected by the Brazilian Institute of Geography and Statistics (IBGE) in 2010 (last research of the Census held in the country), the urban areas concentrate 84.36% of the population, the Southeast region having the largest population, with more than 80 million people. The data of the Census 2010 show a total Population of 190.755.800 inhabitants.

2.2 Language

Portuguese is the eighth more spoken language in the world and the third among the western countries, only behind English and Spanish. About 200 million people use this language throughout the world and it is the official language in eight countries: Angola, Brasil, Cabo Verde, Guiné Bissau, Moçambique, Portugal, São Tomé e Príncipe and Timor Leste. It is also one of the official languages of the European Union since Portugal joined the group of nations.

The Portuguese language was introduced in Brazil with the Portuguese colonization in 1500.



2.3 Political System

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

Brazil is a Republic because the people elect the Head of State for a certain period. It is Presidential because the president of the Republic is Head of State and Head of the Government. It is federative because the states have home rule.

The Union is divided in three powers, being 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, admits the legal formation of several parties. The political party is a volunteer association of people that share the same ideas, interests, objectives, and political doctrines, trying to influence and be part of the political power.

3. Types of companies

3.1 Simple company

A company is considered simple when its social object results from intellectual profession, of scientific, literary, or artistic nature, including the support of auxiliaries and collaborators, in other words, we consider a simple society the old civil company.

This company has a contract 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 social contract, voting and unanimity is necessary when the contract determines a different quorum.

3.2 General partnership

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

3.3 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 ruled additionally by the norms of the general partnership, so that the general partners have the same rights and obligations.

Even not, affecting 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.

3.4 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

3.5 Share companies

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

3.5.1 Joint stock company

On the joint stock, company the capital is divided in shares, being each partner or shareholder 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).

3.5.2 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).

3.6 Cooperative company

It is a simple company and ruled by the Law 5.764/1971; it must be registered in the Commercial Registry.

It is characterized by: variability or exempt 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.

3.7 Individual Businessman

The individual businessman 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.

3.8 Individual enterpriser

The individual enterpriser is a person that works on his own account and is legal. It is considered such an enterpriser when he is earning up to R\$ 36,000,00 per year, does not participate in another company as partner or holder and is enabled to hire only one employee paying monthly a minimum wage.

The Complementary Law nº 128, from 19/12/2008, produced special conditions for the worker, known as informal, may become a legal individual enterpriser.

Among the advantages offered by this law, is the registration on the Federal Revenue Service (CNPJ), what will make it easier to open a bank account, to ask for loans and issue invoices. Besides, the individual enterpriser will be framed in the Brazilian Simplified Taxation System.

He will be paying only a monthly value of R\$ 60.40 (trade or industry) or R\$ 64.40 (services), for the Social Insurance and ICMS (tax on circulation of goods and services) or ISS (tax on services). These amounts will be updated every year according to the minimum wage.

With these taxes, the individual enterpriser will have access to benefits such as maternity aid, disease aid, and retirement, among others.

3.9 EIRELI

From January 9, 2012 on, can be formed the EIRELI – Individual Company of Limited Responsibility, created by Law 12.441/2011.

EIRELI will be owned by only one person with the total capital stock, duly paid-in, which will be no less than 100 (hundred) times the highest minimum wage of the country. The name of the enterprise must include the expression "EIRELI" after the firm or the social denomination of the individual enterprise of limited responsibility. The person that forms an individual enterprise of limited responsibility can be in only one enterprise of this type.

4. 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:

4.1 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.

4.2 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.

4.3 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.

4.4 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.

4.5 Experience period

The employees can be admitted for an experience period not exceeding 90 days and not extendable but once, called experience contract. At the end of that time, if the labor link is not ended, the contract becomes definitive.

4.6 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.

4.7 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.

4.8 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.

4.9 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.

4.10 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.

4.11 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. For the year 2012 the minimum salary is R\$ 622,00, but variations may be established by categories or geographical regions.

4.12 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.

4.13 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.

In spite of all, 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.

4.14 Labor rights

4.14.1 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.

4.14.2 Thirteenth salary (Christmas bonus)

The worker has the right to receive the Christmas bonus corresponding to the 13th 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.

4.14.3 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.

4.14.4 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.

4.14.5 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.

4.14.6 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.

4.15 Tax on salaries

4.15.1 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.

4.15.2 National Institute of Social Insurance (INSS)

4.15.2.1 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 Funrural, Senac, Sesc 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%.

4.15.2.2 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. 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 Federal Constitution of 1988. There are three jurisdictions and levels of charging taxes fixed by the tax legislation: federal, state, and municipal.

5.1 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. The yearly statement of income tax must be submitted on the date fixed by the Brazilian Federal Revenue – usually on the last Day of the month of June and, also has to be shown when occur special events, as fusions, purchases, separations.

5.1.1 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.

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



per month.

5.1.2 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.

5.1.3 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:

5.1.3.1 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.

5.1.3.2 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.

There is a bill (PL 2011/2011) running to change the articles 13 and 14 of the Law No 9.718 of November, 27,1998, to extend the limit of the total gross income to enter corporations based on estimated profit. According to that bill, the value goes up to R\$ 78 million on the calendar year previous to the income statement, or R\$ 6,5 million multiplied by the number of activity months, when under 12 months.

The choice, both for the IPRJ 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 IPRJ, 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.

Example of 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.

5.1.3.3 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.

5.1.4 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.

5.1.5 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. 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 are 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.

5.1.6 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.



5.1.7 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 honoraries 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, honoraries for provided services, 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.

5.1.8 Contribution on Economic Activities (CIDE)

CIDE 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 honoraries 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 5.060/2004 with a text changed by Decree nº 7.764/2012, the percentages of CIDE on the import and trading of oil and its derivates, natural gas and its derivates, and fuel ethyl alcohol – CIDE were reduced to zero for certain products.

5.1.9 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 0.0038%. There are situations provided that reduces the percentage to zero.

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.

5.1.10 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.

5.1.11 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.

5.2 State taxes

5.2.1 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 intermunicipal 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 intermunicipal, 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 seated 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.

Sales of cars, communication services, and electricity are subject to the payment of a percentage of 25% for ICMS.

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 COFINS 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.

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.

5.2.2 Tax on Causa Mortis Transmission and Donation of any Properties or Rights (ITCMD)

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.

5.2.3 Tax on Automotive Vehicles (IPVA)

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.



5.3 Municipal Taxes

5.3.1 Tax on Services (ISS)

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.

5.3.2 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.

5.3.3 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.).

5.4 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 thru ordinary law and administrative entities to come fully into force.

5.5 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.

5.5.1 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.

5.5.1.1 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.

5.5.1.2 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.

5.5.1.3 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.

5.6 International tax aspects

5.6.1 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 for tax purposes 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 also 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 establishment 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.

5.6.2 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.

5.6.3 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 contain 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, Holland, Norway, Philippines, Portugal, Slovakia, South Africa, South Korea, Spain, Sweden and Ukraine.

The treaties with Venezuela, Paraguay and Russia were executed, but are still depending on a final approval by the National 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".

5.6.4 Percentages of taxes withheld at the source

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

- Interests – 15%
- Interests on equity capital – 15%
- Royalties – 15%
- Honoraries for technical services 15%
- Honoraries for non-technical services – 25%
- Lease and rental taxes – 15%

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

- Dividends (if related to profits after January 1996) – 0%
- Interests and commission on export financing – 0%
- Interests and commission on export notes – 0%
- Export commissions – 0% Interests 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%
- Hedge international – 0%
- Taxes for the register and keeping of patents, registered marks and plant varieties.

5.6.5 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, Costa Rica, Cyprus, Djibouti, Dominica, East Samoa, Guernsey, Gibraltar, Grenada, Grenadines, Hong Kong, Isle of Man, Jersey, Labuan, Lebanon, Liberia, Liechtenstein, Luxemburg (referring to 1929 Holdings), Macau, Madeira Island, Maldives, Malta, Marshall Islands, Mauritus, 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, and Vanuatu. At any moment new jurisdictions may be added to this list.

5.6.6 Interests on equity capital

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

interests are a mixed instrument as they are 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 interests on the equity capital are 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 interests on equity capital are 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.

5.6.7 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.

5.6.8 Honoraries for services

The taxation of honoraries 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.

5.6.9 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 method 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.

5.6.10 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.

5.6.11 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 17,402,630. 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 division between 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). According to Chilean Central Bank and International Monetary Fund estimates, between 2000 and 2010 the country's gross domestic product grew at a 3.8% average annual rate. The 2011 GDP reached US\$248,585 million and GDP per capita totaled US\$17,269.

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 seen 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 the Mercosur.

4. Principal taxes in Chile

Taxes most widely applied in Chile are:

- Corporate and personal income taxes
- Value-added tax (VAT)
- Stamp Tax
- Capital Gains Tax
- Municipal Licenses

In addition, the Chilean tax system includes real state tax, inheritances and donation tax, and other lesser important taxes. All taxes in Chile are levied at the national level excepting for the Municipal License.

4.1 Tax Control

The entity responsible for the control of taxes in Chile is the Chilean Internal Revenue Service "Servicio de Impuestos Internos" (hereinafter SII). The SII is also in charge of issuing instructions, rulings, and interpretation to the tax laws.

In the event of a controversy between the taxpayer and the SII, the administrative (not judicial) procedure is carried out in first instance before the Regional Director of the SII who acts as Tax Judge. The possibility of appealing to the Court of Appeals and, finally, to the Supreme Court exists.

The taxpayer may reach the Supreme Court to settle legal issues. As a rule, the statute of limitations is three years from the date in which the payment of the corresponding taxes should have been made. In special cases, the term extends to six years.

Law No.20,322 published in the Official Gazette on January 27, 2009 established 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 and they will start working in Santiago in the year 2013.

5. Income Tax

5.1 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.

Taxes in Chile are divided into category 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.

5.2 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 mainly on 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 distributed 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 (20%) 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	20%
Second Category	Exempt to
Global complementary	Exempt to
Additional (non resident in Chile)	35%
Royalties paid abroad	30%
Royalties for the use, enjoyment, development of	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	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	35%
Capital gains taxes on the sale of shares	20%

(*) These rates are only for reference, particularly concerning the Additional Tax, which varies with the occurrence of certain circumstances.

5.3 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 to the Treasury by the employer on a monthly basis

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

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

5.4 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.

6. 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 0.033% 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 0.4%. 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 0.166%.

External loans are subject to the Stamp Tax irrespective of whether they are formalized in a document or not.

7. 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 (aprox US\$640.000).

8. Value added tax, VAT

VAT primarily levies sales and other contracts covering material goods and the provision of certain services.

In both cases, the taxable event is generally triggered when a vendor or service provider, both concepts defined by the VAT Law itself, carries out the sale or service routinely.

The VAT operates based on 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.

9. International Taxation Considerations

9.1 Credit for taxes paid abroad

Foreign incomes are taxed in Chile based on 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 30% in the case of dividends and 20% for profits derived from a branch. 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 as deduction from taxable income.

Notwithstanding the foregoing, the cap is 30% with countries with which Chile has signed double taxation treaties. The foreign withholding tax with a maximum of up to 20% may be used as a credit against the 20% 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 30% of net revenues from foreign sources, net revenue meaning foreign source income less expenses that were incurred to generate the same.

9.2 Treaties to prevent double taxation

Chile has signed several general and specific double taxation treaties. The following treaties are currently in force: Argentina, Belgium, Canada, Colombia, Mexico, Brazil, Norway, South Korea, Ecuador, Peru, Spain, France, Poland, United Kingdom of Great Britain and Northern Ireland, Denmark, Croatia, New Zealand, Ireland, Malaysia, Paraguay, Portugal, Sweden, Switzerland and Thailand.

All these treaties are based on the OECD model, except for the Treaty with Argentina.

The double taxation agreement concluded with Argentina is based on the exemption principle, under which the income is taxed in the country where it has its production source. Therefore, the income from Argentinean source obtained by Chilean residents is taxed only in Argentina, but it must be taken into account for establishing the Global Complementary Tax rate that applies to an individual resident in Chile. In addition, Chile has subscribed double taxation treaties with Russia, the United States, and Australia, which have not yet become effective. Chile has also completed negotiations with South Africa, but the treaty has not been signed yet.

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

9.3 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.

10. 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 treaty.

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, has negotiated customs duties' reductions for some products as well as immediate or gradual eliminations for others.

Republic of Colombia

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3. Country Profile

Colombia is the fourth largest South American Country, only country located between two Oceans, the Pacific and Caribbean Oceans. The country's frontiers are Panama at Northeast, Venezuela is at the East, and South with Peru and Ecuador is at the Southeast. The country's Government is Democratic, a Presidential Unitary Republic with two legislative cameras.

Capital: Bogotá.

Language: Spanish.

Currency: Colombian Peso.

President: Juan Manuel Santos Calderón.

Population: 46.949.000 inhabitants in accordance with the National Statistics Department, DANE, per its initials in Spanish.

4. Company Regime

4.1. Permanent Establishment

The Chamber of Commerce establishes a series of activities included within a commercial business scheme, which execution allows continuing with permanent activities in Colombia:

- Incorporate commercial establishments or business offices in the Country.
- Participate as a Contractor in rendering services or executing work.
- Participate in activities that imply the administration of private savings.
- Develop activities related with the extraction industry.
- Obtain or participate in Government's bidding.
- Development of the General Shareholders' Meeting, Board of Directors or Board of Administration.

4.2. Types of companies

A subsidiary is defined as those companies incorporated in the Country in accordance with the types of companies existing in Colombia. Subsidiaries are obliged to keep its accounting records in Colombian pesos and in Spanish, to comply with accounting principles generally accepted in Colombia (Colombian PCGA/GAAP) and to comply with the reports defined for control entities and tax authorities.

According to Colombian legislations, companies are divided in judicial and natural person companies. The types of companies are detailed as follows: Branches from foreign companies, Stock Companies, Limited liability companies, Simplified Anonymous Society (S.A.S.), Collective Society, Simple Limited Partnership Society, and Limited Partnership by Share Company.

4.3 Statutory Auditor

It is mandatory for Stock Companies and Foreign Branches to name a Statutory Auditor. Other legal entities should name a Statutory Auditor if their gross annual income exceeds 3.000 Minimum Legal Monthly Salaries in Force (SMMLV, per its initials in Spanish) and/or their assets exceed 5.000 Minimum Legal Monthly Salaries in Force (SMMLV).

Note: For 2013 the Minimum Legal Monthly Salaries in Force (SMMLV) is for \$ 589.500 Colombian pesos (approximately USD 330).

4.4 State's surveillance and control

Commercial companies and foreign company branches are subject to the surveillance of the Superintendence of Corporations, provided that at the closing date of the financial statements they have an income or gross assets that exceed 30.000 Minimum Legal Monthly Salaries in Force (SMMLV).

4.5 Mandatory records

Companies should be registered in the mercantile record administrated by the Chambers of Commerce, which would allow to execute any commercial activity and to publicly credit their commercial quality. For effect of contracts with the States Entities, the company additionally requires the inscription and update of the Sole Suppliers Register (RUP, per its initials in Spanish), which is processed at the Chamber of Commerce.

The Companies should obtain and update the Sole Tax Register (RUT, per its initials in Spanish) for identification effects at the National Tax and Customs Direction DIAN - per its initials in Spanish.

Every foreign investment made in the Company should be registered at the Central Bank (Banco de la República); its entrance to the country should be made through the exchange regulation in compliance with exchange regulations applicable to foreign investments.

4.6 General Accounting Standards

The Company's accounting records should follow the standards established by Decrees 2649 and 2650 of 1993 and other complementary standards and instructions. Based on Law 1314 of 2009 the process to begin the implementation of the International Financial Reporting Standards (NIIF/IFRS) was incorporated, which are to be generally applied as of 2015 for public interest companies and for entities classified as PYME (Small and Medium Sized Companies, per its initials in Spanish) will be applicable as of 2016.

5. Labor Regime

The Colombian Labor Regime complies with that established by the International Labor Organization. Foreign employees have the same rights and obligations as local employees, except for certain diplomatic privileges. Colombian laws apply to employees as of the date in which the written labor agreement is entered into.

The modes of contracts are: Fixed Term: this term may not be superior to three (3) years, however, the parties may extend it; For the work term or hired labor: the term is equal to the term in which the work will be developed; Accidental or transitory: The term is not greater than one (1) month and refers to the different normal work activities of the employer and, the Indefinite Term: does not establish a term, nor is it determined by the work or nature of the work established. It does not either refer to an occasional or transitory work.

5.1 Salary

There is a minimum payment in Colombia that employees should receive as remuneration from their work, known as Minimum Legal Monthly Salaries in Force (SMMLV). Additionally, a monthly transport aid is provided for \$70.500 for 2013, which will be paid for those employees that earn up to two (2) SMMLV.

5.2 Labor Hours

The labor weekly hours is maximum of 48. The daily shift is between 6:00 a.m. and 10:00 p.m. and the night shift is from 10:00 p.m. to 6:00 a.m. from Monday to Saturday. Daily overtime is paid at 25% plus the payment per hour in the daily shift, overtime in the night shift is paid at 75% plus the payment per hour in the daily shift. These should not exceed 2 hours per day or 12 overtime hours per week.

5.3 Social benefits and law benefits

Social benefits correspond to: Severance payments: 30 salary days per worked year or proportional, Interests over severance payment: 12% annual over severance payments, Vacations: 15 salary days in time or in some cases in cash; Service Premium: 15 salary days payable on June 30 and 15 salary days payable at the latest on

December 20; Labor supplies: Employees that earn up to two (2) SMMLV, should receive a pair of shoes and an appropriate dressing from the employer, there (3) times a year.

5.4 Other payments

Retirement Pension Contributions: 16% of the employee's salary (12% is paid by the employer and 4% by the employee).

Contributions to Health Promoting Entities (EPS, per its initials in Spanish): 12,5% of the employee's salary (8,5% is paid by the employer and 4% paid by the employee).

Contributions to Welfare Compensation Funds, ICBF and SENA: 9% complete responsibility of the employer. The Tax Reform created as of 2013, the Equality Income Tax (CREE, per its initial in Spanish), in benefit of the employees and social investment; salary tax contributions made in favor of SENA and ICBF by income tax payers related with employees that individually receive up to ten (10) minimum monthly salaries, will be exempt of this contribution.

5.5 Integral Salary

There is a remuneration known as Integral Salary, which minimum amount is equivalent to 10 SMMLV plus 30% equivalent to certain fringe benefits. The employees that receive this salary also have the right in time or in cash for the concept of 15 days of Vacations.

6. Migratory Regime

The migratory regime in Colombia is regulated in order to have a control over the income of expatriates in the country, even if they are investors or employees.

Among the categories of relevant visas: Business Visa, Temporary Entrepreneurial Visa, Special Temporary Visa, Temporary Visiting Visa, Investor's Resident Visa and Worker's Temporary Visa.

7. Tax Regime

Income from domestic sources is detailed as follows:

- Transfer or exploitation of tangible and intangible goods, located in the Colombian Territory.
- Rendering services in the Colombian territory.
- Rendering technical services, technical and consulting assistance, as well as, the subscription of contracts of key in hand within or outside Colombia.
- Obtaining income from Colombian companies.
- Financial yields of goods held in the Country.

Income from foreign sources is generally considered as:

- Income from the transfer or exploitation of tangible and intangible goods situated outside Colombia.
- Rendering services outside Colombia.
- Some income generated over certain external loans.

Colombian companies and entities are subject to pay taxes over national source and foreign source income. The foreign companies and entities are subject to pay taxes over income generated in Colombia.

National taxes are: Income Tax and Occasional Earnings, Tax over Equality Income (CREE), Tax on Equity (with temporary term), Sales VAT tax, Consumption Tax and Tax on Financial Transactions (with temporary term). Municipality and Departmental taxes are: Industry and Commerce tax, Real Estate Tax, tax on vehicles and Registration tax.

7.1 Income tax and occasional earnings

Income tax for companies and branches:

As of 2013 the taxable income tax rate for stock companies and similar national entities, including foreign companies and other entities of any nature that obtain income through their branches or permanent establishments is for 25% (before for 33%).

The Equality Income Tax (CREE) was created as of 2013 with an 8% tax rate as a taxpayer contribution of income tax, in benefit of the workers, employee generation and social investment; however, this rate will be for 9% from 2013 to 2015. Non-profit entities and future free-zone users that are subject to a 15% tax rate (art. 240-1 of the Tax Statute) are tax exempt. The income tax basis may not be inferior to the presumptive income and may not offset prior year losses or to take any tax credit.

As of 2013 the tax rate over occasional earnings rate defined in the Tax Statutes is of 10% (before 33%).

Tax standards establish an annual presumptive income for each company. If the Company has ordinary net income inferior to presumptive income or if there are tax losses, tax will be computed based on presumptive income, equivalent to 3% of the net fiscal equity related with the last day of the previous tax period.

Tax payers may offset tax losses during the fiscal losses, without limit of time or quantity. Dividends from Colombian companies paid from revenues obtained as of 2007, are not subject to taxes by the foreign or domestic partners or shareholders.

Income tax for natural persons:

Income tax levies on an annual basis the overall income or revenues obtained by the taxpayers (natural or judicial persons) from their ordinary operations. The tax rate for natural persons is based on a charted detailed in UVTs (Tax Value Units, per its initials in Spanish), with a marginal rate of 0%, 19%, 28% and 33%.

7.2 Sales VAT – (Sales Value Added Tax - VAT)

This is a national tax that mainly levies on the sale of real estate goods classified as not fixed assets and have not been excluded, rendering services in the national territory and the importation of real estate goods expressly excluded.

The entity responsible for the Colombian tax authority for the collection and payment of tax is who performs any of the generating facts, even though the taxpayer at the end of the day is the final consumer. There are three different rates of 0%, 5% and 16%. Exportation of goods and services is exempt from the sales VAT. Certain goods and services are excluded, especially transportation services under certain conditions, educational services, public utilities and interests, among others.

7.3 Tax on Financial Transactions (GMF)

0,4% is applied on every financial transaction available in resources deposited in checking or savings accounts, as well as accounts deposited in the Central Bank (Banco de la República) and drafted managerial checks. 25% paid is deductible from income.

7.4 Industry and Commerce Tax and for billboards

This is a territorial tax applicable to income obtained from industrial, commercial and service activities applied, or made directly or indirectly with natural persons, judicial or entities where these transactions have been made under the regulations of each municipality. The value effectively paid per these concepts is deductible for income tax effects.

7.5 Consumption tax

Tax for consumption is applicable to the food services rendered by restaurants, cafeterias, self-service, etc. (8%) and for mobile telephony (4%), taxed over used vehicles, among others.

8. Agreements to avoid dual taxation and Decision 578 of the Andean Community of Nations

The Agreements to avoid dual taxation and Decision 578 of the Andean Community of Nations are as follows:

- Germany: Law No. 16 of December 15, 1970
- Argentina: Law No. 15 of December 15, 1970
- Brazil: Law No. 71 of August 30, 1993
- Canada: Law No. 1459 of June 29, 2011
- Chile: Law No. 1261 of December 23, 2008 and Sentence C-577 of August 26, 2009
- United States: Law No. 4 of January 5, 1988
- Spain: Law No. 1082 of July 31, 2006
- Italy: Law 14 of January 19, 1981

- Mexico: Law 1568 of August 2, 2012
- Panama: Law No. 1265 of December 26, 2008. Sentence C-466 of July 15, 2009.
- Switzerland: Law No. 1344 of July 31, 2009 and Sentence C-460 of June 16, 2010

9. Transfer Pricing

Colombian regulations regarding Transfer Pricing was written based on guidelines for the Organization and Economic Development – OCDE, per its initials in Spanish – and began to rule as of April 2004. In virtue of the entrance of this Regime, the Income Tax Payers that agree transactions with foreign related parties should determine its income, costs and deductions considering the price and margins of income used in comparable operations with or between related parties.

10. Foreign Investment and Exchange aspects

10.1 General and control aspects

The exchange market is free with certain regulations that establish the mandatory exchange transactions channelizing the exchange market and brokers. Transactions that should be channelized through the exchange market, with a foreign market broker and/or a compensation account (bank account in foreign currency) are: Foreign investment and draft of income, Colombian income and revenue abroad, Import and Export of goods, External indebtedness of Colombian residents and related financial costs, Financial Derivative Operations and Guarantees and Foreign currency collaterals.

10.2 General Exchange Regime

Applicable to companies incorporated under the Colombian legislation and foreign company branches not dedicated to the oil and mining sector. Under this mode, Colombian residents, with some exceptions may not pay their debts in foreign currency to other residents. The access to the exchange market is allowed to obtain foreign currency resources to pay obligations with non-residents. The importation and exportation of goods are handled through this regime and there is access of internal and external indebtedness.

10.3 Special Exchange Regime

Applicable to foreign branches dedicated to the exploration and exploitation of hydrocarbons, coal, uranium and Ferro Niguel and the Branches that exclusively render services to the oil sector. Under this mode the Branches are authorized to receive and make payments in foreign currency within the country, provided that the foreign currencies provide resources obtained from their production, without being obliged to reimburse the local exchange market with all the foreign currency proceeding from the sale in foreign currency.

10.4 Foreign investments

The investment of foreign capital is allowed, even for the purchase of real estate. The investment of national security and defense is not allowed and the processing and actions of toxic, dangerous or radioactive wastes produced abroad.

The types of investments are known as Direct and Portfolio. Direct investments are considered: Purchase of shares, participations, share quotes, capital contributions or mandatory bonus convertible to shares; Acquisition of autonomous equity constituted by means of trust right contracts to develop a company; Additional paid-in capital assigned to the Branches in Colombia; Purchase of real estate and participation securities resulting from a real estate ownership and Acquisition of participation in private capital funds.

