



DOING BUSINESS IN LATIN AMERICA

By Globalaw Limited
www.globalaw.net

Map	3
Introduction & Contact	4
Country Guides	
1. Anguilla	5
2. Argentina	11
3. Bolivia	14
4. Brazil	18
5. Colombia	26
6. Costa Rica	32
7. Curaçao	35
8. Dominican Republic	39
9. Ecuador	45
10. El Salvador	49
11. Guatemala	54
12. Honduras	58
13. Mexico	62
14. Nicaragua	69
15. Panama	73
16. Paraguay	81
17. Peru	92
18. Puerto Rico	97
19. Uruguay	101



1. Anguilla
2. Argentina
3. Bolivia
4. Brazil
5. Colombia
6. Costa Rica
7. Curaçao
8. Dominican Republic
9. Ecuador
10. El Salvador
11. Guatemala
12. Honduras
13. Mexico
14. Nicaragua
15. Panama
16. Paraguay
17. Peru
18. Puerto Rico
19. Uruguay



Globalaw Limited
Boulevard du Souverain, 280
B-1160 Brussels, Belgium

Tel: +32 2 645 2676
Fax: +32 2 645 2671
secretariat@globalaw.net
www.globalaw.net

Information for each country may change over time. Please contact the primary contact at the respective Globalaw firm to confirm that country's information. Contact details for each firm and primary contact are located at www.globalaw.net.

Dear Friends and Colleagues,

As the President of Globalaw Limited, a network of more than 110 law firms serving key jurisdictions around the world, it is my pleasure to introduce you to the Doing Business in Latin America Guide, written and produced by member firms representing this key global region. We hope you will find it a valuable resource when considering operations in these jurisdictions. Thus far, Globalaw has produced Doing Business Guides in Asia Pacific, Europe and Latin America, respectively, each of which represents the individual and collaborative expertise of the contributing law firms.

Globalaw's over 4,500 practitioners bring a universe of diverse practice areas in their individual markets. The Guides serve not only to demonstrate this expertise but also to provide a roadmap of business fundamentals in a concise, informative and "desktop" format for your ready reference.

In addition to the contributing firms, I would also like to acknowledge the professionals at our Secretariat, MCI, for their time and effort in making this Guide a reality. If you would like to learn more about the global resources of Globalaw, please visit our website at globalaw.net.

Best regards,

Bryan C. Birkeland

Globalaw President



ANGUILLA

- Anguilla is a 39.5 square miles British Overseas Territory affectionately known as “Tranquility Wrapped in Blue” because of its outstanding natural beauty with crystal clear turquoise waters and brilliant white sand beaches. Anguilla has a sunny and temperate climate with an average annual temperature of 27 °C; December to March is the coolest period. The people are friendly and accommodating and there is a low incidence of criminal activity across the island.
- Anguilla is the most northerly of the Leeward Islands, it lies east of Puerto Rico and north of St. Maarten, and has a single airport. It is easily accessible from mainland USA and Europe via San Juan or St. Maarten. There is a ferry service between Anguilla and St. Maarten/St. Martin which runs several times a day, every day of the week.
- Resident population of approximately 14,000.
- Christianity is Anguilla’s predominant religion.
- Currency: Eastern Caribbean Dollar (XCD). The United States Dollar is readily accepted on the island and interchanged freely with the Eastern Caribbean Dollar. The Eastern Caribbean currency is pegged to the United States Dollar at the rate of EC\$2.6882 to US\$1.00 and there are no exchange controls in Anguilla.
- English is the national language.
- Anguilla is politically stable. The United Kingdom is largely responsible for matters of international concern such as defence and foreign affairs. However, Anguilla has an elected House of Assembly and there is a careful balance of power and responsibilities between the Governor, the Government and House of Assembly.
- The island’s economy is primarily based on luxury tourism followed by the financial services sector. Anguilla is a developing financial centre and is regulated in line with international standards. Its sophisticated statutory and regulatory framework encourages and supports this industry. Anguilla’s Commercial Online Registration Network (ACORN) is a system which provides for immediate company registration. With ACORN, company registration can be completed around the clock at the touch of a button. This has allowed Anguilla to develop as an independent financial centre and to reduce the costs associated with company incorporation.

BUSINESS PRESENCE

- In Anguilla the statutory regime allows for the incorporation of diverse corporate entities. Prospective business owners may choose from a wide range of corporate vehicles and are thus well placed to find the corporate structure which suits their business needs.
- Some examples of the types of corporate vehicle available include the following:-
- Anguilla business company (ABC) A local company may conduct business onshore and offshore, has the capacity and all the rights, powers and privileges of an individual and thus can buy and sell property, sue and be sued, enter into contracts, hold assets including land in its own name and maintain bank accounts. A license must be obtained to carry on banking, trust, insurance or company management business.
- International business company (IBC) An international business company has the capacity to carry on its business, conduct its affairs and exercise its powers in any jurisdiction outside Anguilla, to the extent that the laws of Anguilla and of that jurisdiction permit. IBC's and ABC's do not pay taxes and both can be continued into or out of Anguilla. ABC's can hold land in Anguilla but IBC's cannot, save and except where the property is to be used as an office.
- Limited liability company (LLC) A limited liability company (LLC) is a type of company having specific features for the purposes of United States tax treatment. When an LLC is correctly structured under United States tax law, only its members and not the entity itself are subject to tax and as such they are commonly known as "pass through vehicles". An LLC is permitted to conduct its business or operations within and outside Anguilla; it can be of finite duration and cannot own or hold an interest in land located in Anguilla unless it is for use as an office.
- Public company The shares of a public company are offered to the public instead of being held privately.
- Protected Cell Company This corporate vehicle allows separate cells to each act independently (including liabilities) of any other particular cell but yet the individual cells form a sole corporate entity and do not have separate corporate identity.
- Anguilla foundation This is an alternative to the common law trust which stems from a civil law concept, a foundation fundamentally operates as an estate-planning vehicle.
- Guarantee company A guarantee company can be used for non-charitable activities such as clubs, societies and trade associations as well as social and charitable activities.
- Hybrid company A hybrid company has certain elements of both a company and a partnership and it can be organised so as to function as a quasi-foundation.
- In order to conduct business in Anguilla foreign companies must continue as ABCs or LLCs. Alternatively, it may apply to be registered as a foreign company in Anguilla.

- The shareholders/members and directors/managers of an Anguilla corporate vehicle are generally not personally liable as shareholders or directors for the debts and obligations of the corporate vehicle. All Anguilla companies, with the exception of a public company, may have only one director. A public company must have at least three directors. It is not strictly necessary to conduct shareholders and directors meetings in Anguilla, nor is there a requirement for physical meetings to take place. Meetings may be held by telephonic or other electronic means.

ENTERPRISE ACQUISITIONS

- Private company acquisitions can be conducted via share or asset purchase. Both methods require adherence to contract law principles.
- Share Purchase – The shares of each shareholder are sold and transferred to the incoming shareholder. The business is easily transferred as a going concern, the buyer receives the assets and liabilities and the seller is relieved of any further responsibility or continuing liability. The key concerns for any buyer may be shareholders' approval, government approval and dissenting shareholders. No shareholder approval is required unless the shares are subject to first purchase or pre-emptive rights. Under the Alien Landholding License Regulation Act (ALHL Act) Government approval via an Alien Landholding Licence (ALHL) is required if the company holds land and is an alien or if the company will become an alien company upon finalization of acquisition. A transfer of shares by an alien company or to a company which becomes an alien upon acquisition, by virtue of the identity of the directors and beneficial owners is void. Share transfers by banks, insurance or trust companies require approval. In certain circumstances legislation provides for the shares of a dissenter, which represent 10% or less of the total shares available for sale to be forcibly acquired.
- Taxes. The sale of shares will attract stamp duties payable by the transferee. The rate depends on (i) whether the target entity owns land and (ii) whether it is or will become an alien company by virtue of the acquisition:-
 - o Where no land is owned, the stamp duty is calculated at a rate of 1% of the consideration paid for the shares;
 - o Where land is owned the stamp duty on the transfer would be 5% of the value of the land;
 - o If the target entity is or will become an alien company, there will also be stamp duty on the ALHL tax of up to 12.5% of the value of the land. Tax paid by aliens is therefore potentially 17.5% in total.
- Asset Purchase – The assets of the company are sold to the incoming company. It is possible to achieve tax savings as the purchase price may be apportioned to the assets. The key concerns for any buyer may be shareholders' approval, government approval and licences/approvals. Where a company is proposing to sell "all or substantially all" of its assets otherwise than in the ordinary course of business

shareholder approval is required. The sale, lease or transfer of land will require Government approval in the form of an ALHL if the buyer (person or company) is an alien. Approvals and licences are not generally transferrable and thus the licences and approvals required for operation must be obtained by the incoming party on their own merit.

- **Taxes.** The stamp duties for the transfer of land are the same as detailed above for the share purchase transaction. Transfers of other assets do not attract tax.

PROPERTY ACQUISITIONS

- **The Registered Land Act** is based on a Torrens registration system and it governs all land matters in Anguilla including transfer and ownership of real property. The acquisition of property in Anguilla is quick, efficient and simple especially in circumstances where the property is developed and the buyer is a believer of Anguilla. The sale of real property to an alien is also a relatively straight forward matter but there are some additional matters to consider. Different factors may influence the manner in which the transaction proceeds, particularly the nature of the property to be acquired, whether it is undeveloped land, developed land for private or commercial (tourism) purposes or a condominium.
- **Purchase and Sale and Escrow** The Sale and Purchase Agreement (SPA) is the critical document that records the arrangements for the sale and transfer of the property. As the SPA is so crucial and binding upon proper execution it is highly recommended that legal advice is sought prior to execution. The SPA will typically make provision for any licences/approvals that the buyer needs to obtain and also protect the buyer in circumstances where for some reason these may not or cannot be obtained. The SPA will detail the deposit arrangements and also provide for execution and placing into escrow of the transfer documents which will transfer ownership of the property, for safekeeping in the period between execution of the SPA and closing. Aliens can buy land subject to obtaining an ALHL and the SPA makes provision for this.
- **Alien Landholding License** An ALHL must be obtained if an alien or alien company is to hold land in Anguilla. An ALHL is property and site specific, use specific and cannot be assigned to anyone else. In other words each acquisition by an alien is a separate matter and will require its own ALHL.
- Any individual applicant and all directors and beneficial owners with an interest of 10% or more in a company will be required to provide detailed information, in compliance with the Governments due diligence conditions. This typically includes a completed ALHL application, bank and personal references, police record, passport, colour photograph and financial and banking details.
- The Government does not tend to favour speculative applications and thus if an application is made with respect to undeveloped land the applicant should apply for and obtain outline planning permission. Full planning permission must be obtained subsequently and is premised upon the full details of the nature of the property which is to be built. ALHL often

stipulate conditions relating to the timeframe for completion of construction, the use of the property and may request a security deposit to encourage compliance. Penalties for non-compliance may result in incremental loss of security deposit through to forfeiture of the land to the Crown

- There is no restriction on the resale of property, save and except that if an ALHL is acquired by a company, statute requires that the consent of the Governor be sought prior to any transfer of shares.
- **Stamp Duties/Property Taxes** Upon receipt of the written confirmation that the ALHL will be granted and following this the closing of the transaction, the purchaser must pay the stamp duties due to the Department of Lands & Surveys as a pre-requisite to being registered as owner of the property and before the transfer will be accepted and registered. For believers of Anguilla (individual or company) the rate of stamp duties due on the transfer is 5% of the assessed value of the property. For aliens (individual or company) the transfer tax of 5% of the property value must be paid and also stamp duties of up to 12.5% of the property value in relation to the ALHL.

CUSTOMS REGULATION

- The collection of revenue and the regulations of ports of entry, trade and contraband are governed by the Customs Act. The collection of revenue via excise tax in the form of customs duties accounts for a large proportion of Anguilla's income, as there are currently no direct taxes. The amount of duty to be paid depends on the item imported. All goods are classified and the rates of duty payable are set by the House of Assembly. The determination of duty occurs by way of a paperwork system, wherein the value of the goods is disclosed using the receipt as documentary confirmation and customs calculates the amount due. Customs supports the control of vessels, warehousing and counterfeiting all of which promotes competitive and legal trade. Customs also has a critical role in protecting Anguilla's borders and protecting society from harmful importations.

TAX REGIME

- Anguilla is considered to be a "tax free jurisdiction". In Anguilla there is no tax on individuals or companies, thus there is no tax levied on personal income, capital gains, profits, corporations, estates. There is no withholding tax and no value added tax (VAT). Companies and individuals in Anguilla are permitted to repatriate profits, dividends, dividend interests, royalties, management charges and capital without any tax burden. Anguilla is thus an attractive option when it comes to selection of a centre for financial services and asset management.
- Anguilla has not entered into any double taxation treaty save and except the United Kingdom Income Tax Convention, which in theory applies. However, as Anguilla has no income tax it is effectively defunct.
- The following indirect taxes apply in Anguilla: import duties, ALHL tax, transfer tax, hotel accommodation levy, and work permit and residency fees.

- Property tax is payable on developed land, annually, currently at the rate of 0.0375 multiplied by the Government's assessed value of the property.
- An alien acquiring freehold property must pay the stamp duties as mentioned under the Property Acquisition section above. For leasehold property the rate of transfer is 0.05% of the leased property's value for each year of the term. The ALHL tax is tapered according to the term for which the alien will hold the land.
- Investment Incentives are often granted on a case by case basis. Given that tourism forms a large part of Anguilla's economy the Government is often required to consider proposals and investments particularly in the area of luxury tourism development. Because of Anguilla's predilection when it comes to tourism, in negotiating with such developers the Government typically shows a degree of flexibility in order to facilitate the further development of the tourism industry. Concessions can include reductions in transfer taxes, flexibility of payment of transfer taxes on the resale/purchase of units in residential resort units; custom duty exemptions and speedy work permit processing, although developers are usually required to utilize Anguillian workers, contractors and consultants where possible. An investor may obtain "Investment Approval". Thereafter, although not a statutory right, the Government may negotiate and enter into a Memorandum of Agreement with the investor to outline the global understanding between the parties and future objectives.
- The Hotels Aid Act via licensure provides the basis for custom duties exemptions to exempt hoteliers from the payment of certain customs duties and pier dues on building materials for new buildings or extensions to existing structures. Exemptions for hotel equipment which is imported for use in a new or developing hotel (defined as containing more than 10 bedrooms) are also available. As customs duties are usually between 15-26%, these are excellent concessions for the developer.

EXCHANGE CONTROLS

- Anguilla's Official Currency is the Eastern Caribbean Dollar (EC\$), which has remained stable for over thirty years. The exchange rate is EC\$2.6882 to US\$1. The United States currency is readily accepted on the island and interchanged freely with the EC\$.
- Under the Eastern Caribbean Central Bank Agreement Act and the Banking Act, the Eastern Caribbean Central Bank is the regulatory authority for Anguilla, and provides regulatory oversight for banking and currency regulation on the island. There are two indigenous banks and two international bank branches on the island.
- There are no currency exchange restrictions. Foreign exchange services are offered by the banks on the island that stock the required currency. Typically one may exchange the United States dollar, the pounds sterling, the Euro and the Canadian dollar with ease.

CAPTIVE INSURANCE

- Anguilla's captive insurance sector continues to see significant growth and this consistent growth has propelled Anguilla into prime position as a leading captive insurance domicile, ranking #5 behind Cayman, Bermuda, Guernsey, and Vermont in terms of the number of captives formed.
- Domicile selection is key because it affects the operating cost of the captive and could potentially impact how the captive's income will be taxed. Different domiciles will therefore offer different capabilities to a captive and in order to find the best fit a captive owner must assess which domicile meets the needs of its risk management strategy. To do this a captive owner must assess the Taxes, Regulation, Infrastructure and Perception (TRIP).
- Tax & Regulation - Captive owners need to know whether the income of the captive will be taxed and if so, how. Anguilla offers zero tax and is therefore very attractive to a captive owner. In terms of regulation, the one requirement is that the domicile be well regulated. Anguilla as a well-regulated domicile affords captive owners the flexibility they require to properly administer the captive while at the same time maintaining sufficient safeguards to protect policy holders.
- Infrastructure and Perception – Anguilla is equipped with requisite trained professionals, captive managers, claims administration services, auditors, accountants, lawyers, etc. who can provide support services to the captive, for peace of mind of the captive owner. Perception is important as captive owners are concerned about the reputation of the jurisdiction in which the captive is formed, the positive reputation of Anguilla as a transparent and compliant jurisdiction are beneficial to a captive.
- With its reasonable capital requirements and its flexible investment policy, its legislative frameworks provide captive owners with the flexibility they require to properly operate their captive while at the same time maintaining sufficient and effective safeguards to weed out rogue captives and to maintain policyholders' confidence.

INTELLECTUAL PROPERTY

- Having been revamped in 2002 Anguilla's intellectual property laws conform to international standards and provide adequate protection to both local and foreign investors. Intellectual Property protection comprises the following:-
- Trademarks capable of being represented graphically may be registered in Anguilla. Such marks typically include packaging, holograms, signatures, diverse colour hues, seals, labels, words, slogans, logos and devices. A mark once registered grants the registrant protection for 10 years. Additionally, in Anguilla it is possible to re-register with the local Trademark Registry an international mark that is protected in the United Kingdom, thus gaining protection in Anguilla also. A European patent designating the UK has the same rights as the proprietor of a UK patent and Community Trade Marks registered in the UK may now be re-registered in Anguilla.

- Patents protection is available to an applicant who is either a person with a right to claim the patent or the inventor. The application must contain details of the invention and drawings sufficient to understand it. Where a patent is registered in the UK and an application is made in Anguilla within 3 years of the date of the grant in the UK, re-registration in Anguilla may be permitted. Priority under the Paris Convention may also be obtained.
- Domain Names may be registered in Anguilla. The following are available:- gov.ai, edu.ai, off.ai, com.ai, org.ai. and net.ai. The first two may only be used by government and educational institutions which are based in and operating from Anguilla. In order to be registered the name must be compliant with any applicable statutory requirements and cannot be the same as or similar to a previously registered domain name. A domain name is registered initially for a period of 2 years and after that may be renewed for 2 more years.
- Copyright protection for original intellectual creations such as literary and artistic works is also available in Anguilla. Being protected from creation, there is no need for registration under applicable law. The owner of the copyright obtains certain rights in relation to the creation specifically related to its alienation and its public distribution. There are diverse remedies available to the owner of the copyright in the event of breach, such as, imprisonment, damages, fines, injunctions and impounding and forfeiture of goods and equipment.
- Industrial Designs, Geographical Indications and Layout Designs (Topographies) of Integrated Circuits are also afforded protection under statute.
- IP Holding Companies in Anguilla may benefit sophisticated intellectual property owners. Unlike other jurisdictions, there is no taxation of income from IP assets. This positions an Anguilla IP Holding Company (IPHC) as an excellent vehicle through which to fully exploit the potential of corporate intellectual property.

EMPLOYMENT LAW

- In order to work in Anguilla a work permit is needed unless a person is a believer of Anguilla or falls within an exemption under the Control of Employment Act. Applications for work permits are processed by the Labour Commissioner who is the head of the Labour Department.
- Employees of the Crown, the police and casual employees fall outside of the statutory framework in Anguilla. In relation to all other employees the general principles established under the law of contract apply to the employer/employee relationships but applicable law provides the statutory framework and governs the salient aspects of the employment relationship. The law contains express provisions amongst other things, in relation to the employment contract, vacation, sick and maternity leave, hours of work and termination.
- **Terms of Employment.** A contract may be made orally but in circumstances where the employee must serve a probationary period of more than four weeks the contract must be made in

writing. As a general guide the law requires that the employee be informed by the employer of the nature of their job and of the terms and conditions.

- **Termination.** An employee may not be terminated without reason. The concept of "employment at will" is not known to Anguilla law. An employee may be terminated with or without notice or with pay in lieu of notice.
- **Prohibition on termination.** It is a breach of applicable law to terminate an employee on the grounds of race, pregnancy, religion, colour, sex, marital status, transient absence due to illness or maternity leave correctly obtained, trade union participation, making a complaint or becoming involved in proceedings against the employer.
- **Normal working week.** A standard working week is 44 hours. In any period of 7 successive days an employee must be given 24 successive hours of rest. Prior approval of the Labour Commissioner must be sought before an employee is required to work without the benefit of the statutory minimum rest period and approval may be granted where the nature of the business necessitates this. Where an employee works in excess of the standard working week or on public holidays overtime must be paid in accordance with the FLSA. Employees who are paid by piece/ by task, hourly or daily or those in positions which are deemed to be managerial or senior roles are not entitled to overtime.
- **Wages** must be paid in legal tender in any form of currency accepted in Anguilla. This includes United States Currency.
- **Vacation Leave.** Employees are entitled to a minimum of 12 days (excluding weekends and public holidays) vacation leave at the end of each year of employment.
- **Maternity Leave** There is no statutory provision for paternity leave in Anguilla. Maternity leave with pay is granted for up to 13 weeks and is subject to deduction in relation to any amount which is due to the employee under the Social Security Act

IMMIGRATION PROCEDURES

- **Passport Requirements.** Persons entering Anguilla, (other than a person belonging to Anguilla), are generally required to have a passport or travel permit issued by or on behalf of the Government of the country of which he is a citizen. Persons entering Anguilla from certain countries will also require a visa and the appropriate body in the home country should be contacted for further information. Visas are also issued to persons working in Anguilla pursuant to work permits, so that they may re-enter Anguilla when travelling. Persons entering Anguilla are given a duration in which they may remain. However applications for extension may be submitted to the Department of Immigration.
- **Permanent residence Applications** are submitted to the Department of Immigration and may be granted to those persons who have met the criteria under the British Nationality Act. The Governor may grant to a person not belonging to Anguilla a permit of permanent residence subject to such conditions as he/she may think fit.

RESIDENCY BY INVESTMENT

- In recent years the industry in Anguilla has prompted discussion and consideration of an economic residency program and one has now been proposed for Anguilla. The Government has recently appointed a Task Force charged with spearheading the proposal.
- The global challenges facing independent financial centres such as Anguilla have forced Government and stakeholders to find inventive ways to improve economic stability, whilst also attracting investors and financial resources. Inherent in such schemes is the ability to attract high net worth investors who are seeking tax efficient ways and methods to organise their affairs and structure their international assets.
- Although the proposal is in its formative stages the ideology at the present time is that a potential investor will be positioned to acquire permanent residency in Anguilla by making a financial investment in Anguilla. Currently there is a discretionary scheme whereby the Governor-in-Council can favourably consider applications for permanent residency from individuals who either invest US\$2.5 million in a business in Anguilla or are retired persons who own property in Anguilla.
- The private sector has recommended that the following methods of obtaining permanent residency by economic investment be considered: (1) contribution of a fixed amount which is to be determined, to a National Development Fund for capital projects which is to be established, (2) the acquisition of real estate of a certain value which is to be determined and (3) the investment of a minimum amount, to be determined, in cash towards an eligible business. The private sector has also suggested that that any economic residency programme should be launched with the proviso that only a certain number of grants of permanent residency may be issued within a set period. Industry has also recommended a pre-approval system whereby the interested applicant who has complied with all Government due diligence requirements, can request a letter of comfort or assurance from the Governor, indicating that they will be eligible for a grant of permanent residence, once satisfactory evidence that the required investment has been made is provided and of course that all other Government terms and conditions are met.