The Portfolio of investments is defined as the acquisition of shares, mandatory bonds tradable in shares and other values recorded in the National Security Register; this investment is considered to be of a speculative character and not as a permanent investment.

11. Contracts with the State

The standards for contracts with the State are set-forth in the General Statute for the Public Administration Contracting, applicable to all the public entities in accordance with Law 80 of 1993 and Law 1150 of 2007. However, there are entities which contractual activity is submitted to different regimes. The selection process of the contractor may be performed under the following modes: Bid, Short-term selection – Abbreviated Selection, Direct Contracting, Merit contest or Minimum amount contracting.

12. Environmental Aspects

The Renewable Resource Code, Law issued in 1974, determines to obtain the Environmental License in order to perform projects, civil works or activities that affect the renewable resources or landscape; requirements may be imposed to prevent, mitigate, correct, compensate and manage environmental aspects regarding the activities to be made as part of the project. A license is required to perform Hydrocarbon, Mining, electric, Hydro, ocean, port, land and air, nuclear energy, railroads, irrigation and public river work and in National Natural reserve projects.

13. Intellectual Property

Rights of intellectual property are divided in two categories: a) Industrial Property, related with inventions, patents, industrial designs, trace designs of integrated circuits, industrial secrets and distinctive signals such as slogans, brands, names and commercial logos, and b) Copyrights, related with the protection granted to scientific, artistic and literary works susceptible of any kind of reproduction or distribution, including artists, interpreters and sound producer's copyrights for software. The Industry and Commerce Superintendency is the regulating entity of the State responsible of controlling and registering Industrial Property and Copyrights.

14. Financial Sector

This sector is under the surveillance of the Financial Superintendency, State entity with inspection, surveillance and control faculties. Other regulating entities are the Central Bank and the DIAN. The financial activity is considered of public interest and only may be previously authorized by the State.

Republic of Costa Rica

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3. Country Profile

Costa Rica is a country with stable democratic tradition. The current constitution was enacted in November 1949. The political structure is based on the representative republican system with three powers:

Executive Power: is headed by the President and two Vice Presidents, elected by direct universal suffrage for four years non-renewable. The members of the Executive Power include 18 ministers appointed by the President.

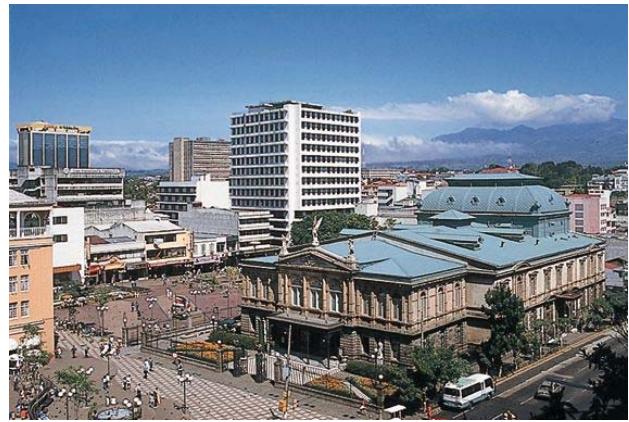
Legislative Power: 57 members, elected by direct universal suffrage for four years, represent this power. This Assembly is the first power of the Republic.

Judicial: includes the Supreme Court, which has 22 judges elected by the Assembly for eight years, the civil and criminal courts, labor courts and the electoral court.

3.1 Geography

Situated in the geographic center of the Americas, Costa Rica is bordered by Nicaragua to the north, by Panama to the south, by the Pacific Ocean to the west and the Caribbean Sea to the east.

Three mountain ranges define Costa Rica, forming five distinct areas: the tropical lowlands on the Pacific and Caribbean coasts; the North Central tropical plains; the Central Valley high lands; and the broad, generally low Northwest Zone. The Central Valley's easy access and temperate climate with an average temperature of 20 degrees centigrade (68 degrees Fahrenheit) have



attracted two thirds of the country's population, an even greater proportion of its industry and is the site of the capital city, San José. With an extension of 9.47 sq. km. (3.66 sq. miles) and an elevation of 1.150 meters (3.773 feet) above sea level, San José is the country's largest city.

3.2 Roads

Costa Rica's infrastructure is among the best developed in the region. There are more than 7.000 km of principal highways and roads and some 16.000 kms. of rural roads. There is good taxi and public bus service in San José.

3.3 Air Travel

San José's principal airport, Juan Santamaría is served by 17 international passenger airlines and 10 cargo airlines. A new terminal, along with a three-stage renovation plan, is planned to upgrade the airport's capacity and adequacy. The Daniel Oduber Quiros Airport serves the north Pacific (Guanacaste) area, famous for its beaches. In addition, there are approximately 31 small, rural airports in the country.

3.4 Shipping

Several steamship companies maintain regular and frequent cargo service for containers from both coasts to the United States, Europe, Japan, and Latin America. The largest of all ports, Limón handles up to 80% of all cargo. On the Pacific Coast, Puntarenas, supported by Taiwanese funds, has recently completed a new pier that is opening to large cruise ships. Moreover, within 90 miles of San José is the port of Caldera. Built in 1982 to replace the aging Puntarenas port, it has adequate 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 found throughout major cities. Costa Rica has a fully automated system of telecommunications, providing a high standard of national and international communication including facsimile facilities and e-mail. Cellular telephones were introduced in 1994 and the service providers cover the whole country.

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-day Costa Rica, the nation with the most equitable distribution of wealth, highest health standards, and longest life expectancy in Central America. In 1990, the United Nations cited Costa Rica as having the best human development indices among developing nations. In 1996, Costa Rica again tops the list in Central America in terms of human development.

For years, this small republic's democratic traditions and peaceful business climate have encouraged and successfully attracted foreign investment. This is underscored by the Costa Rican 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 strong; the highly educated labor force is easy to train; a fairly well developed production infrastructure is available; and a modern, efficient communications system ensures ready access to the global marketplace. In addition, the country enjoys multilateral and bilateral trade agreements with other nations, allowing for preferential access to foreign markets. The business environment is the best in the region. A quick analysis and comparison of Costa Rica's social, political and economic policies with those of its neighbors make the choice easy for international investors seeking fresh opportunities for their technology and know-how.

The "Colon" is the official currency however; the US Dollar can be used for local transactions.

3.7 Population

The majority of Costa Rica's 3 million inhabitants are descendants of Spanish and other European families and therefore, they do not show Indigenous features.

Costa Rica's population growth rate has been relatively stable over the last four years, reaching 2.7 percent in 1988. The Central Valley, the principal area of concentration, will continue to absorb about 60% of this growth and is projected to one giant metropolitan

area comprising San José, Alajuela, Heredia and Cartago. Promotion of family planning over the last 20 years has lowered the birth rate and altered demographic trends. In 1960, about half the population was under 15 years of age; by the late 1970s that figure was 20% and the Census Bureau forecasts a further drop to 26% by the year 2000.

Accordingly, the productive population (ages 15 to 64) should increase from 49 to 67% by the year 2000.

3.8 Language

The country's official language is Spanish, although English is the most widely spoken foreign language, and is commonly spoken in the business community.

4. The Economy

Costa Rica has a market economy with major government participation in certain sectors. Insurance, refineries and major service industries are dominated by public corporations, although closely held companies and family enterprises are common. Utilities, transport and some primary industries are owned by semi-autonomous state monopolies, but there is a trend towards privatization. Both the public and private sectors recognize that foreign private investment is essential to increased exports and employment. This is especially relevant in light of decreased U.S. aid to the country in the last several years.

Intent on joining other countries in market liberalization, Costa Rica was accepted into the General Agreement of Tariffs and Trade (GATT) in November 1990. This important move spawned more reform-oriented and transparent-trade policies. Import licenses have been virtually eliminated, and tariffs have been reduced from nearly 80 to 20 percent for most non-durable consumer goods, and to 10 percent for capital goods. Import duties will be reduced to one percent on raw materials, and by 1999, duties on capital goods will be lowered to one percent and finished products to 15 percent.

4.1 Investments and export incentives

The failed protectionism model of the 1960s and 1970s forced manufacturers to seek new markets outside Central America and improve the production, pricing, and quality of their products. Because of increased world production and competition, the country's traditional, mostly agricultural, products commanded low prices. In order to promote both domestic and foreign investment in nontraditional 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. These are three major

investment incentive plans under which a company or individual may operate:

- Regime of Active Finishing
- Free Zones

4.1.1 Aims of Government Policy with regard to the Economy

Government policy is directed toward stimulating economic growth, especially in areas away from the main urban centers and to privatize state-owned industries and utilities as far as possible.

Decentralization of industry is a major objective of government economic planning and regional incentives are available.

4.1.2 Tax treaties

Costa Rica has bilateral investment treaties with Germany, France, Romania, Chile, Netherlands and Great Britain. Treaties for the avoidance of double taxation with respect to income and property taxes have been signed only with Spain, but it still needs Congress approval to be implemented.

A Tax Information and Exchange Agreement (TIEA) with the United States became effective in 1991.

Under this agreement, Costa Rica is now eligible for Section 936 funds. These are profits earned by U.S. companies in Puerto Rico that are exempted from U.S. income tax when invested in any qualifying Caribbean Basin country.

In addition, the TIEA enables U.S. businesses holding conferences or seminars in Costa Rica to deduct those expenses on their U.S. income tax returns.

5. Business entities

The Commercial Code governs all matters relating to commercial enterprises. Foreigners are granted full freedom to acquire and/or operate a business in Costa Rica with some exceptions in the area of communications. One important stipulation, however, is that a foreigner cannot carry out business in her or his own name unless she or he has accumulated ten years of legal residency.

The most widely chosen alternate is to carry out business through a corporation legally formed and registered in Costa Rica.

5.1 Types of commercial companies

Cost Rican law allows five types of legal capacities:

- The stock corporation
- The limited liability company

- The collective company
- The limited partnership
- The individual enterprise with limited liability (this option is the only one regarded as an individual rather than corporate personalities).

Of these five, the first two are the most utilized.

5.1.1 Stock Corporations

By far the most popular form of commercial company, the corporation is a public entity whose members are liable for their contribution. As for the limited liability company, a minimum of two shareholders is required; a basic difference is that the administration of a Stock corporation is more sophisticated. The company must be organized with registered shares. Title of these is recorded only in the company's shareholder register, a private record whose access is restricted to shareholders and/or administrators. Third parties have access only through judicial resolutions. Shareholders are not necessarily incorporators; instead, members or employees of the legal agents organizing the incorporation usually act as incorporators in a formal capacity, and once the corporation is registered the shares are delivered to legitimate shareholders.

There must be a board of directors with at least three directors and a statutory examiner, all of whom can be foreigners if desired. The name of the corporation must be registered (and be different than those already registered) and followed by the words Sociedad Anónima, or the abbreviation S.A

5.1.2 Limited Liability Company.

The limited liability company is a stock-held corporation, with a minimum of two shareholders required at the formation. Afterwards, a single person or company may become the sole owner of all the shares and this will not cause its termination. Thus, a board of directors is not required. The shares can be issued only in registered form and have to be transferred by assignment.

The limited liability company requires a very simple administration and, therefore, is suitable for enterprises of medium size, where the basic needs are those of limitation of liability and administrative simplicity. The only position required, though there may be more, is a manager with broad powers of attorney.

The company name must include either the phrase "Sociedad de Responsabilidad Limitada" (limited liability company) or the abbreviation S.R.L. or Ltda. and must be stated in all company advertisements, 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 include bankruptcy of its partners. In this legal entity, the partners are liable only to the extent of their contributions to the capital.

This type of company is the most widely used after the corporation.

5.1.3. Foreign companies

Foreign companies may operate branch offices or transfer their headquarters to Costa Rica. Branch offices are subject to Costa Rican Law. They must provide the Mercantile Registry with a certificate or statement issued by the Costa Rican consul or other friendly nation's consul stating that the prospective branch office has been authorized by its headquarters to operate in Costa Rica.

Foreign companies headquartered in Costa Rica continue to be governed by the laws of the country where they were organized with regard to the charter, but they are bound by Costa Rica public law and obligated to pay income tax on business carried out in the country.

Foreign enterprises may also operate in Costa Rica by granting a powers of attorney to a representative. This power has to be registered in the National Public Register.

6. Some specifics in business law

Power of attorney, surety and guaranty, as well as trusts are legal actions that may be of use to business at certain times. Their Costa Rican versions are described and explained in this section, as well as pertinent aspects of selected business-related legislation.

6.1 Powers of Attorney

The document in which a person or entity is given certain rights to act on behalf of another party is known as a power of attorney ("poder"). A power of attorney is a rather common legal instrument that allows a foreign investor to delegate the handling of certain business matters to her or his attorney or other trusted representative. The person granting the power of attorney is known as the "poderante." The person or entity appointed is known as the "apoderado".

There are four types of power of attorney, which allows the power delegated to be adjusted to the nature of the task or type of actions needed.

6.2 Special Power of Attorney

A special power of attorney ("especial") is granted for a given transaction in or out of court. Once this is accomplished, the power of attorney ceases.

6.3 Very Special Power of Attorney

The law requires a very special power of attorney ("especialísimo") in case of marriage through a proxy, the making of a donation through a representative, or any other case of special importance.

6.4 General Power of Attorney

A general power of attorney (general) is given for any transaction conferring full and general powers of administration to the attorney-in-fact with regard to a specific matter.

6.5 The Very General Power of Attorney

This final classification of power of Attorney (generalísimo) covers all the transactions a person may wish to have carried out, such as the right to sell, mortgage, or any other way alienate or encumber any type of property; to accept or renounce inheritances, to act in court, to execute any type of contract, and to perform almost any other legal act.

6.6 Trusts

The Commercial Code contains provisions permitting the establishment of trusts. A trust is an arrangement by which a founder transfers to a trustee the ownership of certain property or rights with the obligation to employ them for the purposes outlined in the trust.

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 person who is to receive the assets of a trust.

If no designation exists, then the assets are returned to the founder or heirs.

Any kind of property or rights that form a legal part of a business may be the object of a trust and become separate and independent assets for the purpose of the trust.

The following trusts are prohibited:

1. A trust made for secret purposes.
2. Trusts having duration of more than thirty years if the trustee or beneficiary is a legal entity. This rule does not apply if the beneficiary is the state or a nonprofit charitable, scientific, cultural, or artistic institution.
3. A trust in which the trustee is allotted earnings, commissions, premiums, or advantages other than the remuneration indicated in the original instruments or determined by a court.

7. Accounting & auditing requirements

7.1 Accounting

Public and private companies are required to maintain accounting records in terms of the Commercial Code and the Income Tax Law, which also requires that the annual financial statements are prepared in conformity with International Financial Reporting Standards, and it also prescribes certain disclosure and other requirements for the annual financial statements.

7.2 Audits

In terms of the Institute of Public Accountants Law, only registered members are qualified to perform audits. External audits are mandatory for banks, pension funds and other financial companies only.

The accounting and auditing standards are laid down by the Institute of Public Accountants and are based on the International Auditing Standards.

8. Labor Relations

Though labor costs are somewhat higher in Costa Rica than in neighboring countries, the labor force also has a higher level of education and generally high level of productivity. The U.S. Embassy, in its "General Business Information on Costa Rica" states "The Costa Rican labor force can be characterized as relatively well-educated, skilled and easily trainable. The average worker has demonstrated a willingness to seek, and an ability to absorb, additional specialized training." Labor regulations have their legal base in the Costa Rican Labor Code.

Since its enactment in 1943, it has been the country's principal law concerning labor relationships, protecting both worker and employer by stating the legal rights and responsibilities of each. Though this section presents the main provisions of this code, potential investors should be aware that these may be changed by the legislature in order to comply with modern administrative systems and global marketing requirements. A labor consultant attorney should be consulted in order to fully understand and comply with the requirements of this code.

8.1 Foreign employees

All foreign workers require a work permit. The employer has to submit a request to the Foreign and Migration General Administration, who will in turn presents its opinion to the Work and Social Security Ministry.

8.2 Working hours

Three different shifts are described. The day shift is any eight hours between 5.00 a.m. and 10.00 p.m., not to exceed 49\8 hours weekly. The night shift is any six hours between 6:00 p.m. and 5:00 a.m., not to exceed

36 hours weekly. Finally, a mixed shift is up to seven hours of both day and night hours, not to exceed 42 hours weekly.

Overtime is calculated at time and a half, the working day must not exceed twelve hours per day. No overtime is allowed when working conditions are dangerous or unhealthy. Employers must pay double time for work on Sundays.

8.3 Holidays and vacations

Costa Ricans receive remuneration for all mandatory holidays prescribed by the Labor Code. Religious or civic holidays are unpaid, and the decision to give time off varies from employer to employer. If a company needs to work on a holiday, it can do so by letting employees know in advance and paying double for the hours worked.

On special days such, as Christmas Day, May 1, or Holy Week, companies usually not only pay double, but also provide transportation, meals, and a bonus.

In addition to these holidays, 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 week No 50, are entitled to receive pay for one vacation day per month worked.

In practice, additional vacation days are very common benefits offered, 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 for the first three days of an illness. From the fourth day, the social security system ("Caja Costarricense del Seguro Social") pays 50% of the worker's salary with no further obligation from the employer except to allow the worker to return to his or her former position.

The custom, however, is that big companies pay the employee's salary in full the first three days. Sick leave per person averages approximately four days per year.

8.5 Maternity leave

An employee is entitled to up to four months of maternity leave, 30 days before and 90 days after the birth. The employer is required to pay 50% of the employee's salary during this leave, and social security covers the other 50%.

8.6 Leave for work-related injuries

If an employee must be absent from work because of an on-the-job-injury, the National Insurance institute

(INS) covers 75% of the injured worker's salary, with no time limit. Some companies pay the other 25%, but each employer decides this. The employer, in the form of an occupational hazard tax, pays the INS insurance.

8.7 Wages and salaries

Minimum wage is based on a cost-of-living index and adjusted biannually by the National Council of Salaries. This council also reviews professional fees. Blue-collar workers generally work 48 hours weeks and are paid weekly. Salaries of white collar and domestic workers are based on a thirty-day 240-hour month and are generally paid bimonthly.

Costa Rica has a very competitive labor market, which obliges employers to pay above the minimum wage if they want to maintain a reasonable turnover rate.

The main reasons for the situation are a very low unemployment rate (4-5%); a good educational level, which enables people to move around easily; and other options available in the market. This is true at the professional level as well, where the competition issue is even stronger.

Salaries can be paid by check, however companies usually provide the services of a local bank, for employees be able to cash their cheques.

Management is very often paid by direct deposit through modern banking systems.

8.8 Mandatory payroll deductions and bonuses

8.8.1 Social Security

The Costa Rican social security system covers health, indemnification, and retirement pensions. Costs are calculated as a percentage of the worker's salary. 26.17% of the worker's gross salary must be paid by the employer, with 9.17% to be deducted from the employee's salary.

8.8.2 Income tax

It is the employer's responsibility to make monthly income tax deductions directly from employees' salaries. Below is the schedule in place up to September 2012:

From ₡0 to ₡685.000 month (about US\$1,355) no income tax is paid. From ₡419.000 to ₡685.000 a 1.028.000 (US\$ 1.355 a US\$ 1.033) 10% income tax is paid. From ₡1.028.000 (US\$ 2.033) and up, 15% income tax is paid.

8.9 Occupational Hazard Tax

This is the tax that gives employees access to the INS's insurance for work-related injuries. A payment of 3.75 percent of the worker's salary is paid by the employer.

8.10 Christmas Bonus (aguinaldo).

All workers must be paid a Christmas bonus equivalent to a twelfth of their annual income (one month's salary after one year's work) within the first twenty days of December.

The employee does not pay tax on the bonus, and the employer may deduct the amount from the tax base for income tax purposes.

8.11 Supplementary Benefits

Costa Rican companies often grant workers benefits over and above those mandated by law. Such benefits vary, but commonly include subsidized food, uniforms, transportation, company medical services, and education scholarships.

9. Exchange controls

The Central Bank of Costa Rica is responsible for formulating monetary policy and monitor exchange rate of the country, and should also promote conditions favorable for strengthening the liquidity and solvency and proper functioning of the financial system.

Exchange controls were removed by the Central Bank in March 1992. Exchange rates are established by the market, and dollar transactions are no longer restricted.

9.1 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.

9.2. Impuestos

9.2.1 Taxes on dividends

According to Costa Rica law, upon credit or payment of a dividend, whichever occurs first, the company must withhold 15% of the amount credited or paid. The 15% withholding tax does not apply if: (payments are made in shares of the distributing entity; payment is made to another Costa Rican corporation; or foreign tax credits are not allowed by the recipient country (previous authorization from local Tax Authorities is required). If the distribution company is registered in a local stock exchange and the shareholder acquired the shares through the stock exchange, the applicable withholding tax decreases to 5%.

The amounts withheld must be deposited with Tax Authorities within the first 10 days of the month following the date of credit or payment of the dividend.

9.2.2 Corporate tax rates

With the exception of qualified and limited free trade zone, export, forestry, and tourist-oriented activities, a corporation's net profits are taxed according to their annual gross income as follows (based on year 2010 rates):

Up to ₡ 27.811,000.00	10%
Up to ₡ 55.943.000.00	20%
In excess of ₡ 55.943.00	30%
Exchange rate: US\$1	₡505.52

The tax is levied on net income before dividend or reserve distributions.

9.2.3 Foreign remittances

Foreign remittances such as royalties, leasing, technical advise, salaries or services are subject to withholding taxes ranging from 5.5 to 33%, as follows:

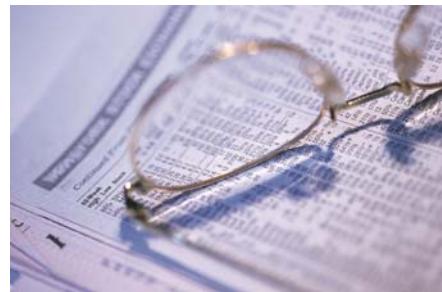
Transporte y comunicaciones	8.5%
Trabajo personal	10%
Honorarios, comisiones, dietas	15%
Reaseguros y primas	5.5%
Dividendos	15%
Arrendamientos comerciales	15%
Royalties, regalías, asesoría técnica	25%
Otros conceptos no definidos	30%

Payments or credits made by subsidiaries or branches to parent companies for royalties, franchises, trademarks, etc., are limited to a maximum of 10% of its gross sales.

Companies are normally exempt from withholding taxes on interest remittances provided the lenders are financial institutions or banks duly recognized by the Costa Rican Central Bank and first order financial institutions.

9.2.4 Municipal, permit and stamp taxes

Costa Rica has no state or city income tax. There are, however, minor municipal taxes, operation permit fees and stamp taxes. Stamp taxes are levied most legal documents.



9.2.5 Education and culture stamp tax

An education and culture statutory stamp tax is imposed annually, with fees ranging from 750 colones to 9.000 colones, based on the capital stock of the company.

9.2.6 Real estate tax

This tax is applicable to real estate, land, buildings and permanent structures. The tax is managed, assessed, and controlled by local governments (Municipalities) of the administrative district where the property is located. The taxable base is equivalent to the value of the property registered with the Municipality. Annual real estate tax rates are defined individually by each local government and must range between 0.3% and 1%. However, until May of the year 2000, the applicable tax rate by all Municipalities will be 0.6%.

9.2.7 Import tariffs

At the time of Costa Rica's entry into the General Agreement on Tariffs and Trade (GATT) in 1990, the country had a maximum duty of 55% on imported goods. Under GATT, this rate was lowered in June 1993 to a maximum of 20% and a minimum of 5% with few exceptions.

Nonetheless, luxury items such as automobiles can be subject to combined tariffs and taxes (such as the selective consumption tax among others) of up to 100%. A detailed explanation of how imports are taxed is beyond the scope of this book. AmCham strongly recommends consulting qualified professionals if you are considering importing goods.

9.2.8 Sales tax

The sales tax as in 1997 was recently reduced from 15% to 13% and is applicable to most goods. This tax is payable monthly on sales within Costa Rica for the previous month, Less the amount paid within the same month to suppliers. In the case of imports, sales tax is paid as part of the import duties required for the release from customs of the goods. Certain qualifies imports are exempt from sales tax.

9.2.9 Gross income includes earnings

Benefits and rents, whether in cash or in kind. Companies may deduct from gross income all costs and expenses necessary to produce taxable income or to protect their investments. Resident and nonresident corporations are taxed the same under Costa Rican law. Partnerships are treated as corporations independent of their partners and are liable for corporate taxes on net profits.

As a general rule, capital gains and losses on non-depreciable assets or shares of other companies are excluded for income tax purposes. Branch income is taxed at the same rate applied to corporations and foreign source income is not taxed. Corporations may request an extension to file their returns with prior approval from the Ministry of Finance.

9.2.10 Deductions

Following is a summary of the deductions corporations can take against gross income:

- Expenses necessary to produce taxable income are deductible provided they are duly recorded, deemed necessary and the obligation to withhold (if applicable) has been met.
- Bad debts provided evidence of legal action to collect exists.
- Payments to residents or nonresidents for rents, royalties, technical or financial assistance, trademarks, franchises and similar items, provided the proper withholding is made.
- Taxes paid, except income, sales and consumption taxes as well as related penalties.
- Interest payments on business loans, as well as the costs of obtaining said loans.
- Loss of assets not covered by insurance.

- Casualty losses not covered by insurance.
- Contributions to a recognized cultural or charitable institution
- Local insurance premiums.
- Foreign exchange losses, except when related to the acquisition of fixed assets.

9.2.11 Depreciation and other allowances

- Unless authorized by the Tax Authorities, depreciation rates cannot be higher than those prescribed by law. A company can choose either the straight line or the sum of the year digits methods of depreciation. However, once chosen, that method must be used consistently. Accelerated depreciation is allowed in certain circumstances.
- Annual depletion allowance is granted to companies that use natural and depletable resources.
- Organizational and pre-operational expenses can be amortized in one or five years.
- Operational losses can only be carried forward up to three years by companies engages in industrial operations and five years for agricultural operations. The amount to be carried forward or used as a deduction is up to the discretion of the taxpayer. Amounts not used during the allotted time periods are lost.

9.2.12 Invalid deductions

The tax administration can judge a deduction invalid under any of the following circumstances: non-income generating, excessive or unreasonable, or pertaining to another tax period.

Republic of Ecuador

1. Identification of the contact firm

Moore Stephens Profile Cía. Ltda.
Moore Stephens & Asociados Cía. Ltda.

1.1 Office, address, telephone

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Vladimir Niama-Amoroso, engineer

Audit partner
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3. Country Profile

The Republic of Ecuador is a constitutional state of social justice and rights, democratic, sovereign, independent, united, intercultural, pluri-national and lay (not any particular religion). It is organized as a Republic and governed in a decentralized manner. The country has an area of 283,561 square kilometers (km²) and a population estimated at 14,306,876. The Nation is territorially organized into regions, provinces, cantons and rural parishes.

In Ecuador there are 24 provinces. The Government is divided into five branches, the Executive Branch, the Legislative Branch, the Judicial Branch, the Transparency and Societal Oversight Branch and the Electoral Branch.



4. Investment

4.1 National Investment Norms

The General Code for Production and Investment was issued to regulate production processes, in the stages of production, distribution, exchange, trade, consumption, management of externalities and productive investments oriented toward Living Well.

Additionally, Ecuador also has new norms (Antitrust Laws) to Regulate and Control the Power of the Market to attempt to avoid, prevent, eliminate and penalize any abuse by economic operators using market power.

4.2 Public-sector contracts

To become a supplier for the Government, individuals, and corporate bodies must qualify as such with the National Institute of Public Contracts (INCOP), and register with the General Roster of Suppliers (RUP). In Ecuador, most public contract procedures are carried out through the "Compras Públicas" Website.

4.3 Corporate Norms

There are several corporate legal arrangements to carry out economic operations in Ecuador, through local companies, through branches and subsidiaries of foreign companies, through holding companies, though consortia, and others.

In Ecuador it is usual to constitute two kinds of commercial companies, corporations and limited-liability companies, since they limit their partners' liability to the amounts they have put into them.

4.3.1 Ecuadorian Companies

The corporate norms are set forth in Ecuador by the Civil Code, by the Law on Companies and the Commerce Code. When the capital of any of these companies comes from foreign investors, they are called subsidiaries, and must register with the Central Bank of Ecuador, according to the type of investment they make (local, direct foreign, subregional or neutral).

In the event that an Ecuadorian company has shareholders or partners that are foreign companies, it must inform the Superintendence of Companies who the shareholders or partners of those foreign companies are. It must also disclose to the Ecuadorian Internal Revenue Service the names of those who appear as shareholders down to the level at which actual individuals are identified.

Description	Joint-stock corporations	Limited-liability companies
Constitution	Submit documents for approval by the respective superintendence (Sup. Of Companies or Sup. of Banks and Insurance) and then file with Mercantile Register.	Submit documents for approval by the Superintendence of Companies and then file with the Mercantile Register.
Administrative Bodies	General Meeting of Shareholders.	General Meeting of Partners.
Legal Representative (1)	General Manager or President of the Company. The legal representative is appointed pursuant to the company's by-laws.	General Manager or President of the Company. The legal representative is appointed pursuant to the company's by-laws.
Partners (2)	A minimum of 2 shareholders.	A minimum of 2 partners, up to a maximum of 15.
Corporate stock (3)	At least US\$ 800.	At least US\$ 400.
Shares / Holdings	Shares are in the name of the holder and may be freely traded on and outside the securities market,	Sale of partners' holdings requires the unanimous consent of all partners.
Other Obligations	Keep a corporate book of Minutes of the General Meeting of Shareholders	Keep a corporate book of Minutes of the General Meeting of Partners.
	Keep a corporate book of Shares and Shareholders.	Keep a corporate book of Partners and their Holdings.
	Entitled to optionally join any of the Chambers and pay the respective dues.	Entitled to optionally join any of the Chambers and pay the respective dues.
	Submit financial balance sheets report on payroll listing, report by manager and by legal overseer to the Sup. of Companies.	Submit financial balance sheets report on payroll listing, report by manager and by legal overseer to the Sup. of Companies.
	Submit a listing of shareholders or partners of the company to the Superintendence, and if any shareholders are corporate bodies submit a listing of the shareholders, partners or members thereof.	Submit a listing of shareholders or partners of the company to the Superintendence, and if any shareholders are corporate bodies submit a listing of the shareholders, partners or members thereof.

Notes:

1. If the Legal Representative (for an Ecuadorian company) or Agent (for a foreign branch) of a company is a foreign citizen, they may obtain a 12-VI or 9-VI visa.
2. Shareholders in Ecuadorian companies may be individuals or corporate bodies. Ecuadorian or foreign. Foreign individuals and companies may be partners in a limited - liability company, with the exception of Banks, insurance companies, capitalization and savings and foreign joint-stock corporations. The Law on Companies forbids Ecuadorian companies from having foreign shareholders or partners whose shares or holdings are to the bearer (not in their name).
3. When constituting the company, a minimum amount of the capital stock must be paid: 50% for limited-liability companies and 25% for joint stock corporations. The remainder must be paid up within no longer than twelve months.

Source: Ecuadorian Companies Norm

4.3.2 Foreign companies

For a company constituted abroad to be able to habitually engage in its activities in Ecuador, it must have a permanent representative in Ecuador with full powers to carry out all actions and legal matters that must be done and have effect in the Nation's territory, and especially to be able to reply to lawsuits and meet contractual obligations.

However, if the activities of a foreign company in Ecuador will entail the implementation of public works, public service provision or extraction of Ecuador's natural resources, it must establish domicile in Ecuador before signing the corresponding contract.

To establish the branch of a foreign company in Ecuador, it must appoint a permanent legal representative with a notarized general power of attorney and have at least two thousand US dollars of capital. This amount can be increased if the General Agent representative is a foreigner (to approximately USD 13,000).

There are other legal arrangements under which one can operate in Ecuador, such as through a Consortium or Joint Venture, a temporary association or a holding company.

5. Audits and accounting

Accounting must be kept using the double-entry system, in the Spanish language and in US dollars, taking into consideration generally accepted accounting principles.

For corporate bodies subject to control and oversight by the Superintendencies of Companies or of Banks and Insurance, their accounting must be kept according to International Financial Reporting Standards (IFRS) adopted for preparing financial statements as of 1 January 2009.

Ecuadorian standards oblige to have an external audit lead to domestic companies and corporations mixed economy involving legal persons under public or private law with the social or public, and branches of foreign companies or companies whose assets exceed 100,000,00 dollars of the United States of America, and anonymous national companies, limited by shares and limited liability, whose assets exceed amounts 1000.000.00 dollars of the United States of America.

To be an external auditor of companies, one must qualify as such with the Superintendence of Companies. Similar, to be the auditor of financial institutions (banks, cooperatives, building and loan associations, etc.) one must qualify as an auditor with the Superintendence of Banks and Insurance.

6. Work-related standards

According to labor legislation, working is a right and a social duty. The purpose of the relationship with a worker is providing legal, personal services for the employer, under the latter's instructions. Labor relationships must abide by the labor legislation in effect in Ecuador and collective labor agreements.

6.1 Types of work contracts and terms of employment

Under Ecuadorian legislation, labor contracts may be either written or verbal. That is, even if there is no instrument or contract, the labor relationship can be proven. However, the law provides for certain cases in which a written contract is mandatory. Additionally, there are several modalities of work, and the most important are:

- **Fixed-time or indefinite duration:** Ecuadorian legislation establishes one year minimum duration for all fixed-time or indefinite-duration contracts that do not specify some other duration.
- **Trial contracts:** In the above contracts, when signed for the first time, a trial period can be stipulated, lasting no longer than ninety days. After that time, it will automatically be understood to remain in effect for the time remaining to complete one year.

6.2 Remuneration

A wage is the stipend that an employer pays a worker according to a work contract. A salary is the remuneration that employees receive for their work.

A worker's remuneration cannot be lower than the Unified Basic Wage, which has been USD 318.00 since January 2013.

Additionally, there are other additional remunerations, namely:

- **Thirteenth salary / Christmas bonus:** This remuneration is paid up to December 24 of each year, and is equivalent to one-twelfth of the compensation one has received during the calendar year.
- **Fourteenth remuneration:** This annual bonus is equivalent to one unified basic minimum remuneration for workers in general, paid up to March 15 in the Coast and Island regions and by August 15 in the Highlands and Amazon regions.

If a worker, for any reason, leaves or is separated from his or her job before the above dates, he/she will receive the proportional part of the 14th remuneration at the time of leaving or separation.

6.3 Worker benefits

- **Vacations:** An uninterrupted period of 15 days of rest, including non-working days. Workers who have provided services for over five years in the same company or for the same employer will be entitled to an additional day of vacation for each succeeding year, or will receive the money corresponding to the remuneration for these extra days. These additional days shall not exceed 15.
- **Profit-sharing:** The employer or company shall pay its workers fifteen percent (15%) of liquid profits, distributed as follows:
 - Ten percent (10%) divided among the company's workers.
 - Five percent (5%) given directly to the company's workers, in proportion to their family dependents (spouse or partner, children under age 18 and handicapped children of any age).

6.4 Other work-related aspects

- **Indemnity for dismissal without notice:** Up to three years of employment, this amount is three months of remuneration. After working for over three years, payment is the equivalent of one month's remuneration per year of service, up to a maximum of twenty-five months' pay.
- **Bonus for dismissal:** twenty-five percent of the equivalent of the last monthly remuneration per year of employment with the same company or employer.
- **Employer-supported:** workers who for twenty-five years or longer have provided services, continually and uninterruptedly with the same employer, are entitled to receive a pension from their employer in addition to the IESS retirement benefits. (A monthly pension paid through the IESS or payment of a lump sum to the worker).

6.5 Social Security IESS contributions

All workers engaged as employees or independent (self-employed) are obliged to affiliate to the Ecuadorian Institute of Social Security. If employed, it is the employer's obligation to pay a monthly contribution equivalent to 21.50% of earnings (the employer's share is 12.15%; the employee's, 9.35%).

If self-employed, the worker has the obligation to contribute 17.50% of the monthly remuneration.

- **Reserve Fund:** All workers who provide their services for over a year are entitled to a month's salary, from their employer, for each full year after the first year of work.

7. Currency Exchange Oversight

7.1 Incoming Foreign Exchange

All foreign investment must be registered in the Central Bank of Ecuador (BCE) for statistical purposes. This registration may be done by the foreign investor, by someone on his or her behalf, or by the Legal Representative of the company in which the investment was made. The Central Bank of Ecuador will register these investments as direct, sub regional or neutral foreign investment at the prevailing rate on the open exchange market on the registration date.

The BCE also registers foreign loans in foreign currency between individuals or corporate bodies with legal domicile in Ecuador and financial entities, head offices and other residents outside our national territory.

Overdrafts in checking accounts are not required to be registered.

7.2 Sending Foreign Currency

There is a tax on Outgoing Foreign Currency, which we will explain in detail below.

8. Tax system

Ecuadorian tax structure comprises taxes, fees, and contributions. Taxes can be national, provincial, and municipal. The main taxes are outlined below:

8.1 National taxes:

8.1.1 Income tax (IR)

This tax is levied over the total income obtained by Ecuadorian or foreign corporate bodies, individuals and undivided estates. Taxpayers are all individuals, undivided estates and corporate bodies with taxable income.

Ecuadorian and foreign companies are treated the same. Overall, income is understood as all income the taxpayer has received. For the purpose of income tax, this income includes:

- Income from an Ecuadorian source obtained free or for a cost, resulting from work, from capital or from both sources, consisting of money, in kind or services.
- Income obtained abroad by individuals with legal domicile in Ecuador or by Ecuadorian corporate bodies. The taxable base income for this tax is the total taxable income minus the costs and expenses that, according to Ecuadorian norms, are deductible. Some activities are exempt from income tax in order to promote investment, for social reasons, and for other reasons exonerating taxpayers from paying taxes.

According to the legal norms, there is income considered exempt from income tax, such as dividends distributed to shareholders and partners who are individuals or corporate bodies domiciled abroad (but not in a "fiscal paradise") or Ecuadorian corporate bodies, income obtained under international agreements, among others.

- **Income tax for Individuals.** Individuals and one-owner businesses pay income tax proportionally to their income, at a rate varying according to the income received, up to a maximum of 35%.

Expenses that individuals may deduct for income tax purposes include "personal expenses", which cover: health, education, clothing and food, which are deductible up to an overall maximum in 2012 of 50% of total taxable income, as long as this is not higher than the equivalent of 1.3 times the basic un-taxed base amount for income tax for individuals (USD 10,180.00 for 2013).

Individuals must liquidate and declare income tax, and present any deductions, in March for the operations done between January 1 and December 31 the previous year.

Individuals are also obliged to submit a sworn statement of their properties (assets) annually and independently of their income tax declaration, when their assets total over USD 200,000 as individuals or USD 400,000 as community property for both spouses.

- **Corporate Income tax.** There is a single tax rate for companies of 22% on a taxable amount calculated through the process called "tax reconciliation", explained below. The Tax Administration grants a discount of ten percentage points in the tax rate 12% for companies that decide to reinvest their Available Profits, providing that this reinvested amount is used to purchase new machinery or new equipment, assets for irrigation, vegetative material, seedlings and all plant inputs for agricultural, forestry, livestock and flower-growing production, used for their productive activity, as well as to purchase goods related to research and technology to improve productivity, diversify production and increase employment. As a requirement to take advantage of this tax benefit, the company must formalize the reinvestment (by Capital Increase) in the Mercantile Register by the following year.

Additionally, other types of special deductions may be granted.

Further, individuals must liquidate and declare this tax in April for the operations done between January 1 and December 31 the previous year.

- **Tax Credit for Income Tax.** Tax credit comprises those amounts prepaid and those withheld in the course of a year, which constitute rights for the company to discount them from their final income tax payment. This credit includes:

- Advance payment of income tax: Individuals, undivided estates, corporate bodies, companies that have signed or will sign hydrocarbon exploration and extraction contracts under any contractual modality and public companies subject to income tax payment must determine, in their declaration for the preceding fiscal year, the advance payment to be made for the current fiscal year.
 - a. Individuals and undivided estates that are not obliged to keep accounting and companies that have signed or will sign hydrocarbon exploration and extraction contracts under any contractual modality: A sum equivalent to 50% of the income tax determined in the previous fiscal year, minus withholding at the source for income tax from payments to them during that year.
 - b. Individuals and undivided estates obliged to keep accounting and corporate bodies: An amount equivalent to the mathematical summation of the following items:
 - Zero point two percent (0.2%) of total equity.
 - Zero point two percent (0.2%) of total costs and expenses that are deductible for income tax purposes.
 - Zero point four percent (0.4%) of total assets.
 - Zero point four percent (0.4%) of total taxable income for income tax purposes.

The calculated advance payment must be made in two equal amounts in July and September. The calculated advance payment must be made in two equal amounts in July and September.

There are special provisions regarding fuel dealers and distributors in the automotive sector, taxpayers whose economic activity is exclusively related to agricultural production projects with agroforestry and silviculture of forest species, and taxpayers

whose economic activity is exclusively related to developing software or technology projects.

Similarly, for private financial institutions and companies issuing and administering credit cards, subject to oversight by the Superintendence of Banks and Insurance (except for building / savings and loan associations) there is an advance payment for income tax of 3% of taxable income from the previous fiscal year.

Further, newly constituted companies and newly recognized investments under the Production Code, individuals obliged to keep accounting and undivided estates obliged to keep accounting, that begin activities, will be subject to making this advance payment after their fifth year of actual operation.

- Withholding at the source for Income Tax: Individuals obliged to keep accounting and corporate bodies must perform withholding for income tax from payments that they make locally or abroad which are taxable income for the payee. Percentages of withholding may range from 1% to 10% for local payments, and 22% for payments abroad. If withholding at the source plus advance payments are higher than the tax payable after liquidating Income tax, a rebate may be requested for the overpayment, or that credit may be used for following years (but only if the balance is due to over-withholding at the source).
- ISD paid to import inputs, raw materials and capital goods: Tax credit for the purposes of declaring, liquidating and paying income tax, also includes payments for the Tax on Outgoing Foreign Currency (ISD) on payments to import raw materials, capital goods and inputs for the purpose of incorporating them into production processes that are on the listing made by the Tax Policy Committee.

Additionally as of 1 January 2013, Ecuadorian legislation allows the ISD tax paid (tax credit for income tax) and not offset during the year when it was generated or in the following four fiscal years to be returned by the SRI under the following considerations:

- Apply to the fiscal authority once the income tax declaration has been made,

- Not having been able to offset or use the ISD tax paid as a deductible expense for income tax,
- The rebate will be made by a credit note, which is negotiable and can be used to pay income tax for the same five-year period in which the ISD tax paid could have been used as tax credit.

- **Tax reconciliation**

This off-the-books process consists of determining taxable income, out of the overall total income received by the company or individual, and subtracting all expenses that can be deducted from this tax that are related to the taxable income, to obtain the taxable base income and apply the corresponding tax rate. The amount of tax payable, minus any tax credit (advance payment of income tax and withholding for income tax), times the respective rate, gives the income tax to be paid.

- **Regulation of Transfer Prices and Full Competition**

In 2005, Ecuador incorporated OECD guidelines in our legislation on regulating transfer prices, to regulate those transactions done between related companies when the sales are at or below cost. This regulates prices so they will not be lower than those current on foreign markets at the time of the sale; whereas for imports it will make sure they are not higher than international prices.

The norms state that related parties are when an individual or company, with domicile in Ecuador or abroad, participates directly or indirectly in the management, administration, control, or stock of the other company; or when a third party (an individual or company, with domicile in Ecuador or abroad) participates directly or indirectly in the management, administration, control, or stock of these companies.

The norms oblige certain taxpayers to present 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 norms have imposed the obligation for the information presented to cover both operations with local related parties and those domiciled abroad.

8.1.2 Value-added tax (VAT)

Value-added tax (VAT) is an indirect tax levied on consumption whenever a taxpayer takes an action or signs a contract for the purpose of transferring or importing physical chattel goods, transferring

copyright or horizontal property, at all stages of the selling; and provision of services (local and imported). Rates for VAT are 12% or 0%.

This tax can be transferred by the taxpayer to another taxpayer, because the intention is for the tax burden to be paid by the end consumer, if producing goods and services subject to the 12% tax rate. Otherwise, a proportional part of this tax credit can be used.

The taxable base amount for VAT is the value of the goods transferred or the services provided. In the case of imports, the taxable base amount is the sum of the CIF (cost, freight and insurance) amount, taxes, customs tariffs, fees, charges, surcharges and other expenses appearing on importation documents.

VAT taxpayers must present a monthly declaration for their operations during the preceding calendar month.

8.1.3 Tax on Foreign Currency Payments (ISD)

The Tax on Outgoing Foreign Currency is levied on all monetary transactions that are done abroad, with, or without the intervention of the institutions comprising the financial system. The taxable action for this tax is the transfer or movement of foreign currency abroad as cash or by drawing checks, transfers, sending, withdrawing, or paying in any way. The tax rate on Outgoing Foreign Exchange is 5%.

Additionally to the above taxable actions, it will be legally presumed that there has been outgoing foreign currency in the following cases:

- In all payments made abroad by Ecuadorian or foreign individuals or corporate entities domiciled or resident in Ecuador.
- In the case of exports of goods or services generated in Ecuador, done by individuals or corporate entities domiciled in Ecuador, who engage in economic activities of exportation, when the foreign exchange to pay for those exports does not enter Ecuador within 180 days' time.

This ISD is declared annually and may be discounted from the ISD payable on the basis of an estimate for imports.

8.1.4 Tax on Extra Income

This tax is levied on extra income obtained by companies that have signed contracts with the National Government for exploration and extraction of non-renewable resources.

The taxable base amount is the total extra income, i.e., the difference between the selling price and the base price established in the contract, multiplied by the number of units sold at that price. This tax rate is 70%.

8.1.5. Tax on special consumption

This tax is levied on cigarettes, alcoholic beverages, soft drinks, perfumes and toilette waters, video games, firearms, sports weapons and ammunition, motor vehicles and hybrid or electric vehicles, paid television services, dues, shares or subscriptions to social clubs, whether from Ecuador or imported.

The taxable base amount is the sales price to the public suggested by the manufacturer or importer, minus the VAT and the ICE (as long as this amount is not lower than the result of adding 25% to the presumptive minimum marketing margin to the ex-factory or ex-customs price, as the case may be) or on the basis of the reference prices established by a Resolution annually by the Director-General of the Ecuadorian Internal Revenue Service.

8.1.6 Tax on Rural Land

This tax is levied on land owned or possessed measuring more than 25 hectares in area in the rural sector according to the city limits set by each municipality in their ordinances, located within a 40 km radius from watersheds, conduction canals or water sources defined by the Ministry of Agriculture and Livestock or by the environmental authority.

Taxpayers must pay the equivalent of 0.1 percent (one mill) of the basic untaxed amount for Income tax (individuals and undivided estates) pursuant to the Domestic Tax System Law, per hectare or fraction of hectare of land over 25 hectares.

8.1.7 Tax on holding assets abroad

The monthly tax on funds available and investments held abroad by private entities regulated by the Superintendence of Banks and Insurance and the Intendancies of the Securities Market in the Superintendence of Companies is based on holding any certificate for funds available in entities domiciled outside Ecuadorian territory, whether directly or through affiliated subsidiaries or offices of the taxpayer abroad; and investments abroad by entities regulated by the National Securities Council.

Taxpayers must pay the equivalent of 0.25% monthly of the average monthly balance of funds available in foreign entities and investments issued by entities domiciled outside national territory.

When the funds are received or the investments

held or made through subsidiaries located in fiscal paradises or preferential fiscal systems or through affiliates or offices abroad of the taxpayer, the applicable rate will be 0.35% monthly of the taxable base income.

8.1.8 Environmental Taxes

8.1.8.1 Environmental Tax on Vehicular Pollution

This tax is levied on environmental pollution from the use of motor vehicles for overland transport. The taxpayers are the owners of such motor vehicles for overland transport. This tax is paid before registering vehicles, along with the annual tax on ownership of motor vehicles.

The taxable base amount for this tax is the engine displacement of the vehicle, expressed in cubic centimeters. To establish the amount of the tax, the calculation formula considers, in addition to the taxable base amount (i.e., the vehicle's engine displacement in cubic centimeters) the vehicle's age, using an adjustment factor.

8.1.9 Customs Duty

The customs system is governed by the Code of Production, designed for strategic international interaction, facilitating foreign trade, customs control and cooperation and information exchange through trade policy, with a modern, transparent, efficient customs system. Taxes on foreign trade are:

- a. Customs duty
- b. Taxes established in general and regular laws
- c. Fees for customs services

Customs duty is charge on foreign goods entering or merchandise leaving the customs territory under the customs authority's control. The taxable base amount for customs duty is the value of the imported merchandise in the customs.

8.1.9.1 Customs Modalities

Common customs modalities are final export (the merchandise is exempt from all taxes) and import for consumption (the merchandise is subject to certain taxes, including customs duty).

Additionally, importing merchandise involves paying value- added tax (VAT) and the tax on special consumption (ICE) if applicable. In certain specific cases, merchandise can be subject to compensatory duty (anti-dumping) and an additional safeguarding fee. These measures are o prevent unfair trade practices pursuant to WTO and CAN norms.

There are other import modalities, such as:
Temporary admission for re-export in the same

condition, temporary admission for asset improvement, replacement of merchandise free of customs duty, transformation under customs control, customs deposit, and re-import in the same condition.

8.2 Municipal Taxes

Our legislation, in addition to the above taxes, provides for other taxes on a series of transactions done by taxpayers. Here we are referring to municipal taxes to finance sub- national government. Among the main consist:

- Tax on Urban Property
- Tax on Rural Property
- Municipal Excise Tax
- Municipal Business License
- Tax on Public Shows
- Tax on Profits from the Sale of Urban Property and Surplus Value Thereon
- One Point Five (1.5) Per Thousand Over Total Assets

9. International treaties

9.1 Bilateral Agreements on Investment

Ecuador has signed bilateral treaties on investment with the following countries: Germany, Argentina, Bolivia, Bulgaria, Canada, Chile, China, Costa Rica, Denmark, El Salvador, Spain, United States, Finland, France, Honduras, Nicaragua, Paraguay, Peru, Netherlands, United Kingdom, Sweden, Switzerland, Dominican Republic and Venezuela.

9.2 Agreements to Avoid Dual Taxation

Ecuador has treaties to avoid dual taxation, for income tax, with: Belgium, Canada, Chile, France, Italy, Rumania, Switzerland, Spain, Germany, Brazil, Mexico, and Uruguay.

Additionally Ecuador has signed Decision 578: system to avoid dual taxation and prevent tax evasion among the countries of the Andean Community. This Treaty uses the overriding principle of taxation in the source country instead of the residence principle. A treaty with Argentina (applicable only for air transport) has also be signed.