INFRASTRUCTURE

- Anguilla enjoys a well-developed infrastructure.
- The telecommunications infrastructure in Anguilla is highly developed with broadband Internet access on a par with world financial services centres.
- The ports of Anguilla offer safe, fast, efficient and reliable handling of both ships and cargo.

DISPUTE RESOLUTION

- Anguilla is a British Overseas Territory with a common law legal system based on English law. The High Court of Anguilla is a constituent court within the Eastern Caribbean Supreme Court

(ECSC). It is the court of first instance and appeals therefrom are to the Court of Appeal. Litigants have a final right of appeal to the Judicial Committee of the Privy Council in England.

- Civil procedure in the High Court and Court of Appeal is governed and regulated by the Eastern Caribbean Supreme Court Civil Procedure Rules 2002 (as amended) ("the Rules"). The Court in Anguilla sits in its original jurisdiction to hear all matters. This includes commercial disputes notwithstanding the absence of a dedicated Commercial Division. The Rules apply to both civil and commercial matters.
- Our primary legislation consists of Acts passed by the local legislature. However, certain Acts of the United Kingdom are applicable where they have been extended to Anguilla by Order in Council. Further, as a British Overseas Territory, the UK Parliament may and has by Orders in Council provided for Anguilla to be a signatory to and bound by certain international conventions.
- Unless expressly disclaimed, it should also be noted that where civil or commercial matters take place in an international context, issues regarding conflict of laws principles will be determined through the relevant provisions of the Rules regarding forum conveniens.





ARGENTINA

- Argentina is located at the extreme southeast end of South America and is the eighth largest country in the world, covering 3.8 million km² (1.5 million square miles).
- Population: approximately 41 million, of which 90% is urban population.
- Organized as a federal republic with a democratic political system.
- Spanish is the official language, but English is widely written and spoken in urban areas and to conduct international business matters.
- Currency: Argentine peso.

BUSINESS PRESENCE

- Foreign companies may conduct business on a permanent basis. The main methods for doing so are: a) appointment of a local commercial representative, b) setting up of a branch, c) incorporation of a local corporate entity (subsidiary), d) acquisition of shares of an existing Argentine company.
- The main types of investment vehicles used by non-resident individuals and foreign companies are the corporation (*Sociedad Anónima* - SA) and the limited liability company (*Sociedad de Responsabilidad Limitada* - SRL). All vehicles are regulated by the Inspección General de Justicia (IGJ).
- Any company duly organized in accordance with the laws of its country of origin can set up a branch in Argentina. The branch must keep separate accounting records in Argentina and file annual financial statements with the IGJ.
- An SA requires at least two shareholders, which can be corporate entities or individuals, and a minimum capital of approximately US\$4,000. The capital is divided into shares, which must be registered. Transfer of shares is generally unrestricted unless otherwise provided for in the by-laws. The SA is managed by a board of directors elected at the shareholders meeting. The directors may be foreigners but the majority of the members of the board must be Argentine residents. Shareholders meetings must be held at least once a year to consider financial statements, allocation of profits, and the appointing of directors and members of the supervisory committee. Shareholders that have fully paid their subscribed shares are in general not liable for the company's obligations beyond their capital contribution. All directors and managers are subject to standard loyalty and diligence duties. Non-compliance with these standards results in unlimited and several liabilities damages.
- An SRL requires a minimum of two and a maximum of fifty partners, who may be individuals or corporate entities. In general, and with few exceptions, similar rules apply to SRLs and SAs.

FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

- As a general principle, foreigners investing in Argentina enjoy the same status and have the same rights that the constitution awards to local investors. The main aspects of the existing legal framework in relation to foreign investors are the following: a) domestic treatment for foreign investors, b) lack of prior approval requirements or registration of investment, c) access to all sectors of the economy, d) access to domestic incentive schemes, and e) possibility of transferring profits and repatriating capital.
- Local legislation provides foreign investment with protection and an arbitration process for disputes between Argentina and countries that have signed Bilateral Investment Treaties and are members of the Multilateral Investment Guarantee Agency (MIGA), the Overseas Private Investment Corporation, and the International Center for the Settlement of Investment Disputes (ICSID).
- Barriers preventing access to foreign investors have been removed, attracting foreign investment projects in several sectors of the economy, such as: manufacturing industry, oil and gas, electricity, gas and water, banking, communications, and mining.
- Foreign investments in Argentina are regulated by a framework on international treaties and as a general rule do not require prior governmental approval.

CENTRAL BANK EXCHANGE CONTROL

- Argentine and non-Argentine residents can transfer, purchase, and sell foreign currency in the Foreign Exchange Market (FEM) only in transactions authorized by foreign exchange regulations.
- There are no restrictions on cross-border transfers for foreign direct investment repatriations and payment of dividends, provided certain requirements are met.

- Unless qualifying for an exemption, foreign financings are subject to a 365-day mandatory deposit in US dollars with a local financial entity, equal to 30% of the financing proceeds sold in the FEM. Principal can only be repaid 365 days after the proceeds have been sold in the FEM.
- Subject to certain formal requirements, principal and interest payments of foreign financings can be paid without Central Bank approval.

TAXATION

- The tax rate applicable to the net income of corporate entities such as SAs or SRLs is 35%. The same rate is applicable to branches and other permanent establishments of foreign companies in Argentina. As a general rule, the distribution of dividends and remittances of profits abroad by branches or establishments are in general not subject to taxation.
- Individuals are taxed on an increasing scale ranging from 9% to 35% of the profits.
- All transactions must be valued in Argentine currency so fluctuations in foreign exchange rates generate gains and losses.
- All incomes and gains from an Argentine source obtained by a non-resident individual or foreign entity without a permanent address in Argentina are subject to withholding tax. Argentina, along with a number of other countries, has signed tax treaties which impose caps on withholdings of certain taxable income, which may reduce the rates of the withholding tax.
- Value Added Tax (VAT) rate is 21% but sales and imports of capital goods have a 10.5% rate.
- There is a tax on sales and also a stamp tax on public and private documents. The rates depend on the province where activities are conducted.
- Personal assets tax for non-resident individuals has a 1.25% rate.
- A tax on credits and debits over bank accounts is applied at a 0.6% rate over each transaction.
- Argentina has treaties presently in force with many countries to avoid double taxation.

EMPLOYMENT LAW

- Salaries must be paid on a monthly, daily, or hourly basis and there is a mandatory minimum wage per month. A work day is a maximum of eight hours, and 48 hours per week. Employees receive an extra month's salary by law, paid in two installments (June/December). The minimum vacation period is 14 days per year and the maximum is 35 days.
- The health and pension fund system is financed from tax on the employees of about 17% of salaries, and tax on the employers of about 25% of salaries.
- In case of dismissal with no cause, severance pay is related to the amount of time the employee has worked for the employer.

- Trade unions negotiate wages and labor conditions in each sector of the economy, receiving approximately 2% of salaries of represented employees.

DISPUTE RESOLUTION

- Choice of law is allowed as long as it does not contravene Argentine international public policy (*orden público*).
- Argentine courts have jurisdiction whenever a) the defendant is domiciled in Argentina, b) the performance of the obligations is located in Argentina, and c) Argentine courts have been chosen as the applicable forum.
- Argentine courts acknowledge that parties may choose a jurisdiction other than Argentina for settlement of any disputes arising under a contract, provided that there is a connection with such jurisdiction and the dispute relates to economic rights.
- The Argentine constitution guarantees non-Argentine citizens the same rights as Argentine citizens, including unlimited access to Argentine courts for the resolution of legal disputes, but non-residents will have to post a bond if required by the other party.
- If an international treaty for the enforcement of foreign judgments exists between a foreign country and Argentina, the rules of such treaty will prevail. In absence of treaty the national Code of Civil and Commercial Procedure (CPCC) will be applicable.
- Subject to certain requirements established by the CPCC, Argentine courts will enforce foreign judgments resolving disputes. A notarized copy of the decision must be filed with an Argentine court and the petitioner must evidence that each of the conditions required by law has been fulfilled.
- Foreign arbitral awards are recognized in Argentina but are subject to the same requirements applicable to foreign judgments.

IMMIGRATION PROCEDURES

- Citizens of most countries are not required to obtain a visa to enter the country for up to three months. Foreigners wishing to reside and work in Argentina must obtain a residence permit from the Argentine Immigration Board (AIB).
- There are two categories of residents: a) permanent and b) non-permanent. Permits to establish either type of residence are obtained by filing an application at the nearest Argentine consulate in the country of origin, but must be preceded by the issuance of an entry permit by the AIB directly to the foreigner or through a third party on his behalf.
- A permanent residency permit grants a foreigner the right to reside and work in Argentina indefinitely. A non-Argentine citizen may apply for a permanent residence if she/he is related to an Argentine citizen (wife or husband, son or daughter or parent). A non-Argentine citizen may also obtain permanent residency in the country after having extended the temporary residency for more than one year. Certain documentation such as a certificate that the applicant has no criminal record will be required.

- To apply for a temporary residence permit in order to work in the country the applicant and her/his family must provide certain personal data and documents. The company for which the applicant will work must provide additional corporate information and the applicant and the employer must enter into a labor contract. The authorization may be granted for a period of one year and may be renewed for an equal period.
- Citizens born in Brazil, Bolivia, Colombia, Chile, Ecuador, Paraguay, Uruguay, and Venezuela may apply for an initial two-year temporary residence.





BOLIVIA

- The official name of the country is Plurinational State of Bolivia (*Estado Plurinacional de Bolivia*) and it is often referred to as the “heart of South America” because of its location in the middle of the continent and with no direct access to the ocean.
- In accordance to the 2009 Political Constitution Bolivia is a Social Unitary State of Plurinational Community Rights, free, independent, sovereign, democratic, intercultural, decentralized and with autonomies.
- Main principles established and promoted in the Constitution are: *ama qhilla* (don’t be lazy), *ama llulla* (don’t be a liar), *ama suwa* (don’t be a thief), *suma qamaña* (live well), *ñandereko* (harmonious life), *teko kavi* (good life), *ivi maraei* (earth with no evil) and *qhapaj ñan* (noble path).
- The country has a population of approximately 10,1 million habitants, covering 1.098.581 km² and it is divided in 9 departments.
- The capital of the country and seat of the Judiciary is Sucre. La Paz is seat of the Executive, Legislative and Electoral Bodies.
- Official languages recognized by the Political Constitution are Spanish and other 36 languages of the indigenous peasant nations and communities.
- Currency: Boliviano (Bs)

THE BUSINESS ENVIRONMENT

- The new constitutional rules implemented in 2009 and its “non liberal” though “plural” orientation made and makes the enactment of numerous implementing laws a necessity. Some have been passed many others are pending. On the economic sectors’ front there are for example new laws of Transport and Telecommunications, providing them greater legal stability. Though the hydrocarbons sector has also stabilized and new projects and venture are under way, a new Law of Hydrocarbons is pending, as is the case with energy and electricity, forestry and water usage. A new Mining Law was enacted on May 2014, implementing certain constitutional changes in the sector with “formal” recognition of acquired rights for existing companies and operators.
- A new Law of Financial Services enacted in August of 2013, a long and complex set of new rules, has substituted the prior Banking Law and its regulations. New regulations are under way for its implementation, characterized by a greater control and participation of the state in the financial market. Some changes have occurred for the insurance sector.
- On the social side, a new Labor Code in substitution of a large number of laws and regulations governing labor is expected for the near future. Other new Codes have been approved or new are forthcoming. The most recent one approved is a very relevant Code of Civil Procedure (which entered into full effect on February 2016).
- Given the recognition of indigenous peoples and peasant community rights, a draft law for Prior Consultation is in process. This is extremely relevant mainly for the extractive industries which have suffered difficulties for implementing projects and activities as a result of opposition by peasant communities. A revision of the land reform laws is also expected.
- State fiscalization and control on private companies has increased, particularly on taxation, regulatory and corporate compliance. The National Confederation of Private Companies has complained to the government on excesses by certain authorities, mainly because of unjustified and excessive sanctions. Large controversial tax claims are in process of resolution by administrative or judicial authorities.
- In the meantime the general tax legislation and regulations enacted in the past essentially continue in effect, with some important new secondary regulations. Changes have been introduced to the long term social security system, with some increases in contributions.

- Bolivian economy remains strong. It's considered to be one of the fastest growing in the Latin American region. Exports, especially of natural gas with very favorable prices, provide a substantial income for the state; so does the new hydrocarbons' tax structure. Monetary and fiscal policies are under control: a very stable currency and fiscal and commercial accounts surpluses; high international reserves. The economy witnesses very active commercial and agricultural and agrolivestock activity and expansion of public and private construction within a stable and strong private and public financial system. State participation in the economy, by way of old and new state or mixed economy companies on a variety of fronts, is constantly increasing. A new Law of Public Companies (December 2013) has introduced important changes facilitating their operations. Private and foreign investment is yet considered insufficient.

BUSINESS PRESENCE

- Most commonly used figures in order to establish a foreign entity in Bolivia are a Subsidiary or a Branch.

Subsidiary

- A new entity may be formed in Bolivia, as a Bolivian company, in the form of either a stock company (*Sociedad Anónoma - S.A.*) or a limited liability company (*Sociedad de Responsabilidad Limitada - S.R.L.*), becoming a subsidiary of the parent company. For that purpose the company established outside Bolivia, participating as a stockholder or partner, is required to provide evidence that is legally incorporated and in good standing according to the laws of its country of origin. The liability of the shareholder or quota holder is limited to the capital contributed to the company.
- Formalities to establish a subsidiary depend on the form adopted as a Bolivian company. Other than in the case of some regulated companies, if a stock company, the first requirement is to count with a minimum of three shareholders, companies and/or individuals and two partners if a limited liability company. Special regulations on each type of company include minimum capital requirements, procedures for decision making, officers, supervision of the Company and others. A stock company must have a board of directors whilst a limited liability company normally doesn't have one. A stock company also has a "controlling" body called *sindico*.
- Subsidiaries, as well as other local companies, must be registered at the Commercial Registry and also has to file for registration with the Tax Service to obtain the Tax Registration Number (*NIT*). After both registrations are obtained, depending when the company will start operating, other registrations need to take place: (i) Municipal license; (ii) Employer's registration with the Labor Ministry; (iii) Registration with the Social Security Entity; (iv) Registration with the Pension Fund Administrator, and (v) Registration with the corresponding chamber.

Branch

- A company established outside Bolivia in compliance with laws of the country of origin is governed by such laws in regards to

its form and legal existence. In order to perform its activities in Bolivia its legal capacity is to be recognized by registration with the Commercial Registry, filing the documents of incorporation, amendments, bylaws and other documents that certify the legal existence of the company in its country of origin as well as the authorization or resolution of the administrative body of the Company resolving the establishment of a branch or permanent representation in Bolivia, and appointment of the person(s) who will have such representation, with wide and sufficient powers in order to develop all the company's activities, evidenced by a proper Power of Attorney (all documents duly legalized in country of origin). Parent company assumes unlimited liability for acts performed by the branch.

- The Procedures for decision making in a branch depend on the main Company's policy and procedures. However, the local representative must have a broad and ample general administration power of attorney. The Branch should be administered by at least one General Manager. The legal representative or general manager, if foreigner, must have proper working visas to be registered with the commercial registry and domicile to be registered with the Tax Registry. Passport is to be presented for verification.

IMMIGRATION CONTROLS

- As indicated above for subsidiaries and branches, in case the legal representative is a foreigner, he/she must obtain proper visas and permits. It is common to hire a Bolivian Citizen to act as a temporary manager/representative while the permanent officer to be appointed obtains such permits.
- In order to work in Bolivia, depending on the position or the term, foreign employees must obtain the following visas or permits: Fixed Purpose Visa (up to 90 days); Transitory Permanence for a Fixed Purpose (up to 180 days); Temporary Permanence (up to 3 years); Indefinite Permanence.
- Certain visas or permits may be obtained at the Bolivian Consulate in the country of Residency, requirements may vary. There is also a special regime for nationals of countries belonging to the Andean Community of Nations (CAN – Comunidad Andina de Naciones)

KEY EMPLOYMENT LAWS

- All labour rights recognized by Bolivian laws and regulations may not be renounced or waived by the employee under any circumstances. No contractual arrangement can modify the rules which are of a compulsory nature. In case of conflict when worker claims certain rights or alleges facts, it is the employer who carries the burden of proof in order to respond and demonstrate the contrary. Earned salaries, labour rights, social benefits and contributions to the social security system which are not paid enjoy a privilege and preference for payment over all other credits, are indefeasible and no statute of limitations apply for the employee to file a claim.

- Salaries are negotiated between the parties, but in no case below the Minimum National Wage (Currently BOB 1.656, approx. US\$ 236). All salaries are subject to contributions and retentions established by law. Salaries can be fixed in Bolivianos or in a foreign currency. However, the payroll must be in Bolivianos or reflect the Bolivianos equivalent for purposes of payment of contributions and tax withholdings applicable to workers.
- Other concepts also payable to the workers are:
 - Seniority Bonus ("*Bono de Antigüedad*"), which consists in a monthly payment in favor of employers who have completed 2 years of continuous work.
 - Christmas Bonuses: the Worker is entitled to an additional one month salary payment for Christmas ("*Aguinaldo*") (or a proportionate payment if less than a year work). The average of the salary of three months is applied for calculation of the Bonus. On November, 2013 the Government approved a Second Christmas Bonus, with the same characteristics as the one mentioned above, but to be paid each year if the gross domestic product is over 4.5%, calculated as of October of each year.
 - Profit Bonus ("*Prima*"): If a company has annual profits an additional one salary is payable to each employee up to a maximum of 25% of the profits for all employees (if such 25% is not sufficient to pay one month's salary to each worker, then a prorated payment is to be calculated). The average of the salary of three months is also applied for calculation.
 - o Employees working within 50 kilometers of the international borders enjoy an additional border subsidy of 20% of basic salary.
- As to rules regarding the employment of foreign workers, only 15% of the workers of any employer may be of a foreign nationality who also have to be of a technical nature. Also, remuneration of foreign workers of any employer may not exceed 15% of the payroll. Some very exceptional cases to this rule could be considered, like for example when a company has a foreign general manager and just a Bolivian secretary, unable to comply with the rule. However, this is not expressly regulated and a justified case could be made before the Labour Authorities with uncertain results.
- Authorization of Employment Agreements of foreign workers before the Ministry of Labour is mandatory. This is also a requirement in order to obtain a working visa.
- The foreign worker who has contributed to the Integrated Pensions System may access to the transfer of the Balance on his/her Personal Account to the social security entity of his/her home country or other if certain required conditions are met upon termination of his/her Employment Agreement.
- Since 2006 there is a very strict principle of stability at the workplace and a non-justified dismissal, rejected by the worker may, after an administrative or judicial process, result on the obligation to reinstate the worker with the same salary and position. In case the worker accepts the dismissal he/she is

entitled to the following main benefits: a) Indemnity: payment of the equivalent of a one month salary per year of work and b) *Desahucio*: If an employee is dismissed without a justified cause and without proper notice – 90 days in advance – the employer has to pay the equivalent of three month salary.

- Justified dismissal occurs only in cases established by the law and the cause must be fully demonstrated.
- An indirect dismissal may also occur, as a result of a reduction of remuneration, which must be notified by the Employer to the worker with three months prior notice, who has the option to accept or reject the reduction and be paid social benefits.
- The voluntary resignation which entitles the worker to collect indemnity for the time served is applicable if the worker has served for 3 continuous months or more.
- Labor regulations also include rules on types of employment agreements, day's work, extraordinary working hours or overtime, paid leave and many other matters spread in a large number of laws, decrees and resolutions.

CONTRACTING WITH THIRD PARTIES

- As part of the Civil Law System, general principles of the Bolivian Civil Code (and the Commercial Code, when applicable) must be followed.
- The minimum legal requirements for Contracts are:
 - o The consent of the parties, which may be implicit or express
 - o The purpose of the contract, which must be feasible, licit and specific
 - o The cause of the contract, which must be licit, and
 - o The formalities, when required (only certain contracts are required to be granted by means of a public deed)
- Failure to comply with the minimum requirements as indicated above may result on the nullity on annulment of the contracts.
- According to the Civil Code, applicable to commercial contracts, what is not incorporated into a contract but in respect of which there is an express rule of law, the rule of law is deemed to be incorporated into the contract. So, contracts do not need to expressly incorporate or make reference to rules of law, many of which, particularly for contracts, already pre exist in a jurisdiction like Bolivia as a civil and not common law jurisdiction. When the law so authorizes, a rule may be modified by contract.
- Penalty clauses in substitution of compensation for damages can be used. If the penalty is disproportionate with the breach a court of law may reduce the penalty.

TAXATION OVERVIEW

- Companies incorporated in Bolivia, by way of a subsidiary or a branch, are subject to the following general tax regime:

- o The Value Added Tax (13%) on the total amount of the invoice within a system of VAT fiscal credits and debits to be declared and, depending on result, paid to the tax;
- o Transaction tax (3%) on the gross amount of income generated monthly by the company. IT taxes paid can be credited against the 25% annual corporate income tax under certain conditions.
- o Remittances of profits outside Bolivia are subject to a withholding tax of 12.5%, either if paid as a dividend to a foreign shareholder or as profit of parent company. The company in Bolivia is subject to a 25% Tax on Profits. It should be noted that in the case of a branch any profit resulting at year end would be deemed distributed to parent company unless a different resolution from parent company is presented and prepared before the closing of the fiscal year.
- o Employees are subject to Supplementary Regime to the Value Added Tax (RC-IVA) of 13%, applicable to salaries on a monthly basis. However, certain deductions apply and individuals are also entitled to credit against the tax all of the tax credits which they may have generated from purchases of goods and services supported with official invoices (AVT tax).
- Certain economical activities have additional taxes, e.g. hydrocarbons, mining, etc

INTELLECTUAL PROPERTY

- Intellectual Property protection in Bolivia is based on the Andean Community legislation, namely on Decisions 486 and 351, covering both Industrial Property and Copyright. There are also a few local laws that stem from the early 1900s. Bolivia recognizes protection for trademarks, collective marks, certification marks, appellations of origin, commercial names, patents, utility models and industrial designs. These right need to be registered in order to be protected. Also, copyright and related rights are recognized, these do not require a registration to be protected, they are protected as of the date of their creation. Bolivia is member to all major international IP conventions and agreements, including WTO and WIPO. All in all IP rights are well protected under Bolivian legislation, although their enforcement is not easy.
- The Bolivian National Service of Intellectual Property – SENAPI – is in charge of registering and controlling IP rights. Trademarks are registered in renewable periods of ten years, whereas patents are protected for a non-renewable twenty year period, counted as of the day of application. Each Industrial Property application is published before their formal registrability examination by SENAPI for third party opposition purposes. Once an application is published and has received a third party opposition the applicant may present defense arguments, which will then be considered by SENAPI. SENAPI's decisions are appealable in two further administrative instances and one final judicial instance.