To verify payments abroad for agreements on dual taxation for transactions done in a given fiscal year, totaling more than one basic tax-free amount for income tax for individuals (USD 10,180.00 for 2013) requires a certification by Independent auditors. A certificate of fiscal residence, issued by the relevant authority of the other country, with a translation into Spanish, if necessary, and authenticated by the respective Ecuadorian Consul, is also required.

Republic of Guatemala

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3. Country Profile

Officially, the Republic of Guatemala is a country located in Central America, in its far northwest side, with a wide culture product of a native and Mayan heritage and the Spanish influence during the colonial times, so it is considered a multicultural, multilingual, multiethnic, as well as rich in wildlife.

Despite its relatively small size, Guatemala has been blessed by a wide variety of climates, mainly due to its mountainous terrain that is ranging from sea level up to 4220 meters above sea level. Due this situation in the country exist several ecosystems including mangroves of the Pacific wet-lands to the high mountain cloud forest. Guatemala is bordered at the west and north by Mexico, Belize and in the east by the Gulf of Honduras, on the southeast by Honduras and El Salvador, and on the south by the ocean Pacific. The country has an area of 108,889 km², which is organized into eight regions, 22 departments and 334 municipalities. Its capital is Guatemala City, officially called Nueva Guatemala de la Asunción. Its population is approximately 14 million people. The indigenous population comprised 51% of the country's population. The official language is Spanish, also has 23 Mayan languages and Garifuna Xinca languages, the latter spoken by the population of African descent in the Caribbean department of Izabal.



Guatemala's current policy is governed by the Constitution of the Republic of Guatemala since 1985 and modified in 1994. This Constitution establishes that Guatemala is a free state, independent and sovereign. Its system of government is republican, democratic and representative.

In the economic sphere, the currency is the quetzal. The main export products are:

- Apparel (13.4%)
- Sugar (8.6%),
- Coffee (8.3%),
- Minerals (6.2%),
- Bananas (4.1%),
- Fruits (3.7%),
- Cardamom (3.6%) and
- Other (52.1%).

It should be mentioned that tourism and remittances from Guatemalan workers abroad have come to be a very important foreign exchange income. Tourism income represents \$ 985.6 million, equivalent to 18% of total of exports. The remittances from workers abroad represent \$ 4,126.7 million equivalent to 75% of exports in 2010.

4. Investments

4.1 National Investment

Legally establishing a local company in Guatemala is simple and fast, taking about two weeks for provisional registration and up to two months for final registration. A company can start its operations in the provisional registration.

Registration requirements for a local company are as follows: At least two persons, natural or legal persons, are required to form a company. To operate in most sectors of the economy, there is no requirement for local participation in a Guatemalan company. Similarly, there are no restrictions on foreign ownership. The letter from the company should be run in a public document and notarized.

Types of Guatemalan companies:

- General Partnership (Partnership): The owners are all personally liable for any legal actions and debts the company may face. The partners' personal assets are subject to attachment and liquidation to pay the creditor.
- Limited Liability Company: A maximum of twenty members, in which each partner is personally liable for the amount of capital paid.
- Limited Partnership (Limited Partnership): composed of two types of partners: one or more general partners that assure 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 in Limited partners may not have the voice of management in operating the business.
- Limited Partnership by Shares: A partnership limited by shares is a hybrid between a partnership and a limited liability company. The capital and ownership of the company is divided between shareholders who have a limited liability and one or more partners who have full liability for the remainder of the company's debts. The partner(s) will usually direct the operations of the company while the shareholders are passive investors.
- Corporation (Corporation): Equity is divided and represented in shares of equal value. The liability of each shareholder is limited to shares held. The corporation must have a board of directors, or a sole director, and must hold an annual meeting whose minutes must be notarized.

Enrollment in the Internal Revenue Service (Tax Authority) is required to obtain the tax identification number (number Tax Identification NIT). Registration is output at the same time that companies require.

4.2 Foreign Investment

It is usually done by establishing a local company or a branch of a foreign company.

4.2.1 Legal Framework for Foreign Investment

A Guatemala law explicitly promotes investment and includes provisions that recognize and guarantee private property rights equally to domestic and foreign investors Guatemala. There are no restrictions for foreigners in possession of any amount of shares in any company Guatemalan.

5. Audits and Accounting

Guatemala's laws require a financial statement audit only for some specials and big contributors; however, most of the companies have the policy to hire external auditors.

The Commerce Code requires the authorization of the books: Journal, Ledger, the book of the Financial Statements, and the book of inventory.

6. Employment regime

6.1 Types of employment contract and employment conditions

Guatemala Labor Law allows two (2) employment contracts: written and verbal, i.e. although no instrument or written contract may sub serve to the employees. Labor Law provides for certain cases the mandatory written contract. Further contemplated various forms of work, same as detailed below:

- **Fixed or indefinite period:** Guatemalan law provides one year minimum duration of any contract for a fixed or indefinite period when they have specific time duration.
- **Time of Proof:** In the above contracts, are concluded for the first time, may provide a testing time, the maximum of two months. After this period, automatically the employees have all the rights considered to them according to the Labor Code.
- **Casual workers contracts:** those contracts made to solve situational requirements of the employer, such as replacement of staff is absent for vacation, leave, maternity, increased demand for production or services, etc.

- **Occasional contracts:** Emerging needs or extraordinary, not related to the business regular employer, and which must not exceed thirty days in a year.
- **Season contracts:** Those who, because of the discontinuous nature of his work have been held to perform cyclic or periodic work, enjoying stability.
- **Task-work contract:** Developing a certain amount of work or work in the day or at a preset time period.
- **Piecework contracts:** The work is done by parts, pieces, surface measurements and, in general, works units, and the remuneration is agreed for each of them, regardless of the time spent on the work.

There are other types of employment contracts under the laws that are not used in the general practice.

6.2 Remuneration

Compensation can be:

- Monetary
- Participation in the profits of the business of the employer
- Mixed (fixed salary + salary or participation in the employer's business product)

Additionally there are other types of remuneration as follow:

- **Bonus 14:** The annual bonus will be equal to one hundred percent (100%) of regular salary wages earned by the worker in a month, for workers who have worked in the service of the employer, for one uninterrupted year and before the date of pay. If the duration of the relationship it may work less than a year, the benefit will be proportional to the time worked. To determine the amount of the benefit shall be based on the average regular salaries or wages earned by the employee in the year that ends in June of each year. The bonus will be paid during the first two weeks of July each year.

- **Christmas Bonus:** This annual bonus will be equal to one hundred percent (100%) of regular salary wages earned by the worker in a month, for workers who have worked in the service of the employer, for one uninterrupted year and before the date of pay. If the duration of the relationship it may work less than a year, the benefit will be proportional to the time worked. To determine the amount of the benefit shall be based on the average regular salaries or wages earned by the employee in the year, which ends in June of each year.

The Bonus shall be paid fifty percent in the first two weeks of December and the remaining fifty percent in the second half of January next.

If an employee, for any reason, resign or is removed from his job before the indicated dates above, will receive a proportion of those bonus.

6.3 Employee Benefits

- **Holidays (Vacations):** Workers who have served for more than one hundred and fifty days are entitled to enjoy 15 labor-days as a holidays (vacation)

6.4 Security Social

- **Contribution to IGSS:** All workers are required to join the Social Security Institute. The obligation is for both, employer and employees. The employer pays 12.67% on the gross salaries and the employees 4.83% on the same basis.
- **Contribution to IRTRA:** (Institute of Recreation for workers) is a benefit for the worker to use the facilities of an amusement park for recreation.

6.5 Control Exchange

In Guatemala is free the entry and exit of foreign exchange.



7. Tax system

7.1 Taxation national:

7.1.1 Income Tax (ISR)

Income categories according to their origin, the following income are taxed according to their origin

	Category	Applicable rate	Gross income	Taxable Income
1	Income of the profitable activities.	-	-	-
1.1	Regime on the profitable Activities	31% -2013 28% -2014 25% -2015 hereinafter	Total revenue and profits of any kind, taxed or exempt, regular or not, accrued or received during the liquidation period, from sales of goods or services and other lucrative activities. Similarly, gross income is income from foreign exchange gains arising on foreign currency trading, and the benefits arising from the compensation in the case of extraordinary losses incurred in fixed assets when the amount of compensation exceeds the carrying assets	Gross income less exempt income and costs and expenses deductible in accordance with this law and must add up the costs and expenses to generate exempt income
1.2	Optional Simplified Regime on revenue of profitable activities	Q0.01 to Q30, 000 Monthly 5%. Q30, 000.01 or more, Q1,500 fixed and 7% on the excess of Q30, 000 onwards -2014 - 2013-6% -	This concept is not defined in this regime. It is understood that it is the same concept as the regime on profits.	Must deduct from its gross income the exempt income.
2	Income from work	Q0.01 to Q300, 000 of taxable income 5% - Q300, 000.01 or more the taxable income is Q15, 000 fixed and 7% on the excess of Q300, 000.01	It is the sum of taxable and exempt income, obtained in the annual accounting period, and net income as the difference between gross income and exempt income earned.	Is determined by deducting from net income applicable deduction (Q60, 000 conditional, Donations, Contributions to the IGSS, IPM and the state and its institutions by shares welfare regimes, and life insurance premiums to cover risks in cases of death)
3	Investment income and capital gains	-	-	-
3.1	Revenue from Capital Transactions	-	-	-
3.1 a	Dividends, earnings and profits.	5%	-	-
3.1 b	Other Income from Capital Transactions other than dividends, earnings and profits	10%	-	-
3.2	Capital Income Property	10%	-	-
3.3	Capital Gains and Losses	10%	-	-
3.4	Income from lotteries, raffles, lotteries, bingo or similar events.	10%	-	-

Quarterly Payments

To determine the amount of the quarterly payment the taxpayer may choose one of the following formulas:

1. Perform accounting closing, partial or preliminary at the end of each quarter or prepare a settlement of its activities at the end of each quarter, to determine the taxable income, or:
2. Based on an estimated taxable income of eight percent (8%) of the total gross income derived from its taxable activities in the quarter, excluding exempt income.

Tax regime to non-residents without a permanent establishment in the country

Activity	Tax Rate
Activities of international freight and passenger-The value of tickets sold in the country or abroad to be wide-spread in Guatemala, regardless of origin or destination of the passenger.	5%
Activities of international freight and passenger-freight value by loading native Guatemala to destinations abroad, even when such freight or contracted to be paid in any form, outside Guatemala. In the case of freight cargo from abroad, when the value of the freight is paid in Guatemala	5%
Activities of international freight and passenger-The amount people dedicated to nonresidents transport as well as their representatives in Guatemala, to charge transport users as a part of the service they provide, including fuel storage, delays, use of port offices, use of electricity or penalties-	5%
Insurance premiums, bond premiums, reinsurance, retrocession and rebonding, obtained by nonresident	5%
Telephony, data transmission and international communications of any kind and by any means, from the communications service of any kind, between Guatemala and other countries. In all cases, regardless of the place of incorporation or domicile of the companies providing the service	5%
Using electric power supplied from outside the country	5%
Dividends, profit sharing, profits and other benefits, and any account transfer or crediting to their headquarters abroad, without consideration by permanent establishments from nonresident entities	5%
The international news provided to user companies in the country, regardless of the form of compensation and the use in Guatemala of films, comic strips, graphic novels, music and audio recordings and any other projection, transmission or dissemination of images like or sounds in the Republic, whatever means are employed	3%
Interest derived from: i) cash deposits, ii) the investment of money in financial instruments, iii) operations and credit agreements, such as the opening credit, discounting, documentary credit or lending money, iv) holdings of debt securities such as promissory notes, bills of exchange, bonds or debentures or other securities holdings, in any case issued physically or through book entries; v) price differentials under repurchase regardless of the name given to the parties, or other income derived from the transfer of capital and vi) leasing, factoring, asset securitization. vii) any credit transactions, financing, capital investment or savings. Paid or credited to non-residents. Excepted tax referred to in this paragraph, the accreditations payments on account of interest on loans granted by banks and financial institutions to entities duly licensed and regulated in their home country, according to the Law on Banks and Financial Groups as well as the latter, and multilateral institutions granted to persons resident in the country.	10%
The royalties: For payments for the use, or the right to use: i. Copyright and Related Rights, literary, artistic or scientific work including films videotapes films, dramas, phonograph, musical recordings and auditory strips comics, graphic novels and any other similar projection, transmission or dissemination of images or sounds, including transmissions from cable or satellite television and multimedia. ii. Brands, advertising slogans or signs, trade names, logos, and GI designations of origin, patents, industrial designs, utility designs, plans, supplies secret formula or process, privileges or franchises iii. Rights or licenses or software updated. iv. Knowledge or information concerning industrial, commercial or scientific experience. v. Personal rights eligible for assignment, such as image rights, names, nicknames and stage names. vi. Rights to other intangible assets.	15%
Wages and salaries, allowances, commissions, bonuses and other compensation not involving reimbursement of expenses	15%
Payments on bank account or credit sportsmen or artists in theater, television and other public entertainment or performance	15%
Fees	15%
The scientific, economic, technical or financial advice	15%
Other taxable income not specified in the preceding	25%

Special Valuation Rules to Related Party (Transfer pricing)

Scope:

The scope of the provisions under Article 57 of the law reaches any operation carried out between the person living in Guatemala with others living abroad and have an effect on the determination of the taxable period in which they performed the economic operation and in the subsequent periods.

Related Parties:

For the purposes of this Act are considered related parties, between a person resident in Guatemala and a foreign resident, when given the following cases:

- When one directs or controls the other, or held, directly or indirectly, at least twenty-five percent (25%) of its share capital or voting rights, either in the state or foreign country.
- When five or fewer people direct or control related parties, or possess a whole, directly or indirectly, at least twenty-five percent (25%) of participation in the share capital or voting rights of both persons.

Also considered related parties:

- A resident of Guatemala and an exclusive distributor or agent there of resident abroad.
- A distributor or exclusive agent resident in Guatemala by a resident entity in, and outside the latter.
- A resident of Guatemala and its permanent establishments abroad.
- A permanent establishment in Guatemala and its parent living abroad, another permanent establishment of the same or a person associated with it.

7.1.2 Solidarity Tax

This tax is determined by calculating the 1% on the gross revenues or the total of assets; which is greater, based on the previous year's financial statements. It can be accredited to the income tax for the next year. It is paid quarterly.

7.1.3 Value Added Tax (VAT)

Value Added Tax (VAT) is charged at a flat rate of 12% applies, among others, the following:

- Sale of movable assets and rights
- Services performed in Guatemala
- Items that are imported in Guatemala
- Sale or rental of real estate

Exporting companies may request a refund of any remaining credit to the Tax Authority (Guatemala IRS)

7.1.4 Stamp Tax

Some of the legal documents require a tax of three percent on the value of the transaction being documented. Transactions subject to the Value Added Tax (VAT) are not subjected to stamp duty tax.

7.1.5 Import Taxes

Except for items covered by special agreements of free trade, incentives or purchased directly by government agencies, imports from outside the Central American region are subject to a fee that ranges from 0 to 20 percent of the value CIF. The Value Added Tax (VAT) is also payable on imports, unless the importation is for special exemptions.

Procedure for Guatemalan exports has been greatly simplified since the creation of the Office of Export a single step (Single Window Exports) in the Ministry of Economy. The agency brings together in one office all the organizations and institutions involved in export activities. Export permits are usually issued within hours.

8. International Agreements

Guatemala does not tax treaties with other countries. On the other hand there are free trade agreements with United States, Chile, Colombia, Mexico, Panama, Dominican Republic and Taiwan.

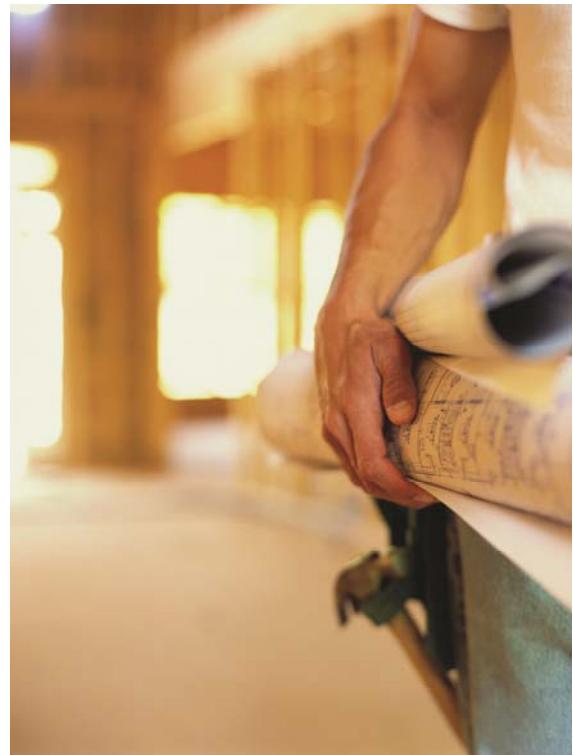
9. Free Trade Area (Decree 65-89)

A free trade area is defined as a special designated area of land subjected to a tariff classification, in which people and goods manufacturing companies or goods for export or re-export, or engage in foreign trade services. A free trade zone can be established anywhere in the country for private and public companies. Private companies need to be approved in Regime by the Ministry of Economy.

10. Labor Laws

The Labor Code governs rights and obligations of employers and employees. Payment for the services of an employee must be paid in local currency (Quetzals) on the base of timeshare, task, or profit, or the percentage of common sales or collections made on the behalf of the employer. Wages must be at least the minimum level of salary set by the government. The minimum wage varies by type of work. All payroll workers receive two annual bonuses equivalent to one month's salary: to pay year-end (Christmas bonus), and the other in July (July Bono).

When an employer terminates an employee without just cause (good cause, as defined by the Labor Code, and includes dangerous behavior, excessive absenteeism, the disclosure of trade secrets, etc.), the employee is entitled to compensation calculated on the employee's earnings, including bonuses, and the length of time the employee has worked for the employer.



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, humid on the coast, and cooler in the mountains. Bordering 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 southeast by Nicaragua. The country has an area of 112,492 km². Its capital is Tegucigalpa, Department of Francisco Morazán. Its population is 8.2 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 (7.9% of GDP)
- Tilapia
- Cultivated Shrimp
- Bananas
- Fruits
- Woodwork
- African Palm crude oil
- Tobacco

4. Investments

4.1 National Investment

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 Executive Directorate of Revenue (Direccion Ejecutiva de Ingresos, DEI).

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 Executive Directorate of Revenue (DEI), 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. Also, 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 formalities 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 to permanent employees and retirees during the month of December of each year based on the last salary.
- **Fourteenth Month Salary:** as a social compensation. It will be paid to all the permanent employees as 100% of their fixed salary if they have worked for a complete year to June 30 or the proportion according to the time worked.

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 Social Security

- **Contributions to the Honduran Social Security Institute (Instituto Hondureño de**

Seguridad Social (IHSS): The employer has the obligation to register its employees in the Social Security. The employer's monthly contribution is equal to 7.2% and the employee's contribution is 3.5% payable over a salary of Lps. 7,000.

- **Contribution to Private Contributions Regime (Régimen de Aportaciones Privadas, RAP):**

The employer that has more than 10 employees is required to register their workers in this Regime for a social housing fund. The monthly contribution is 3% of the nominal wage, the employer, and the employee 1.5% in equal percentage.

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 Lps. 25,000 and have less than five employees shall contribute with a monthly 1% of the total salaries and wages.

6. Currency Exchange Control

The currency of the Republic of Honduras is the Lempira (L) and the exchange rate is in relation to the Dollar of the United States of America (US\$). 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 base price as of July 25, 2011 will be L.18.8951. Under this system, the purchase price of the foreign currencies is in constant change.



7. Taxation System

7.1. Income Tax and Sales Tax

Tax Category	Description	Tax or Applicable Rate	Taxable Income
Over Income: Companies	Taxes the income that comes from capital, work or a combination of both. The fiscal period is from January to December 31 of every year.	25%	Gross income minus exempt income and non-taxable expenses according to the Income Tax Law.
Temporary Solidarity Contribution	Legal entities pay a temporary solidarity contribution (6%) applicable on the excess of net taxable income of more than one million Lempiras (L.1, 000,000).	Annual calculation and quarterly payment	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	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.	10% minimum 25% maximum	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, 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 capitalization of reserves or profit is exempt from any 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 Solidarity 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 Lps. 15,000,000 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	Taxable Income
One-Time Income tax to non-domiciled individuals in Honduras	Income from real estate or movables except for the ones included in numeral 5 and 7 of Article No.	10%	
	Salaries, wages, commissions or any other compensation for local or overseas' services.	10%	
	Income or profit earned by foreign companies through their branches, subsidiaries, agencies, legal representatives among others that operate in the country.	10%	
	Income, profit, dividends or any other form of participation in the profit or reserves of individuals or legal entities.	10%	
	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 13.	10%	
	Interest over commercial operations, bonuses, securities and any other class of obligations.	10%	
	Income for the operation of aircrafts, ships and automotives.	10%	
	Income from operations of telecommunication companies, use of software, IT solutions, telematics and other areas of telecommunications.	10%	
	Insurance premiums and deposits of any policy hired.	10%	
	Income derived from public shows	10%	
	Movies and video tapes for cinemas, television, video clubs and cable tv rights. Any other income not mentioned in the previous items.	10%	

Tax Category	Description	Tax or Applicable Rate	Taxable Income
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.	12% monthly 15% specifically for liquors and cigarettes	Over imports and sales of goods and services liable to the Sales Tax Law.
Sales tax over airline tickets	12% for national and international aircraft transportation and 18% for first and business class aircraft transportation.	12% Monthly 18% monthly	Over aircraft and service charges
Sales Tax Withholdings	Major taxpayers are assigned as sales tax withholding agents of services indicated in the Law.	12% Monthly	Sales tax of the controlled service.

7.2 Municipal Taxes

Tax Category	Description	Tax or Applicable Rate	Taxable Income
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.



7.3 Security Charge (Decree No. 17-2010, Law for Population Security)

Tax Category	Description	Tax or Applicable Rate	Taxable Income
Law for Population Security		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 L.2 per every thousand.	
Financial Transactions	Financial transactions for population security. Transitional measure that will be in force for five (5) years.	Cashier check emission, certified checks, traveler's checks and any other financial instrument existent will pay L.1.50 per every thousand.	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 L.120,000; 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	1%	Monthly Income
Cooperative Sector	Requires a special contribution	An obligatory payment of 3.6% of the annual net profit.	Annual net profit

8. 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

These are the prices at which commercial or financial operations are registered between related parties.

The regulations over transfer pricing

The purpose of this Law is to prevent that related companies manipulate prices under which they exchange goods or services. Honduran companies who violate these regulations undergo penalties ranging from US\$5,000 to US\$20,000, in addition to the legal penalties they may face.

9. 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.

10. 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.

Free Tourist Zone (Zona libre Turistica, ZOLITUR):

Special territorial space subject to a special tax, customs and territorial regulation regime for service encouragement. Geographic area: the extension and geographic limits of the Department of the Bay Islands with the exception of the Archipelago of Cayos Cochinos will be decisive and inclusive to the scope and effects of the legal order of the Tourist Free Zone Special Regime.

The final introduction of merchandise, goods, or services is exempt of taxes and customs tariffs, from the sales production, consumption and added value tax as well as all kinds of internal taxes and payment of consular rights or stamps.

The temporary introduction or the re-exportation of these merchandises, goods, or services is exempt of all taxes, tariffs, and rights.

United States of Mexico

1. National network Identification

Moore Stephens Mexico

1.1 Office, Address, Telephone

Providencia 1247 - P.A.

Col. Del Valle

Delegación Benito Juárez

03100 México, D.F.

1.2 Members firms

Moore Stephens Orozco Medina, S. C.

Marcelo De los Santos y Cía., S. C.

Del Barrio y Cía., S. C.

Javier De los Santos y Cía., S. C.

Juan Antonio Cedillo y Cía., S. C.

Sotomayor Elías S. C.

Alberto Tapia Contadores Pùblicos, S. C.

Peón de Regil, Vega y Asociados, S.C.P.

Ceceña, Brambila, Camarena y Cía., S. C.

Gabriel Montiel, Olmedo y Cía., S. C.

Guerrero Sánchez y Compañía, S. C.

De Anda, Turati y Cía., S. C.

This work was elaborated by Moore Stephens Orozco Medina, S.C.

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2. Country profile

Mexico is a country located at the North America's southern region: at north with the United States of America, 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 117 million people in 2012. Spanish is the native language that government has recognized as the national language along with 67 indigenous languages.

3. Foreign Investment Regime

Due to the outrageous importance for the Mexican economy the government established guidelines to encourage the foreign capital growing. Foreign Investment Law is flexible and establishes important advantages for investors, apart from saving time in company's establishment; it provides necessary legal security for foreign investors.

Mexico is one of the most appropriate 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. In view of the above mentioned, the foreign investment is welcome by having well set guidelines with no adverse political changes to come in this regards.

Likewise, within the newest foreign investment resolutions, related to 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 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 Mexican company's capital stock;
- Mexican companies with investment mainly from foreigners and
- Foreign investment participation in activities and acts classified as such by Foreigner Investment Law.

3.1 Direct Foreign Investment

Foreign investors are allowed to directly participate in most of economic sectors without complying to excessive requirements. Nevertheless, an authorization will be required if foreign investment is likely to be more than 49% and its total assets value 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 Non-share 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 .

4. Trading Corporations

At the end of 2011, the Trading Corporations General Law was newly amended to ease and simplify the incorporation of the companies as following presented:

- The indefinite lasting of trading corporations;
- Limited Liability Companies (S de RL de CV) capital stock shall be the one set forth in the Articles of incorporation minute, therefore, the minimum capital stock of \$3,000 Mexican pesos (\$227 dollars approximately) was eliminated and;
- In the Anonymous Corporations (SA de CV) shareholders are free to establish the minimum capital stock by eliminating the former minimum of \$50,000 Mexican pesos (\$3,787 dollars approximately).