DISPUTE RESOLUTION

- By means of Law No 708 of June 25, 2015 a new Law on Conciliation and Arbitration has been enacted, which substitutes the previous Law No. 1770 (of 1997), which at the time was inspired by the modern tendencies on arbitration and was based on the UNCITRAL Model Law.
- The new law has resulted in rather rigid rules, almost like an arbitral code of procedure, despite of which private entities of administration are confident that such focus will not limit the administration services which they will continue to provide. The law also has an important accent in promoting conciliation, with detailed rules which are expected to contribute to the development of this ADR method.
- Matters which cannot be subject to arbitration (including a number related to state contracts) are detailed in the law and a special regime for investment conflict resolution has been incorporated. which opens up possibilities for arbitration arising in non contractual and contractual relationships with the state, within a yet incomplete legal framework to be further implemented. A proposed regional center for the settlement of investment disputes should be created to complete the legal framework. This has been in process of negotiation for a number of years now..
- In February of 2016 a new Code of Civil Procedure has also come into effect, introducing new features for dispute resolution. Prior compulsory conciliation is one of the features. Also the introduction of oral proceedings in substitution of the more lengthy traditional system. The Code updates rules on international judicial cooperation which is aimed at simplifying procedures for processing and recognition and enforcing foreign courts' orders and awards.





BRAZIL

- Strategically located in South America sharing borders with ten countries: Argentina, Bolivia, Columbia, French Guiana, Guyana, Paraguay, Peru, Suriname, Uruguay, and Venezuela.
- Democracy with stable public institutions, such as the Chamber of Deputies, the Federal Senate, and the Courts of law.
- Population: 205,482,085.
- Roman Catholicism is the predominant religion.
- Portuguese is the national language, and English is widely written and spoken especially in urban areas and for business.
- Currency: Real (R\$).
- Investment growth areas include infrastructure, energy, transportation, utilities, telecommunications, and tourism.

BUSINESS PRESENCE

- Main types of business models in Brazil: locally incorporated companies, mostly incorporated under the rules of “*sociedade limitada*” type, as foreseen by the Brazilian civil code, as well as sole proprietorships, partnerships, and registered branches of foreign companies.
- Partnerships in Brazil are largely used by both Brazilian and foreign companies, involving governmental entities and private companies that may or may not have the participation of a foreign investor. The partnership is usually effectively made by the foreign investor becoming a quotaholder (in a limited liability company) or a shareholder (in a corporation) in the Brazilian company.
- Branches of foreign companies may be opened in Brazil without actually organizing a new company in the native territory. These require authorization by the country’s government before the Federal Revenue and the competent commercial register of each state prior to conducting any kind of business.

FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

Registry of Foreign Investments

- All investments made by foreign investors shall be registered before the Brazilian Central Bank, in the so-called system SISBACEN, through the Registry of Direct Foreign Investment (RDE).

- Investments in cash are recorded in the amount of the foreign currency invested in Brazil and, subsequently, converted into Brazilian Reais upon the execution of a currency exchange contract. An investment may also be made with assets in-kind, but in most cases an evaluation report is required.

Restrictions in Equity Participation

- Some economic activities such as mail and telegraph, activities related to media, nuclear energy, airlines with domestic flight concessions, sanitation, and the aerospace industry continue to be restricted to foreign investors. Recently, foreign investment in the health sector has been generally allowed by law (not without the expected opposition of interested parties acting in the field).
- Foreign investors can only hold a minority participation in media, financial institutions, and insurance companies, but may acquire the control of a bank with prior authorization from the government.
- Additionally, although there has been some flexibility in the matter, there are still restrictions on foreign participation in activities subject to national security concerns and on foreign ownership of rural areas and businesses in border zones.
- A potential investor should consult the government agencies that would most likely hold an interest in a proposed project.
- This process can sometimes yield significant benefits to the foreign investor, since the government generally prefers to grant incentives (tax and funding costs, for example), rather than restrictions, to encourage investors.

- Every shareholder or quotaholder residing and/or domiciled overseas must have an attorney-in-fact in Brazil, with powers to receive service of process.

Restrictions in Real Property Acquisition

- Brazilian legislation does not apply any type of restriction on the foreign ownership of real property in urban areas, except for coastal land owned by the federal government. As a rule, the acquisition of real property in Brazil by foreigners is not permitted or has some restrictions in the following cases:
 - Rural land: Foreign individuals living in the country and foreign corporations duly authorized to operate in Brazil may acquire rural land provided that they respect some limitations regarding the area, established by law. The acquisition of rural property by a foreign individual may not exceed 50 modules of operating undefined area, whether continuous or discontinuous. In case of properties with an area not exceeding three modules, the acquisition will be free of any kind of specific governmental permission, but still subject to the general requirements specified in law.
 - The acquisition by foreigners of rural property located at the International Border Area is subject to the obtaining of a prior consent granted by the national defense council.
 - Foreign individuals living in the country and foreign corporations duly authorized to operate in Brazil may acquire rural land for the implementation of agricultural, livestock or industrial projects, if linked to their articles of association.
 - Foreign corporations and individuals are not allowed to acquire real estate owned by the federal government located in areas essential to national security without prior approval of the President.
 - Foreign companies that desire to own properties in Brazil must be enrolled with the Brazilian Federal Revenue.
 - A recent court decision affecting real estate located in São Paulo softens the restrictions applicable to the land purchase by foreign companies and companies controlled by foreign entities. There is a trend that courts of other jurisdictions may follow such decision, but up to now there is no controlling court decision.

Restrictions in Company Management

- Non-residents in Brazil and officers without permanent Brazilian VISA cannot be a member of the Executive Board of any Corporation or administrator of any limited liability company.
- Non-residents in Brazil can only be a member of the Board of Directors of a Corporation as long as they appoint an attorney-in-fact in Brazil, with powers to receive service of process.

Approvals and Licensing

- Appropriate approvals and licenses are required for the operation of certain business activities. These may be obtained from the relevant ministry, government agencies, or local councils.

- Application process and prescribed fee vary depending on the application, the nature of the activity and geographical location where the activity is proposed.

EXCHANGE CONTROL

- Brazilian law confers on the Central Bank broad discretion to regulate the flow into and out of Brazil of domestic and foreign currency.
- There are two exchange markets in Brazil subject to central bank regulations, both of which operate at floating rates. They are the following:
 - Commercial/financial free exchange rate market. This market is reserved basically for (i) trade-related transactions, such as import and export transactions; (ii) foreign currency investments in Brazil; (iii) foreign currency loans to residents in Brazil; and (iv) certain other transactions, involving remittances abroad, which are subject to prior approval by the Brazilian monetary authorities.
 - Tourism floating exchange rate market. This market was developed initially for the tourism industry, and was later expanded to allow certain other transactions, such as the purchase abroad of software. The applicable regulations indicate the types of transactions whose payment in foreign currency, to and from Brazil, qualify for foreign exchange in this market.

ANTI-CORRUPTION LAW

- Federal Law No 12.846/2013, also called the “Anticorruption Law” or “Clean Company Law,” sets forth the possibility of making legal entities objectively accountable (and individuals subjectively accountable) for the practice of injurious acts against the principles and property of the national or foreign Public Administration.
- Besides other penalties established by said law, such as the mandatory dissolution of the legal entity, the legal entity engaged in acts corruption may also be subject to a fine that shall vary from 0.1% to 20% of its gross revenue before taxes. Moreover, the law determines that the value of such fine shall never be less than the economic advantage obtained by said.
- The law authorizes the authorities to enter into a leniency agreement with the violator, meaning that all administrative sanctions may be dismissed, depending on the information put forth and willingness of the legal entity to bring its conduct in conformity with the law.
- The leniency agreement set forth in the Anticorruption Law does not fend off the possibility of criminal sanctions being brought against the company and the individual involved with acts of corruption must contact the responsible authority for the criminal prosecution and enter into a specific agreement.
- The existence of an effective compliance program in the corporate structure is extremely relevant to the calculation of the dimension of the penalty, indicating that the law aims at preventing injurious acts and not simply sanctioning the

violator. The legal entity's willingness to implement or improve compliance mechanisms is one of the requirements to enter into a leniency agreement.

- Presidential Decree No 8.420/2015 also regulates the applicability of the Anticorruption Law, defining the structure and objectives of the compliance policy that shall be created and enforced by companies to identify and punish illegal activities carried out against either the Brazilian or foreign Administration, such as fraud, embezzlement, and other irregularities.
- Unlike the FCPA (Foreign Corrupt Practices Act), Brazilian laws and regulations against corruption do not set forth any instructions in terms of a gift and entertainment rule. Therefore, there is no objective provision (based in the cost of an asset or property, for example) regarding what may be perceived as an act of corruption or a simple display of affection towards a civil servant.

RIO 2016 OLYMPIC GAMES – TAX BENEFITS

- The Government has enacted a law that grants the exemption of federal taxes due on import of goods or services provided to and used exclusively for Olympic Games-related activities. Such law comprises IPI (Excise Tax), II (Import Tax), PIS/COFINS (Social Contributions levied upon imports) and other charges and duties.
- In order for companies and individuals to be eligible for such tax benefits, they must be an accredited media company, a sponsor or an official service provider for the International Olympic Committee (IOC) or for the Rio 2016 Organizing Committee. Such entities shall provide the Brazilian Revenue Service with a list indicating the individuals and companies that shall benefit from the tax exemption.

INFRASTRUCTURE

- Companies may contract with federal, state, and municipal governments for the execution of public services through concession agreement, public-private partnership (PPP), or government contracts. Activities which are considered to be public services in Brazil include construction and operation of roads, ports, airports, railways, urban mass transportation, and environmental services.
- The contracting of private companies by the federal, state, and municipal governments should be preceded by public bidding, in the form of competition, electronic bid, and auction, to evaluate the best proposals based on the following criteria: best price, best technique, or technique and price.
- Foreign companies interested in bidding and contracting with the government should be authorized by the federal government to establish activities in Brazil, or may bid in association with local companies as a consortium.

- The contracting of services and public works for government interests may be carried out on the initiative of the public administration. However, the private sector can propose new infrastructure projects to the government, involving public works and services, through the Private Finance Initiative (PFI), consisting in a procedure by which the private entity may be allowed by the government to evaluate the feasibility studies of those projects. Once the project is approved, it is submitted for bidding and contracting by the public administration to be executed by the private sector.
- Public-private partnerships contracts (PPP) must have as a minimum value the amount of R\$20,000,000 and duration between the minimum of 5 years and maximum of 35 years.
- The regulation and supervision of public services can be done centrally by the contracting institutions or can also be delegated to regulatory agencies, with the aim of professionalizing regulating services and preventing political interference in the management of contracts.
- Litigation involving public administration and private sector for the execution of administrative contracts can be resolved by the relevant judicial courts or through an arbitration procedure.

INTELLECTUAL PROPERTY

- Intellectual property in Brazil comprises patents, trademarks, industrial design, copyright, software, geographical indications, indication of origin, unfair competition, layout designs of integrated circuits, and domain names.
- Registered patents, trademarks, service marks, and industrial design enjoy monopoly rights/protection for specific periods of time.
- In specific cases, the analysis of the trademark protection is not carried out only by the Brazilian Patent and Trademark Office (INPI), but also by regulatory agencies. We can, for example, mention in the application procedure the Brazilian Health Surveillance Agency (ANVISA), which is responsible for medicines.
- Unregistered trademarks are also protected by the Brazilian courts regarding as unfair competition.
- In relation to practices in the market, the Brazilian Competition Authority (CADE) is closely monitoring licence agreements affecting competition in the market.
- Copyright protection is granted to holds for literary, musical or artistic works, sound recordings, broadcasts, and films, regardless of registration.
- The administration of the ccTLD “.br” is carried out by the Registro.br (registering entity). Several significant particularities must be observed regarding the registration and maintenance of domains by foreign companies, which are obliged to have

¹ Law No 10.168, Article 2

a local legal representative and compromise to commence business activities in the country within one year of the domain registration.

- Disputes of domain names are settled through arbitration under the Registro.br, for domains registered in violation of intellectual property rights.
- IP Agreements, including the assignment of rights and/or technology, or other licenses must be duly recorded with the INPI to bear effects to third parties, and to, inter alia, for example, carry out offshore remittances as royalties.
- Brazil is a member of the World Intellectual Property Organization (WIPO) and a signatory to major treaties such as the Paris Convention, the Berne Convention, the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), the Patent Cooperation Treaty (PCT), and the Brussels Convention Relating to the Distribution of Program-Carrying Signals Transmitted by Satellite.
- Brazil's intellectual property laws conform to international standards and provide adequate protection to both local and foreign investors.

DATA PROTECTION

- Brazil does not currently have a specific law on Data Protection. However, there exist provisions applicable to collection, storage, use, treatment, disclosure and request of personal data that are set forth in sparse laws, such as the Brazilian Federal Constitution, the Brazilian Consumer Protection Code and in the Brazilian Internet Civil Rights Act.
- Some economic sectors have specific regulation that may impact their operation directly on data protection matters, such as, for example, financial institutions (impacted by bank secrecy rules set forth on Supplementary Law No 105), healthcare institutions (impacted by healthcare secrecy rules set forth by the Federal Medicine Council and by the definition of sensitive data present in Law No 12414/11).
- The Brazilian Federal Constitution foresees two principles that are basic guidelines for Data Protection in the country: the Principle of Privacy and the Principle of Information. According to these standards, all citizens have the right to secrecy and their data should not be disclosed without duly authorization or prior notice. Also, a personal data owner must be informed clearly and objectively of the purpose of use and the proceedings to which his or her data will be subject to.

- A specific law to regulate the Data Protection matter in Brazil is currently being discussed and should be approved soon. There are a few draft bills in both Houses of the National Congress and some of them seek to establish a data protection regulatory framework very similar to the current European model.
- In order to comply with the Brazilian regulatory framework, some companies seek legal assistance in Brazil for the analysis and possible amendment of their internal policies, binding corporate rules and other documents, whenever they are about to start doing business in Brazil.
- In addition, local companies seek legal assistance for the analysis and review of corporate policies and corporate documents considering the standards established by the Federal Constitution and other laws.
- Law firms with specialized data protection teams will assist their clients throughout the process of implementing and adapting policies and also in the negotiation and consultation with public bodies concerning data protection issues arising from their clients' business.

TAXATION

Corporate Tax

- In general, companies in Brazil can be taxed under two different taxation methods: Actual Profits method or Presumed Profits method.

Actual Profits method

- Under this method, the taxable income is the company's net book profit, adjusted by some inclusions and deductions as per Brazilian tax legislation. Tax losses, if any, may be carried forward indefinitely but may be used to offset only up to 30% of the company's annual taxable income.

Presumed Profits method (PPM)

- Under this method, the taxable income is the presumed profit (an estimated percentage of gross sales, which varies according to the type of activity the company performs), increased by 100% of non-operational revenues, such as income on financial investments and capital gains. As a general rule, the presumed profit percentages for Income Tax purposes are 8% for sales companies, 16% for transportation and 32% for service companies. The gross revenue cap for a company to be eligible for this method is BRL 78 million.

² South Africa, Argentina, Austria, Belgium, Canada, Chile, China, Korea, Denmark, Ecuador, Spain, Philippines, Finland, France, Hungary, India, Israel, Italy, Japan, Luxembourg, Mexico, Norway, the Netherlands, Peru, Portugal, Slovak Republic, Czech Republic, Sweden, Trinidad and Tobago, Turkey, Ukraine and Venezuela.

³ The Multilateral Agreement of Mercosur (Argentina, Paraguay, Uruguay), the Multilateral Iberoamerican Agreement (Bolivia, Brazil, Chile, El Salvador, Ecuador, Spain, Paraguay, Portugal and Uruguay), Germany, Cape Verde, Belgium, Canada, Chile, South Korea, Spain, France, Greece, Italy, Luxembourg, Japan and Portugal

⁴ By the tribulation of IRRF: Consultation Solution No 554, of 16/11/2004, Disit 07 (RJ); Consultation Solution No 262, of 24/09/2003, Disit 07 (RJ); Consultation Solution No 12, of 14/04/2003, Disit 04 (AL, PB, PE and RN).

⁵ Declaratory Act SRF No 28, of 26/04/2000.

⁶ Declaratory Act SRF No° 48, of 27/06/2000.

⁷ Interpretative Declaratory Act No° 16, of 22/12/2005.

Based on these premises, corporate taxes can be summarized as follows:

- **Income Tax (IR):** Income tax is due by corporations on their incomes. Corporations pay IR at a base rate of 15% under an actual profit regime, plus an additional 10% on all taxable income exceeding R\$20,000/month, R\$60,000/quarter, or R\$240,000/year. The taxable income can be reached under two different methods: Actual Profits or Presumed Profits.
- **Social Contribution on Profits (CSLL):** Profits earned by companies are taxed at 9%, with the same basis used for as the Income Tax (taxable profit can also be reached under the two different methods above mentioned).
- **Contribution to Social Security Financing (COFINS):** Intended to finance social security, this contribution is levied monthly on total revenues obtained by a Brazilian company (this contribution is also due when services or products are imported). Companies that are taxed under the Actual Profits method are subject to COFINS at a rate of 7.6% upon total revenues, under a non-cumulative system (under this system, the company may use credits usually calculated upon inputs). On the other hand, companies that are taxed under the Presumed Profits method are subject to COFINS at a rate of 3%, under a cumulative system (no credits allowed).
- **Contribution to the Social Integration Program (PIS):** Similar in implementation and purpose to COFINS, and taxed at a rate of 1.65% for companies taxed under the Actual Profits method (non-cumulative) and 0.65% for companies taxed under the Presumed Profits method (cumulative).
- **Social Contribution to the National Social Security Institute (INSS):** In general, this contribution is paid by the employer at a rate of 20% on payroll or at a rate that may vary from 1.5% to 4.5% (depending on company's activities) levied upon gross revenue. In this case, the employer may choose the most beneficial taxation method (payroll or gross revenue).

Personal Income Tax

- **Income Tax (IR):** Individuals are taxed at a progressive rate based on their tax bracket, to a maximum of 27.5%.
- A person is considered a "resident" in Brazil if he or she stays in Brazil for at least 184 days in a calendar year.

Withholding Tax

- Generally, payments made to non-residents are subject to withholding income tax (IRRF) at the rate of 25%.
- Also, payments made to workers are subject to withholding income tax (IRRF) at the maximum rate of 27.5%.
- Companies are also submitted to a withholding social contribution (INSS) of 11% on the salary contribution of the employee.

Other Taxes

- **Federal**
 - **Import Tax (II):** Foreign products entering Brazil are taxed by II and the payment is due at the moment goods are declared.

The tax is based on the custom value of the product and the rate varies according to the nature of the product (goods considered essential are taxed at a reduced rate).

- **Export Tax (IE):** This tax is related to products which will be exported, and payment is due at the moment the goods are declared for export. To encourage the exportation of Brazilian goods, IE covers only selected few products.
- **Excise Tax (IPI):** This is applicable to all imports and domestically manufactured goods sold within Brazil, with limited exceptions. The rate for the IPI is determined by the IPI table ("TIPI"), which takes into account the tax classification number of the relevant product. IPI is calculated on the aggregate value of the good. It is assessed on the import operation at the time of customs clearance, while for manufactured goods at the time of shipment of the completed good.
- **Tax on Financial Transactions (IOF):** This tax has different rates according to the financial transactions in question - those relating to credit, currency exchange, or bonds and securities.
- **Tax on Rural Property (ITR):** Charged to the owner of property in rural areas. The rates vary according to the location and use of the land.
- **Tax on Large Fortunes (IGF):** The Brazilian Constitution provided this tax but, until now, there is no law that has imposed it.
- **Merchant Marine Renewal Tax (AFRMM):** Calculated on goods imported to Brazil by sea, with varying rates (generally 25%).
- **Economic Domain Intervention Contribution (CIDE):** This tax covers royalty payments on technology transfer agreements, trademark and patent licensing agreements, and supply of technical assistance.¹ The tax is paid on the monthly royalty payments of the party who imports or commercializes the item, at a rate of 10%.

• State

- **Tax on transfers resulting from death or donation of any property or rights (ITCMD):** A tax levied on the sale of any property or property rights at a rate of 4%.
- **State Value-Added Tax (ICMS):** This is levied on the circulation of goods, on provision of interstate and intermunicipal transport services, and communication services, including operations originating abroad. The ICMS should be paid upon the importation of goods, at customs, even if the product is going to be used for personal consumption or as part of a fixed asset. The tax is based on the value affixed by the importation document in addition to the II, IPI, IOF, and other customary expenses. ICMS rates vary from state to state (from 7% to 25%) and according to the type of product.
- **Tax on automobile ownership (IPVA):** The rate may vary from state to state but, in general, is 4% on the value of the vehicle.

• **Municipal**

- o **Tax on urban real property (IPTU):** This tax is due on the ownership of real property located within city limits, and may have progressive tax rates to ensure compliance with the social function of property.
- o **Property transfer tax (ITBI):** Due on all transfers of real property *inter vivos*, irrespective of the amount of consideration. The acquisition can be by natural or physical accession and the tax is due on any *in rem* rights to real property, with the exception of collateral, and the assignment of rights to the property. Rates vary by municipality.
- o **Tax on services (ISS):** Tax on all services not covered by the ICMS. Rates are established by each municipality and vary depending on the service provided with a maximum rate of 5%.

International Tax Treaties

- Currently, Brazil currently has 32 international treaties relating to income tax² and fifteen treaties regarding social security.³ Generally, the social security agreements anticipate the applicability of domestic legislation with regard to pension obligations, while the tax agreements (relating to income tax) override domestic law under the CTN.
- In order to stay consistent with the STF, the Brazilian Internal Revenue Service (RFB) has required the retention of income tax (IR) even on remittances to countries with which Brazil has an agreement to avoid double taxation.⁴
- The RFB might withhold income tax to use as a deductible in accord with the Principle of Reciprocity of Tax Treatment, which provides income tax credits for income earned abroad to ensure equal treatment to Brazilian citizens and corporations living abroad.
- To obtain this benefit, one must produce (i) a certified copy (accompanied by an official translation) of the tax treaty or (ii) a statement made by the Brazilian diplomatic representation located in the home-country of the expatriate, attesting tributary treatment. The RFB has already officially recognized the right of Brazilians living in the United States,⁵ United Kingdom,⁶ or Germany⁷ to receive reciprocal treatment.

Tax and Investment Incentives

• **General**

- o Various tax exemptions and investment incentives exist to stimulate investment in activities and products such as manufacturing, agriculture, tourism, environmental management, shipping transportation, information and communication technology, and multimedia activities.
- o Categories of investment incentives include industrial adjustment allowance, industrial building allowance, approved agricultural projects incentives, research and development incentives, inbound tour operators' incentives, incentives for approved overseas investments, and incentives for overseas construction projects.

• **Manaus Free Trade Zone ("ZFM")**

- o There is express dismissal of II and IPI over the goods acquired for local consumption or industrialization of any kind, with II being due (at a reduced rate) only if the foreign products stored at ZFM are commercialized in any other place in Brazil.
- o The IPI tax benefits are extendable to products imported under international agreement of tax exception, such as the one held among South American countries—Common Market of South ("Mercosul"). Also, there is legal discharge of IPI on goods manufactured at ZFM if the industry had its project approved by the Administrative Council of Supervision of ZFM ("SUFRAMA").
- o There is exception of PIS and COFINS on the internal operation at ZFM and reduction of such contributions to other operations, once granted by SUFRAMA. Lastly, there is exception from AFRMM and IOF on the importation of goods, also requiring approval by SUFRAMA.
- o The state of Amazonas renders several ICMS tax benefits to projects considered priority for the region, including "credit-stimulation", deferral, exemption, reduction of tax basis, and presumed credit of ICMS, where the state assumes that a certain amount of the ICMS was already collected.

• **Other Free Trade Zones ("ALCs")**

- o There are other free trade zones in Brazil, such as the Guajará-Mirim in the state of Rondônia; Tabatinga in Amazonas; Boa Vista and Bonfim in the state of Roraima; Brasília and Cruzeiro do Sul in the state of Acre; and, finally, Macapá and Santana in the state of Amapá.
- o Despite the variety of ALCs, all of them follow the same pattern of tax benefits, which expressly dismiss II and IPI over the final goods acquired for local consumption and improvements (not any kind of industrialization, as in ZFM), with II being due (at a reduced rate) only if the foreign products stored at ALCs are commercialized inside the ACLs or elsewhere in Brazil.

EMPLOYMENT LAW

- For employees in general, maximum working hours are 44 hours per week or 8 hours per day. This limit may be exceeded under certain specific circumstances. Minimum overtime allowance is equal to 50% over the amount of the regular hour.
- There is no rule regulating collective layoffs. The statutory severance rights payable to the former employees are the same, irrespective of the number of employees that will have their employment terminated.
- Employees within the protection of the Consolidated Labor Law (CLT) are entitled to statutory benefits such as weekly paid rest (DSR), overtime allowance, night work allowance, health hazard allowance, risk premium, public holidays, 30-day vacation pay (plus the payment of a 1/3 vacation bonus), sick leave, annual 13th salary, maternity leave, and termination benefits, such as

a 40% fine over the Unemployment Guarantee Fund (FGTS) deposits and notice period, in the event of termination of employment without cause by the employer, proportional to the seniority of the individual with the company (in this sense, after one year of employment the individual is entitled to three additional days, besides the mandatory thirty days notice period, for each full year of employment with the company. The maximum notice period is equal to ninety days).

- Wages are determined through market forces, however there is a minimum wage requirement defined by federal law. Notwithstanding, Collective bargaining agreements may define a higher minimum wage for a specific category of workers.
- Trade unions in Brazil are mainly regulated by the Brazilian Federal Constitution and by the CLT.
- The formation of employees' unions is free provided that the new union meets the criteria set forth by the Brazilian Constitution that forbids the same category of workers being represented by more than one union within the same city. Upon formation, the union will be entitled to a mandatory annual fee, to be deducted by the company from the employees' wages during the month of March. The collective bargaining agreement, which can be for a maximum period of two years, is legally binding and enforceable if it has been upheld by the Brazilian labor courts.
- The Brazilian Constitution recognizes the right to strike for employees of the private sector in general. The right to strike is regulated by federal law, and breach of said law may subject the aggravating party to the consequences defined by the Brazilian labor courts, which may include the payment of an indemnity and the termination of employment for cause.
- The employer must make a monthly and mandatory contribution to the FGTS equal to 8% of monthly wages. Upon termination of employment without cause by the employer, the employee is entitled to the release of said deposits, plus the payment of a 40% fine over said deposits.
- The National Institute of Social Security (INSS) provides social security protection to employees who are Brazilians or permanent residents, and to their families. An employee contributes up to 11% of monthly wages, limited to a certain amount and according to a progressive rate. The employer, on the other hand, must make a contribution equal to at least 20% over the payroll. Additional social security contribution regarding occupational accident insurance and the "S System" may be due.

IMMIGRATION PROCEDURES

Passport and Visa Requirements

- All persons entering Brazil must possess valid national passports or other internationally recognized travel documents valid for travelling to Brazil. These passports or travel documents must be valid for at least six months beyond the date of entry into Brazil.
- Applications for visas (when necessary) may be made at the nearest Brazilian consulate abroad. For countries with whom Brazil does not keep diplomatic relations, the nearest Brazilian consulate will issue a *laissez-passer* on behalf of the foreigner, valid for only one round trip to Brazil.

Business Passes and Work Permits

- Visit passes (business) may be issued to foreigners entering Brazil for the purpose of looking at business opportunities, investment potential or introducing their goods that are to be manufactured in Brazil. This pass cannot be used for employment.
- Technical passes (for technicians only) may be issued to a foreigner who holds acceptable professional qualification or specialist skills entering Brazil under three different circumstances: emergency situation, express assignment or normal assignment (short-term or long-term) in Brazil.
- The three kinds of passes are valid for i) up to one extendable year for normal technical passes; ii) up to 90 non-extendable days for express technical passes; or iii) up to 30 non-extendable days for emergency technical passes.
- For passes valid up to one year, it is the sole responsibility of a Brazilian legal entity to submit to the Brazilian Ministry of Labor an application for a technical pass. The foreigner may apply for an emergency technical pass directly at the nearest Brazilian consulate. For a pass valid for up to 90 days, it is the sole responsibility of a Brazilian legal entity to submit an application for a technical pass directly at the nearest Brazilian consulate.
- Employment passes are required for foreigners taking up employment agreements in Brazil being paid directly by a Brazilian legal entity. The wife and children of a foreigner who has been issued with an employment pass may be issued dependents passes (permanent or short-term visas due to family reunion). However, these dependents will legally work in Brazil if they receive an employment offer from Brazil and if they obtain a work permit of their own.
- It is the sole responsibility of a Brazilian legal entity to submit an application for a work permit. Work permits are generally valid for two years and after that term the foreigner can apply for a permanent visa. Notwithstanding, please note that during the first two years of his/her stay in Brazil the foreigner will still be linked to the Brazilian legal entity that applied for the work permit, and thus the foreigner cannot render services to any other Brazilian legal entity.
- Officer passes are required for a foreign administrator, manager, director, or executive with the power to manage a civil or commercial association, group, or economic conglomerate. This permanent work permit must be applied by a Brazilian legal entity, who must prove to have received a direct foreign investment equal to R\$600,000, or R\$150,000, plus the obligation to create ten new jobs within the next two years.

CIVIL LAW AND DISPUTE RESOLUTION

- The Constitution of 1998 is the main law in Brazil.
- Historically, Brazil has used Napoleonic law. The principal source of Brazilian civil law is the Civil Code, which was reformed in 2002.
- A new Code of Civil Procedure will enter into force on March, 18th, 2016, abrogating the former one, which was enacted in 1973. Its purpose is to simplify the civil process and make it faster and more transparent. It is important to stress that this New Code of Civil Procedure is still surrounded by several debates regarding the validity of part of its rules and even the confirmation of the date of its entering into force.
- Civil disputes at first instance may be heard at the local court, session court, or high court, depending on complexity and value. Cases may go on to the court of appeal and then to the Superior Court of Justice. When they involve constitutional law, cases may go to the Supreme Federal Court.
- The administration of justice is not so fast.
- Alternative dispute resolution (ADR) is available and includes mediation and arbitration.





COLOMBIA

- Colombia is located in the northwestern part of South America, bordered to the northwest by Panama; to the north by the Caribbean Sea; to the east by Venezuela and Brazil; to the south by Ecuador and Peru; and to the west by the Pacific Ocean.
- Colombia has a total area of 2,070,408 km², spread over a continental area of 1,141,748 km² and a sea area of 928,660 km².
- The official language of Colombia is Spanish, even though there are more than eight ethical languages around the country.
- Colombia's government is presidential and representative. It is a democratic republic according to what has been established in the Constitution of 1991.
- Currency: Colombian peso, with free-floating exchange rate, which has been established by the Central Bank.
- Colombia's GDP for the past six years was recorded as follows, 2009: 3.8%; 2010: 4.0%, 2011: 6.6%, 2012: 4.0%, 2013: 4.7%; 2014: 4.6%.
- Colombia has many advantages for investment in several areas. Its geographical location allows fields like agriculture, mining, textile, oil, livestock and fishing among others to easily develop. Among major export products, Colombia has oil, minerals and coffee, as well as gold, oil derivatives, and flowers.
- Colombia has a modern airport and road infrastructure. Also, its sea and river ports, bordered by two oceans, make imports and exports much easier.

BUSINESS PRESENCE

- Foreign investment is understood as all the investments made with foreign capital as part of a portfolio held in Colombian territory, including Colombian free trade zones, by people who do not reside in Colombia.

Corporate vehicles in Colombia

- Pursuant to Colombian Corporate law, and except from certain cases, any foreign company willing to perform commercial activities within the Colombian territory requires a corporate vehicle duly incorporated in Colombia. These vehicles, as a general, rule are subject to inspection and eventual supervision or control by national authorities such as the the Superintendency of Corporations and/or the Superintendency of Financial Matters.
 - **Simplified Stock Company:** This company can be created with one or more natural or legal persons. The shareholders are liable only for their contributions.
- Other common types of companies that allow foreign investments are the Limited Liability Company (Ltda), Stock Corporation (S.A.) and Foreign Company Branch.
 - **Limited Liability Company:** The associates are liable only for their contributions which are divided in equal quotas that are not represented in negotiable certificates. The corporate structure is between two to five partners.
 - **Stock Corporation:** Equity stock is divided in shares represented in negotiable instruments. A minimum of five shareholders are required to create this kind of corporation.
 - **Foreign Company Branch:** Business establishment opened by a company within or outside the corporate address, to develop corporate business or part of them, managed by agents with authority to represent the company. The foreign company branch is recommended for mining and hydrocarbon sectors.
- There are other corporate types with specific characteristics which are not commonly used by foreign investors:

- o **General Partnership:** All the associates are liable in an unlimited, joint and several manners.
- o **Mixed Liability Company:** Generally used for family businesses. There can be two types of companies: Simple Mixed Liability Company, and Stock Mixed Liability Corporation.
- **Creation.** The business companies are created by a corporate agreement that contains basic aspects such as company name, place of business and purpose, meetings of corporate bodies and the scope and limitations of powers.
- **Inspection, oversight and control.** All companies in Colombia are subject to inspection, and eventually to the supervision and control of the Superintendent of Companies; exceptionally and according to his purpose, some companies may be subject to the control of other superintendents.

RESTRICTIONS AND CONDITIONS OF FOREIGN INVESTMENT

- Foreign investment in Colombia is defined as all the external investment capital by non-residents of the country, which includes Colombian free-trade zones.
- The principles are the equality of treatment with the local investment; the universality for any sector of the economy; no authorization except under special regimes e.g., mining, oil and gas, television, which requires prior acknowledgment by authorities, and; stability for the reimbursement of the investment and the transfer of profits for the investor.

Types of Foreign Investment in Colombia

- **Direct foreign investment:** Acquisition of equity participations, shares, corporate interests, or any representative interest in a company's capital; acquisition of real property or investments through real estate funds; taking part in activities or contracts as the case of technology transfer, cooperation, concession, service administration, and licensing contracts; and investments in assigned capital in branches established in Colombia by foreign legal persons.
- **Portfolio investment:** This type of investment is made through foreign capital investment fund shares, bonds, and other securities registered with the National Registry of Securities and Issuers (RNVE) in the public stock market.

Approvals and Authorities

- Foreign investments must be registered with the Colombian Central Bank (Banco de la Republica) as a requirement for the foreign investor to be able to reach foreign exchange rights.
- The Superintendent of Companies has authority to control and sanction operations related to foreign investment that are conducted by companies in general. And also the tax authority (DIAN) is authorized to control and sanction foreign exchange infractions related to foreign trade operations and foreign indebtedness derived therefrom.

Foreign Exchange Rights

- To remit profits generated periodically for the investments.
- To reinvest the profits or retain them in the surplus of undistributed profits with right of transfer.
- To capitalize sums with right of transfer.
- To remit abroad, in freely convertible currency, sums received either from the transfer of the investment inside the country, from the liquidation of the company or the portfolio, or from a decrease in the capital of the company or the portfolio.

Exchange Control

- Governed by the Exchange Control Department of the Colombian Central Bank (Banco de la Republica).
- The following operations need to be channeled through the foreign exchange market and exchange market intermediaries: importation and exportation of goods; foreign debt operations; foreign capital investments; guarantees and surety agreements in foreign currencies; and derivative operations.

Free Trade Markets and Treaties

- Colombia participates in the negotiation and signing of Bilateral Investment Treaties (BIT) and Free Trade Agreements (FTA) regarding foreign investments clear rules which include international arbitration.
- FTA examples with foreign investment provisions in force with Mexico, Chile, Guatemala, Honduras, El Salvador and BIT with Peru, Spain and Switzerland.
- FTA which includes investment chapters have been signed with the United States, Canada, Iceland, Liechtenstein, Norway, and Switzerland and BIT with Peru (a deeper agreement that the one in force), with India, China, and the UK.
- Colombia is member of the Andean Community of Nations – CAN with Peru, Ecuador and Bolivia.

TAXATION

- The Colombian tax system has different levels depending on the political map division: national taxes (departmental) and sub-national taxes (municipal).

National taxes:

- **Income Tax**
 - o Companies, branches and other bodies established in the country the income tax rate is 25 % for annual period. Income tax is determined as a rule of the excess of revenue earned over deductible costs and expenses. Also the presumptive income system is an alternate method that operates by a legal presumption that this tax is not lower than 3% of the net assets as of December 31 of the year prior to the current taxable year. In the case of Industrial Users of good and services located in a Free Trade Zone, the income tax rate is 15%.

- **Income Tax for Equality**
 - o For companies there is also an Income Tax for equality (CREE) with a 9% rate for the years 2013, 2014, 2015, and then it will be reduced to an 8% rate for the following years. According with the latest tax reform for the years 2016, 2017 and 2018 will be a surcharge rate depending of exceeding the amount of COP \$ 800 million (USD \$400.000) on the tax base CREE.
- **Value Added Tax (VAT)**
 - o It taxes the sales of movable property that are not fixed assets, the delivery of services within the national territory and the import of movable property. The general rate is 16%.
- **National Consumption Tax**
 - o It taxes the sales of food prepared in restaurants, bars or nightclubs at an 8% rate.

Municipal Taxes:

- **Industry and Commerce Tax**
 - o It is a local tax imposed on revenue generated from industrial, commercial or service activities carried out in the corresponding municipality with a rate ranging between 0.2% and 1%.
- **Unified Property Tax**
 - o It taxes the ownership of real state property located in urban areas, with a rate ranging between 0.4% and 1.2% of the good's value.
- **Agreements for avoiding double taxation**
 - o In order to avoid double taxation and prevent evasion, Colombia has signed double taxation treaties with the following countries and communities: (i) Andean Community of Nations; (ii) Chile; (iii) Mexico; (iv) Canada; (v) Spain; (vi) Switzerland and it is expected with Korea, India and others.
 - o There are other agreements for avoiding double taxation in specific matters entered into with Argentina, Brazil, Germany, Italy, Panama and the United States.
 - o Lastly, other treaties are also under negotiation with, the Netherlands, Belgium, Czech Republic, Japan, France, Israel and the United Arab Emirates.

LABOR REGIME

- The ordinary workday covers a maximum of eight (8) hours per day and forty-eight (48) hours per week, which can be distributed from Monday to Friday or Monday to Saturday. The law also allows reaching agreements with workers on flexible working hours.
- Employment contracts can be classified in different ways. Depending on their duration, they can be classified as follows:
 - o **Fixed-term contract:** Its duration may not exceed three (3) years. However, the parties may extend it indefinitely.
 - o **For the duration of a work or a contracted job:** Its duration is equal to the duration of the assigned task.

- o **Occasional or Temporary Contract:** Its length is not greater than one (1) month and it refers to tasks that are different from the normal activities of the employer.
 - o **Indefinite Term Contract:** A term is not stipulated and its length is not determined by the work or nature of the contracted job. It does not refer to an occasional or temporary job either.
- Contracts can also be classified in written or oral exams. The following types of contract must always be written:
 - o Fixed term contracts, their extensions and the advanced termination notice.
 - o The contracts signed with foreigners that are non-resident in the country.
 - o Contracts through which ten (10) or more workers are moved to provide their services out of the country (collective hiring).
 - Trial Period is the term corresponding to the initial phase of the employment contract which aims to allow the employer to evaluate the worker skills. It also allows the employee to evaluate the convenience of work conditions. This period may not exceed two (2) months for most of the contracts. In particular, fixed-term contracts with a less than one (1) year length, cannot have a trial period longer than 1/5 of the initial term agreed in the contract.

OBLIGATIONS RELATED TO WAGES AND BENEFITS

Every employer in Colombia, under any type of labor contract, has the obligation to pay a salary for rendered services as well as the social benefits generated during the validity of the labor relationship, as follows:

Wages

- Every employer must pay its workers the monthly wages agreed in the employment contract. There are several modalities of salary in Colombia, including ordinary wages, which cannot be less than the minimum legal monthly wage in force (for year 2015 it is the sum of COP \$644.350). In addition, there is another modality of salary besides the ordinary one, called Integral Salary, whereby an employee is paid more than ten minimum legal monthly wages plus a 30% as a benefit factor (it means the employer is paying in advance fringe benefits and the overtime surcharge if it is agreed), this modality of salary has to be agreed in writing by the parties.
- The minimum value for the integral salary set by the National Government for 2015 is the amount of COP \$8.376.550. Any sum above this amount can be agreed in writing as an integral salary and the employer shall only be liable for paying vacations.

Social Benefits

- Every worker earning an ordinary salary is entitled to the periodic recognition, by its employer, of the following social benefits:

Benefit	Description	Calculation
Severance	One month of wages, including transport subsidy per year of services or proportional.	(Average wages of the last 12 months plus transport subsidy, times the number of days worked in the year) / 360
Interest on Severance	12% of the full value of the severance benefit per year or proportional.	(Severance x number of days worked in the year x 12%) / 360
Service Bonus	One month of wages, including transport subsidy. It is paid as follows: 15 days in June and 15 days in December proportional to time worked each semester.	(Average wages of the last 6 months plus transport subsidy, times the number of days worked in the half-year period) / 360
Vacations	Fifteen (15) business days' paid leave per year of services or proportional.	(Average wages of the last 12 months x number of days worked in the year) / 720
* Social benefits are originated when the worker is under the ordinary type of salary; in <i>Integral Salary</i> , only vacations are due.		

Social Security and Para-Fiscal Contributions

A company with one (1) or more employee must enroll to the following entities:

- **Family Compensation Bureau:** Every company with employees must enrol in a Family Compensation Bureau within the city or municipality where the payroll is paid and also Para-Fiscal contributions assigned to the payment of the Family Subsidy on a monthly basis must be paid.
- **Labour Risk Insurer (ARL):** In addition, every company must enroll in a ARL, entity that will arrange and determine the applicable risk to the company according to its economic activity and that subsequently will cover the derived risks from the labour activities of all the employees of such company.
- **Workers Enrollment:** Any company with employees under any kind of contract must enroll its workers in (i) a Health Promotion Entity (EPS) to cover all of the employee's risk due to general disease; (ii) a Pension fund to cover the employee's risk of disability, old age and death; (iii) a Labour Risk Insurer (ARL) to cover all of the employee's risks of professional disease or working accident, and (iv) A Family Compensation Bureau to provide welfare to the worker and its family and pay the Family Subsidy, if applicable.

Monthly contributions to the aforementioned institutions are paid as follows:

Item	Monthly Percentage
Health	Since the new tax statute is enforced, employers are not entitled to contribute the 8.5% of the salaries to the social security system in health, this contribution is taken from the CREE (a special tax for the utilities of the company). The employee has to pay the 4% of his salary.
Pensions	16% of the monthly wages (12% a paid by the employer and 4% paid by the employee). On top of this, and additional contribution to the Pension Solidarity Fund must be added when the employees earn more than 4 minimum monthly wages and up to 20 minimum monthly wages, in a percentage ranging between 1% and 2%.
Labor Risks	From 0.522% up to 8.7% of the monthly wages depending of the type of risk set by the ARL (fully payable by the employer). When an employee earns more than 10 minimum legal monthly wages, the employer is entitled to pay an additional 5% of the payroll of the employee as a payroll tax, 2% goes to the SENA (Educational National System) and 3% goes to the ICBF (National Children Institute).
Family Compensation Bureau Contributions	4% of the full monthly payroll (fully payable by the employer).

IMMIGRATION PROCEDURES

Visa and Foreigner's Identity Card

- If the foreigner comes to Colombia to provide personal services, contracted by a private company with domicile or a branch in Colombia, he/she must apply for a Temporary Work TP-4 Visa. This type of visa is processed by Colombian Consulates on request and is the responsibility of the company validating the application. It may be granted for a term of up to three (3) years for multiple entries.
- On the other hand, for foreign crew members or members of an international mean of transport, a Crew Member Visa must be processed before the consular offices of the Republic of Colombia for entering and staying in the national territory. The validity of a Crew Member Visa can be up to one (1) year.
- When a foreign comes to Colombia in activities different from providing personal services as an employee, it is necessary to obtain the required visa or special permanent permit, according with the activities to be developed and the length of his stay in the country.

- In addition, all foreign persons who enter Colombia with a visa valid for more than three (3) months must appear before the Oficina de Migración Colombia within the fifteen (15) calendar days following their entry into national territory to register as a foreigner and apply for the respective foreigner's identity card.