5. Rights Federal Law

Procedures of payment for notifying and requesting the acceptance, test and statement to use a corporation trade name when incorporating a company, were eliminated from the last amendments, in force since January 1st, 2012.

All previously mentioned does not constitute the new whole legal aspects but the most relevant aspects to be considered

6. Accounting registries

The Association of Certified Public Accountants in Mexico is the main institution governing the rules or guidelines regarding accounting registries matters adjusting them into the Financial Information Standards frame, even though corporations that quote in the National Stock Market shall apply the International

Financial Information Standards as from 2012. Likewise, the Association keeps updated the accounting, financial, fiscal and legal community in relation to main information for 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 as follows:

- Income Tax (ISR) (Acronym in Spanish)
- Social Security Contributions (IMSS)
- Housing Funds Contributions (INFONAVIT)
- Retirement funds (SAR)
- Local payroll tax of each state.

Mentioned concepts increase the employees' incomes and company's fixed expenses.

8. Federal Labor Law

Our labor matters legislation has been 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 accrued and salaries (by settlements), new type of testing or training contracts, payment of salaries by electronic means and a better control and supervision of unions .

Labor amendments benefit foreign investment allowing to having a better certainty and labor environment clarification that affect employers and employees directly .

9. Mexican Taxing System (MTS)

It is a set of laws and legal-taxing norms arisen from the United States Mexican Political Constitution, whereby it is established the liability to contribute in order to defray the States, Federation and Municipality expenses along our country .

The main objective is to collect the obligatory resources from taxpayers by applying jurisdictional faculties from the State as fiscal authority. Contribution classification:

1. Taxes.
2. Social Security Contributions.
3. Improvements Contribution.
4. Rights.
5. Use of public services contributions.

9.1 Taxes

They are divided as following:

9.1.1. Income Tax (ISR)

This tax assesses corporations and individual's income that modifies their patrimonies, and it is classified as follows:

Corporations as taxpayers

- **Residents in Mexico:** 30% rate on Taxing Result
- **Foreign resident having permanent establishment:** 30% rate on Taxing Result from income obtained from such establishment
- **Foreign residents without a permanent establishment:** different rates on incomes obtained from México

Main Concepts of incomes from foreign without permanent establishment coming from México

- I. **Salaries and wages:**
 - It is exempt by the first \$125,900 (\$9,537 dollars)
 - 15% on income between \$125,900 and \$1,000,000 (\$75,757 dollars)
 - 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.

9.1.2. Individuals living in Mexico

Fiscal 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. Some other incomes.

Payable tax is obtained assessing a progressive rate whereby the highest rate is 30%. It is foreseen that the maximum rate decreases to 29% in 2014.

9.2 Business on standard rate tax (flat tax) IETU

This tax assesses the following acts:

- Alienation of goods
- Rendering of independent services.
- Granting the temporal use and enjoyment of goods.

General rate is 17.5% and is applied on a taxable rate (income less deduction).

9.3 Value Added Tax

The following acts or activities are VAT taxed by applying the three general rates, depending on the act or activity :

- Alienation of goods.
- Rendering of independent services.
- Granting the temporal use and enjoyment of goods.
- Importation of goods.

The applicable rates are as following:

- 16% general rate
- 11% border line region
- 0% some acts and activities,

Likewise some acts and activities can be exempted or considered VAT free.

9.4 Cash Deposit Tax Law (IDE)

One of the main objectives of this tax is to assess the informal economy. It is generated when cash deposits are higher than \$15,000 Mexican pesos (\$1,136 dollars) in the financial institutions at a rate of 3%. The withholding tax can be creditable.

9.5 Taxes on Products and Services (IEPS)

Telecommunications, tobacco, beverages with alcohol, among others special transactions are aimed to be IEPS taxed. The rate of mentioned tax varies from each performed activity .

9.6 Social Security Contribution

They are contributions for the employee's social well-being 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 also hospital medical attention, medicines, economical support, retirement funds and mortgage credits (pertaining to INFONAVIT) .

9.7 Improvement Contribution

This contribution shall be paid when taxpayer obtains a direct benefit from Federal public infrastructure.

9.8 Rights

They are contributions for the use or enjoyment of Nation public domain properties.

9.9. Use of public services contributions

These are incomes collected by the State for its public and legal functions and duties.

9.10. Electronic invoicing

Mexico started a technological process (by internet means) since 2010 and as from 2013 the invoicing by sales or purchase can only be performed by electronic media in any of the permitted options.

10. Auditing and fiscal opinion

It is set forth a fiscal liability for taxpayers to audit their financial statements for fiscal purposes when they are within grounds established in the Federal Fiscal Code: whether income higher to \$39'140,520 (\$2'965,190 dollars), assets with a higher value of \$78'281,070 (\$5'930,384 dollars) or having a monthly average of more than 300 workers during the year to be audited. Auditing main objectives are to provide credibility to financial numbers and to the correct compliance of an entity's fiscal obligations. The revision and evaluation are only performed by a Certified Public Accountant (CPA) who issues a fiscal opinion at the end of his work, representing a taxpayer protection who have to be audited as a liability or as an option, since in case of a direct revision is practiced the authority will request the CPA paper works firstly .

11. International Treaties to avoid Double Taxation

Internationally Mexico has played a main role in fiscal evasion in the world by entering different international treaties to avoid double taxation as well as agreements with wide interchange of financial and fiscal information. At the end of 2012, Mexico has entered into 79 agreements of information interchange, to avoid double taxation and related to the international transportation. In Latin American region Mexico has entered agreements with the following countries :

- Argentina: international transportation.
- Brazil: to avoid double taxation.
- Belize: information interchange.
- Chile: avoid double taxation.
- Colombia: in negotiation.
- Costa Rica: : information interchange and for penal matters.
- Ecuador: to avoid double taxation.
- Nicaragua: in negotiation.
- Panamá: to avoid double taxation.
- Peru: in negotiation.
- Uruguay: to avoid double taxation.
- Venezuela: in negotiation.

12. Foreign Commerce

A 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 paper work regarding customs. The use of this Web Page is obligatory from June 1st, 2012 for all individuals and company's entities performing imports and/or exports with the following benefits :

- Delivering electronic information in one single contact point.
- Permanent attention from any place.
- Less cost and time.
- Better logistics.
- More transparency .
- More legal certainty.
- Elimination of hard paper formats.
- Better information safety.

Regarding Free Commerce Agreements, Mexico made a lot of progress in South and Central America.

Regarding Peru, the Agreement of Economical Complementation N°8 was agreed to be extended for two more years (up to 2011), reactivating the business process of this agreement. Mentioned countries finished the negotiations and signed the Mexico-Peru Trade Integration Agreement on April 11th, 2011 that is in force as from February 2012.

Likewise, the Unique Free Trade Agreement Mexico- Central America (Guatemala, El Salvador, Honduras, Costa Rica and Nicaragua) was entered into. This Agreement will replace the three current commercial agreements held with Mexico. The new document unifies the commitments and areas applied to commerce between the parties. Besides, mentioned agreement deeps the countries integration and updates the customs and commercial situation.

The reestablishing of the Economical Complementation Agreement (ACE 55) represents another important progress between Mexico and Argentina in the automotive field by keeping in force its application and Annex I "About the Commerce in Automotive Field", among other related paragraphs.

13. Related Parties

Based on Income Tax Law, transactions among related parties (corporations or individuals) take place when one party participates directly or indirectly in the other party or parties' management, control or share stock . Among other cases, related parties are present in:

- An Association in Participation (Joint Venture) with respect to its members.
- The corporate headquarters of a permanent

establishment or other establishments of the same one.

The operations performed between the Related Parties required to be analyzed by a Transfer Price Study except for the following cases:

- Companies aimed to business activities obtaining income in the previous fiscal year up to \$13'000,000 (\$984,848 dollars).
- Companies aimed to render services obtaining incomes in the previously fiscal year up to \$3'000,000 (\$227,272 dollars).

In Mexico this concept has rapidly gained importance due to worldwide internationalization and market's opening and also nowadays the permanency and feasibility in company's operations can be easily reached. In view of above mentioned, in the fiscal audit 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 operation with related parties are:

1. To obtain and keeping supporting documentation (Transfer Price Study) in operations with related parties.
2. To jointly present the annual return and the operations informative report with foreign related parties (both of them based on the transfer price information).
3. To meet on market value of the accrual incomes and authorized deductions by applying any Income Tax Law method).

Requisites that supporting documentation shall include regarding transfer price matter:

1. Related parties names, trade names, addresses, and fiscal locations;
2. Documentation to demonstrate the direct or indirect participation between related parties;
3. Information related to activities or functions, assets used and taken risks by the taxpayer in each type of operation;
4. Information and documents about operations with related parties and their amounts for the related party involved and by each type of operation;
5. The applied method.

14.2. Authority faculties regarding transfer pricing.

Some of the authority powers regarding 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 fiscal authority)

14.3. Consequences of not having supportive documentation of Transfer Pricing

- The Independent Auditor shall report it in his fiscal opinion.
- The benefit of fines reduction is lost.
- Classification and computation of prices by the authority estimating process.
- In case Transfer Pricing Informative Tax 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 by elaborating the transfer price study are as following:

- Improvement market analysis where the company is acting;
- Improvement of the group corporate structure;
- Allowing the proper taking of decisions regarding the internal control of different areas;
- Developing of strategic alliances;
- Defining competence strategies and the organizational structure, sales and marketing.

Republic of Nicaragua

1. Identification of the Contact Firms

Moore Stephens Nc&a

1.1 Address and telephone

Managua: Restaurant Marseillaise 1 block south, 2 blocks east, # 351. Los Robles.
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1.2 Professional specialists

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Julio Fonseca Salazar - Fiscal Audit Manager
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2. Country profile

Nicaragua is constituted as a democratic, participatory and representative Republic and the four governing bodies are: legislative, executive, judicial, and electoral. Nicaragua's population is multi-ethnic and primarily Spanish speaking which is also the country's official language. The country has a population of 6,071,045 (August 2012).

As in other Latin American countries, there is a relationship between inflation and adjustments to the exchange rate relative to the U.S. dollar. Therefore, in the last decade the Central Bank of Nicaragua established a "crawling peg" exchange rate system by which small adjustments are provided for in the exchange rate of the local currency against the U.S. dollar. For 2012, the "crawling peg" with respect to the U.S. dollar remains set to 5%. This ensures a high level of stability of the currency and at the same time maintains the competitiveness of the country's exports.

3. Foreign Investment Regime

Investors find that Nicaragua is a country with a dynamic economy, free market and macroeconomic stability; all of these achieved through disciplined management of the fiscal, financial, monetary and exchange politics.

The Foreign Direct Investment (FDI) reached US\$ 968 million in 2011, an increase of 90.5 percent compared to 2010. FDI attracted in 2011 was mainly led by energy, telecommunications, free trade zones and



industrial sectors, which together accounted for 75 percent of all investment flows into the country.

The development of these sectors has contributed significantly to increase the productive capacity of the country and boost its economy. It is also important to highlight the industry recovery in 2011, which grew nearly 1,800 per cent compared to 2010, reaching US\$ 213 million in direct foreign investment, accounting for 10 percent of all investments attracted.

These results speak about the great advantages offered by Nicaragua to foreign investors, that is to say; its strategic geographical location, a favorable investment atmosphere, highly competitive costs, and a productive workforce.

Moreover, Nicaragua has the highest rate of DFI as a percentage of GDP for the fourth consecutive year in Central America, reaching 13.3 percent in 2011, well above the regional average of 4 percent.

The main laws for investment promotion are:

1. Exports, Free Trade Zones, and Foreign Investment.
 - Temporary Admission Law and Exports Facilitation.
 - Regulations of the Temporary Admission Law.
 - Law for Promotion of Foreign Investment.
 - Law for Free Trade Zones Exports.
 - Regulations of the Free Trade Zones Law.
2. Energy Industry
 - Law of Supply of Hydrocarbons.
 - Law of Exploration and Exploitation of Hydrocarbons.
 - Law of Exploration and Exploitation of Geothermal Resources.

- Law of Promotion of the Hydroelectric Sub-sector.
- Law of the Electrical Industry.
- Law to create the Municipal Company for Hydroelectric Generation.
- Law of Promotion of Electric Generation with Renewable Sources.
- Law of Energy Stability.
- Law to Create the National Company for Electricity Transmission ENATREL.

3. Environment, Natural Resources and Coffee Growing.

- General Law for Exploitation of Natural Resources.
- General Law of the Environment and Natural Resources.
- Law of Conservation, Development and Sustainable Development of Forestry Sector.
- Law of Exploration and Exploitation of Mines.
- Law of Fisheries and Aquaculture.
- Law of Coffee.

4. Tourism

- Law of Incentives to the Tourism Industry.
- Regulations to the Law of Incentives to the Tourism Industry.
- Law of Free Ports.

4. Types of companies

4.1. Collective Company

This company is characterized by trust between partners who have decided to trade under a registered name composed of the name of all of them, who will be personal and severally liable to third parties who contract with the company. In this type of company the share capital is not represented by shares, but in a social participation that cannot be transferred to third parties without the prior consent of all partners. Unless otherwise agreed, all partners have administrative powers of the company and may make use of the registered name. As a partnership based on reciprocal trust of partners, separation or death of one of them is cause for dissolution of the company.

4.2 Limited Liability Partnership

This legal form is a subspecies of the Collective Company which is characterized by the ability of the partners to limit their liability for corporate debts provided that in the registered name add the word "limited". The partners are not liable for corporate debts but to the extent of the participation, each one has contributed in the company. To this type of company are applied the provisions set for the Collective Company in all that apply. This type of company is practically designed for the creation of small businesses organized by families where there is a lot of trust between them to manage it.

4.3 Limited Partnership

This company is characterized by the existence of two types of partners: the "managing partners" who are personally and severally liable for the debts of the company and the "limited partners" or limited, who have limited their liability to the extent of the participation each one has contributed in the company.

The registered name should include the names of the managing partners -and the word "limited"- that have powers of management of the company, as opposed to the limited partners, who, in principle, cannot have administrative powers. The causes for dissolution of this type of company are the same set for the Collective Company.

4.4 Limited Partnership by Shares

It is similar to the Limited Partnership. This type of company also has two types of partners: "managers" who are unlimited and severally responsible for the company's obligations and "limited shareholders" whose liability is limited to the amount of their shares. The registered name should include only the names of the "managing partners" who have administrative powers. The registered name must have added the words "Limited Partnership by Shares". The difference of this company with regard to the Limited Partnership is that shareholders can transfer their shares to third parties without limitation such as in the corporations.

4.5 Corporation

This type of company is the most common to operate in the Nicaraguan market and is designed for businesses of greater magnitude. It is set by deed of incorporation for corporations and statutes and to obtain the legal personality it has to be inscribed in the local Public Registry where it will operate.

The capital is divided and incorporated into shares that can be transferred from one partner to another or to third parties, without permission of the other partners or the directors. The shareholders are not personal or severally liable for corporate debts, but only up to the amount of its capital incorporated in the shares.

The management of the company is responsibility of the Board of Directors composed solely for shareholders of the company.

The legal representation of the company correspond to the Chairman of the Board of Directors, and also a General Manager can be appointed with general administrative powers to manage the business's own line of business, with or without the power to dispose of the assets of the company.

5. Accounting

The Institute of Public Accountants of Nicaragua as the governing body of the accounting profession issued a resolution in which directs all entities applying the International Financial Reporting Standards (IFRS) as of June 30, 2011.

It is to make the transition from Generally Accepted Accounting Principles to these new rules.

6. Labor System

6.1 Types of contract of employment and work conditions

The individual contract of employment is the verbal or written agreement between an employer and an employee by which a working relationship between them is established in order to perform any work or provide personally a service.

The written contract must contain:

- a. Place and date of issuing of the contract
- b. Identification and address of the parties
- c. Job description and place where should be performed
- d. Daily and weekly working hours
- e. Indication of whether the contract is for a fixed or indefinite period
- f. The amount in concept of salary, form, periods and place of payment, and if it is agreed per unit of time, per unit of work, task or piecework
- g. The signatures of the grantors or the legal representative, or fingerprint or signature at request for those who neither know nor are able to sign, in the presence of two witnesses.

The contract of employment is drawn up in duplicate and signed by both parties, giving one copy to the employee.

The contract of employment may be concluded orally in the following cases:

- a. Agricultural work.
- b. Housemaid work, and
- c. Temporary or casual work not exceeding ten days.

The contract of employment is presumed concluded for an indefinite period of time unless:

- a. When the parties agree on a period.
- b. When to perform the work or service the performing period is based on the length thereof.
- c. In the case of seasonal or cyclical works without prejudice to the provisions of collective contracts or agreements.

It is prohibited to stipulate in the contract that social or labor benefits will not be paid. The right to social or labor benefits is inalienable.

6.2 Social Security

The social security system comprises a series of contributions or inputs that are calculated on the wages of employees.

The contribution of each member affiliated as required by the Disability, Old Age, Death (DOAD) and Professional Risks regime is fourteen dot twenty five percent and distributed as follows:

	DOAD	PROFESSIONAL RISKS	WAR VICTIMS	TOTAL
Employer	7%	1.5%	1.5%	10%
Employee	4%		0.25%	4.25%
Total	11%	1.5%	1.75%	14.25%

The contribution from each mandatory affiliated to the Integral System is twenty dot fifty percent distributed as follows:

	DOAD	PROFESSIONAL RISKS	SICKNESS AND PREGNANCY (SP)	WAR VICTIMS	TOTAL
Employer	7%	1.5%	6%	1.5%	16%
Employee	4%		2.25%		6.25%
Government			0.25%		0.25%
Total	11%	1.5%	8.5%	1.5%	22.5%

The contribution of the Optional Insurance (which is for people working independently or not subordinate to an employer), can be requested at the main administrative offices or delegations of the Institute located near the place of residence of the applicant. The contribution of the Optional Insurance comprises the Solidarity Contribution and is of 18.50% and for the Disability, Old Age and Death regime is 10%.
10%.

	SP-DOAD	DOAD	Health
Contributor	18.25%	10%	8.25%
Government	0.25%	-	0.25%
Total	18.50%	10%	8.50%

6.3 Social benefits for employees

Holidays

In accordance with Article 76 of the Labor Code of Nicaragua, every employee is entitled to enjoy fifteen days of continuous and paid rest in concept of vacations, for every six months of uninterrupted work in the service of the same employer.

Christmas bonus

Based on the Article 93 of the Labor Code of Nicaragua every worker is entitled to receive from the employer an additional payment equal to one month of salary after a year of uninterrupted work, or the proportional amount corresponding to the worked period, more than a month and less than one year.

Severance labor

The provision for workers' compensation for employees is calculated according to the length of service and will be paid in the event of dismissal or voluntary resignation, according to the provisions set in the Article 45 of the Labor Code of the Republic of Nicaragua, which provides as follows:

- One month of salary for each of the first three years of work.
- Twenty days of salary for each year worked starting on the fourth year of work.
- Under no circumstances compensation may be neither less than one month nor more than five months. These obligations are registered in the period in which they are incurred.

6.4 INATEC

In Nicaragua is established a contribution equivalent to 2% of the total amount of the payroll which must be submitted to the National Institute of Technology (INATEC). This contribution is mandatory and was created by the Law 3-91, of 1991.

7. Exchange rate control

The official exchange rate of the Cordoba with respect to the dollar of the United States of America as of June 30, 2012 was C\$ 23.5409 per one dollar. This exchange rate undergoes an annual 5% sliding, which is monthly published by the Central Bank of Nicaragua. Actually, there is freedom to trade foreign currencies in the market through commercial banks and exchange offices duly authorized.

8. Tax system

The tax system of the Republic of Nicaragua consists of the following:

- Fees: National and Municipal
- Taxes: Domestic, Municipal and Imports.
- Special Contributions: Social Security and contributions to the National Institute of Technology (INATEC).

8.1 The income tax is levied on income from

- Legal entity: 30% on taxable net income or the payment of a final minimum tax of 1% on gross income, paying the highest score resulting from these calculations.
- Individual: income that exceed the C\$ 50,000 annual Cordobas (about US\$ 2,115).
- Employee: revenues exceeding the C\$ 75,000 annual Cordobas (about US\$ 3.172).

Origin of net income

Income of Nicaraguan origin the one derived from the actual property or assets in the country, services provided to individuals in the country, even when the supplier of the service did not have a physical presence in the country, or from business carried out or having effects in the Republic of Nicaragua, regardless where such income is perceived.

Fiscal Period

The tax laws of Nicaragua provide that the period for declaration of income tax is to June 30 of each year, however, the tax authority may, at request of the taxpayer, authorize special periods, such as: December 31, September 30 or March 31.

Transfer of operating losses

The tax law of Nicaragua allows taxpayers applying the losses reported in prior periods, provided that do not exceed more than three years from the period in which were caused.

8.2 Withholding on local payment

Activities and people affected	Rate	Tax Base
Sales of goods and services with credit or debit cards.	1%	Amount of the transaction
Purchases of goods and services in general. Services, legal entity.		Greater than C\$1,000.00
Construction Works.		Greater than or equal to \$1,000.00
Telecommunications media services (advertising).		Greater than or equal to \$1,000.00
Leases		Greater than C\$1,000.00
Agricultural Stock Exchange Primary agricultural goods. Other goods	1.5% 2%	Transactions exceeding the annual amount of C\$60 million.
Transmission of real or personal property subject to registration.	1%, 2% 3%	Table of three categories
Coffee trade	0%	Amount of the transaction
Royalties and franchise use	2%	Amount of the transaction
Timber trade	2%, 4% 7.5%	Price in cubic meter (mt ³)
Cattle trade	3%	Average value DGI
Agricultural goods not traded on the stock.		Greater than or equal to \$1,000/invoice
Professional services from individuals		Agreed value
Allowance		Amount paid
Winner of the National Lottery (other awards: final withholding)		Greater than C\$50,000.00
Residents who work in embassies		Amount received
Importers not registered in the Income Tax Office		Value on invoice, greater than US\$ 2,000.00
Irregular trade of exporters		Customs Form

8.3 Withholding final

Are those that with your payment satisfy the total tax liability for the Income Tax, are not subject to return, accreditations or compensation.

Activities and people affected	Rate	Tax Base		
Agricultural Stock Exchange	1.5%	Primary goods	If transactions are less than C\$60 million annually	
	2%	Other goods		
Stock Exchange	10%	Financial instruments under 4 years		
Interests	10%	Deposits, loans		
Dividends	10%	Apply when payment occur		
Awards and gambling	10%	Awards greater than C\$25,000.00 Includes prizes in kind		
Nonresident individual	20%	Total amount received		

8.4 Withholding on payments abroad

Activities	Taxable income	Effective rate of withholding *
Wages paid for services	Apply on total amount received, 35% of amount received	Individual: 20% Legal entity: 10.5%
Royalties, patents , designs, trademarks and similar	70 % of the amount received	21 %
Rental of movie films and, radio and television programs	30 % or the amount received	9 %
Shipping Air transportation International communications	10 % of amount received 5 % of amount received 5 % of amount received	3 % 1.5 % 1.5 %
Life insurance Fire insurance Registration insurance Other risks	3% of amount received 8 % of amount received 10 % of amount received 2% of amount received	0.9 % 2.4 % 3% 0.6%
Shows and performances of art, music, artists, athletes and the like	50% of the contract value. Exempt from withholding: events sponsored by local or foreign governments and contracts under laws 215 and 306	Legal entity: 15% Individual: 20%
Leasing of real property	70% of amount received 80% of amount received	With construction:21% With construction:24%

*The effective withholding rate results from applying the 30% Income Tax of legal entities to the percentage of taxable income as provided in the Law.

8.5 Value Added Tax

Levies acts performed nationwide on the following activities:

- Sale of goods.
- Provision of services.
- Import and nationalization of goods.

It is cleared by applying the rate of 15%, except in the case of exports in which a 0 % rate is established.

8.6 Selective Consumption Tax

This tax applies to sale, import and custom clearance of goods specified by law such as petroleum-based products, alcohol, cigarettes, soft drinks, packaged juices, wines, beers, etc. Rates are specified for each product.

8.7 Municipal Taxes

These include:

- Payment of 1% on sale of goods or supplying of services. This payment is monthly.
- Annual payment of registration based on the

application of 2% to the average sales of the last three months of the year, or when the business starts (opening) it pays 1% on invested capital.

- Payment of 1% for improvements on buildings or constructions.
- Payments for real property that is settled by paying 1% on the rate able value of the property. It is paid at the beginning of the year.
- Payment for advertising signs.

9. Transfer Pricing

The Nicaragua tax law does not provide regulations on transfer pricing in the operations of companies of the same group or with related parties which involves exchange of goods or services.

Republic of Panama

1. Name of the firm

Moore Stephens (Panamá), S.A.

1.1 Address, telephone, fax

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Phone +507 366-4600
Fax +507 366-4683

2. Professional Staff

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Jose Alvarez

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Julio Cruz

Audit Partner
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Ricaurte Chang

Audit Partner
rchang@moorestephens.com.pa

3. Profile of the Country

Panama is a presidential representative democratic republic, whereby the President is both head of state and head of government. Panama City is its capital and largest city. The Republic of Panama is located at the center of the Western Hemisphere. It is bordered by Costa Rica to the west, Colombia to the southeast, the Caribbean to the north and the Pacific Ocean to the south.

Panama's legal system is founded on civil law; accepts jurisdiction of international courts, with certain reservations. The currency is called balboa, equal to the dollar of the United States of America (USA).

Panama has a tropical climate and the temperature is usually uniform throughout the year. The average temperature is 27°C.

Most of the population is 67% mestizo (mixed Amerindian and white) and mulattoes (mixed black and white), 14% black, 10% white, 6% Amerindian (indigenous) and 3% of people of various ethnic backgrounds. There is absolute freedom of Religion in Panama.



The most common religion in Panama is Roman Catholicism. However, due to the diversity of the country, there are numerous churches, temples and synagogues.

4. Foreign Investment Regime –Types of Juridical Entities–

4.1 Corporate Regime

According to the Constitution of Panama, national and foreign corporations must meet the same basic requirements to organize and operate their business activities in Panama. However, there are restrictions on foreigners to operate retail activities and to practice certain professions. The legal entity most commonly used



DESCRIPTION	CORPORATION	CIVIL SOCIETY
Incorporation	It is made by Deed of the corporation; must be notarized by a Notary Public; then the flat tax has to be paid and registered at the Public Registry	It is made by Deed of the corporation; must be notarized by a Notary Public, and registered at the Public Registry. Flat tax is not required.
Administration Bureau	Public Registry of Panama	Public Registry of Panama
Legal Representative(1)	Usually is the president of the society, if absent then will be the vice-president.	
Partners	3 partners as minimum.	2 partners as minimum.
Minimum capital	US\$ 10,000	There is no minimum.
Shares /Units	Issued in nominative or bearer form, with	Issued in nominative, with nominal value
Obligations	Carrying Minute Book of Annual General Meeting.	
	Carrying Minute Book of Shares and Shareholders.	Carrying Minute Book of Units and Partners.
	Income Tax Return and tax payment	
	Submission of financial statements.	
Note:		
1. Foreign or so-called "off shore" companies can be registered.		
2. Shareholders and directors may be natural entities only, and can be national or foreign.		
3. At the time of incorporation, the share capital is fictitious, which means it does not require the actual existence of the amount shown as equity in corporations.		

4.1.1 Foreign companies

In order to practice their activities in Panama, a company incorporated abroad typically must register the company as a foreign company in the Public Registry of Panama, and assign a Resident Agent in Panama.

4.2 Other types of Juridical entities

Private Foundations, Trusts, Civil Associations, Insurance companies, Cooperatives, Leasing.



5. Auditing and Accounting

The operation of the accounting profession is regulated by Law No. 57 of 1978, known as the Accounting Law. The Act provides that the Accounting Technical Board, unit under the Ministry of Trade and Industry, is responsible for ensuring compliance with the law.

6. Labor Regime

In accordance with the law, there are several ways of recruiting staff; one is the form of agency relationship or through a civil contract for professional services. The legal treatment that applies to each of these figures is different, as we indicate below:

DESCRIPTION	DEPENDENCE RELATION	
Regulation	Labor Code.	
Relation	Employer – Employee / Employer - Worker.	
Legal	Labor Contract (express, tacit, Fixed Term, Permanent, Seasonal, Temporary, casual, to test, determined work, hook).	
Obligation	Voluntary agreement for provision of services in exchange for payment. The worker is legally subordinate to the orders and instructions of the employer, the time, place of work, among others.	PERSONAL COST
	Wage or Salary	Minimum wage US\$ 432 (per month).
	Thirteenth month	Additional salary payment has to be made, consisting in an additional monthly payment per year job; extra paid month is divided into three equal quarterly installments. a fictional additional month of salary, to be paid in the months of April, August and December.
	Social Security Regime	For employees: a contribution rests for disability and old age is discounted from 100% of the salary received. Contributions: Employee 9.75%, 12.25% Employer. For freelancing: a contribution for disability and old age is discounted from over 52% of their gross annual income.
	Vacations	One vacation day for every eleven days according duration of the employment relationship; this is equivalent to thirty (30) days per year.

7. Migratory Regime

In order to carry out economic activities in Panama, a foreigner has to maintain immigration status by obtaining a nonimmigrant visa (non-settling) or an Immigrant Visa (with the intention of settling).

Foreigners must request this type of visa before the Department of Immigration.

8. Tax Regime

Panamanian tax regime is territorial in nature, meaning that taxes are paid on all taxable income produced within the country, also on all rendered services to or from Panama that are relevant for local income generation.

The fiscal year in Panama is one (1) calendar year that begins on January 1st and ends on December 31st. However, the Department of Revenue may authorize

special periods, which can start in a different month, with the obligation to complete the 12 months.

Taxpayers must declare, file and pay through forms or affidavits the amount owed and the type of tax, detailing the fiscal year in which the income was generated. If belated, payment generates interest, surcharges and penalties. These should be included in the full fiscal year amount.

The Income Tax Return, certifications, statements, payments and certain applications may be prepared and submitted electronically through special programs that provide the tax authorities or by the Internet.

8.1 Income Tax Return

This tax is established on all taxable income obtained by individuals and legal persons within the national territory.

The taxable amount is the total of taxable income minus costs and expenses, which are deductible according to Panamanian law. The current applicable rate is 25% of total taxable income for legal persons and natural entities varies depending on annual taxable income, becoming proportional to the revenue.

Deductions for expenses incurred are accepted as long as they comply with the provisions of the current tax code and its regulations.

Revenue from foreign activities, economic activities practiced in Panama outwards not generating local revenue source are not considered production within Panama.

8.1.1 Income Tax Return, Natural entities

Individuals pay a tax on taxable income generated during a fiscal year, whose rate of income tax on income received varies. This payment is made for natural entities through an Income Tax Return, and the time of filing is until March 15.

8.1.2 Income Tax Return, Legal entities

For legal entities there is a standard rate of 25%, and 27.5% for legal persons engaged in special activities detailed in the Tax Code. Some activities remained at 30%. The payment and Income Tax Return must be made in April by the transactions effected from January 1st to December 31st of the previous year.

8.1.3 Tax Credit

Economic amount paid to the Treasury that has exceeded the amount payable, which may be applicable for future payment of income tax.

8.2 Dividend Tax

This tax is levied on dividends distributed to shareholders and members of companies. The rate applied is 10% for holders of registered shares and 20% for holders of bearer shares.

Branches of foreign corporations in Panama pay ten percent (10%) on one hundred percent (100%) of their taxable income obtained in Panama, minus taxes paid by that same income in the country. For cases of foreign subsidiaries or affiliates, the tax is paid at a single rate.

8.2.1 Supplementary Tax

In the event that the legal entity does not distribute its profits, or that the total amount distributed is less than forty percent (40%) of the net profits for the fiscal year minus the income tax paid, the legal entity must withhold and pay ten percent (10%) of the difference to the tax authority.

The branches have to pay the 10% additional tax on the profit, 90 days after the end of the fiscal year.

8.3. Supplementary Tax

In the event that the legal entity does not distribute its profits, or that the total amount distributed is less than forty percent (40%) of the net profits for the fiscal year minus the income tax paid, the legal entity must withhold and pay ten percent (10%) of the difference to the tax authority.

The branches have to pay the 10% additional tax on the profit, 90 days after the end of the fiscal year.

8.4 Capital gains tax

Capital gains tax is considered as any sale of shares, bonds, stocks and similar, or property (when they are not part of the ordinary course of business). These transactions are taxed at 10% on the gain of the sale.

In the case of selling securities, 5% of the sale price total must be paid as an advance tax, which can be claimed if it is more than 10% of the profit. This advance tax may also be considered as the final tax. In the case of selling the property, it follows the same principle as in securities, with the difference that the concept of advance income tax is 3%.

8.4.1 Value Added Tax credit

The excess payment of VAT produces a tax credit applied into the tax period in which the credit was generated, which is applicable only to this tax.

8.5 Tax on Remittances abroad

It is nothing but the income tax to services provided by nonresidents Panamanians, whether the service is provided from abroad or inside Panama. The applicable tax, for both either legal or natural entity, is applicable to 50% of payment on remittances. The tax applies only to the provision of services or the purchase of assets. If the services are supplied from abroad and they are not considered as a deductible expense in Panama, this tax will not apply. Nor will require retention, interest on loans from foreign financial institutions to local financial institutions, when the local company makes payment of interest.

8.6 Transfer Pricing regulation and Free Market

Panama amended the Tax Code with the Law 8 of August 2010, implementing legislation regarding the related parties and transfer pricing, applying the OECD guidelines to regulate transfer pricing, with the aim of regulating those transactions between related companies. The current regime applies only to companies from countries which Panama has signed with agreements to avoid double taxation.

8.7 Other applicable taxes in Panama

8.7.1 Excise Tax

It is a tax applicable to certain goods and services such as sodas, cigarette, selling of alcohol, provision of cable and satellite television; its rate is 5%.

8.7.2 Real Estate Tax

This tax is levied on real estate and it is applicable to its owners; rates apply depending on the property value. Exemption of this tax exists for new properties, with a limit of up to 20 years.

8.7.3 Real Estate Transfer Tax (ITBI)

Tax applied when transferring ownership of a property. It has a rate of 2%.

8.7.4 Municipal Taxes

They are all contributions and tax rates charged by municipalities. In Panama City, the annual Income Tax Return must be filed.

9. Ship Registry

The Panamanian Ship Registry is still the number one in the world for ship tonnage. The Merchant Marine was established by Law No. 8 of 1925, adopting the open registration system and eliminating restrictions on nationality and residence. Since then, the Panamanian Ship Registry accepts vessels owned by nationals and foreigners, if they meet the existing requirements, especially those relating to the management of ships, safety, standards of pollution control, technical and tax matters.

The Panamanian Ship Registry offers the following advantages:

- An open record. Any person or company, regardless of nationality or place of incorporation, is eligible to register vessels under the Panamanian flag.
- Low registration fees compared to other countries.
- Total exemption on income tax produced by the operations of ships involved in international trade.
- There is no minimum of tonnage requirements. However, ships older than 20 years must pass a special inspection to get the Permanent Navigation Patent.
- Provisional Registry may be obtained for six months, through a lawyer in Panama or requested in ports where an authorized Panamanian Consulate is present.
- Double Registry, only under permission of the country that issued the original record of the ship.

Another advantage of the Panamanian Ship Registry is the bareboat charter system, which allows the registration of a foreign ship in Panama for a period of

two years without losing its previous record. For this purpose, Certificate of Consent from the country where the ship was originally registered is needed.

Law No. 36 of July 6, 1995 gives special discounts on the registration of ships or high tonnage, only if the vessel (s) to be registered is part of an owner or economic group.

10. Colon Free Zone

Since its creation in 1948, the Colon Free Zone, a free trade area segregated for wholesale operations located in the Atlantic coast, near the entrance to the Panama Canal, offers the world a unique international center of commerce, being the leading free zone in the Western Hemisphere and the second largest in the world after Hong Kong.

The goods coming into the Colon Free Zone can be imported, stored, modified, re-exported and re-packed, without being subject to taxes or import charges. In addition, companies that are established in the area are free of taxes on capital exportation or the payment of dividends from foreign operations, transfer or direct operations as discussed below. There are no consular fees or any other charges on shipments to the Free Zone or shipments from this area to foreign consignees. Customs authorities make a charge for Surveillance Service in custody of goods re-exported. The charge is applied as appropriate.

To operate from the Colon Free Zone, companies require an authorization from the Zone Administration, an autonomous government agency. A business license is not required, nor has the company to comply with a minimum investment. The Zone Administration charges an annual operational fee of \$ 200 applicable to all companies.



Republic of Paraguay

1. Firm identification:

AYCA - Auditores y Consultores Asociados.

1.1 Oficina, dirección, teléfono

Asunción - Nuestra Señora de la Asunción N° 865 e/

Humaita y Piribebuy

Casilla de Correo N° 2093

Teléfonos: 595 21 492 252 y 492 253

Fax: 595 21 448 565

e-mail: ayca@ayca.com.py

web : www.ayca.com.py

2. Professional Specialists

Dr. Fernando José Estigarribia Lezcano

Partner

festigarribia@ayca.com.py

Lic. Manuel Stark Robledo

Partner

mstark@ayca.com.py

3. Perfil de país

The Republic of Paraguay, located between Brazil, Bolivia and Argentina, whose territory is divided into seventeen departments, each with an independent Government. It has an area of 406,752 square km, with a population of 7,200,000 inhabitants. It has three branches: legislative, consisting of the Senate and Chamber of Deputies, the judiciary and the executive.

The powers of the state are divided into five functions:

- **The Executive:** It is exercised by a President and Vice President, both elected for a term of five years as well as the Ministries of State and other agencies and institutions to meet, within their competence.
- **The Legislature:** It is exercised by two chambers: the Senate and the House of Representatives. In both cases the number of representatives is based on the number of people available to each department of the Republic. Performs the functions



of law making and enforcement, including the possibility of raising impeachment against the President, the Vice President and the Ministers of State, Ministers of the Supreme Court, and Magistrates in general.

- **The Judiciary:** is exercised by: a) Court of nine ministers, who are responsible for the administration of justice, and is shaped by the Supreme Court, the Courts of Appeals and the Courts. b) The Supreme Electoral Tribunal, wielded by three Ministers Election, who are responsible for administering justice Voters, along with their courts.

Currently the legal tender in the country is the Guarani. In Paraguay the annual change in consumer price index in 2011 stood at 4.9% 2.3 points less than in 2010.

4. Investments

4.1 National Investment Regulations. Legal Framework of Investment in Paraguay

Legislation on foreign investment

Paraguay has a very liberal regime on the issue of foreign investment, which required no government authorization to conduct investment. The investment regime is based on four laws: Law 60/90 which establishes a system of tax incentives for investment by domestic and foreign capital. "Law 117/91 Investment, which gives foreign investors the same rights and the same obligations, required it to nationals.

Maquila Act, which allows foreign companies to settle in Paraguay as maquiladoras is introduced through the temporary admission into the country foreign raw materials with a series of fiscal and tax incentives, to assemble and manufacture their products using hand national force, and finally re-export it, adding to it the added value of the transformation process.

Law 2.421/04 July 2004, Fiscal Adjustment and Administrative Reorganization repealing some of the investment incentives established by Law 60/90. The entry into force of the Law on fiscal adjustment in 2005 has meant a decrease in the processing and approval of investment projects under the 60/90.

Overall investment activity in Paraguay presents business opportunities arising from both the maquila system, modeled Mexican, and derived from membership of the Mercosur, a customs union once perfected, will allow access to a market of more than 230 million (25 million more if you include Venezuela, recently incorporated into the agreement as a full member, once you overcome the technical difficulties

of access to the Customs Union). The main problem is the high level of legal uncertainty.

4.2 Procurement

To become the provider of state natural and legal persons should be enabled as such in the National Public Procurement, registering in the Register of Providers.

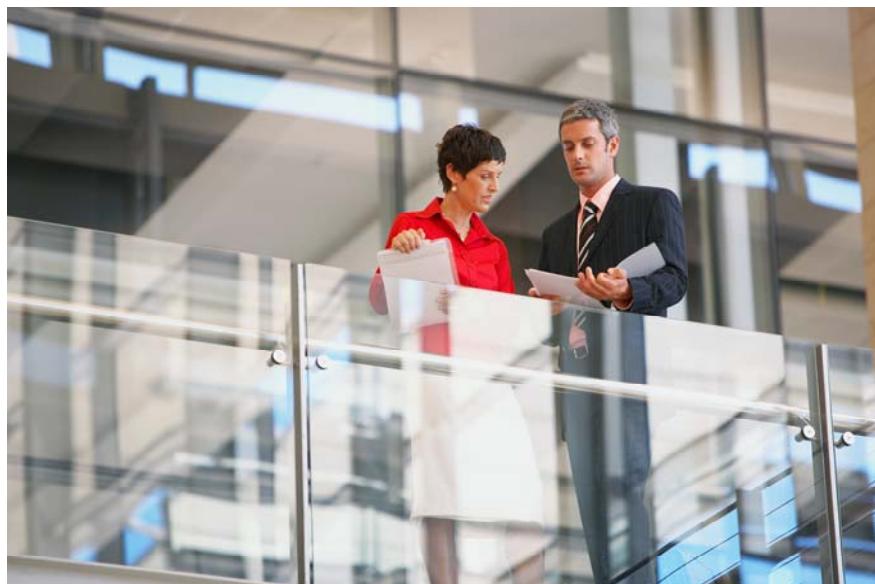
4.3 Corporate regime

There are various legal forms that allow corporate economic operations in Paraguay.

4.3.1 National Companies

The corporate regime is regulated in Paraguay by the Civil Code and the Commercial Code. There are several classes of companies: AUNIPERSONALES SOCIETY, THE ANONYMOUS SOCIETY, THE LIMITED LIABILITY COMPANY, COOPERTAVIAS SOCIETIES. There also Consortia, Transnational Corporations, branches, subsidiaries, but there is still no regulations to enable Holdings.

- **Companies:** These are companies that are made up of two or more individuals or corporations and are subject to the rules of the Civil Code. They are called corporations.
- **Limited Liability:** Those that are made up of two and up to twenty-five people or corporations. They are called party companies by quotas.
- **Impersonal:** Those that are made up of a natural person. They are defined for professions or occupations that require tools or machinery for the provision of their services.



Description	Companies	Limited Liability
Constitution	Are presented documents for preparation before a notary public and then to the Department of Public Records and finally to the Tax Authority.	We present the documents to be made up before a notary public and then to the Department of Public Records and finally to the Tax Authority
Governing Bodies	Shareholders	Cuotapartistas Council
Legal Representative (1)	Directors or proxies or attorneys	Directors or proxies or attorneys
Partners (2)	Least two shareholders	2 partners minimum to a maximum of 25 members.
Social Capital (3)	No minimum	No minimum established set
Shares / Units	Are bearer shares, except where the financial system must be registered and free trading on the stock exchange and OTC.	To trade shares requires the consent of 75% of the partners.
	Bring Social Book of the Acts of the General Assembly of Shareholders.	Bring Social Book of Minutes of General Meeting of Shareholders.
	Bring Social Book of Shares and Shareholders.	Bring Social Book of Shares and Partners.
	Optional enrollment in both House and pay fees.	Optional enrollment in both House and pay fees
Other Liabilities	Presentation of Financial Statements.	Presentation of Financial Statements.
	For companies who bill annually Gs. 6,000 million or more (U.S. \$ 1,363,000. - A T / C of 4,400 Gs. Per U.S. \$) must report Tax Compliance prepared by its external auditors.	For companies who bill annually Gs. 6,000 million or more (U.S. \$ 1,363,000. - A T / C of 4,400 Gs. Per U.S. \$) must report Tax Compliance prepared by its external auditors.

Notes:

1. If the Directors of the companies are foreign, they must be at least resident in Paraguay.
2. The shareholders of the companies may be individuals or corporations, domestic or foreign. Foreign legal and natural persons may be members of the limited company, with the exception of banks, insurance companies, capitalization and savings.

5. Audit and accounting

Accounts shall be kept by the double entry system, in Castilian and Guarani language, taking into account the generally accepted accounting principles. Specific rules for financial, insurance, publicly traded companies and the cooperatives.

For companies who bill annually Gs. 6,000 million or more (U.S. \$ 1,363,000. - A T / C of 4,400 Gs. per U.S. \$) must report Tax Compliance prepared by its external auditors.

6. Labor system

According to the labor law is right and a social duty. The object of the employment relationship is the provision of personal and lawful for the employer under the command of this. The employment relationship must comply with labor legislation in Paraguay and collective bargaining agreements.

6.1 Wages, employment contract rates and conditions of employment

- Minimum monthly wage: Gs. 1.652.103. - (US\$375)
- Salary p / day monthly workers: Gs. 55,066
- Regular labor day:
 - Day time: (06:00 a 20:00 hours)
 - Night time: (20:00 a 06:00 hours)
- Maximum daytime business hours: 8 (eight) hours per day or 48 (forty eight) hours.

The maximum duration of the trial period is:

- **Thirty (30) days** for domestic workers and unskilled workers.
- **Sixty (60) days** for skilled workers or apprentices, and
- For highly skilled technical workers, the parties may agree a different period as the modalities of work

Social Charges by Employee

Contribution Social Security Institute (IPS) 9.00%

Social charges paid by the employer Social Security

Social Security Institute (IPS) 14.00%

6.2 Employer obligations Registration in the Employer

All employers in the Republic should proceed to registration in the Management Authority authorized by Labor - Labor Department - within 60 days from the beginning of the employment relationship by submitting the following documentation:

- Certified copy of Identity Card;
- RUC;
- Registration in the Social Security Institute;
- List of Employees;
- Writing S.R.L contract, S.A. and
- Corporations other documents, Act of Assembly, etc.
- Foreigners must also submit:
 - Paraguayan identity card p / foreign
 - Certificate of Filing and the country under penalty of fines.

7. Exchange control**7.1 Join Currency**

There is a currency revenue control exercised by the Department of Prevention of Money Laundering who has control of money laundering and terrorist financing. Also exporters must sell dollars, their export products on the open market and thus download the required changes that are generated when clearing his goods for export.

7.2 Exit Currencies

Actually there is a tax on profit remittances amounting to commercial 20% of them.

8. Tax system

The Paraguayan tax structure consists of taxes, fees and contributions. Regarding taxes can be national and municipal.

Here are the main taxes:

8.1 IRACIS: The Income Tax to commercial, industrial or services other than personal

Are taxed Paraguayan source income coming from commercial, industrial or services other than personal.

Obligated

Sole proprietorships, partnerships with or unincorporated, associations, corporations and other private entities of any nature. Public companies, autonomous bodies, decentralized and mixed companies. Person domiciled or entities incorporated abroad and its branches, agencies or establishments carrying out taxable activities in the country. The parent must pay tax on the net income than those you pay or credit. Cooperatives, with the scope established by Law No. 438/94 "From Cooperatives".

Residence

They are made by the tax only those activities within the country, regardless of nationality, domicile, or residence of persons involved in the operations and venue contracts.

However, there are some exceptions to this general rule such as interest, commission, capital gains or income invested abroad and exchange differences, when the investing institution or beneficiary incorporated or established within the country.

Determination of the taxable income or loss

Gross Income is considered the difference between total revenue from commercial operations, industrial, or service and the cost thereof. Within the taxable income is the sale of fixed assets or capital gain, except resulting from revaluations of fixed assets and capital contributions or activities from untaxed or exempt from tax.

International Income Base

Persons or entities located abroad, with or without Branch performing taxable activities in the country determine their income under the presumptive regime on the perceived, becoming the payer withholding agent.

Base of imputed income

Tax Administration is authorized to establish net income over alleged basis for those taxpayers who are not required to keep accounting records.

Fees

The overall rate is 10% on net income but dividends distributed. If it does, add an additional 5% (total 15%)

Dividends or profits distributed

For resident income taxpayers. The tax on dividends is (5%) five percent of the amount of profit to be distributed. For foreign income taxpayers: The tax on dividends when they are transferred abroad is given a further additional rate (15%) fifteen percent, which, in this case, the taxpayer paid a total (30%) Thirty percent.

Tax incentives

The law provides tax incentives for those making capital investments either domestic or foreign. Stimulus to create jobs: It has issued a special law to occupy the national workforce by Maquila law, which is achieved with a minimum tax rate (1%) percent. Tax treaties to avoid double taxation agreements have been signed to avoid double taxation with Argentina and Chile.

8.2 IMAGRO: Income Tax on Agricultural Activities

this tax is levied on sales from agricultural activities (agriculture and livestock).

Obliged

All natural and legal persons performing agricultural activities within the country.

Determination of the taxable income or loss, Gross Income, Net Income

The gross income determination should be performed in all cases, regardless of whether the property is realized or not a productive use efficient and rational. The determination of gross income, net income and the tax is made according to the surface property agro logically helpful and efficient and rational exploitation according to the following criteria: The taxable event is set annually at the end of the fiscal year.

Great Estate:

- a. **Gross Revenue**: the gross annual income for rural properties individually or jointly meet or have a useful agro logically area exceeding 300 hectares. (Three hundred acres) in the Eastern Region and 1500 hectares. (Fifteen hundred acres) in the Western Region, with an efficient and rational productive use will be the total income generated by agricultural activities.
- b. **Net Income**: Net Income to set deducted from gross income all expenditures relating to the business of the activity, expenditure and investment from relevant to obtaining the taxable income and the maintenance of its source, provided they are real and are properly documented in accordance with the provisions of this law and its regulations.

Division of plots in large, medium, and small producers. These latter are free from tax. Tax base: The tax base in terms of land area that agro logically are useful, that is, which are not accounted for those taxable parcels are not suitable for agricultural production, such as rocky ground, flooded forests etc.

Taxes

Form of tax assessment. In all cases, the taxpayer has the option to use three different methods.

- a. For the actual utility system, as balance the rate is 10% (ten percent).
- b. For the simplified system, which consists of assessment of VAT on the difference between admission and discharge, the rate is 10% (ten percent).
- c. Alleged System: Based on a presumed production according to a pre-set scale according to the characteristics of each production area multiplied by the average price of goods produced and whose result applies a rate of 2.5% (Two, five percent)

Exemptions

You are exempt from tax for small taxpayers, according to the following taxpayers classification. Is considered small with less than 20 hectares in the Eastern Region and 100 in the Western Region.

8.3 RPC: Rental's Small Taxpayers**Obligated**

The gravel event also commercial, industrial or services other than personal and whose income does not exceed about (20,000) twenty thousand dollars a year.

Taxable

Determined on a real or perceived, at the option of the taxpayer. Net income will be considered as real positive difference between revenues and total expenses and net income is alleged 30% (thirty percent) of the gross annual turnover.

Rate

The tax rate is also the (10%) ten percent

8.4 IRP: Income Tax Personal Service

This tax was created in 2004 but so far failed to bring it into force. Each year Congress extended its validity.