Types of Visa

- **Business Visa:** It is for retailers, industry people, goods and services suppliers, or people wishing to get into the country for business purposes or in order to carry out market studies, dealing future sales or settling commercial presence in the country. It is also for legal representatives, directors, managers or executives of foreign commercial, service or industrial companies which have an economic link with a national or foreign company in Colombia and that are able to develop activities related to business management.
- **Temporary Visa:** This visa is granted to foreigners hired by local companies to develop activities in which they are experts, such as technicians, journalists, people belonging to artistic groups and legal representatives, among others. It is also granted to those who intend to enter into the country under academic agreements between higher education institutions or inter-administrative agreements in specialized areas. There are 13 different types of temporary visas depending on the type of activities of the foreigner.
 - o People designated by a state body or institution. Directors, technicians or administrative staff of public or private foreign bodies, commercial or industrial, who have been transferred from abroad to work in specific positions in their companies.
- **Resident Visa:** May be granted to the foreigner who wishes to enter to Colombian territory and reside in it when: (i) One of the parents is a Colombian national; (ii) The foreigner has held selected TP visas for an uninterrupted minimum time of 5 continuous years; (iii) The foreigner has had a TP-10 visa for a minimum of 3 continuous and uninterrupted years; (iv) The foreigner in his condition of investor has registered Foreign Direct Investment with the Central Bank in an amount of more than 650 current legal monthly minimum salaries.
- The foreign with an RE visa is authorized to exercise any legal activity in the country, including those that are developed in accordance to a work contract. This visa will be granted and in no way contradicting the legal requirements established for the exercise of these activities in the national territory.

INTELLECTUAL PROPERTY

- In Colombia, intellectual property is regulated by Decision 486 of 2000 of the Andean Community. By means of this Decision, intellectual property matters in Colombia, Peru and Ecuador were given a unified regulation concerning trademarks, commercial labels, commercial names, patents and industry designs, thus simplifying registration proceedings, amongst other benefits.

- Currently, the Superintendence of Industry and Commerce is the designated authority in Colombia for most IP matters and is thusly responsible for almost all of the proceedings concerning trademarks, patents, industry designs and others.

Industrial Property

- **Distinctive Signs**
 - o **Trademarks:** Trademarks identify products and services within each relevant class of the Nice Classification, and once granted, their owner will enjoy a protection lasting ten (10) years, after which it must be renewed.
 - o **Slogans:** It is the word or phrase used as a complement for a trademark. The registration of a slogan must be requested before SIC and will represent the products and services that identify the trademark.
 - o **Tradenames and business signs:** Designations of origin. The authorization for using a protected appellation of origin shall have a duration of ten (10) years, which can be renewed for equal periods.
- **New Creations: Patents**
 - o They are property titles conferred by the government of a country which give their holders the right to temporarily prevent others from manufacturing, selling, or commercially using protected inventions.
 - **Invention Patents:** The use right is granted for 20 years.
 - **Utility Model Patents:** The use right is granted for 10 years.
 - **Industrial Design:** 10 years from the last day of the year when the first commercial exploitation of the layout scheme was completed anywhere in the world or the date on which the application for registration was submitted in a member country of the Andean Community, whichever comes first.

Copyrights

- In Colombia, the protection on a new artistic or literary work, including software, is granted through copyright. Copyright protection is equal to the life of the author plus 80 years. Since protection of moral rights is non-transferable and imprescriptible, it is indefinite.
- Unlike with industrial property rights, copyrights over these works are granted with their creation and not their registration. However, works may be registered before the National Copyrights Directorate, to establish a legal presumption of first-use, which is beneficial in the event of copyright litigation.

DISPUTE RESOLUTION

- In Colombia, the Arbitration National Statute was adopted (Act 1563 of 2012), which main purpose is promoting the use of an alternative mechanism for dispute resolution (ADR). The parties shall agree to use an arbitration agreement to solve any further controversy, which implies that the parties renounce to assert their claims before the courts.

- Even though this statute is close to the law model from Uncitral, a division between national and international arbitration was kept. This way the two regimes are kept, which is different from what happens in other countries such as Peru.
- The parties may choose the formation of the Panel, which will be composed of three (3) arbitrators; president, arbitrator for part A and arbitrator for part B. They must be registered in the Chambers of Commerce.
- Since 1997, Colombia has been part of the International Convention for Settlement of International Disputes (ICSID), an institution responsible for supporting the processes of resolution of disputes that may arise between investors and the government.





COSTA RICA

- Republic of Costa Rica, is a country located in Central America, bordered by Nicaragua to the north, Panama to the southeast, the Pacific Ocean to the west, the Caribbean Sea to the east, and Ecuador to the south of Cocos Island.
- Costa Rica was sparsely inhabited by indigenous people before it came under Spanish rule in the 16th century. Once a poor and isolated colony, since becoming independent in the 19th century.
- The system of government is a constitutional republic. It is the only Latin American country to have been a democracy since 1950 or earlier. It constitutionally abolished its army permanently in 1949, becoming the first and one of the few sovereign nations without a standing army.
- Total Area: 51.100 square kilometres.
- Climate: The climate is tropical year round. However, the country has many microclimates depending on elevation, rainfall, topography, and by the geography of each particular region.
- Population: 4.301.712 inhabitants.
- The official language is Spanish.
- The monetary unit is the Colon.

LEGAL SYSTEM

- The Costa Rican government is ruled by a series of constitutional controls. The executive responsibilities rest on the president, and a congressman cabinet composed of 57 members in charge of approving the laws, all of them are elected every four years.
- The country has a strong legal system that manages the 'Judicial Power', which ensures law compliance and covers nationals, as well as foreigners within the country's territory.
- The 2012 World Bank Study for Global Governance Indicators ranks Costa Rica in the second place within Latin America for political stability.

THE ECONOMY

- Costa Rica's economy was historically based on agriculture, and this has had a large cultural impact through the years. Costa Rica's main cash crops, both historically and up to modern times, were coffee and bananas.
- However, since the mid-nineties the strength in the non-traditional export and tourism sector has relegated the

traditional sectors, including agriculture. The strength of these areas is based on the trade liberalization, which has allowed exports to surpass its 30% ratio of GDP in 1980 to a 38% rate in 2012 (includes exports of goods and services)

- Hybrid electronic circuits was the leading durable export category in 2013, followed by pineapple, banana, medical equipment, medical bio products, and coffee, juices, prosthetics, and surgery tools; these categories added up to over 50% of exports.

SEVERAL FUNCTIONS OF THE CENTRAL BANK OF COSTA RICA

- The Costa Rica Central Bank main objective is to control inflation, and is also responsible for the issuance and management of bills and coins.
- The Costa Rica Central Bank also seeks to maintain the external value and the currency conversion.
- It custody and administrate the international monetary reserves of the nation.
- Defines and manage the monetary and exchange rate policy.

- Serves as counsel and State bank-teller.
- Promotes the strengthening of favourable conditions, liquidity, solvency and proper functioning of the National Financial System.

SEVERAL FUNCTIONS OF THE CENTRAL BANK OF COSTA RICA

- The Costa Rica Central Bank main objective is to control inflation, and is also responsible for the issuance and management of bills and coins.
- The Costa Rica Central Bank also seeks to maintain the external value and the currency conversion.
- It custody and administrate the international monetary reserves of the nation.
- Defines and manage the monetary and exchange rate policy.
- Serves as counsel and State bank-teller.
- Promotes the strengthening of favourable conditions, liquidity, solvency and proper functioning of the National Financial System.

TAX REGIME

- Costa Rica tax regime is still ruled by a territorial principle, which establishes that contributors will be subject of taxes only for income generated within the country.
- The ordinary tax fiscal period begins on October 1 of one year and ends on September 30 of the following year (12 months). There are also other tax periods that may be authorized depending on the activity of the taxpayer, which is referred to as "special tax period." The dates for submission of statements vary for different fiscal periods.
- Taxpayers have being divided in four categories: individuals, legal entities, consumers and producers. They are obligated to pay direct or indirect taxes according to their activities.
- There are some exonerations the tax payers may apply if they are subject to it.

FREE TRADE ZONE

- The Free Trade Zone Regime is a collection of incentives and benefits that the State grants to companies making new investments in the country, as long as the companies comply with the requisites and obligations established in the pertinent Free Trade Zone Regime Law, N° 7210 of November 23, 1990 and its amendments and regulations.
- The application to be a beneficiary of the Free Trade Zone Regime is processed by the International Trade Promoter (PROCOMER). Nevertheless, it requires the approval from the Ministry of Foreign Trade, and the President of the Republic.
- The companies that may apply shall be classified under one of the following categories: processing for export, traders, services export, free trade zone park administrators, investigation and

research companies, companies that operate shipyards and docks and processing companies whether they export or not or supplier companies to other FTZ.

COMPANIES STRUCTURES IN COSTA RICA

- In order to register a business enterprise, a public deed has to be drafted by a Notary Public and such deed has to be presented before the Mercantile Registry, with the objective of registering it and to obtain the corporate identification number.
- The commonly used structures for corporations in Costa Rica are: Public Limited Company (Sociedad Anonima), Limited Liability Company (Sociedad de Responsabilidad Limitada), Branch of A Foreign Corporation
- According to the Law 9024, an annual tax should be paid every January by all companies, branches of foreign companies and their representatives, and limited liability companies, in addition to those taxes currently paid for these entities (educación y cultura stamp, income tax, among others). Yet, this tax has been declared unconstitutional from January 2016.

OPERATION OF A BUSINESS

- In order to operate a business in Costa Rica, some authorizations and permits must be acquired.
- Taxpayer Registry, after the registration of the company at the Mercantile Registry, it has to be registered as a taxpayer before the General Income Tax Office.
- National Insurance Institute (INS in Spanish), to conform to the Costa Rican Labor Code, the employer must secure an occupational risk insurance policy for its employees. For this purpose the employer has to underwrite a policy from the National Institute of Insurance (INS). The policy has to be underwritten at the beginning of the operation and has to be in force during the operation.
- Costa Rican Social Security Office (CCSS in Spanish), pursuant to Costa Rican legislation, the employer must contribute to the social security system of its employees. To this effect, prior to paying the social security contributions, it must register as an employer at the central or regional offices of the CCSS.
- Ministry Of Public Health: Operation Certificate. In accordance with the General Health Law, prior to the initiation of operations, companies must request authorization, or an Operation Certificate, from the Ministry of Public Health.
- Municipal License. All lucrative activities require a municipal license (or permit) from the canton in which the activity is developed. The license involves the payment of a tax during the time of operations (Municipal Code, Law N° 7794, Article 79).

EMPLOYMENT

- In Costa Rica, the employment matters are primarily regulated by a Labor Code, which establishes the general rules governing all labor relationships. There are other important laws such

as the Law of Labor-Related Risks and the Law for Worker's Protection, also there are several administrative regulations emitted by the Labor Ministry that must be taken into consideration, such as the decrees establishing minimum wages that is updated every six months.

- Moreover, the companies can create their own internal rulings, to include for example their worldwide policies or manuals. These internal rulings must be approved and registered by the Labor Ministry.
- Salary can be stipulated freely, but cannot be less than the minimum wage set by the National Wages Council for the specific activity or work. The agreement or consent of the employee to be paid a sum less than the salary that corresponds to its services is not allowed.
- The Labor Code establishes a list of justified causes for an employee's dismissal; in these cases the employer will only be liable for the payment of wages, proportional vacation time and Christmas Bonus.
- Severance Pay (Cesantia), it is an economic indemnification for the employee or his/her family, when the labor relationship ends because of an unjustified dismissal, age retirement or death of the employee.

IMMIGRATION

- There are several migratory category options, however just the categories such as executives of a company or workers of a specific field (agriculture, construction or domestic services) or residents with free migratory condition are allowed to work. Therefore is important before come to Costa Rica get an advice, to know which labor categories are immigrants allowed to work.
- A request for residency in Costa Rica should be submitted to the Costa Rican Consulate in the country of origin or residency or at the General Migration and Foreign Affairs Office, in Costa Rica. It's important to check the requisites for each residency categories, because the requirements may vary.
- Companies which qualify under one of the categories established by law may request a special recognition from the migration authorities once the Migration Office grants the recognition to the company, its executives, representatives, managers and technical personnel, etc. can apply for their residency in a more expedite procedure.

INTELLECTUAL PROPERTY RIGHTS

- Intellectual Property in Costa Rica is protected by the different IP Laws and Bylaws, as well as several international treaties.
- The IP Office at the Public Registry is the entity in charge of the administration and regulation of the process for the registration of copyrights, trademarks, patents, industrial designs, geographical denominations, etc.
- The Costa Rican IP Office, the Administrative Court and specialized Courts are in charge of the IP Rights enforcement in Costa Rica.
- IP rights and inscription processes is regulated by special laws and bylaws on every matter and also for international treaties such as CAFTA, PCT, WCT, Paris Convention, and Brussels Conventions among others.





CURAÇAO

- Curaçao is an island in the southern Caribbean Sea off the Venezuelan coast. It includes the main island plus the small, uninhabited island of Klein Curaçao ("Little Curaçao").
- Curaçao is one of the five island territories of the former Netherlands Antilles, in existence until the constitutional reform of October 10, 2010.
- Curaçao is an autonomous country within the Kingdom of the Netherlands, which consists of the following four countries: the Netherlands and its three public bodies Bonaire, Sint Eustatius, and Saba (also known as "BES islands"); Curaçao; Aruba; and Sint Maarten.
- Curaçao enjoys self-determination on all internal matters and defers to the Kingdom in matters of defense, foreign policy, and some judicial matters.
- The system of government of Curaçao is a parliamentary democracy based on the Dutch model.
- Total Area: 444 km².
- Climate: Tropical maritime climate with an average temperature that ranges from 25.3°C to 31.2°C.
- Population: 154,843 as of January 1, 2014.
- The official languages are Dutch, English, and Papiamentu, a multifaceted Creole language based on Portuguese, Spanish, Dutch, English, and several African dialects.
- Race/religion: Multicultural and multidenominational.
- The monetary unit is the Netherlands Antillean guilder (ANG). The exchange rate has been pegged to the US dollar since 1971 as more than 60% of the Central Bank of Curaçao and Sint Maarten's international trade relations have been conducted with the United States or using US dollars.

LEGAL SYSTEM

- Curaçao has an independent and high-quality legal system which is based on the Dutch civil law system. As a Netherlands protectorate Curaçao enjoys European Union market privileges.
- Curaçao has a Court of First Instance, and as appellate court a Common Court of Justice of Aruba, Curaçao, St. Maarten, and of Bonaire, St. Eustatius, and Saba. The Supreme Court in The Hague is also the Supreme Court for Curaçao, Aruba, St. Maarten, the BES islands, and the Netherlands itself.

THE ECONOMY

- Tourism, financial services, and oil refining have been the mainstays of the Curaçao economy since the 1970s.
- Shipping, international trade, and other activities related to the port of Willemstad also make a contribution to the economy.
- Curaçao has free access to foreign currencies, such as the US dollar and the Euro.

SEVERAL FUNCTIONS OF THE CENTRAL BANK OF CURAÇAO AND SINT MAARTEN

- The bank's most important objectives are to maintain the external stability of the Netherlands Antillean guilder and to promote the efficient functioning of the financial system in the countries Curaçao and St. Maarten.
- The bank supervises banking and credit institutions to guarantee depositors and other creditors funds at banking and credit institutions in particular and the soundness of the financial sector in general.
- The bank is also entrusted with the supervision of trust service providers, fund administrators and the insurance industry.
- The bank manages the foreign exchange reserves, which includes regulating the transfer of payments between residents and non-residents of the countries Curaçao and Sint Maarten.

TAX REGIME

- Curaçao offers a wide variety of tax-exempt, low-, and high-tax solutions for international businesses.
- Curaçao has concluded a large number of treaties such as investment protection agreements, tax information exchange agreements, and agreements for the avoidance of double taxation, crucial to the development of Curaçao's financial services sector.
- For the development of hotels and similar recreational businesses a tax holiday may be obtained if the minimum investment amounts to at least ANG 1,000,000. Similar tax holidays apply to export industries, project development, and large enterprises.

E-ZONE

- The Curaçao E-zone consists of a series of physical locations that are appointed by the Curaçao Minister of Economic Affairs to stimulate the local economy by offering import, export, and general trading incentives, as well as online services.
- Companies established in one of these zones enjoy a complete exemption from import duties and turnover tax.
- Their net profits are taxed at a flat rate of 2%.
- As of January 1, 2014 an export facility was introduced, which is a tax incentive for companies that are practically exclusively aimed at exporting goods and services. The income of these companies is taxed against an effective tax rate of approximately 4%.
- The domiciliation of the companies is in curacao and they are required to have real substance which is appropriate for the nature and size of the activities of the companies.
- Activities that are permitted are: the export of goods, international trade and services, performing maintenance and repairs on machines located abroad, e-commerce and other services on behalf of foreign clients.

- Other benefits are that the tax incentive is not restricted to designated zones and that advance permits are not required to apply for the export facility.

FINANCIAL SERVICES

- Being a financial center, numerous international companies are based in Curaçao. International companies, also known as off-shore companies, are organized under the laws of Curaçao, or managed and controlled in Curaçao, and do not conduct trade or business within Curaçao or with residents of Curaçao.
- Such companies are considered resident companies for Curaçao tax purposes, but can be granted preferential tax rates.
- As of January 1, 2001, aforementioned companies are grandfathered into the off-shore tax regime until the end of the financial year starting on or before July 1, 2019.
- International companies to which the off-shore regime applies may elect to apply for the participation exemption of the new fiscal regime.
- Curaçao is home to all major corporate management providers that offer domiciliation and management to all sorts of international companies.

FUNDS

- Curaçao was named the number one location for hedge fund administration services in 2008, outperforming jurisdictions like Singapore, Hong Kong, Luxembourg, the Netherlands, and the Cayman Islands.
- Besides domiciliation of these funds, the administration of such funds also takes place in Curaçao.

GAMING

- Online gaming is a legitimate business activity provided the e-gaming company has obtained the proper license.
- Basic requirements for applying for a license are compliance with due diligence and KYC policies, full identification of ultimate beneficial owners, as well as a detailed and transparent description of the games.

DUTCH CARIBBEAN SECURITIES EXCHANGE

- In 2010, Curaçao launched the Dutch Caribbean Securities Exchange. The DCSX is an ideal place for the listing and trading in domestic and international securities. Because of its efficient listing procedure, the supervision by the central bank of Curaçao and Sint Maarten and its civil legal framework, the DCSX is quickly becoming a listing destination of choice for especially Latin America. The DCSX has also been identified by European, US, and Asian markets as an attractive alternative for listing of international funds.
- Licensed listing advisors can guide the listing process.
- The DCSX is a correspondent exchange of the World Federation of Exchanges (WFE).

PRIVATE FOUNDATION

- In November 1998 Curaçao introduced a new form of Foundation called the "Private Foundation" (in Dutch the "Stichting Particulier Fonds" or "SPF") which differs fundamentally from the traditional foundation.
- This special form of foundation has been introduced with the principal aim to serve as an alternative to the Anglo-American Trust, with a view to separating private assets from private estates by way of transferring these assets to separate legal entities for purposes such as asset protection.
- Assets or capital may for example be protected against political interference or expropriation, criminal risks such as kidnapping, economic risks such as product liability, or other types of risks such as spendthrift.
- An SPF is typically used for purposes of asset protection, estate planning, tax planning, preservation of family assets, holding of shares and investments, and managing assets.
- The SPF is in principle tax exempt, but may elect to be taxed. An SPF may not conduct a business or enterprise, and thus should be passive.

THE CURAÇAO TRUST

- On January 1, 2012, new legislation entered into force which made it possible to set up an Anglo-American Trust pursuant to Curacao Law.
- The Curaçao trust can be used for many different purposes like estate and inheritance planning, pension or investment fund, finance and security structures, and promoting charitable objectives.

OTHER LEGAL ENTITIES

- The private limited liability company ("BV") is a flexible and highly modern form of corporation. The option of a company "managed by shareholders" is introduced for the BV, comparable to the American member-managed limited liability company. The BV is in principle subject to profit tax. However, a full exemption can be applied for if the activities are investing in debt instruments, securities, and deposits, and the exemption is applied for within three months of incorporation.
- The *Commanditaire Vennootschap* ("CV") is a limited partnership in which there is a distinction drawn between the limited partners and the general or managing partners. The general or managing partners manage the affairs of the CV and represent it in dealings with third parties. They are jointly and severally liable for the debts of the CV. A limited partner contributes to the partnership a certain amount of capital. His liability is limited to the amount of capital contributed.
- The *Vennootschap Onder Firma* ("VOF") is a general partnership in which the individual partners are jointly and severally liable for the debts of the partnership.
- Taxation of the VOF and CV: The VOF is not considered a separate entity for profit tax purposes. Therefore, the partners

in the VOF are each individually subject to tax on their share in the profit of the VOF. The same applies to the CV. The exception is the so-called CV by shares. The CV by shares is considered a separate entity for profit tax purposes. The CV is then subject to tax, but only on the profit share of the limited partners. The general partner remains himself subject to tax on his profit.

- A proprietorship (*eenmanszaak*) is a form of business where there is no distinction between the business assets and personal assets. As the owner of a one-man business, you will be personally liable for all obligations of the business.
- A foundation (*stichting*) is a legal entity in its own right with its own assets and liabilities. The *stichting* is still frequently used by/for religious and nonprofit organizations.

SHIPPING

- Curaçao has been a recognized jurisdiction for the registration of commercial ships for over half a century amongst others due to its naturally protected deep sea harbor which makes it easily accessible by large freight ships. Curaçao has the largest dry dock facility in the entire Caribbean and is located outside the hurricane belt.
- To make Curacao even more attractive for the establishment of shipping business, a tonnage tax was introduced limiting taxation to a profit calculated on the basis of a taxable amount per net tonnage.
- A great advantage of the tonnage tax is the very broad definition of "vessel." In principle every legitimate use of a vessel (outside the territorial waters of Curaçao) is eligible for the tonnage tax.
- Thus, specialized ships like survey, fishing, cable-lying and dredging vessels, tugboats, oil rigs, and also ship management all qualify for tonnage-based taxation instead of being taxed on their actual operating results.

INFRASTRUCTURE

- Curaçao enjoys a well-developed infrastructure.
- The telecommunications infrastructure in Curaçao is highly developed with broadband Internet access on a par with world financial services centres.
- The ports of Curaçao are the most modern and efficient container ports in the Caribbean and offer safe, fast, efficient and reliable handling of both ships and cargo.
- In 2010 CTEX was established and together with regional banks, pension funds and private investors the company is operating the region's most advanced datacenter. CTEX is working with companies in the oil & gas, financial services, government, transportation & logistics, utilities and telecom industries located throughout the region. Their goal is to leverage a state-of-the-art facility to deliver highly advanced and specialized industry solutions.

- In June 2013 CTEX achieve Tier-IV 'Design' certification, the highest and most stringent certification to meet.