Obligated parties

They are taxed source income coming from Paraguay conducting personal income generating activities when the activity takes place within the country, regardless of nationality, residence, or place of the contract.

Be considered included among others

The exercise of professional services, trades or occupations or the personal services of any kind independently or dependency relationship, whether in public or private, decentralized, autonomous, mixed economy, binational entities, whatever is the name of profit or remuneration. The 50% (fifty percent) on dividends. Interest, fees, and other income from capital and income not subject to other taxes on income.

Capital gains arising from the occasional sale of property transfer of rights and income securities, equity shares and Corporations.

Taxpayers

Individuals and simple societies.

Determination of the taxable income or loss

Presumption of Taxable Income: For any taxpayer, it is presumed, unless evidence to the contrary, that any enrichment or equity increase comes from income subject to the tax.

Net Income

For individuals. All deductible personal expenses and investments of the taxpayer and his family, since the expenses relating to the maintenance, education, health, clothing, housing, and recreation.

For simple societies

They are deductible expenditures and investments that relate to obtaining taxable income and font handling.

Exemptions

You are exempt from income tax for pensions and retirement, salaries of diplomats on a reciprocal basis, interest, and fee income from investments in banks, etc.

Range not affected: is not affected by the tax in the first year of the law, whose income does not reach 120 minimum wages annually, and each year this amount is reduced to 12 minimum salaries to reach 36 basis salary caps.

Rate

The rate is (10%) Ten percent of the net taxable income when income exceeds 120 annual salaries and 8% when they were less than them.

8.5 Estate Tax

This tax Municipalities perceive.

Determination of the taxable income or loss

The tax base is the assessed value of property established by the National Cadastre. Additional tax on vacant: The wastelands are additionally taxed with a rate of 4% (four thousand) in the capital and 1% (one per thousand) in the inland municipalities.

Property tax in addition to very long and estates. As the tax base and appraisement of Property Tax is the percentage (0.5%) to 1% according to the amount of area and location of the property location. If whatever large estate, (there is a special law that clarifies the rules on large estates) tax is charged an additional fee of 50%.

Rate

The tax rate is 1% (one percent). For rural properties, under 5 hectares the tax rate is 0.50% (zero point fifty percent).

9. International Treaties

9.1 Agreements to avoid double taxation

Paraguay holds treaties to avoid double taxation on income tax, with: Germany, Belgium, and China. Argentina, Chile, and Uruguay (Applicable only to air transport), Switzerland, Spain, Germany, Brazil, Mexico, (not entered into force for lack of ratification).

Republic of Peru

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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 Rainforest.

It is politically divided in 24 departments and has an estimated population of 30 million people, being its capital the city of Lima. It also has several ports, of which 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.

The official language is Castilian, however, being 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.



With respect to its strategic location, has the Inter-Oceanic Highway and the Amazon River to access 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.

The official currency is the Nuevo 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 the last five years, Peru has made great progresses in its development, including high growth, low inflation, macroeconomic stability, and debt and poverty reduction. It is expected that the country will grow around 6.0%-6.5% during the period 2012-2015 and will remain the most stable economy in the region.

In Latin America, Peru is a member of the Andean Nations Community – CAN and the Latin American Integration Association - ALADI.

4. Foreign Investment Regime-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.

Law 26887, General Corporations Law, effective from January 1, 1998, governs Corporation's regime. The 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.

4.1 Common Corporation (S.A.)

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 no more than 725. 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.

4.2 Private Corporation (S.A.C.)

Used for middle or small businesses with no more than 20 shareholders. Shareholders are not personally liable for corporate debts.

Requirements for the establishment of a Private Corporation are the same as for the Common Corporation.

4.3 Open Corporation (S.A.A.)

Used for businesses that require large capital. There is no limit to the number of shareholders. 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 corporate debts.

4.4 Limited Liability Company (SCRL)

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.

4.5 Individual Limited Liability Company (EIRL)

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.

4.6 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.

4.7 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 "Asociacion en Participacion", the Consortium and the Joint Venture.

5. Audit and Accounting

The accounting profession in Peru is ruled by the provisions of the International Federation of Accountants - IFAC. Financial statements must be prepared under the Peruvian Generally Accepted Accounting Principles, which involves the submission to the International Financial Reporting Standards – IFRS according to the following provisions: public companies since 2011; banks and insurance companies since 2012; companies with assets greater than USD 33 million as from 2013; companies with revenues or assets greater than USD 4.2 million as from 2014.

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 sporadic activities and service contracts. Under Peruvian law, companies may enter into agreements with trainees. However, limits are set to the number of trainees in relation to the number of total workers.

In relation to working hours, the general labor regime establishes a maximum of 8 hours per day or 48 hours per week.

6.1 Contracts subject to special conditions

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 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.

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 temporary replace a stable worker.
- **The emergency contract:** entered in order to face a disaster or events occurred by force majeure.

6.1.3 Service contracts

- **The specific contract:** entered in order to perform a specific activity or service.
- **The intermittent contract:** entered in order to perform permanent but discontinuous activities.
- **The seasonal contract:** entered in order to face seasonal requirements.

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 S/. 750 Nuevos Soles (approximately USD 285).

6.3 Foreign employees

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 in writing and for a specified term, for a minimum of 12 months and maximum of 3 years. 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 abovementioned limits, being considered as local employees.

6.4 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 Added Tax
- Excise Tax
- Financial Transaction Tax
- Temporary Tax on Net Assets
- Customs Duties

8.2 Taxes for Local Governments

- 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
- Contribution to the National Service of Industrial Technical Training– SENATI
- Contribution to National Service of Training for the Construction Industry (SENCICO)

8.4 Income Tax

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 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. 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 30% on net income. In the case of non-residents, different rates are applicable according to the source of income. For services provided by non-resident entities that are classified as Technical Assistance, the applicable rate is 15% on the gross income.

8.4.2 Income Tax on Individuals

The income tax payable by resident individuals is determined by applying the following cumulative progressive scale to the total net income originated from work:

Total net income	Rate
Up to 27 UIT	15%
In excess of 27 and up to 54 UIT	21%
In excess of 54 UIT	30%

UIT: Reference Tax Unit, whose value for 2012 is S/. 3,650 Nuevos Soles, equivalent approximately to USD 1,400

Dividends and other type of profit distribution received from legal entities are subject to withholding tax at a rate of 4.1%. Additionally, individuals are subject to income tax for their income derived from the use of capital and goods, with a rate of 5% on the gross income.

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	Rate
Dividends and other type of profit distribution	4,1%
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 income	30%

8.5 The Value Added Tax (VAT)

The value added tax is applied to each stage of the production and commercialization of goods and services.

The applicable rate is 18%.

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.

Some taxable transactions are exempted.

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

Applicable on any transaction or operation made within the banking system, in domestic or foreign currency. The rate is 0.005%.

8.7 Temporary Tax on Net Assets

Applicable to business activities. The tax is equivalent to 0.4% of the value of net assets exceeding US 1 million.

8.8 Real Estate Tax

This is an annual tax applicable on the value of the real estate. The tax is determined by applying a cumulative progressive scale ranging from 0.2% to 1.0%, depending on the value of the real estate.

8.8 Municipal tax

This tax affects the sale of real estate. The purchaser must pay the tax and the rate is 3%.

8.10 Tax on Vehicles

It is an annual tax, which affects the ownership of motorized vehicles no older than 3 years. The tax rate applicable on the value of the vehicle is 1%.

9. Transfer Pricing

In 2004 Transfer Pricing rules were incorporated in our legislation and are applicable to transactions between related or carried out to, from or through tax havens, in order to determine the market value that would have been agreed with or between independent parties in comparable transactions in the same or similar conditions.

According to our law, this scheme applies to both domestic and international operations.

There are certain formal obligations such as filing an Affidavit of Transfer Pricing and / or a Technical Study of Transfer Pricing.

10. Agreements to avoid double taxation

Now, there are agreements to avoid double taxation signed with Chile, Canada, Brazil, and Spain. The first two are in force since 2006; the agreement with Brazil since 2010 and the one signed with Spain is 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 27, 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.
- 11 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.

4.1 National Investment Regulations

For the past years, some laws have been revised 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.

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.

They are subject to regulations provided under this Law and its rules, public sector agencies that comprise the following institutional aggregates: 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:

- The Sociedades de Responsabilidad Limitada (SRL) *Limited Liability Companies*.
- the Individuales de Responsabilidad Limitada (EIRL) Individual Limited Liability Companies.
- the "Sociedades Anónimas Simplificadas (S.A.S.) Simplified Corporations.

The capital required for each is increased, and considerable demands for transparency was imposed, as well as supervision and financial control, better regulation and management system and provides penalties for directors' liability.

Corporations are the vehicle 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, but since a few of them had a capital of thirty million 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).

The Limited Liability Company (SRL) requires less capital in comparison with Corporations (the minimum capital of the SRL is one hundred thousand Dominican pesos (RD\$100,000.00)), 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.

Individual Limited Liability Companies (EIRL) that are not really 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.

4.3.1 Commercial Companies

The 'Ley General de las Sociedades Comerciales y Empresas Individuales de Responsabilidad Limitada' (*General Law of Commercial Companies and Individual Companies with Limited Liability*) regulates the corporate forms of doing business in the country. All types of commercial companies have full legal rights from its registration in the 'Registro Mercantil' (*Commercial Register*). The types of companies that recognize the law are:

- **Collective society (Sociedad en nombre colectivo):** entities with two (2) or more partners liable for the obligation of the partnership to a limited extent, supportive and subsidiary.
- **General and Limited partnership (Sociedad en comandita simple):** consists of two types of partners, one or more partners who respond in a supportive, unlimited, and subsidiary way to social obligations and, one or more limited partners with limited liability to their capital contributions.
- **Joint-Stock Association (Sociedad en comandita por acciones):** this society is made up 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.

- **Corporations (Sociedades anónimas):** limited liability companies made-up of two (2) or more partners, in which liabilities for the losses of the society are limited to their contributions.
- **Limited liability company (Sociedades de responsabilidad limitada):** made-up by a minimum of two (2) and a maximum of fifty (50) partners, who do not respond personally for corporate debts.
- **Simplified Corporations (Sociedades anónimas simplificadas):** made-up of two (2) or more people, liable only for the amount of their contributions having full legal rights.

4.3.2 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 (Law 479-08) that have generated major controversies are those contained in Article 11, which 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) as well as in the Registro Mercantil (Commercial Register) at the Cámara de Comercio y Producción (Chamber of Commerce and Production) corresponding.

5. Audit and Accounting

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\$).

El Instituto de Contadores Pùblicos (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 will abide by. Societies governed by public interest:

Societies governed by public interest:
 La Superintendencia de Valores (SIV)
(Securities Superintendence),
 La Superintendencia de Bancos (SIB)
(Banking Superintendence),
 La Superintendencia de Seguros (SS)

(Insurance Superintendence), La Superintendencia de Salud y Riesgos Laborales (SISALRIL) (*Health and Labor Risks Superintendence*), 'La Superintendencia de Pensiones' (SIPEN). (*Pensions Funds Superintendence*), 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. This function is carried out by specialized firms, which are registered and authorized to operate as such by ICPARD and the Association of Audit Firms.

Companies listed on the Stock Exchange of the Dominican Republic must also submit their Financial Statements audited by a external auditing firm. Other companies, whose annual sales exceed one hundred minimum wages must have audited financial statements according to the Societies Act norms established and the Tax Code does not discriminate, indicating that any tax returns must be accompanied by their respective Financial Statements audited.

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' (*Labor Ministry*) is the agency responsible for implementing the labor standards.

6.1 Employment Contract

Generally, any relation to a person obliging to provide 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 writing 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).

Either part of an employment contract may require to the other for the oral contract to be formalized in writing (Article 19). The existence of a written agreement requires any changes to be made in writing (Article. 20), in order to establish clear rules governing the workplace. It is always recommendable to establish written contracts.

6.2 Benefits

- **Christmas Salary:** The employer must pay the employee during the month of December, the twelfth part of the ordinary salary earned by the employee during the calendar year, subject to the customs 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, industrials, 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 workweek 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

Terminación Contratos de Trabajo de Empleados (*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 tax on income.

6.4 Withholdings and Taxes

- **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\$399,923.00 per year or RD\$33,326.92 per month, as these are the minimum wages to pay income tax.
- **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*).
- **INFOTEP:** All employers must contribute 1% of their monthly payroll to the Instituto de Formación Técnico Profesional (*Technical and Vocational Training Institute - INFOTEP*), which aims at the technical training of all Dominican employees. In the event that the employee receives the payment of the participation in the profits of the company, he or she must provide the one percent of such 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 sale 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

Taxes in the Dominican Republic are governed by the Código Tributario (Tax Code) (Law #11-92) and its amendments, by implementing regulations (Decree 50-13, 293-11 and 79-03), and its amendments, tax reforms (253-12, 288-04, 557-05 and 495-06), and its amendments, and the rules issued by the Dirección General de Impuestos Internos (General Directorate of Internal Revenue – DGII), 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. It eliminates the income tax exemption of interest received. You may request a refund for considering deposit:

- When the net taxable income including interest income is less than RD\$240,000.00.
- When your net taxable income is less than RD \$ 400,000.00 and net interest income does not exceed 25% of its net taxable income.

8.2 Income taxes of companies or entities

Tax income, profit or benefit obtained in a given fiscal period. Corporate rate 29%.

Any income or benefits constituting utility performing a good or activity and all benefits, profits received or accrued and capital gains realized by the taxpayer, whatever their nature, origin and description. It keeps the rate of 29% for 2013, also provides clearing it to 28% by 2014 and by 27% from 2015 net taxable income, according to the enactment of Law 253 - 12 as of January 1, 2013.

- **Advanced income tax:** Must be paid by individuals subject to the annual affidavit income tax, and those presenting commercial activities in their annual income tax affidavit. 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.

- **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 :
 - 29% on remittances abroad.
 - 10% from foreign lending institutions.
 - 10% on dividends paid in cash.
 - 10% on fees, commissions, and rents paid to individuals not performing as an employee.
 - 25% on awards.
 - 5% on payments made by the state to individuals and legal entities.
 - 10% on other income.
 - 2% on other Withholding tax. (Norm 07-2007).
 - 1% on capital gain when companies or entities acquire shares and stocks.
 - 29% on donations (norm 7-10).
 - 1% of the interest paid to legal entities (companies) by financial institutions (norm 13-11).

8.3 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 29% rate is applied on the value of the supplementary remuneration.

8.4 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; as well as net fixed assets for financial intermediaries, among others.

Corporations are required to comply with one percent (1%) on taxable assets or 29% of its net taxable income for tax purposes. This tax has to be paid when the value to be paid on the income tax is less than 1% of the assets.

For the year 2015 the payment of Tax on Assets will be reduced to a 0.5%, and shall be removed for the year 2016. After removal of this tax, the payment of the Real Property Tax will be applied to the legal entity.

8.5 Impuesto sobre las Transferencias de Bienes Industrializados y Servicios (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.

Entering into force, Law 253-12, the rate applied is 18%, which will remain until the year 2014, it also provides decreasing it to a 16% for year 2015. The Tax Administration may designate, as withholding agents, recipients of certain services or purchasers of certain goods, accurately identifying those services and goods. Retention of 100% of the "ITBIS" is set and charged 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.
- 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 service 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.

There is a differential rate of eight percent (8%) for certain food items, which before they were considered exempt from taxes.

8.6 Procedimiento Simplificado de Tributación (*Simplified Tax Procedure – PST*)

It is a method that facilitates the tax compliance for medium and small taxpayers, whether they are individuals or legal persons, 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\$30,000,000.00 annually. Amount adjusted by the annual inflation.
- Individual or business owners without an organized accounting system, individual entities with limited liability whose income does not exceed that of RD\$8,122,725 annually. This amount is adjusted annually for inflation.

8.7 Impuesto sobre la Propiedad Inmobiliaria, Vivienda Suntuaria y Solares urbanos no edificados (IPI/VSS) (Tax on real estate, sumptuous housing, and urban sites not built)

- Taxes imposed on homes and business centers in urban or rural sites and urban sites not built, property of individuals or businesses of a single owner without an organized accounting.

- There is a tax of 1% of total property assets which exceed RD\$6,500,000.00.

8.8 Impuesto selectivo al consumo (*Excise Tax – ISC*)

This tax is applied on transfers of certain national produced goods at the manufacturing level, and their importation, telecommunications, insurance, and payments through written check. This tax will be paid 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: $1.5 \times 1,000 (0.0015)$.
- General Insurance Services: 16%.
- Other goods established by Law: Specific amounts depending on the good.

8.9 Sucessions and Donations

Any transfer of real or personal property by inheritance or donation is taxed. It applies a rate of 3% on successor amounts and 25% on donations. The law increases by a 50% rate when the heirs are foreign or Dominicans living abroad, which means that this type of heirs pays 4.5% on the inherited wealth if they have this condition.

8.10 Other taxes managed by the Dirección General de Impuestos Internos (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.

9. International Treaties

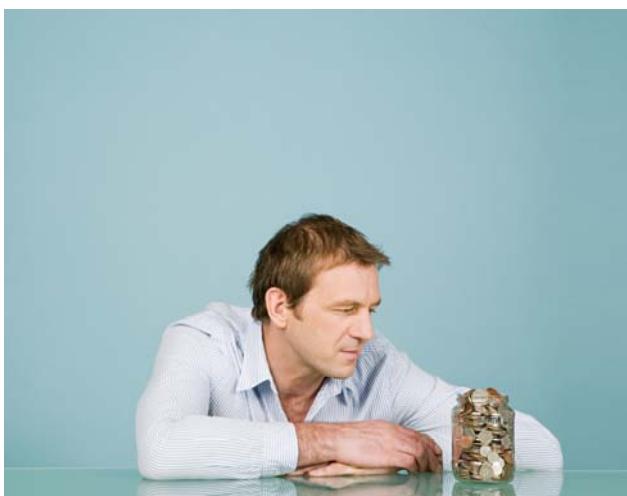
9.1 Bilateral Investment Agreements

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.

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 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).



10. 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' (DGI) 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 must be 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 (DGI) shall proceed to challenge it, making the settlement for the acquirer and the transferor.

11. 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 equipment to auto-producers.
- 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.

Oriental Republic of Uruguay

1. Identification of the contact firm

Moore Stephens – Posadas, Posadas & Vecino

1.1 Office, address, telephone

Juncal 1305 21st floor
11000 Montevideo - Uruguay

1.2 Professional specialists

Cr. Francisco Obes

Managing Partner Fobes@PPV.com.uy

Cra. Ximena Furtado

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Cr. Daniel González Cotelo

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2. Country profile

With a geographic area of 176,215 sq. km and a population of 3.3 million inhabitants, Uruguay is one of the smallest countries of South America. Its economic annual growth is about 5%.

Uruguay has a legal system based on written laws approved by the Parliament and promulgated by the Executive branch. The country is politically organized as a presidential system divided into three independent branches: Executive, Judicial, and Legislative.

Uruguay is politically divided into 19 departments, each with its own Departmental Government which is composed of a Mayor and a Departmental Board, both elected by democratic vote.

2.1 Foreign investment

The Government promotes investments and has a specific policy to attract foreign investment.

The general regime is fully open, and from the fiscal tax point of view, is not discriminatory between foreign and local investors. Foreign investors are entitled to the same incentives as local investors.

No authorizations are required for foreign investment in Uruguay.

The incentives available to foreign and local investors are focused on the creation of jobs, the establishment of high-tech industries and the increase in exports. Exemptions from taxes for certain investments are the most generic incentives.



2.2. The framework of the economic policy

There are no restrictions on the free entry and exit of foreign currency in Uruguay. Foreign currency can be freely exchanged and all foreign currencies are legal tender (this allows the awarding of contracts in any currency). Local and foreign investors are considered equal under the law.

2.3. International trade agreements

In 1991, Argentina, Brazil, Paraguay and Uruguay signed the MERCOSUR Treaty, which creates a single free trade market with a common external tariff, which varies between 0% and 23%. The Treaty establishes free movement of goods, services, people and capital between member States, eliminating customs duties. Taxes within MERCOSUR countries are almost 0% for most products (there are exceptions) provided that products from those countries comply with origin requirements. Bolivia and Chile have partially subscribed to MERCOSUR and have preferences regarding international trade.

The countries that subscribed the MERCOSUR have also signed agreements with other parties such as Israel, India and the Andean Community. Uruguay also has a free trade agreement with Mexico that provides import and export tax benefits.

Uruguay has recently signed an agreement on economic cooperation, trade and technology with the State of Qatar.

3. Commercial entities

Commercial companies are regulated by Law N° 16.060. According to the regulations, companies may carry out activities under different legal forms, among which are corporations and branches of foreign companies.

3.1. Corporations

Corporations must be incorporated by at least two founders (national or foreign). The incorporation includes the approval of its bylaws by the Government; their inscription in the Trade Public Registry and publication in the Official Journal and another private newspaper.

After the incorporation process is complete, the share capital may be owned by a single shareholder and may be issued in registered or bearer shares.

The company has three corporate bodies: the Board, the Shareholders Meetings (ordinary – AGOA and extraordinary - AGEA) and the Fiscal Commission or the Trustee (optional in the case of "closed" corporations, which are the companies that do not offer their shares to the public).

The AGOA must take place at least once a year at the corporation's domicile, to approve the year-end financial statements, discuss the performance of the Board and appoint its members and the trustee of the company if it were the case.

The Board may have one or more members, both individuals and legal persons, of any nationality, domicile or residence, being able to be shareholders of the company. The meetings are not required to be carried out in the country.

Shareholders are forced to attend the meeting and to vote personally or represented by an attorney in fact.

With respect to the share capital, at least 25% of the contractual capital must be integrated at the time of incorporation, not requiring minimum or maximum amounts of contractual capital.

Corporations must additionally comply with obligations to carry company's books and prepare tax returns and payment of the applicable taxes.

3.2 Limited liability Companies (SRL)

SRL's require a minimum of two capital quota sharers (partners). The obligations of the partners are limited to their capital contributions, except regarding IRAE and wage debts. Social capital shares are nominative.

SRL's are managed and represented by one or more individuals, partners or not, appointed in the incorporation minutes. In general, resolutions from

partner meetings are adopted by those who possess the majority of the social contributions of capital if there are less than 20 partners. If there are 20 or more partners, resolutions, in general, are adopted by simple majority of votes of the present partners, computed with a vote by contribution (in this case the system is identical to that of Corporations).

3.3 Branches of Foreign Companies

Branches of foreign companies may carry out business in Uruguay subject to the bylaws of their headquarters. They must be registered in the Trade Public Registry and its incorporation must be published in the Official Journal and another private newspaper. They must also be registered with the Tax Authority and the Social Welfare Bank.

4. Taxation of legal persons

In general, different taxes are applied only on the activities carried out within the country, the tenure of property located within the country and the revenues generated by them.

4.1. Corporate Income Tax ("Impuesto a las Rentas de las Actividades Económicas – IRAE")

IRAE levies Uruguayan net income of economic activities of any nature (industrial, commercial, agricultural and services), obtained by national companies and foreign legal persons with permanent establishment in the country, at an annual rate of 25%.

It is considered of Uruguayan source, all income generated in activities carried out, goods located or rights used economically in Uruguay, regardless of the nationality, domicile or residence of those involved in the transactions, and the place of celebration of the legal business.

The taxable amount is determined by the difference between gross income and expenses required to obtain it, which are duly documented (income and expenses based on the accrual regime).

Also, only those expenses which constitute for the counterparty an income taxed by IRAE, IRPF, IRNR, or by an effective taxation on foreign income, may be deducted.

In the case of expenses which the counterparty considers taxed income at a rate lower than IRAE's, the deduction is limited by the difference in rates.

To recognize the result from exposure to inflation, our tax system sets a simplified global system that involves the application of the Index of Wholesale Prices (IPPN) on the equity of the taxpayer at the beginning of the financial period, duly adjusted according to the rules governing IRAE.

Tax losses may be deducted over a period of five years, updated by the IPPN.

The existing regime of transfer prices is in line with those of other countries in the region, with the exception of Brazil, and is also in accordance with the guidelines of the OECD.

4.2 Tax on Sale of Agricultural Property/Goods (“Impuesto a la Enajenación de Bienes Agropecuarios – IMEBA”)

It is an indirect tax which levies the first sale of agricultural products, carried out by producers to buyers who pay IRAE, Public Entities and exporters.

All agricultural producers must pay IMEBA, but those who must mandatorily contribute IRAE, will compensate their IMEBA payments against their IRAE obligations. In the case of small producers, IMEBA takes the place of IRAE as final tax.

Agricultural producers who must pay IRAE as their final tax obligation (without option), are, among others, corporations and permanent branches of non-resident companies as well as those taxpayers whose income exceeds an amount predetermined by the Executive Branch and those who obtain income from the sale of assets for agriculture but which are not included in IMEBA.

IMEBA rates range from 0.1% to 2.5% of sales or export prices, depending on the kind of product in question.

4.3 Net Worth Tax (“Impuesto al Patrimonio – IPAT”)

It is an annual tax that levies the net worth of Uruguayan or foreign companies located in the country at the rate of 1.5%, adjusted according to tax regulations, on the closing date of the company's fiscal year. Assets abroad are not included towards the liquidation of this tax.

The taxable amount of IPAT is basically determined by the difference between: assets located in Uruguay, which should be valued according to fiscal regulations, and deductible liabilities.

The followings constitute deductible liabilities for IPAT purposes: The amount of the monthly average of debts loans with local banks, commercial debts with suppliers of goods and services of all kinds (except debts originates on imports and debts with Public Entities who are not contributors), debts from non-due taxes (except the debts for IPAT) and debts documented in bonds or debentures with stock exchange quotation if certain conditions are met.