EMPLOYMENT

- Curaçao general labor law is largely regulated in the civil code which contains stipulations about what agreements are considered to be employment agreements, the term of the employment contract, and the ways in which the employment contract can be terminated.
- More specific areas of labor law are regulated in separate national ordinances, for example the obligation to pay overtime, minimum wages, and labor circumstances.
- The labor law has tried to combine flexibility for the employer with security and protection for the employee.
- For certain business sectors that are important to the Curaçao economy the regulations with regard to, for example, overtime are more liberal, to encourage these sectors.
- The collective labor agreement is growing in popularity. This is an agreement between one or more employers and one or more trade unions in which rules are given for employment conditions which have to be observed in employment agreements.
- This collective labor agreement is used to regulate employment conditions and fringe benefits uniformly for a large group or all employees of a company.
- A collective labor agreement is negotiated between the company and the union. The employees are entitled to representation by a union. Representation by a union can be forced by the employees by holding an election within the company to decide which union represents the majority of the employees.

IMMIGRATION

- Foreign nationals require a residence permit as well as a work permit in order to legally reside in Curaçao.
- The National Ordinance on Admission and Expulsion addresses the terms and conditions of admission to Curaçao.
- A prerequisite of obtaining a permit is having a job.
- The application process of a residence or work permit takes approximately three months.
- Tourists are allowed to enter Curaçao without a temporary residence permit for a maximum period of 14 to 30 days. For certain nationals such period is three months.

INTELLECTUAL PROPERTY RIGHTS

- Intellectual Property rights (IP rights) protect intellectual efforts, perceivable through tangible objects, that are deemed to be unique. The intellectual effort is the subject of legal acts, such as transfers of ownership and licensing.

- Although copyright, trademarks, and patents are explicitly provided for in local legislation, this does not restrict nor limit the protection of other IP rights in Curaçao.
- Curaçao is a part of the Madrid Protocol, which allows for international registration of trademarks in the other member states through a single registration in Curaçao.
- The Bureau of Intellectual Property ("BIP") of Curacao is the regulatory authority and keeps the trademark register. Apart from trademarks the BIP also receives and processes applications and keeps a record of the so-called i-envelopes, a closed envelope through which ideas are deposited for evidence purposes.
- Patents are regulated by the Kingdom Patent Act 1995 which also applies to Curaçao.





DOMINICAN REPUBLIC

- Dominican Republic is located in the Caribbean, bordered to the north by the Atlantic Ocean; to the east by the Mona Passage, to the west by Haiti; and to the south by the Caribbean Sea, with a total area of 48,442 km².
- Government: Democrat, with three branches of government: executive, legislative and judicial.
- Population: 9,445,281
- Spanish is the national language; English is widely used for business and commercial purposes.
- Currency: Dominican Peso (DOP)
- Climate: Tropical and warm with average temperature that ranges from 23°C and 27°C.
- Investment growth areas include tourism, real estate, mining, energy, construction, aviation, free zone, telecommunications, industrial and agricultural.

BUSINESS PRESENCE

- Foreign investors may conduct business in Dominican Republic either through a Dominican company or by establishing a branch of a foreign company.
- To establish a branch in the country, it is required to register the company in the Mercantile Registry at the Chamber of Commerce and Production and also obtain a Taxpayer ID.
- Foreign companies and local corporations that are registered have the same tax liability (treatment).
- There are no restrictions as to the nationality of the partners. All shareholders can be foreigners.
- To register a foreign company, all incorporation documents must be authenticated with an apostille or legalized by the correspondent Dominican consulate in the country of origin.

Main types of business models in Dominican Republic:

Dominican corporate law recognizes different types of commercial entities. Depending on the activities and operations, the most frequently used corporate vehicles are the following:

- Limited Liability Company (S.R.L.): Recommended for small business, managed by one or several officers (managers). The company's name must be followed by the suffix "Sociedad de Responsabilidad Limitada" or its abbreviation "SRL". The minimum capital required is RD\$100,000.00 with an individual nominal value of RD\$100.00 per social part. A minimum of two partners is required, whose liability is limited to their contribution. All managers must be individuals.

- Shareholder Corporation (S.A.): Recommended for large business. The company's name must be followed by the suffix "Sociedad de Anónima" or its abbreviation "S.A.". A minimum authorized capital of RD\$30,000,000.00 is required, of which a 10% must be paid and subscribed. Corporate capital is represented in shares with a minimum nominal value of RD\$1.00, which are essentially negotiable. Shareholder Corporations are managed by a Board of Administration with a minimum of three members. Legal entities may not serve as president or vice-president in this type of company. A vigilance officer must be appointed.
- Simplified Shareholder Corporation (S.A.S.): Recommended for medium business. Is a limited liability company formed by two or more partners. The corporate name must contain the suffix "Sociedad Anónima Simplificada" or "SAS". A minimum of two partners is required. A minimum authorized capital of RD\$3,000,000.00 is required, of which a 10% must be paid and subscribed. These companies are managed by a Board of Directors composed by a minimum of three members or by a sole manager.

FOREIGN INVESTMENT

- Dominican Republic provides a positive legal framework that promotes and protects foreign investment. The Dominican constitution grants to foreign investors the same rights as local investors.
- There are no restrictions on foreign investment; it is permitted in all sectors of the economy.

- The Export and Investments Center of the Dominican Republic (CEI-RD) is the official agency responsible for the promotion of foreign trade and investment in the country.
- Investments must be registered before CEI-RD to benefit from the provisions of Foreign Investment Law and Law 98-03.
- Investors interested in establishing Free Zones in the country should register the investment before the National Counsel of Free Zones.
- Foreign investment is restricted in certain activities such as toxic, hazardous or radioactive waste, activities that affect public health and environment and production of materials or equipment directly related to national security, unless authorized by the government.

Types of foreign investment in Dominican Republic

- Foreign Direct Investment (FDI): Consists of monetary contributions made by individuals or companies from abroad (foreigners or foreign residents) to the capital of an enterprise operating in national territory.
- Foreign Reinvestment: Investment made in capital of the enterprise operating in national territory by a foreign investment registered in Dominican Republic with the profits received from such enterprise.
- New Foreign Investment: Investment made to a different enterprise with profits coming from the enterprise operating in national territory by a foreign investment registered in Dominican Republic.

EXCHANGE CONTROL

- The financial and monetary system is regulated by the Monetary and Financial Administration, which includes the Monetary Board, the Central Bank and the Superintendence of Banks.
- The foreign exchange regime in the Dominican Republic is based on the free exchange of national currency against foreign ones; foreign investors are free to deal in any currency.

TAXATION

- Any legal entity or individual residing in the Dominican Republic are subject to the payment of taxes over their income from Dominican sources and from sources outside the Dominican Republic from investments and financial gains. For tax purposes, any person residing in the Dominican Republic for more than 182 days in a year is considered a resident by the Internal Revenue Services (DGII).

Corporate Income Tax and Tax upon Assets

- Income Tax (ISR): Income tax is due by corporations upon their incomes. Corporations pay ISR at a base rate of 27% upon net income.
- Tax upon Assets (ISA): The Tax upon Assets is applied to all assets that are registered in the general balance of the

contributor, not adjusted by inflation, after applying the deductions for depreciation, amortization, provision for unrecoverable accounts receivable, investments in stock in other companies, lots located in rural areas, agricultural real estate, and taxes that have been paid in advance.

- Out of this net assets total, the applicable rate for legal entities with domicile in the country is currently 1%. This percentage will be reduced to 0.5% in 2015, and will disappear in 2016 (Nonetheless, in 2016 (Nonetheless, when the ISA will disappear, Real Estate Property Tax (IPI) will apply again for Real Estate Properties owned by companies).
- The amount paid off as Tax upon assets will be considered a credit against the Income Tax corresponding to the declared fiscal year. In case the liquidated amount is equal or superior to the Tax upon Assets to be paid, the obligation of payment shall be considered extinguished. In conclusion, only the higher amount between the ISR or the ISA has to be paid.
- Income Tax Advance Payments: The law also establishes the payment of monthly advanced payments for the Income Tax, which will be used as payment of the yearly Income Tax. The monthly amount to be paid shall represent 1/12 of:
 - o The amount paid off as Income Tax in the current Fiscal Year, or,
 - o 1.5% of the Gross Income of the current Fiscal Year; whichever the highest.

Nonetheless, if the Tax upon Assets exceeds the Income Tax, no Income Tax Advance shall be paid.

Capital Gain Tax

- Capital gains represent the difference between the sale price and the price of initial acquisition of a capital asset (goods, shares, lands, and other non-depreciative items), adjusted for inflation. Capital gains are taxed at 27%, as part of the Income Tax (ISR).

Excise Tax

- Excise tax (ISC) is applied upon the consumption of luxury goods, transferred or imported, such as jewelry alcoholic beverages, motor vehicles, guns, and tobacco; or services such as Telecommunications or Insurance; among others. Tax rates vary depending on the type of good or service taxed

Value Added Tax

- Value Added Tax (ITBIS) rate is 18% over the transfer and import of industrialized goods, as well as the rendering of services. Physical and legal persons (foreign and domestic) that make transfers and imports of industrialized goods or render services have the obligation to pay this tax. According to Article 23 of the Law #253-12, this percentage should have been reduced to 16% in 2015; nonetheless, this provision remained without effect.
- Nonetheless, some goods and services are exempt of ITBIS: Basic food, financial services, person or goods land transport, electricity, health services, cultural and educational services, etc.

Withholding Taxes**ISR Withholding Tax**

- Payments made abroad: Payments made to non-residents related to Dominican sourced income (such as services provided to Dominican entities, even from abroad) are subject to withholding income tax at the rate of 27% (same rate as ISR). Nonetheless, the Dominican Republic, has signed tax treaties with a number of other countries, avoiding double taxation. Therefore, the income tax withheld in Dominican Republic may be used as a Tax Credit in the other country.

Interests paid regarding foreign loans: A 10% withholding income tax must be paid upon any interests paid regarding foreign loans.

- Payments made to physical persons in Dominican Republic: An up to 10% Withholding Income Tax must be retained upon payments made to resident physical persons.
- Dividends: A 10% tax must be paid as definitive payment of the ISR upon any retained earnings distributed to shareholders. Therefore, the shareholder will receive the amount as a net income, and won't be taxed again under Personal or Corporate ISR. Payments made to headquarters are assimilated as dividends by default.

ITBIS Withholding Tax

- A 30% up to 100% ITBIS Withholding tax may apply, depending of the nature of the goods or services provided to a company.

Other Taxes

- Motor Vehicles Transfers: A 2% tax calculated upon the sale price shall be paid in order to transfer the property of the vehicle.
- Real Estate Transfers: A 3% tax calculated upon the sale price shall be paid in order to transfer the property.
- Tax upon Mortgages: A 2% tax calculated upon the mortgaged amount shall be paid in order to register the mortgage.
- Real Estate Property Tax (IPI): A 1% tax upon properties exceeding USD 150,000.00 each must be yearly paid to the DGII, upon the fraction exceeding USD 157,000.00. Properties subject to the Tax upon Assets (ISA) are exempted (as they already pay ISA).
- Tax upon transfers resulting from death or donation (ISD): A tax calculated upon the value of the transferred asset is due, at a rate of 3% in case of inheritance, 27% in case of donation.
- Excise Tax upon Financial Transactions: A 0.15% Excise Tax is due upon any financial transactions involving checks, electronic transfers or payments made to third parties.
- Tax upon Authorized Capital: A 1% tax is due upon any authorized capital increase.

Transfer Pricing Rules

- Transactions between related parties (national or international) must be documented through a Transfer Pricing Study, and the result should be submitted to the DGII. Transactions between related parties must be concluded at arm's length.

- On the other hand, advanced pricing agreements (APA) may be subscribed to prevent future opposition from the DGII.

Tax and Investment Incentives

- Tax exemptions and investment incentives exist to stimulate investment in activities and products, such as:
- Free Trade Zones: Total Exemption of ISR.
- Cinematography Production Business: Investment amounts made in the Cinematography Production Business can be used as a 25% up to 100% credit against ISR of another Dominican company; and Incomes coming from investments are exempt of ISR if reinvested in Cinematography Production Business.
- Tourism: Developers to first purchasers of accommodation or tourist facilities (villas, apartments, lots, and so on) in certain areas will enjoy Exemption of Real Estate Transfer Tax; Exemption of Import Custom Duties upon all equipment needed for the activity; and Exemption of ISR for 15 years.
- Renewable energy: Exemption of Import Custom Duties upon all equipment needed for the activity; reduced withholding tax for interests paid abroad financing the aforesaid equipment (5%); and investment amounts made can be used as an up to 40% credit against ISR. More specifically, Bioetanol and Biodiesel production companies are exempt of ISR.
- Textile industry: Exemption of Import Custom Duties upon all equipment needed for the activity.
- International Treaties (such as CAFTA-DR) / ProIndustria: Reduction or Exemption of Import Custom Duties upon certain goods.

INTELLECTUAL PROPERTY

- Intellectual property matters are regulated by Industrial Property Law No. 20-00 and Copyright Law No. 65-00.
- Intellectual property protection comprises:
- Inventions: patents, industrial designs and utility models;
- Distinctive signs: trademarks, collective mark, certification mark, trade name, label, emblem, hallmark, geographic indication, designation of origin, well-known distinctive sign;
- Copyrights: Any literary or artistic productions literary, namely, musical or artistic work, sound recording, photography, computer software.
- Dominican Republic is a member of the World Intellectual Property Organization (WIPO) and a signatory of the Paris Convention for the Protection of Industrial Property, Trademark Law Treaty (TLT) and Patent Cooperation Treaty (PCT).

LABOR LAW

- Labor relations, employee and employer rights and obligations are regulated by the Labor Code (Law No. 16-92).
- The Labor Code provides comprehensive protection for workers, with provisions that cannot be modified by a written

employment contract unless it grants workers further favorable conditions than the ones that are set as minimum by law.

- A written contract is not required to establish a work relationship between workers and employers.
- The Labor Code provides the conditions in which work must be performed, suspended and terminated.
- Employment contracts are classified in three types: (1) contracts for a non-specified term, which are the most common employment contracts; (2) contracts for a specific term; (3) contracts for a specific activity.
- The maximum hours of work are 44 per week, limited to 8 hours daily.
- Employees are entitled to 14 working days of paid vacation after a year of uninterrupted labor. After 5 years of service, vacation period is increased to 18 working days.
- The Labor Code requires at least 80% of an enterprise's workforce to be Dominican. Technical or executive positions can be excluded.
- No less than 80% of the payroll must correspond to salary earned by Dominicans (except salaries for technical or executive positions).
- The Dominican Social Security System (Law No. 87-01) recognizes the following insurances: health, labor risks, incapacity and retirement fund. The compliance of this law is mandatory for all employers.

Percentage of insurance contributions:

- Health insurance:
 - Employer contribution: 70% of the quote, equal to 7.09% of the employee salary.
 - Employee contribution: 30% of the quote, equal to 3.04% of their salary.
- Labor risks: Employer contribution is 100%. A fixed base fee of one percent (1%) for all employers. An additional fee varying from zero point one (0.1%) to zero point three percent (0.3%), established on the basis of the branch of activity and risk of each company, these percentages are applied to the amount of salaries subject to contributions of each employee.
- Incapacity and retirement fund:
 - Employer contribution: 70% of the quote, equal to 7.10% of the employee salary.
 - Employee contribution: 30% of the quote, equal to 2.87% of their salary.
- Types of Contract Termination
 - Termination by mutual agreement: By Mutual Consent or Execution of the Contract.
 - Termination by will of one of the parties: Any of the parties (employer or employee), by notice to the other and without cause, exercise the right to terminate the contract of indefinite term.

The party exercising the eviction must give an advance notice to the other. If the party that exercises the eviction doesn't give an advance notice to the other, would have to pay a compensation of a day of salary for each day of advance notice omitted as follows:

Time of continuous work	Advance Notice
From 3 to 6 months of continuous work	7 days of advance notice
From 6 months to 1 year of continuous work	14 days of advance notice
From 1 year and beyond of continuous work	28 days of advance notice

Severance Assistance: If the employer exercises the eviction, is obligated to pay to the employee an unemployment benefit or Severance Assistance, defined as compensation paid to the worker for damages of leaving him unemployed.

The employer must pay the employee this compensation within the next 10 calendar days from the eviction, if the employee doesn't pay the severance assistance in that term, would have to pay in addition, a day of salary for each day of delay until the complete payment.

The severance assistance is calculated according to the following table:

Time of continuous work	Days
From 3 to 6 months of continuous work	6 days of ordinary salary
From 6 to 12 months of continuous work	13 days of ordinary salary
From 1 to 5 years of continuous work	21 days of ordinary salary for each year
From 5 years and beyond of continuous work.	23 days of ordinary salary for each year

Dismissal: Termination of the employment contract unilaterally exercised by the employer as a consequence of foul committed by the employee. It can be practice in any contract; Must be based in one of the causes exhaustively listed under Article 88 of the Labor Code.

Justified Resignation: Termination of the employment contract unilaterally exercised by the employee as a consequence of foul committed by the employer. The foul has to be listed under article 97 of the Labor Code.

IMMIGRATION

- **Foreigners** who visit Dominican Republic for tourist purposes are required a tourist card, which can be obtained at the port of entry in the country and is only valid for one entry in national territory for one month.
- The tourist card is only applicable to nationals of countries who have signed visa waiver agreements with the Dominican Republic unless authorized by the Executive Branch.
- People interested in entering Dominican Republic with non-tourist purposes must apply for a visa at the nearest Dominican consular mission abroad.

TYPES OF VISA

- **Tourist visa:** are issued to nationals of countries with no visa waiver agreements with the Dominican Republic, and for the purposes of tourist and cultural trips and for attending meetings and conventions. They are valid for 60 days, either for a single entry or for multiple entries during that period. Tourist visa holders cannot engage in any profit-earning activity while in Dominican territory.
- **Business visas:** are issued for business, professional or commercial trips. They are valid for 60 days and can be automatically renewed at the request of the interested party within that time and without the express authorization of the Ministry of Foreign Affairs. If a person needs to travel to the country multiple times, he or she may apply for a multiple-entry business visa covering the period of one year. The person cannot, however, remain in the country for more than two consecutive months.
- **Business visa for employment purposes:** are granted to foreigners who are under contract, for a specified amount of time, with private or public entities established within the Dominican territory, without necessarily having to go outside to maintain his legal status. Valid for one year with multiple entries and is renewable for an equal period of time during the contract period.
- **Resident visa:** It is issued for people interested to establish permanently in Dominican Republic. This visa is valid for one entry within sixty days of issue and applicable for family reunification, investors, retired persons and landlords.
- **Temporary worker visa:** are issued to workers with a job offer in a company duly registered in the Dominican Republic. This visa has a maximum validity period of one year, with one or multiple entries, depending on the type of employment contract.
- **Student visa:** are issued for the purpose of studying in the Dominican Republic to applicants who demonstrate their student status by being accepted in a Dominican educational institution to pursue a particular field of study. This visa is renewable each year.
- **Dependent visa:** are issued to a person who is dependent on an individual holding a

PERMITS

- **Temporary residence permit:** applicants must enter Dominican Republic with the Resident Visa and submit residency application to Department of Immigration in compliance with requirements of Dominican legislation. This permit is issued between 3 or 4 months. If approved, Temporary Residence Permit and National ID are granted to the applicant.
- **Permanent residence permit:** applicants are required to comply with all renewals of Temporary Residence prior applying to this type of residence. It is valid for 1 year, after this period the residency can be renewed every 4 years.
- **Residence for investment purposes permit:** applicable to investors, retired persons and landlords. This residence is issued within 45 days and valid through 1 year, after this period the residency can be renewed every 4 years. Permanent residency is granted. Previous temporary residence is not required.
- **Temporary worker permit:** granted to foreigners in the No Residents category who have a Temporary Worker Visa. This permit is issued with the same validity as the employment contract.
- **Temporary labor residence permit:** Granted to foreigners with a Business visa for employment purposes who have duly completed the residency application in compliance with Dominican law. This permit is issued between 3 or 4 months. If approved, the Temporary Labor Residence Permit is granted to the applicant, renewable annually during the term of the employment contract.

DISPUTE RESOLUTION

- The Constitution of 2010 is the major law in the Dominican Republic.
- The primary source of Dominican civil law is the civil code. This code is practically the same Napoleonic Code with some reforms.
- Civil disputes at first instance may be heard at the local court or high court, depending on complexity and value.

- Cases may go on to the court of appeal and then to the Supreme Court of Justice. When it involves constitutional law or rights, the Supreme Court judgments can be reviewed by the Constitutional Court.
- The judicial system is not fast, especially in civil and commercial matters.
- Alternative dispute resolution (ADR) is available and includes mediation and arbitration.
- The Dominican Constitution of 2010 created a Constitutional Court as an independent and autonomic public entity that is charge of the interpretation, application and control of the Constitutionality and fundamental Rights.
- The Court's judgment is final and must be applied by all private and public entities established in Dominican territory. ¢





ECUADOR

- Located in South America, covering a 283,561 km² area.
- Presidential representative democracy.
- The country's religious composition is primarily Roman Catholics and a minority of Protestants, Jews, and Muslims.
- Spanish is the national language. English is written and spoken in urban areas especially, and for business purposes.
- Currency: United States dollar (US\$).
- Investment growth areas include mining, hydrocarbon exploration and exploitation, tourism, infrastructure works, and agriculture.

BUSINESS PRACTICE

- Main types of business entities in Ecuador: locally incorporated companies, domiciled foreign companies, partnerships.
- Locally incorporated companies are the most prevalent form for doing business, and the two most common types are limited liability company and stock corporation.
- Representative offices of foreign companies may be opened in Ecuador. These require the establishment of legal domicile before the Superintendency of Companies and appointing a local legal representative.

FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

Restrictions in Equity Participation

- Generally, no restrictions are imposed on foreigners owning equity in Ecuadorean companies. However, foreign companies must file certifications regarding their legal existence in the foreign country concerned and a detailed list of shareholders, disclosing their names and nationalities.

Approvals and Licensing

- Locally incorporated companies and foreign companies must obtain approvals of their line of business by the corresponding regulatory agencies, ministries, and other agencies only if their activities are regulated (i.e. oil and gas, telecoms).

EXCHANGE CONTROL

- As the local currency is the US dollar, there are no currency exchange controls in Ecuador.
- Certain taxes may apply to remittances of funds, such as the tax on overseas transfer of currency.

TAXATION

Corporate Tax

- Companies incorporated in Ecuador as well as branches of foreign companies domiciled in Ecuador and permanent establishments of foreign companies which earn taxable income are subject to a 22% tax rate.
- If profits are reinvested—for purchases of new machinery or equipment, assets to be used for irrigation, plant material, plantlets, and all kinds of inputs for agriculture, forestry, livestock breeding, and flower growing, and for purposes of productive activities, or to purchase goods relating to research and technology aimed at improving productivity, seeking productive diversification, and increasing employment opportunities—by increasing the capital stock of the company that generated such profits, the income tax rate is reduced by ten percentage points from the income tax rate on the sums reinvested. This benefit applies only to companies duly incorporated in Ecuador and to branches of foreign companies domiciled in Ecuador. It does not apply to consortia or permanent establishments.
- The tax base comprises all income earned during the fiscal year (from January 1 to December 31) less costs and expenses incurred for the purpose of obtaining, maintaining, and improving income subject to taxation.