When the company has assets abroad, assets exempted from IPAT or non-included assets for IPAT purposes (“Non-Liable Assets”), only the deduction of Deductible Liabilities exceeding the value of Non-Liable Assets is admitted.

4.4 Value Added Tax (“Impuesto al Valor Agregado – IVA”)

VAT levies the domestic circulation of goods, the rendering of services within the national territory, the introduction of goods into the country and the value added originated in the construction of buildings. Its basic rate is 22% and is applicable to most of the taxed goods and services in national territory.

The minimum rate is 10% and is applied to some basic food, drugs, and some hotel services. It is also applicable to the first sale of real estate made by IRAE contributors. Included in this latter concept is the first sale of real estate with certain repairs.

The tax to be paid is determined by the difference between VAT invoiced and VAT purchase.

The latter is constituted by the VAT paid to local suppliers of goods and services and the VAT paid in opportunity of the introduction of goods into the country (imports).

Purchase VAT deduction is conditioned to the fact that the goods and services referred to are direct or indirectly linked to taxable transactions.

Exports of goods are not levied by this tribute. In relation to services, they are not levied by VAT only if it is qualified as an export of services strictly mentioned by the law.

Within the concept of exports of services are included, among others, services provided in customs areas, provisioning of ships, as well as services provided from Uruguay to companies or people domiciled abroad to be used exclusively abroad.

The exporter of good of services retrieves the VAT included in the purchase of goods and services that constitutes direct or indirect the cost of the exported goods or services, through credit certificates issued by the Tax Authority.

There are certain transaction that the law has exempted from VAT, such as the movement of foreign currency and securities, transfer of credits, transactions related to fuel, books and educational materials, water supply; passenger transportation services, real estate rental and interests of public securities.

4.5 Excise Tax (“Impuesto Específico Interno – IMESI”)

This tax levies the first sale in the country and the importation of certain products (vehicles, beverages, tobacco and cigarettes, fuel and lubricants, etc.). Exports are not levied.

In most cases the taxable amount is equal to the public selling price of the levied assets. In other cases (drinks, cigarettes, lubricants, etc.), estimated prices on which tax rates are applied, are periodically set by the Executive Power.

Rates vary depending on the product concerned. The highest correspond to vehicles, cigarettes and alcoholic beverages.

4.6 Corporations Control Tax (“Impuesto de Control de las Sociedades Anóminas – ICOSA”)

Corporations must pay an annual tax that is calculated by applying a proportional 0.75% on a value set annually by the Executive Power. The tax to be paid for the business years ended in 2013 is approximately USD 600.

Payments made with respect to this tribute are charged as payment towards IPAT generated in the business year.

4.7 Social Security (“Contribuciones Especiales a la Seguridad Social – CESS”)

Companies must make social security contributions on all salary related wages paid to their employees based in Uruguay

There are three kinds of CESS: (a) Pension Contribution, (b) Health Insurance and (c) Labour Reconversion Fund.

The three kinds of contributions mentioned levy both, the employer and the employees so, they are also subdivided in contributions paid by the company (Employer Contributions) and contributions payable by employees (Personnel Contributions). Personnel Contributions are deducted from the wages of the employee and deposited by the company into the Social Security System.

In general, Employer Contributions are calculated on the nominal value of the wages paid to the employee, with the exception of agricultural activities, which contribute according to the managed hectares.

The Rates applicable on the different wage items are as follows:

Contributions	Employer contributions	Employee contributions
Retirement	7.5% with a maximum of approx. USD 385	15% with a maximum of approx. USD 770
Health insurance	5 %	3%, 4.5%, 6% or 8%
Labour reconversion	0.125 %	0.125 %



Companies must also retain the corresponding Income Tax on Individuals (IRPF) from dependent employees according to the salary levels (between 0% and 30%).

The employer contribution rate on “Aguinaldo” (thirteenth monthly salary) is reduced by 5% since it is exempted from the employer's contribution on health insurance.

No contributions are made on the Vacation Salary (sum for the better enjoyment of holidays) and the sums paid as compensation for lay off are not taxed.

Directors and Trustees not receiving salaries and Directors residing abroad are exempt from contribution.

4.8 TAX INCENTIVES FOR INVESTMENTS

The benefits are classified into three groups: (a) benefits obtained automatically by the acquisition of certain assets, (b) non-automatic benefits that depend on that a particular activity is declared of national interest by the Uruguayan Government and, finally, (c) benefits that can be obtained by submitting an investment project approved by the Uruguayan Government.

4.8.1 Automatic Benefits

Exemption from IRAE: the law allows for deductions in the following cases:

- (a) 40% of the investment made in several assets, such as machinery, equipment for data processing and communications, hotel moveable assets, etc.;
- (b) 20% of investments in the construction or expansion of buildings destined to industrial or hotel activity.

Income exempted by these concepts cannot exceed 40% of net income of the financial year, once the exemptions for other provisions have been deducted.

Exemption of IPAT, VAT and IMESI: the following investments are (a) exempted from IPAT, (b) VAT and IMESI on imports and (c) VAT on domestic purchases: machinery and industrial installations, agricultural machinery and utility vehicles.

4.8.2 Sector Activities Declared Promoted by the Executive Power

Within the framework of the sector promotion of the investment law, activities such as those developed by public works concessionaires, tourism projects and activities developed by Call Centres; have been promoted under certain conditions.

In the case of public works concessionaires, benefits of auto channelling of savings, IPAT exemption for fixed and intangible assets and VAT exemption on imports or VAT credit on domestic purchases of machinery and equipment, have been granted.

Furthermore, tourism projects have been granted benefits of VAT exemption or VAT credit on domestic purchases, as well as the benefit of accelerated depreciation for goods and services destined to construction, improvement or expansion of projects and IPAT exemption for investments in infrastructure, civil works and fixed assets.

The Government has also promoted the activity of energy generation through non-traditional renewable sources such as wind, solar thermal energy,

biomass, etc., and the domestic manufacturing of equipments intended for its production.

Such activities have a significant exemption on IRAE as well as Net Worth Tax on certain fixed assets and a VAT exemption on the import of certain goods and services related with the civil work.

Finally, the Government has recently joined to the list of promoted activities providing significant benefits on the IRAE the business of exploration and exploitation of hydrocarbons and the biotechnology industry for the generation of products, services and biotechnological process applicable to productive sector

4.8.3 Benefits of Projects approved by the Government

IRAE taxpayers can get important tax benefits by submitting an investment project to the Executive Branch:

- a. IRAE exemption. The amount and term to have the benefit depend on the rating of the project based on the activity indicators;
- b. Exemption of IPAT on movable property and civil works;
- c. Exemption of rates and taxes on the importation of movable fixed assets which are not competitive with the national industry; and
- d. Return of VAT for the acquisition in the domestic market of materials and services for civil works.

The projects are evaluated by the Application Commission, dependent of the Ministry of Economy, based on the following activity indicators:

Employment generation; Geographical decentralization; Increase in exports; Use of clean technologies; Increase in Research and Development and Innovation (I+D+I) and sector indicators.



5. Taxation of Individuals

In this chapter we will present a brief description of:

- (a) Taxation applicable to natural persons not engaged in business activities in our country; and
- (b) Incomes and assets not affected to the business activity by the natural persons who carry out business activity.

5.1. Income Tax on Individuals ("Impuesto a las Rentas de las Personas Físicas – IRPF")

It is an annual tax on persons with physical residence in the country.

An individual is considered a fiscal resident when he stays for more than 183 days in national territory or when he places on national territory the core of his activities or vital economic interests.

It shall be presumed, unless there is evidence to the contrary, that the taxpayer has fiscal residence in Uruguay when the spouse and their underage children's usual place of residence is in our country.

Within the source of this tax are included

- (a) the income from capital and the equity increases set by the law and
- (b) the labour income derived within or outside the dependency relationship.

The Law classifies the mentioned income in two categories:

Category I: Capital Income. This category comprises income derived from capital, equity increases and income of a similar nature.

Category II: Work Income. This category includes income derived from work within or outside a relationship of dependency, with the exception of those incomes levied by IRAE.

5.1.1 Category I Income (Income from capital)

This category includes: a) Real estate capital income: leases, subleases, rights of use, etc. of Uruguayan source; (b) Interest and dividends from Uruguayan and foreign sources; and c) income from equity increases of Uruguayan source.

The general tax rate is 12%; however there are the following exceptions:

- 3% interest on deposits in local currency or indexed units in financial institutions, on a one-year term; interests of other investments (bonds, debentures, etc.) on a three-year term; income of participation certificates issued by financial trusts through IPO and listed on the

Stock Exchange of national entities with more than three-year terms.

- 5% interest on deposits (local currency without adjustment index) in financial institutions, for the term of one year.
- 7% for dividends or profits paid by IRAE taxpayers (except dividends or profits paid by IRAE taxpayers to Uruguayan residents originating from interest or dividends obtained abroad which are taxed at 12%); income from author rights on literary, artistic or scientific works.

The following income among others, are exempted: interest on Public Debt Titles; dividends and profits distributed by IRAE taxpayers derived from results exempted from the tax; profits distributed by personal companies earning less than a certain amount set by the Executive Power and the lenders of personal services outside the relationship of dependence that pay IRAE; increases in equity originating from rescues in the equity of entities contributing IRAE and IMEBA and entities exempted from such taxes in accordance with constitutional regulations; income from the sale of shares to the bearer, and other social participations represented in titles to the bearer, of IRAE contributing entities and entities exempted from such tax under constitutional regulations.

5.1.2 Category II Income (Personal Work income)

This category includes income obtained from:

- (a) personal services in dependency relationship;
- (b) Pensions and similar;
- (c) the provision of personal services outside the dependency relationship.

Rates are progressive between 10% and 30% as from a non-taxable minimum

5.2 Net Worth Tax of Individuals ("Impuesto al Patrimonio de las Personas Físicas – IPPF")

Individuals and undivided estates pay this tribute when their assets calculated according to fiscal criteria, exceeds a non taxable minimum (MNI), which currently amounts to approximately USD 140,000 and double this amount for family groups.

Rates vary from 0.7% to 1.6%, depending on the level of wealth as from the aforementioned MNI.

The taxable amount is determined by the fiscal value of the goods located in the country (with some exceptions), less certain liabilities.

Some of these exceptions are:

- The values of real estate and motor vehicles are annually determined by the Executive Branch.
- The building to be used as dwelling is computed by 50% of its value.
- The household furnishings and furniture of the dwelling are estimated by applying a percentage of 10% or 20% on the value of the remaining assets.

Furthermore, only liability debts with local banks and companies allowed to grant loans on a regular basis that exceed the value of the assets located abroad are admitted as deductible.

6. Taxation of non-residents

6.1 Non-Residents Income Tax ("Impuesto a las Rentas de los No Residentes – IRNR")

It is a tax that levies income from Uruguayan source of any nature obtained by non-resident persons. The tax legislation considers non-resident any person who is not established permanently in Uruguay.

In substance, there is a permanent establishment of a non-resident when his activity is carried out through a fixed place of business in Uruguay.

Income from activities carried out, property situated or rights used economically in Uruguay, regardless of the nationality, domicile or residence of those involved in the operations and legal business venue are considered Uruguayan source.

Also, income obtained for services carried out from abroad to taxpayers resident in Uruguay, whenever services are affected by whoever receives them to obtaining income included in IRAE, are considered Uruguayan source.

The legislation classifies income in the following categories: a) business income; (b) work income; (c) capital income; and d) capital increases.

In the case of revenues identified in paragraphs a) and b), the taxable amount is equivalent to all of the proceeds from these concepts.

IRNR regulations apply to the other incomes. Positive and negative results cannot be offset between the incomes of the different paragraphs.

The general rate is 12% however, there are the following exceptions :

- 3% interest on deposits (local currency or indexed units) in financial institutions for a period of one year; Interests from other investments (bonds, obligations, etc.) for a period of three years; income from participation certificates issued by financial trusts through public offering and listing on the stock exchange in national institutions, with terms longer than three-year.
- 5% interest on deposits (local currency without adjustment index) in financial institutions for less than a year.
- 7% for dividends or profits paid by IRAE taxpayers to non-residents and profits derived from copyrights of literary, artistic or scientific work.

6.2 Net worth Tax of Non-Residents ("Impuesto al Patrimonio de los No Residentes – IPNR")

Non-resident natural persons pay Net worth Tax on their assets located in the country the same as resident individuals. Foreign legal persons that do not constitute a permanent establishment pay Net worth Tax at the rate of 1.5% on their net worth based in our country, valued according to the rules applicable to resident entities.

7. Free-Trade Zone Corporations (ZF)

Commercial companies who obtain the capacity of users of a Free-Trade Zone are exempted from all national taxes, with the exception of the CESS.

ZF companies may carry out commercial, industrial, services and financial activities, the exit and entry of goods from and to the ZF, being exempted from any tribute.

ZF companies must employ at least 25% Uruguayan staff.

As to the CESS, expatriates in dependency regime may choose to tribute IRNR and give up Uruguayan Social Security benefits, in which case social security contributions shall not be applicable to their salaries.

In this case, foreign personnel would pay IRNR at the rate of 12% instead of IRPF (progressive rates between 10% and 30%).

The payment of dividends by ZF companies is not subject to taxation.

8. Treaties for Avoiding Double Taxation

As part of the compliance with international standards and trying to improve investment conditions, our country has begun working on several agreements to avoid double taxation (CDI) and to exchange tax information:

CDIs currently in force are: Germany, Ecuador, Spain, Hungary, Liechtenstein, Malta, Mexico, Portugal and Switzerland.

CDIs signed but not yet in force are: South Korea, Finland and India.

The information exchange treaties in force are: Argentina and France.

Treaties signed but not yet in force: Denmark, Greenland, Iceland, Feroe Islands and Sweden.

9. Free Trade and Free Competition Preservation

The law 18.159, promotes free trade and the preservation of free competition, protects the welfare of present and future consumers, promoting economic efficiency and equal access of companies and products to the general market. This law forbids: (a) the abuse of dominant position, and (b) the promotion of practices, behaviours or recommendations, either individual or concerted that have the effect or the purpose of restricting, limiting, obstructing, distorting or inhibiting the present or future free competition in the relevant market.

10. Immigration

Any person who has entered the country legally may request a permanent or temporary residence permit. Both the "permanent" and "temporary" residents may carry out their work activity as dependent or on their own.

Non-residents may not carry out any work other than that which does the National Immigration Administration, usually granted when such activity does not exceed the period of six months.

Bolivarian Republic of Venezuela

1. Identification of the firm to contact

Cifuentes, Lemus & Asociados, S.C.

1.1 Office, address, telephone

Caracas: Av. La Salle con Calle Lima, Torre Phelps, Piso 26, Plaza Venezuela.
 Telephones: (Master) (58-212) 781.88.66, 793.88.98
 Fax: (58-212) 781.29.32
 Email: cla@moorestephens.com.ve

1.2 Specialized Professionals

Maffalda Lemus

mlemus@moorestephens.com.ve

Zaidet Cotoret

zcotoret@moorestephens.com.ve

2. Country's 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 4.5 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 the year 2011, the inflation rate was 27.6%, 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 is 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. This system requires the compliance with a series of procedures with the SIEX (Superintendence for Foreign Investments).

Foreign investors that are companies must request the Foreign Direct Investment Registration. However, if the foreign investor is an individual, he/she must request Investor Credential. In both cases, requests are made to



the SIEX and are updated on an annual basis.

Companies incorporated in the country must request the Company Qualification Certificate: National, when the foreign capital is lower than 20%; Mixed, when the foreign capital is between 20% and 49%; and Foreign, when over 49%.

All agreements must be recorded that are related to the importing of technology and the use and exploitation of brands and patents entered into by companies and/or juridical, public, and private persons in Venezuela, with companies and/or individuals or companies from abroad. In addition, an annual performance report must be presented.

Competence regarding the Rights of Author, Brands, and Patents is exercised through the Autonomous Service for Intellectual Property (SAPI due to its acronym in Spanish).

International investments shall be recipient of fair treatment and shall not be subject to arbitrary measures that hinder their management, maintenance, use and availment thereof, growth, sale and liquidation. The law includes certain guarantees for protecting 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.

Work schedule has daily and weekly limits on the amount of hours, for day, night, or mixed shifts. Minimum salary is adjusted every year by mandate from the National Executive Government.

A 30% salary plus is added to the night shift, having to notify the corresponding Work Inspection Office thereof; if not, these extra hours must be paid at a 100% salary plus.

For employers of 10 or more workers, workers of foreign nationality cannot be over 50% of the total count of employees and their salaries cannot exceed 20% of total payroll 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

The social security system includes a series of contributions that are calculated based on the workers' salaries:

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

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 an Exchange Control System in place for purchasing and selling foreign currencies. Currently, the official exchange rate is Bs. 6.2842 per \$US for purchases and Bs. 6.30 per \$US for sales. The Foreign Currency Administration Commission (CADIVI) is the agency in charge of keeping the Exchange System Users' Record and of granting authorizations for the purchase of foreign currencies. All foreign currencies originating from the exports of goods and services must be sold to the Central Bank of Venezuela.

There is a Complementary System Administration of Foreign Currency (SICAD due to its acronym in Spanish) from the Central Bank of Venezuela (BCV), as a legitimate alternative market to access foreign currencies, through special auctions from oil revenues

in foreign currency of the Republic, which quoted rates can not be lower than the official rate set for sale. The Law against Illicit Currency Exchanges establishes pecuniary and penal sanctions, in the event of non-compliance of the foregoing system.

8. Tax System

8.1 General

Tax Unit (U.T. due to its acronym in Spanish) is the measure of value created for tax purposes, and it is updated every year by the National Assembly. The current value is Bs. 107,00.

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 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 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.

Rate No. 3-A: Royalties for exploitation of mines: 50%.

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 Incomes liable for taxes

Increases in equity resulting from subtracting costs and deductions allowed by law from gross profits, plus or minus the effect of the tax adjustment for inflation.

8.2.6 Carrying forward losses

- Non-offset net losses from exploitation: up to 3 years.
- Losses from adjustment for inflation: up to 1 year.

- Losses from foreign source: these can only be offset by incomes of foreign source and can be carried forward for 3 years.

8.2.7 Withholdings on local payments

Payments of remunerations for different concepts are subject to income tax withholding at the source of 5%, in the case of agreements for work projects and service rendering is 2%, and for freight transportation, it is 3%.

8.2.8 Withholdings on payments to abroad

Principal withholding rates at the source for payments made to non-domiciled companies:

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 concepts 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%.

8.4 Incentives

8.4.1 Income Tax Deductions due to Activities and Investments, calculated based on the amount of such New Investments

- Industrial and agro-industrial activities, construction, electricity, telecommunications, science, and technology: 10% (not in force).
- Rendering of tourist services: 75%.
- Agricultural, livestock, fishing, or fish farming activities: 80%.
- Conservation, defense, and improvement of environment: 10%.
- Deductions for shipping investments: 75%.

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

An electronic informative declaration is required of taxpayers related direct or indirectly with countries of low fiscal taxation carrying out activities or having any kind of investment in said territories, in which any such investments must be reported.

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 rendering and importing of services and it is managed over a system of tax debits and credits.

8.9.2 Rates

The general rate can vary from 8% to 16.5%. Currently, the general rate is 12%. There is a reduced rate of 8% for certain special operations. Besides, an additional 10% rate is applied that is added to the general rate for goods classified as luxury items. Exports are taxed with 0%. The Law includes exempted goods and services and the National Executive Government may grant exonerations. There is a withholding system at the

source for Value Added Tax (IVA due to its acronym in Spanish), of 75% or 100%.

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 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.: oil sector (2%); Mining and electrical sector (1%); and big companies from other sectors producing goods and services (0.5%).

9. Other Laws or Regulations of High Impact on Businesses

- **Law for the defense of persons in accessing goods and services:** Declared as of public use and social interest are all the goods necessary to develop activities of production, manufacture, imports, collection, transportation, distribution and commercialization of goods and services.

The National Executive can initiate the expropriation of goods and adopt measures for occupation, temporary possibility of operating and attachment or seizure while the expropriation procedure is in progress.

- **Presidential Decree with Status, Value and Force of Law of Fair Cost and Pricing:** this decree sets forth the regulations and the mechanisms of administration and control required to maintain the stability in prices and to favor the access to goods and services to the entire population under conditions of equality, within the framework of an economic and social model that favors the privileges of the population. Those bonded by this decree should submit themselves to the National Registry of Goods and Services.

LATINO AMERICA MUNDO	ARGENTINA	BOLIVIA	BELICE	BRASIL	CHILE	COLOMBIA	COSTA RICA	ECUADOR
Alemania	Alemania	Alemania						Alemania
Argentina		Argentina		Argentina	Argentina			
Australia	Australia							
Áustria				Áustria				
Bahrein								
Barbados								
Belarus								
Bélgica	Bélgica			Bélgica	Bélgica			Bélgica
Bolivia(1)	Bolivia					Bolivia		Bolivia(1)
Brasil	Brasil				Brasil			Brasil
Canadá	Canada			Canadá	Canadá	Canadá		Canadá
Caricom		Caricom						
Chile	Chile			Chile		Chile		Chile
China				China				
Colombia(1)		Colombia			Colombia			Colombia
Corea				Corea	Corea			
Croacia					Croacia			
Cuba								
Dinamarca	Dinamarca			Dinamarca	Dinamarca			
Ecuador		Ecuador		Ecuador	Ecuador	Ecuador		
Emiratos Árabes Unidos								
España	España	España		España	España	España	España.	España
EEUU								
Francia	Francia	Francia		Francia	Francia			Francia
Filipinas				Filipinas				
Finlandia	Finlandia			Finlandia				
Grecia								
Holanda								
Hungría				Hungría				
India				India				
Indonesia								
Iran								
Islandia								
Israel				Israel				
Irlanda					Irlanda			
Italia	Italia			Italia				Italia
Japón				Japón				
Kuwait								
Luxemburgo				Luxemburgo				
Malasia					Malasia			
México				México	México	México		México
Noruega	Noruega			Noruega	Noruega			
Nueva Zelanda					Nueva Zelanda			
Paises Bajos	Paises Bajos			Paises Bajos				
Panamá								
Paraguay					Paraguay			
Peru		Peru		Peru	Perú	Perú		Perú
Polonia					Polonia			
Portugal				Portugal	Portugal			
Principado de Liechtenstein								
Qatar								
Rep. Checa		Reino Unido		Rca Checa				
Rep. Dominicana								
Rep. Eslovaca				Rep. Eslavaca				
Reino Unido	Reino Unido		Reino Unido		Reino Unido			
Rep Checa								
Rumania							Rumania	
Rusia					Rusia			
Singapur								
Sudáfrica				Sudáfrica				
Suécia	Suecia			Suécia	Suecia			
Suiza	Suiza				Suiza	Suiza		Suiza
Tailandia					Tailandia			
Tainwan								
Trinidad y Tobago								

LATINO AMERICA MUNDO	GUATEMALA	HONDURAS	MÉXICO	PANAMA	PARAGUAY	PERU	REPÚBLICA DOMINICANA	URUGUAY	VENEZUELA
Alemania			Alemania					Alemania	Alemania
Argentina									
Australia			Australia						Australia
Áustria			Áustria						
Bahrein			Bahrein						
Barbados			Barbados	Barbados					Barbados
Belarus									Belarus
Bélgica			Bélgica		Belgica				Belgica
Bolivia(1)						Bolivia			Brasil
Brasil			Brasil			Brasil			
Canadá						Canada	Canadá		Canada
Caricom									
Chile			Chile		Chile	Chile			
China			China		China				China
Colombia(1)		Colomb. *RIIF					Colombia		
Corea			Corea	Corea					Corea
Croacia									
Cuba									Cuba
Dinamarca			Dinamarca						Dinamarca
Ecuador			Ecuador			Ecuador			
Emiratos Árabes Unidos									Emiratos Árabes Unidos
España			España	España				España	España
EEUU		EEUU *RIIF	EEUU	EEUU *RIIF			EEUU *RIIF		EEUU
Francia			Francia	Francia					Francia
Filipinas									
Finlandia			Finlandia						
Grecia			Grecia						
Holanda									
Hungría			Hungría					Hungria	
India			India						
Indonesia			Indonesia						Indonesia
Iran									Iran
Islandia			Islandia						
Israel			Israel						
Irlanda			Irlanda						
Italia			Italia	Italia					Italia
Japón			Japón						
Kuwait			Kuwait						Kuwait
Luxemburgo			Luxemburgo	Luxemburgo					
Malasia									Malasia
México		México *RIIF		Mexico				Mexico	
Noruega			Noruega						Noruega
Nueva Zelanda			Nueva Zelanda						
Paises Bajos			Paises Bajos	Paises Bajos					Paises Bajos
Panamá			Panamá						
Paraguay									
Peru									
Polonia			Polonia						
Portugal			Portugal	Portugal	Portugal			Portugal	Portugal
Principado de Liechtenstein								Principado de Liechtenstein	
Qatar				Qatar					Qatar
Rep. Checa				Rca Checa					Reino Unido
Rep. Dominicana									
Rep. Eslovaca			Rep. Eslovaca						
Reino Unido			Reino Unido						
Rep Checa			Rep Checa						Rep Checa
Rumania			Rumania						
Rusia			Rusia						Rusia
Singapur			Singapur	Singapur					
Sudáfrica			Sudáfrica						
Suécia			Suécia						Suecia
Suiza			Suiza					Suiza	Suiza
Tailandia									
Tainwan		Taiwan *RIIF							
Trinidad y Tobago									Trinidad y Tobago

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