Personal Income Tax

- All people employed or those who earn income deriving from an Ecuadorian source must pay income tax. Individuals resident in Ecuador are subject to progressive tax rates up to 35%.
- A person who reside in Ecuador more than 183 days within a fiscal year, continuous or not, including absences of 30 days, is considered a resident for tax purposes.

- A person who resides in Ecuador more than 183 days within two fiscal years, continuous or not, including absences of 30 days, is considered a resident for tax purposes.
- A person who obtain more than the fifty per cent of its revenue from Ecuador within a fiscal year; or who has more than the fifty per cent of its assets in Ecuador, is considered a resident for tax purposes.
- A person who is not tax resident of another country and have dependent children or dependent parents in Ecuador.

Withholding Tax

- Dividends paid by Ecuadorian entities to individuals not domiciled in Ecuador or foreign entities not domiciled in tax havens or reduced taxation jurisdictions constitute exempted income once income tax has been paid at source. If the shareholder of an Ecuadorian entity is a foreign individual not domiciled in Ecuador or a foreign entity (domiciled or not in Ecuador), income tax paid by the Ecuadorian entity is imputed to the shareholder who may therefore use it as a tax credit in his home country (to the extent permitted by the corresponding local laws).
- Nonetheless, dividends paid by Ecuadorian entities are subject to withholding of income tax when the ultimate beneficial owner is a person considered as tax resident in Ecuador.
- Dividends paid to shareholders that are companies with residence in tax havens are subject to withholding at source in Ecuador by 13%.
- Generally, other remittances sent abroad which constitute income for the beneficiaries, whether forwarded, paid, or credited on account, are subject to a single income tax rate that must be withheld at source (tax rate of 22%). Some exceptions apply (i.e. import of goods). Exceptionally, in cases where an agreement to avoid double taxation exists between Ecuador and the country of which the recipient is a resident, the withholding rate may be lower, or no withholding would apply.
- Ecuador has entered into tax treaties and agreements to avoid double taxation with the Andean Community countries (Colombia, Peru, and Bolivia), and other countries such as Brazil, Canada, Chile, Germany, Spain, France, Romania, Italy, Switzerland, Belgium, Mexico, Uruguay, China and South Korea.

Value Added Tax (VAT)

- VAT is applied on transfers of ownership and on imports of movable property of a tangible nature at all phases of commercialization, as well as copyrights, industrial property and related rights. It is also applied on rendering of services, even on importation of services (services rendered by foreigners with no tax residence in Ecuador to Ecuadorian residents). VAT rate ranges from 0 to 12%.
- VAT paid on local purchases and imports constitutes a tax credit to be offset with VAT originating from local purchases of goods

and services subject to this tax. If the goods produced or the services rendered by a company are subject to a 0% VAT rate, the tax originating from purchases constitutes a cost.

- If a company exports goods, it is entitled to a refund of VAT paid in relation to the production of goods that are exported.

Other Taxes

- Import duty: *ad valorem* duty at various rates.
- Tax on overseas transfer of currency: All payments abroad higher than US\$1,000 are subject to 5% tax on overseas transfer of currency.
- The remitter of the currency, rather than the foreign recipient, is legally responsible for paying this tax; therefore, this tax is not subject to withholding at source. Payments on imports are subject to this tax, even if paid by a third party outside Ecuador or if paid with money held by the importer abroad. Labor profit sharing: Employees receive 15% of their employers' gross profits, deductible for the employer for income tax purposes. Income tax returns or settlements are used to calculate annual profits.
- Municipal taxes:
 - o Municipal tax on total assets. Companies incorporated or domiciled in Ecuador (as well as permanent establishments of foreign companies) must pay this tax to the municipality of the city where they operate. The taxable base for this tax consists of total assets less one-year liabilities and contingent liabilities. The rate is 1.5 per one thousand.
 - o Municipal license tax. All persons engaged in commercial and industrial activities must pay this tax to the municipality of the county in which they operate. The municipal permit tax rate depends on each county and ranges from US\$10 to US\$25,000 per annum.

Tax and Investment Incentives

- Companies organized after the enactment of the Organic Code on Production, Trade and Investment (published on December 29, 2010) for the purpose of making new productive investments will be entitled to income tax exemption for five years commencing on the first year in which income directly and solely attributable to the new investment is generated. The law requires that such investment be made outside the urban jurisdictions of the counties of Quito and Guayaquil and in the economic sectors of production of fresh, frozen and industrialized food products; forestry and agro-forestry products and related manufactured products; strategic replacement of imports and promotion of exports, among others, as established by the President of the Republic.
- The Organic Code on Production, Trade and Investment provides other types of investment incentives to companies duly installed in special economic development zones, exoneration of advance income tax for the next five years, and additional deductions for income tax calculation.

LABOR LAW

- The maximum hours of work are 40 per week, over five working days. Saturdays and Sundays are mandatory rest days, in addition to the following holidays: January 1, Good Friday, May 1, May 24, August 10, October 9, November 2, November 3, and December 25. Special working schedules may apply subject to ministry of labor approval.
- Daytime work: Daytime work is limited to eight hours per day from 6:00 a.m. to 7:00 p.m., divided into two shifts of four hours each, with up to two hours of rest in between.
- Nighttime work takes place between 7:00 p.m. and 6:00 a.m. the next day. It may last the same as daytime work and entitles the worker to the same remuneration, increased by 25%.
- Every year, the National Council for Salaries ("CONADES") or otherwise the Ministry of Labor Relations establishes a unified minimum salary as well as a unified sector remuneration. In 2015 the minimum wage was fixed at US\$354.
- Two additional remunerations exist. The thirteenth salary, payable no later than December 24 of each year, when all workers are entitled to be paid a bonus by their employers equivalent to one twelfth of the remunerations earned by them during the year (not including profits, per diems, voluntary bonuses, fourteenth salary, and social benefits). This bonus is commonly known as the "Christmas Bonus." The fourteenth salary is equivalent to one unified base salary and is paid by August 15 in the Highland Region and the Amazon Region, and by March 15 in the Coastal Region and the Galapagos Islands.
- Companies or employers must distribute 15% of their annual net profits among their workers, computed before any reserves, social distributions, taxes, and other participations.
- All employees and workers who have rendered their services for one year are entitled to receive 8.33% of their remuneration monthly, after the year following the first year of work.

INTELLECTUAL PROPERTY

- Intellectual property (IP) protection in Ecuador comprises patents, trademarks, industrial design, copyright, geographical indications, and layout designs of integrated circuits.
- Although rights are territorial in nature, Ecuador shares Andean Decision No. 486 for harmonious protection of IP rights.
- Ecuador maintains a system requiring registration to grant rights over IP, with the exception of copyrights.
- Copyright protection is granted over artistic, literary, musical, or visual arts.
- Ecuador is a member of the World Intellectual Property Organization (WIPO) and is a signatory to the Paris Convention, Berne Convention, the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), and the Patent Cooperation Treaty (PCT).
- Ecuador's intellectual property laws conform to international standards and provide adequate protection to both local and foreign investors.

DISPUTE RESOLUTION

- Ordinary civil proceedings include two ordinary stages and one extraordinary stage known as cassation. The first stage is heard by a judge with jurisdiction over the county concerned. The second stage is heard by the provincial court of justice, which comprises three justices with jurisdiction over the province concerned. The extraordinary stage—cassation—is heard by the civil chamber of the national court of justice, comprising three justices.
- Labor disputes are heard by specialized labor courts.
- Alternative dispute resolution (ADR) is available and includes mediation and arbitration.
- Ecuador has withdrawn from the ICSID convention. The announcement was made in July 2009, and withdrawal became effective in January 2010.
- Ecuador is a party to the World Trade Organization, and more than once it has applied state-to-state arbitration as set forth in WTO treaties.

IMMIGRATION PROCEDURES

Passport and Visa Requirements

- Foreign citizens may enter Ecuador as transient visitors using their passports (with at least six months' validity after the date of entry) during up to 90 days per year. This migration category (transient visitor) allows them to perform the following activities in Ecuador: tourism, sports, health, study, science, art, or to carry out commercial arts not involving simultaneous import of goods.
- Foreign citizens whose nationalities correspond to Afghanistan, Bangladesh, Eritrea, Ethiopia, Kenya, Nepal, Nigeria, Pakistan, People's Republic of China (except those who have a public passport), and Somalia are banned from entering Ecuador as transient visitors according to the aforementioned procedure. In those cases, before coming to Ecuador foreigners must obtain at the Ecuadorian consulate with jurisdiction over the place of domicile or nationality a visa allowing them to enter Ecuador in accordance with the activities to be carried out.
- In those cases, before coming to Ecuador foreigners must obtain at the Ecuadorian consulate with jurisdiction over the place of domicile or nationality a visa allowing them to enter Ecuador in accordance with the activities to be carried out.

Business Passes and Work Permits

- Immigrant and Non-immigrant Status:
 - o Immigrant visas are of indefinite validity and are granted to foreigners who legally and conditionally enter the country for purposes of establishing residence and mainly to perform the activities for which they were authorized. The visa is no longer valid upon completion of the activities for which they were granted, save for a few exceptions.
 - o Holders of immigrant visas may "leave and return to the country, but cannot remain outside Ecuador during more than 90 days each year during the first two years after the date

of admission as immigrant ...” After those first two years, he may remain up to 18 consecutive months outside Ecuador without forfeiting his immigrant visa. However, with a non-immigrant visa a foreigner has no limitation as regards the time of staying outside Ecuador during the period of validity of his visa.

- o Non-immigrant visas have limited-term validity (with the possibility of renewal) and are granted to such foreigners who legally and conditionally enter the country without intending to establish residence. Those visas only allow the holder to perform the activities for which they were expressly authorized.
- The main types of immigrant and non-immigrant visas are the following:
 - o **Immigrants:**
 - 9-I visa: Granted to foreigners who on a permanent basis receive revenues from abroad of at least US\$800 per month.
 - 9-II visa: Granted to foreigners who have invested US\$25,000 in Ecuador for the purchase of bonds, securities, shares, debentures, real property, etc.
 - 9-III visa: Granted to foreigners who have invested in Ecuador at least US\$30,000 in industry, agriculture, livestock or export trade either in businesses or companies owned solely by the immigrant or in any companies other than stock corporations.
 - 9-IV visa: Granted to foreigners holding general powers of attorney for legal, judicial or extrajudicial representation granted by an individual or corporation established in Ecuador, or having approval for non-specific labor activities, or having a mandate from a religious order.
 - 9-V visa: Granted to foreigners having academic degrees enabling them to practice a profession in Ecuador.
 - 9-VI visa: Granted to a foreigner having an Ecuadorian spouse or Ecuadorian children, or a foreign spouse or children holding immigrant visas other than 9-VI visas.
 - o **Non-immigrants:**
 - 12-I visa: Granted to diplomatic or consular officials, international officials of international organizations of which Ecuador is a member, and their closest relatives.
 - 12-II visa: Granted to high officials of other States and personalities covered by a diplomatic passport and their closest relatives.
 - 12-III visa: Granted to private and domestic employees of foreigners covered by 12-I and 12-II visas. Also granted to the closest relatives of the holder of that visa.
 - 12-IV visa: Granted to displaced foreigners as a consequence of war or political persecution in the country of origin for purposes of protecting their lives or their freedom.
 - 12-V visa: Granted to students wishing to initiate, complete or improve their education in official or private schools with governmental recognition, and to their family companions within the second degree of consanguinity and first degree of affinity.
 - 12-VI visa: Granted to foreigners that come to this country to perform temporary work of their specialty. Access to this visa is afforded to professionals with high technical degree, specialized workers, legal representatives of companies incorporated in Ecuador, agents, and persons hired for industrial training purposes, as well as to relatives accompanying the direct beneficiaries of the visa within the second degree of consanguinity and first degree of affinity.
 - 12-VII visa: Granted to missionaries, volunteers, or members of religious organizations or religious orders recognized in their countries of origin and in Ecuador in order to undertake work involving assistance, teaching, or apostolate activities; this visa is also granted to direct relatives of the beneficiaries within the second degree of consanguinity and first degree of affinity.
 - 12-VIII visa: Granted to foreigners assisted by legally established national organizations to perform such programs and to their relatives within the second degree of consanguinity and first degree of affinity.
 - 12-IX and 12-X visas: Granted to temporary visitors and their relatives within the second degree of consanguinity and first degree of affinity coming to perform activities such as tourism, sports, health-related, educational, scientific, artistic, or commercial acts not involving simultaneous import of goods for a period for up to six months each year, in the case of a 12-IX visa, and 90 days each year, in the case of the 12-X visa.





EL SALVADOR

- El Salvador is located in Central America, bordering Guatemala to the north, Honduras to the east, The Pacific Ocean to the west and Nicaragua to the south, by the Gulf of Fonseca.
- Population: 6, 340 454, making it the most populated country in Central America.
- Total area: 21, 040 square miles, making it the littlest country in the region.
- El Salvador labor force is composed of 2.8 million people, 60% of whom is 39 years or younger.
- Currency: United States dollar.

BUSINESS OVERLOOK

- El Salvador has evolved over the last two decades. Today it offers its business partners:
 - A free economy, among the freest in Latin America.
 - Proven macroeconomic stability, with the U.S. dollar as legal tender.
 - Openness to global trade and investment
 - Democracy and political stability
- One of the most important policies implemented to open country's economy to world trade and investment is the adoption of the U.S. dollar as legal tender in 2001. As a result, El Salvador has achieved a single-digit inflation rates for over a decade, remaining below the average of the rest of Latin American countries.

LEGAL FRAMEWORK AND INCENTIVES

Investment Law

- This law seeks to encourage private investment and foreign direct investment enouncing the next benefits:
 - Procedure streamlining.
 - Equal treatment to all investor (foreign and local investors will have the same rights and obligations. Discriminatory measures that hinder the establishment, administration, use, extension, sale and liquidation of investments may not be used against them).
 - Freedom to invest.
 - Transfer of funds abroad (foreign investors are guaranteed the right to transfer funds abroad, without delay and with the freedom to convert currency through the banking system).
 - Protection of property and security (in accordance with the Constitution, foreign and national investors are guaranteed protection of their property.

Free Zones Law

- Offers generous tax incentives to export-oriented manufacturing companies located in Free Zones or Warehouses for Inward Processing. Free zones are industrial parks considered outside the national territory for fiscal purposes, and thus raw material or merchandise required by companies are imported free of taxes and tariffs. If a company, due technical reasons, is unable to operate inside a free zone, it can be authorized to operate outside as a Warehouse for Inward Processing and enjoy the benefits that follow:
 - Full exemption from customs duties and other taxes on the import of machinery and equipment used for production.
 - Full exemption from customs duties and other taxes on the import of raw materials and other goods used for production.
 - Full exemption from taxes on the transfer of real estate property, for the acquisition of real estate that will be used in the incentivized activity

International Services Law

- Provides tax incentives to companies dedicated to providing services to foreign customers. To enjoy these benefits companies may establish in:
 - Service Parks: Limited areas considered to be outside of the national customs territory, where exporters of services are installed and operate under the benefits of this law.
 - Service Centers: When a company – in an eligible activity specified in this law – for physical or technical reasons, is unable to operate inside a service park, it can be authorized to operate outside as a Service Center and enjoy all the benefits of this law.
 - Full exemption from customs duties and other taxes on the import of machinery, equipment, tools, replacement parts, accessories, furniture and office equipment, and other goods required for the execution of the incentivized activity.

- o Total exemption from income tax, exclusively for income deriving from the incentivized activity during the period of operation in the country.
- o Total exemption from municipal taxes on company assets during the period of operation in the country.

Renewable Energy Incentives Law

- This law aims to promote investment in renewable energy sources (hydraulic, geothermal, wind, solar and biomass) to generate electricity; fostering research, exploration and project development activities, offering the next benefits:
 - o Full exemption (during the first 10 years) from customs duties on imports of machinery, equipment, materials and supplies intended exclusively for pre-investment and investment activities in the construction of the electrical power generation centrals.
 - o Full exemption from income tax for a period of five years, for projects between 10 and 20 megawatts (MW), and for ten years, for projects under 10 megawatts (MW).
 - o Total exemption from taxes on revenues originated from the sale of Certified Emissions Reductions (CER) in the framework of the Clean Development Mechanism (CDM) or similar carbon markets.
 - o In addition, projects in excess of 20 megawatts (MW) of capacity may deduct from income tax (for a maximum period of 10 years), all expenses or costs on research, exploration and preparation of projects to generate electricity based on renewable energy sources, as well as geothermal reinjection projects.

Tourism Law

- Tourism projects with a minimum investment of USD 25,000 are eligible to be declared of "national touristic interest" and enjoy the following benefits:
 - o Full exemption from taxes on the transfer of real-estate property, for the acquisition of real estate intended for the project.
 - o Full exemption from customs duties and other taxes on the import of goods, equipment and accessories, machinery, vehicles, aircrafts or maritime vessels and construction materials used for buildings until the completion of the project.
 - o Full exemption from income tax for a period of 10 years.
 - o Partial exemption from municipal taxes (up to 50%) for a period of 5 years, beginning in the fiscal year in which the business begins operations.

Construction Projects Procedure Streamlining Law

- This law aims to speed up the approval of permits and authorizations for construction and land fragmentation projects throughout the national territory, regardless of its nature. This law describe the next benefits:

- o Creation of a One-Stop-Office for the reception and processing of construction and land fragmentation project applications.
- o Development of a centralized information technology system to track applications.
- o Publication of updated information about requirements, administrative procedures, criteria and environmental and cultural zoning.
- o Procedure streamlining (if a public authority doesn't resolves within the established deadlines, it shall be understood that the resolution has been issued in favor of the applicant, enabling him to continue with the process).

Public Private Partnerships Law

- This law establishes a legal framework for the development of Public Private Partnership (PPP) projects regarding public infrastructure, public services or activities of national interest:
 - o The PPP Law is applicable to projects in which a private sector investor is entrusted by a public entity to design and build an infrastructure project and its related services, or to build, rehabilitate, upgrade or equip, as well as the responsibility to operate and maintain such infrastructure. It will also be applicable to infrastructure projects for the provision of public services or the exploitation or execution of an activity of national interest.
 - o The minimum investment to qualify for a PPP project is 45 thousand times the trade and services minimum wage (approximately USD 11.3 million).
 - o 40 years - maximum period for a PPP contract.
 - o Private initiative regime: Private investors may propose new projects to be publicly tendered if such are declared of national interest by a government institution. This provides attractive advantages for those who submit project proposals.
 - o PROESA is the advisory and governing authority of Public Private Partnerships (all PPP projects are approved by PROESA's Board of Directors).

Law of Legal Stability for Investments

- This law guarantees legal certainty to investors on taxes, customs and immigration issues through Legal Stability Contracts.
- Individuals and legal entities, national or foreign, with new investment projects or the expansion of existing investments within the following eligible activities may benefit from this law:
 - o Aeronautics
 - o Agroindustry
 - o Aquaculture
 - o Electronics
 - o Energy

- o Strategic Infrastructure
- o Logistics
- o Health Services
- o Offshore Business Services
- o Tourism
- o Telecommunications
- o Light Manufacturing
- o Science and Technology
- Once a Legal Stability Contract is signed, private investors shall benefit with the following guarantees:
 - o Tax stability at national level.
 - o Tax stability at the municipal level.
 - o Stability in tax exemptions provided by special legislation for the period of time in which these were granted by the relevant institution.
 - o Stability on customs procedures.
 - o Stability on the right to transfer funds abroad as stated on the Investment Law.
 - o Stability on the immigration regime concerning the investor's residence status.
- To be eligible for these benefits investor's shall comply with the requisites stated in this law, among which is the commitment to invest an amount on fixed assets greater than or equal to four thousand two hundred and twenty times the industry minimum wage (USD 246.60). This is equal to USD 1,040,652 in new investment projects or the expansion of existing investments.
- Benefits are granted for a period of up to 20 years depending on the amount of the investment.

TAXES

Income tax

- A 30 % tax rate is applied over taxable income. For legal entities with a taxable income less than or equal to USD 150,000.00, a reduced tax rate of 25 % is applied. Income tax exemptions are described as it follows:
 - o 100% of exemption for 15 years to companies in a Free Zone operating in San Salvador Metropolitan Area. If it is a Warehouse for Inward Processing, the period of exemption would be for 10 years. If the Free Zone operates outside San Salvador Metropolitan Area, the exemption is 100% for 20 years. In case of a Warehouse, the exemption will be for 15 years.
 - o 60% of exemption for the following 10 years to companies in a Free Zone operating in San Salvador Metropolitan Area. For a Warehouse for Inward Processing, the exemption will

be 60% for the following 5 years. If the Free Zone operates outside San Salvador Metropolitan Area, the exemption is 60% for the following 15 years. If it is a Warehouse, the period of exemption would be for the exemption will be 60% for the following 5 years.

- o 40% of exemption for the following 10 years to companies in a Free Zone operating in San Salvador Metropolitan Area. If it is a Warehouse for Inward Processing, the exemption will be 40% for the following 10 years. The same exemption applies both if they are located outside San Salvador Metropolitan Area.

Branch profits tax

- Branches of foreign companies are subject to the same tax rates as Salvadoran companies.

Dividend Tax

- Dividends paid or credited to shareholders (individuals or legal entities) are subject to a 5% income tax rate.

Tax on Transfers of Real Estate Property

- The transfer of real estate is subject to a tax rate of 3 % applicable on amounts exceeding USD 28,571.43.

Value Added Tax

- Services and goods are subject to a 13 % value added tax. The following items are exempt from IVA: public health, home rentals, education, state titles, public water, public transportation, pension funds and public lottery.

Municipal taxes

- Taxes are paid according to a table established by each municipality based on the company's total assets. For example, in San Salvador rates are determined by the company's activity (industrial, commercial or other).

Company and Establishment License

- All industrial and commercial businesses are required to have an annual license to operate. This tax is paid based on the company's total assets according to the following rates:
 - o From USD 2,000.00 to USD 57,150.00 pays USD 91.43
 - o From USD 57,151.00 to USD 114,286.00 pays USD 137.14
 - o From USD 114,287.00 to USD 228,572.00 pays USD 228.57
- If assets exceed USD 228,572.00, USD 11.43 will be paid for every USD 100,000.00, up to a limit of USD 11,428.57.

INVESTMENT OPPORTUNITIES IN EL SALVADOR

Aeronautics

- All industrial and commercial businesses are required to have an annual license to oper

Advantages of investing in El Salvador

- Aeronautics Clusters with renowned companies such as AEROMAN and Avianca.
- Labor costs up to 40% more competitive than United States/ Mexico border operations.
- Geostrategic Positioning proximity to the world's largest aviation market.
- High productivity.
- Low employee turnover with less than 2% per year, key factor for training and performance.
- Engineering and technical degrees in Aeronautics.
- Availability for Industrial Land.
- Attractive Fiscal Incentives.

Energy

- The government of El Salvador has an energy policy for the 2010-2024 period. Among its strategic lines we can find:
 - Diversification of the energy matrix.
 - The promotion of renewable energy sources.
 - Innovation and technological development.
 - Regional energy integration

Advantages of investing in El Salvador

- Processes of international bidding and long term contracts of up to 20 years based on implemented market costs.
- Diversification of the energy matrix: wind, geothermal, hydroelectric, biomass, biogas, solar, coal and natural gas.
- Distributed generation projects at industrial level
- Large hydraulic, geothermal and solar projects in national public generation.
- Categorization of activities or projects for the better use of renewable energy sources in conjunction with the Ministry of Environment and Natural Resources.
- SIEPCA interconnection line

Agroindustry

- El Salvador offers an ideal location for the production and processing of foods, as well as to address specific market niches that goes beyond the traditional agricultural industries.

Advantages of investing in El Salvador

- Suitable climatic (temperature and altitude) and soil conditions to grow ornamental plants and fruits.
- Excellent road and port infrastructure.
- Free trade agreements that provide favorable market conditions to access major markets in America and Europe.

- Availability of water resources for sustainable aquaculture development.

Tourism

- In recent years, the tourism sector in El Salvador has undergone a significant expansion, creating lots of investment opportunities. The natural wealth of the country, attractive fiscal incentives provided by the Tourism Law as well as the determined support from the government have tourism one of the most booming sectors of the country.

Advantages of investing in El Salvador

- Solid and growing tourism demand.
- Political stability.
- Healthy and completely dollarized economy.
- Air traffic hub with over 470 weekly arrivals and departures.
- Hard-working and service-oriented work force.
- Pleasant climate throughout the year.
- Attractive fiscal incentives provided by the Tourism and International Services Laws.
- Availability of human resources.
- Health services provided at costs significantly lower than the U.S. and Canada.

LABOR LAW

- El Salvador's Labor Code regulates employer-worker relations. Salvadoran legislation states that wages are determined freely, but cannot be lower than the minimum wage established by the National Wage Council, revised every three years.

Working shifts

- Day Shift between 6:00 am and 7:00 pm.
- Night Shift between 7:00 pm and 6:00 am.

Fringe benefits

- Annual paid vacations.
- Social Security (ISSS).
- Training fund.
- Christmas bonus.
- Retirement fund.
- Compensation for voluntary resignation.
- Compensation for unjustified dismissal.





GUATEMALA

- Is a country in Central America bordered by Mexico to the north and west, the Pacific Ocean to the southwest, Belize to the northeast, the Caribbean to the east, Honduras to the east and El Salvador to the southeast.
- Population: 16,647,083
- Religion: Christianity, indigenous and Mayan beliefs
- National Language: Spanish
- Currency: Quetzal (Q)
- Investment areas include agriculture, energy and mining, infrastructure, drawback and services.

REASONS TO INVEST IN GUATEMALA

- It is the largest economy in Central America (37.5% of the total GDP).
- It offers access to 67.5 million people in the Mesoamerican market.
- Has a local market of 15 million citizens, 70% of them under the age of 30.
- Has the largest student population in Central America.
- Rated to be the 5th most open Latin American economy to direct foreign investment.
- Nontraditional products are those recently incorporated into the exportable supply of Guatemala. Includes six main groups: Agricultural, apparel and textiles, manufacturing goods, seafood products, furniture and forestry, and handicrafts. Throughout the years, non-traditional exports outside the Central American area have shown a remarkable dynamism.
- A small country with key investment and development potential. Recent cluster analysis suggested opportunities in the following fields:
 - Agribusiness, fishery and forestry.
 - Textiles and apparel.
 - Tourism.
 - Medical research and development.
 - Electronic components and software.
 - Infrastructure and services.

BUSINESS PRESENCE

- The main types of for-profit business structure in Guatemala are:
 - Corporation (Sociedad Anónima).
 - Limited liability companies.
 - Partnerships.
 - Registered branches of foreign companies and corporations.
- All companies, corporations and partnerships require a minimum of two shareholders or partners. In case of corporation (Sociedad Anónima), shares must be nominative.

ECONOMY

- Guatemala is the most populous country in Central America with a GDP per capita roughly one-half that of the average for Latin America and the Caribbean. The distribution of income remains highly unequal with the richest 20% of the population accounting for more than 51% of Guatemala's overall consumption. More than half of the population is below the national poverty line, and 13% of the population lives in extreme poverty.
- Guatemala is the biggest economy in Central America but is among Latin American countries with the highest levels of inequality, with poverty indicators—especially in rural and indigenous areas—among the highest in the region.

FOREIGN INVESTMENTS RESTRICTIONS AND CONDITIONS

- The Central Bank maintains the faculty to intervene in the exchange market, but only indirectly: purchasing and selling foreign exchange.

- All foreign currency transactions must be made through approved financial institutions. A form must be filled out for all transactions involving foreign investments, remittance of dividends and repatriation of capital.
- To increase the efficiency of the mechanisms through which Banco de Guatemala participates in the exchange market, some gradual modifications will be introduced to comply with the following principles to achieve a flexible exchange system:
 - o That it be consistent with a monetary schedule of explicit inflation goals.
 - o That it be based on rules that are clear, transparent and understandable in the markets.
 - o That it eliminates the discretion of the participants of the Banco de Guatemala.
 - o That it reduces the volatility of the exchange rate without affecting its trend.

TAXATION SYSTEM

- Guatemala's Constitution grants the power of taxation to the Congress of the Republic¹. This provides certainty that no other government body can impose tax burdens on the private sector.

Income Tax

- Guatemala imposes Income Tax on resident taxpayers under one of the following regimes:
- General Regime, which consists of a 5% flat tax on gross revenues.
- Optional Regime, which consists on a 31% corporate tax with the taxable income determined on the basis of net income.

Value Added Tax

- The VAT standard rate is 12%², generally chargeable on ³:
 - o Supplies of goods made in Guatemala.
 - o Supplies of services made in Guatemala.
 - o The import of goods and certain services into Guatemala.
 - o Leases.
 - o Transfer of Real Estate.
 - o Insurance and bonding.
- There are various transactions that are exempt for VAT purposes including:
 - o Exports of goods and service.
 - o Services provided by banks and financial institutions.
 - o Contributions in kind. Will not be exempted when this one to be bought. Will not be exempted when this one

to be brought is all or part of a real estate which has been previously given to a society that works for the real estate performance.

- o Mergers.
- o The issue and transfer of shares, credit titles and any kind of security.
- o The transfer of goods under trust and the return of trusted goods to the settler.

Stamp Tax

- The 3% Stamp Tax applies to dividend payments and documents issued abroad and used locally as documentary evidence for transactions not subject to VAT.
- The tax is determined applying the rate to the value of the acts and contracts subjects to tax. The value is reflected on the document, which cannot be lower than the one registered in the public records, registrations, property registries or in the official listing.

Solidarity Tax

- There are exemptions to this tax applied to:
 - o The institutions of the State, their decentralized or autonomous entities, and the municipalities and their enterprises, with the exception of the legal entities formed with mixed capital.
 - o The universities and the private and public educational centers legally authorized to operate in the country.
 - o The persons subject to this tax who are commencing business activities, during the first four quarters of operation.
 - o The commercial and agricultural activities conducted by individual persons or legal entities that per a specific law or due to operating within the special regimes established by the Law of Promotion and Development of Export and Drawback Activities, Decree 29-89 and the Law of free Trade Zones, Decree 65-89, both of the Congress of the Republic, and their reforms are exempt from the payment of Income Tax, during the term of the exemption that they enjoy.
 - o The individual persons or legal entities and the other entities that are subject to the Solidarity Tax who pay Income Tax according to the Simplified Optional Regime over income from lucrative activities of this tax (Decree 10-2012).
 - o The taxpayers who as of the date on which the Solidarity Tax established in this Law went into effect incur in operational losses during two consecutive years. This exemption is solely applicable for the four tax periods following the second year in which the cited losses occurred.
- The tax basis for this tax is comprised of whichever is greater between:
 - o o One-fourth of the total net assets.
 - o o One-fourth of the gross income (taking as a basis the last Income Tax return).

¹ Article 239 of the Political Constitution of the Republic of Guatemala

² Article 10 of the VAT Law, Decree 27-92

³ Article 3 of the VAT Law, Decree 27-92

⁴ Article 4 of the Stamp Law, Decree 37-92

- o The tax period is quarterly and shall be calculated by calendar quarters.
- o The tax rate for this tax is 1%.
- o In cases of periods less than one quarter, the tax is determined in proportion to the number of days of the quarter that have transpired.
- o The tax must be paid within the month immediately following the end of each calendar quarter, using the means that the Tax Administration has made available to the taxpayers for this purpose.

Real Estate Tax

- The taxable event is applied owning real estate within the Republic's territory. 66 Rates are applied on the registered value of real estate in Quetzales (US\$ 1.00 = GTQ7.80 approx), as follows:
 - o From 0 to GTQ. 2,000 exempted.
 - o From GTQ 2,001 to GTQ. 20,000 2 per thousand annually.
 - o From GTQ 20,001 to GTQ. 70,000 6 per thousand annually.
 - o From GTQ 70,000 and up 9 per thousand annually.
 - o This tax is paid on a quarterly basis.

Withholding Taxes for payments abroad

- There are specific withholding tax rates for payments made abroad in favor of nonresident corporations and individuals. These withholding taxes also fall on intercompany charges. The withholding rates are the following:
 - o 10% on payments or credits on account of interest, dividends, participation in profits, gains and other benefits paid or accredited by companies or establishments domiciled in the country; payments or credits on account of allowances, commissions, bonuses and other renderings subject to the tax.
 - o 5% on freights related to FOB imports and CIF and FOB exports, and on passenger fares from a Guatemalan source earned by transportation companies domiciled abroad.
 - o 3.1% on payment of rights related to the media and entertainment industry.
 - o 3.1% on insurance, reinsurance and rebounding premiums obtained by companies domiciled abroad.
 - o 31% on payments or credits on account of fees, royalties and other retributions for the use of patents and trademarks, as well as for scientific, economic, technical and financial advice
 - o 31% on payments or credits on account of any other income from a Guatemalan source.
 - o The withholding tax must be paid to the Tax Office within the first 15 business days of the month following that to which such withholdings correspond. When the Guatemalan payer takes charge of the withholding tax, gross-up calculation is mandatory.

Tax on Financial Proceeds

- The tax is generated when a payment or credit is made for interest to resident individuals or entities other than those belonging to the local regulated banking and finance sector.
- Rate is 10% on gross interest to individual and legal entities domiciled in the country, except banks and other entities supervised by the Superintendence of Banks.
- Once this tax is paid, the tax payer is to report his interest income as exempt from income tax.

TAX INCENTIVE LAWS

Law for the Promotion and Development of Export and Drawback activities

- Grants a 1 to 2-year waiver of VAT and import taxes on raw materials, a 10 year income tax exemption, and other tax benefits.
- Special considerations should be made on a case-by-case basis before applying for any classification.
- It is not necessary to be in a specific location to obtain the benefits and thus companies can operate and enjoy the benefits from wherever they are located.

Incentive Law for the Development of Renewable Energy Projects

- Exemption on customs duties and VAT on the import of machinery and equipment to be used in the project. In this case the exemption should be authorized by the Tax Office.
- 10 year income tax exemption as of the starting date of the commercial operations.

AGENCY, DISTRIBUTION OR REPRESENTATION CONTRACTS

- If an individual decides to appoint an agent, distributor or representative for your products and/or services in Guatemala, it is recommended to contract a legal advisor for the preparation, negotiation and execution of a written contract. This contract should include:
 - o Type of contract, i.e. agency, distribution or representation.
 - o Term of contract with a possibility of extension.
 - o Territory covered by the contract.
 - o Is it exclusive or not.
 - o Principal duties of the parties.
 - o Remuneration of the agent, if any or sale price of the products or services to the distributor or representative.
 - o A clause of the resolution of controversies, number of arbiters, entity in charge of arbitration, as well as procedures, language and location.

BENEFITS OF THE FREE TRADE ZONES

- The Industrial or service Permit-Holders authorized to operate in the Free Trade Zones will enjoy the following tax incentives:
 - Equipment, machinery, tools, raw materials, inputs, semi elaborated products, containers, packaging and in general in goods used for production or the offering of services, are not subjects to taxes, custom duties and import charges.
 - Total income tax exemption on income obtained exclusively from the activity as an industrial Permit-Holder, for a period of ten years.
 - Exemption from the Value Added Tax, in the transfer of merchandise within and between Free Trade Zones.

LABOR RELATIONS

- Guatemala is a country with considerable human capital that offers attractive, high-quality and low-cost labor to local and foreign investors. In Guatemala labor relations are governed by the Political Constitution of the Republic, by the Labor Code, International Treaties and by several laws and regulations which rule different labor related areas.
- Other regulations have been implemented to formalize and improve labor relations to meet the needs of national and foreign investors, such as hourly work. Unfortunately no advance has been made to achieve a thorough labor reform, incorporating regulations that meet the needs of the growing population. In addition to the protection to the workers, regulations are still needed to promote recruitment and to improve economic activities which will result in an important growth of the economy.
- In the meantime, legislation is complemented by labor contracts and internal labor regulations which rule labor relations. Thus, it is important that all employers enforce clear policies and comply with present regulations.

FOREIGN INVESTMENT LAW

- Promotes foreign investment and includes provisions that recognize and guarantee private property rights equally for Guatemalan nationals and foreign investors and establishes an equal treatment between domestic and foreign investors.
- Any foreign investor has equal legal conditions as domestic investors and this is a great incentive for foreign investors in Guatemala, given that not every country grants this.
- Foreign Investment Law recognizes the following rights for all foreign investor:
 - Private Property.
 - Expropriation, only for reasons of collective, social benefit or social interest can be proven.
 - Free trade.
 - Free access to foreign exchange.
 - Prohibition of confiscatory taxation and double taxation.

GOVERNMENT PROCUREMENT

- Government Procurement Law regulates all the agreements of sales, purchase, supplies of goods, construction and services between private suppliers and the governmental institutions, which includes all decentralized entities, municipalities and public corporations.
- The Government Procurement Law states three types of procurements:
 - Direct Sales or Contracts: these are executed with the State when the purchase is under thirty thousand quetzals (Q. 30,000.) approximately three thousand eight hundred fifty dollars (US\$ 3,850.00).
 - Request of Quotes: these are executed when the acquisitions are below nine hundred thousand quetzals (Q. 900,000.00) or approximately one hundred fifteen thousand three hundred eighty five dollars (US\$ 115,385.00).
 - Public biddings are executed for acquisitions above nine hundred thousand quetzals (Q. 900,000.00) or approximately one hundred fifteen thousand three hundred eighty five dollars (US\$ 115,385.00)





HONDURAS

- Honduras is the second largest country in the Central American region. The country is bordered to the west by Guatemala, to the southwest by El Salvador, to the southeast by Nicaragua, to the south by the Pacific Ocean at the Gulf of Fonseca, and to the north by the Gulf of Honduras, a large inlet of the Caribbean Sea.
- With a population of 8, 448 040 and a total area of 112, 492 km², it has a total GDP estimated in US\$ 40, 983 billion.
- 47% of respondents identify themselves as Roman Catholic, 36% as evangelical Protestant, and 17 percent either provide no answer or consider themselves "other".
- Currency: Honduran Lempira
- Spanish is the official language and English is also used for business.

ECONOMY

- The economy in Honduras has continued to grow slowly but the distribution of wealth remains very polarized with average wages remaining low. Economic growth in the last year has averaged 3.2%
- Initially Honduras economy was primarily agricultural-based, depending on traditional exports such as bananas and coffee. However, in the past years, Honduras economy has diversified in other areas such as tourism, apparel manufacture and shrimp farming.
- Trade relations with U.S. have been of extreme importance to Honduran economy. Even today, half of Honduras's exports sent to U.S. and over a third part of the country imports comes from U.S. However, trade with European countries and the rest of Latin grows every day.
- Sociedad de Responsabilidad Limitada (Limited Liability Company): Is the smallest capital entity under Honduran law, it requires a minimum of two persons or entities and a maximum of 25 shareholders.
- Sociedad Anónima (Corporation): It requires a minimum of two shareholders or entities with a founding capital approximately of US\$1,400. Due to the minimum of shareholders and the founding capital it is the most used form of corporation in Honduras.
- Additionally, a new law was enforced in June 2014 which allows for the incorporation of any of the described corporations with only one partner (Corporation Sole).
- Steps that must be followed in the incorporation of a Honduran corporation:
 - o Choose the Commercial Name of the Company and perform search at the Registry of Commerce to confirm availability.
 - o Prepare the articles of incorporation which include the name, purpose, name of shareholders, etc.
 - o File the incorporation at the Commerce Registry for recordation as well as in the Chamber of Commerce of its domicile.
 - o Obtain its fiscal identification.
 - o The Corporation may start operating after such identification is granted.

BUSINESS PRESENCE

- All laws in Honduras are constitutionally based and the Code of Commerce is the main regulation for Honduran corporate and commercial law. The law stipulates that in order to participate in the business sector, you have either to be constituted as an merchant that owns and carries out a business, or form a corporation. There are five corporations types recognized in Honduras:
- Sociedad Colectiva (General Partnership).
- Sociedad en Comandita Simple: Is similar to collective society except for the fact that there are two types of shareholders. Comanditado partners are jointly and severable liable. The comanditario partners are only considered as investors.
- Sociedad en Comandita por Acciones (Limited Share Partnership).

TAXATION

Tax on corporate income

- Corporate tax rate for a resident company is 25% of the company's period net income plus at the rate of 5% on the next taxable income which exceeds HNL 1 million. Honduras

resident companies are taxed on their worldwide income. Non-resident companies are subject to income tax only on income derived from Honduran sources.

- Additionally, there are some companies that operate under a special tax regime which exempts from sales tax, income tax, custom duties and several municipal taxes. The special regimens are:
 - o Free Trade Zones.
 - o Industrial Parks.
 - o Export Processing Zones.
 - o Companies that are under the Tourism Incentive Law.
 - o Tourism Free Zones.
 - o Law promoting the generation of electric energy with renewable sources.
 - o Law for Promotion and Protection of Investments.

Corporate residence

- Any resident or non-resident legal entity engaged in an activity or business that generates profits sourced in Honduras is treated as a corporate taxpayer. Taxable entities also include merchant vessels operating under Honduran registry or flag, as well as foreign merchant vessels navigating in Honduran territorial waters or deriving Honduran-source income.
- Any company incorporated in Honduras is generally deemed to be resident for tax purposes. In addition, any person or company resident in Honduras is subject to tax on both local and foreign income.
- Non-resident companies are those incorporated/registered outside of Honduras. However, income taxes on corporations are levied on local income regardless of the place of incorporation.

Net Assets Tax

- The tax is levied at a rate of 1% on the total value of net worth (determined as the average worth on 31 December of the year) and must be remitted to the tax authorities together with the income tax return.
- This tax is payable annually, together with income tax.
- The following are exempt from the net worth tax: legal entities the total net worth of which does not exceed HNL 3 million; legal entities exempt under the income tax law; and business entrepreneurs operating in free zones; industrial parks, tourism free zones and export processing zones.

Capital gain tax

- Capital gains or losses are defined as the positive or negative result of transactions in respect of goods or assets not representing a taxpayer's ordinary and habitual business, such as immovable property, shares, fixed assets and other similar assets.

- Capital gains and losses derived in the same tax year are computed together and the result, if positive, is subject to tax at the rate of 10%. However, if the result is a capital loss, it may not be deducted from the gross income obtained from the taxpayer's ordinary income.
- Capital losses derived from the sale of securities by qualified individuals or legal entities, habitually, engaged in such activities, may be deducted from the taxpayer's gross income.
- Capital gains derived from the transfer of movable or immovable property is equal to the transfer value, less the adjusted cost of the property. The adjusted cost includes the acquisition value plus the value of improvements, less depreciation allowances. The immovable property will not be registered by the Property Institute if the 10% tax on capital gains has not been remitted to the tax authorities.

Tax on branch income

- Branch income is subject to income tax at the rates applicable for corporate income. Before May 12, 2010 there was no withholding tax on dividends distributed in the country or abroad. Currently, there is a 10% withholding tax rate on dividends.

Sales Tax

- The general tax rate is 15%
- An 18% tax rate is assessed on first and business class airline tickets.
- The import of and sale of alcoholic beverages, cigarettes and other tobacco products are subject to 15% sales tax.

Municipal Tax

- Industry, commerce and service tax, which is based on sales volume per year.
- Personal municipality tax (individual tax).
- Public service tax, paid for services such as waste management.
- Real Estate Tax, which is taxed on asset and assets gain.
- Sign tax, referred to taxation on public advertising.

NATIONAL SECURITY REGULATION

- A National Security Regulation was issued by the Secretary of Finance to determine the application of norms that establishes taxes that would be used for security manners. Taxes were established as it follows:
 - o Special tax levied on the financial system for bank accounts transactions and renewal of credit cards membership.
 - o Special contribution on cell phone companies taxed with a 1% rate on monthly gross income (air time).
 - o Special contribution to the mining sector taxed with a 2% rate on the FOB value for exports.
 - o Special contribution on food and beverage companies taxed with 0.5% on their monthly gross income.

- o Special contribution on casinos and slot machine companies taxed with a 1% on their monthly gross income.
- o Special contribution on the cooperative sector taxed with a 3.6% rate on their net annual surplus.

FOREIGN INVESTMENTS RESTRICTIONS AND CONDITIONS

- Some of the restrictions that are included on foreign investments are:
 - o Disposal of toxics, dangerous garbage not produced in the country.
 - o Those activities disturbing public health and the country's environment.
- The Promotion and Defense Competition Law regulates the competition oriented to monopolies and other forms of concentrations that can affect the consumer. Its objective is the exercise of free competition, for the benefit of the market and the consumer.
- Two important issues are solved by this law:
 - o A full and definite clarification of title or ownership of real estate in Honduras.
 - o The implementation of modern technology in the registration process of the rights upon assets, such as movable assets, real estate, trademarks, vehicles, vessels etc., as well as their transfer, hypothecation, pledging, attachments and other forms in which this title could be affected.

INDUSTRIAL PROPERTY

- In Honduras Industrial Property is regulated by the Ley de Propiedad Industrial which regulates everything related to Inventions, patents, industrial designs, trademarks, industrial secrets, and its object is to:
 - o Set up the basis so that there shall exist a permanent system of perfecting of these processes and products within the industrial and commercial activities of the country;
 - o Promote the inventiveness of industrial application, best techniques, and broadcasting technological knowledge within the productive sectors.
 - o Propitiate and impel the improvement of the quality of goods and services in industry in relation to the interest of the consumers.
 - o Favor creativity for the design and presentation of new and useful products.
 - o Protection of the Industrial Property through the regulation of patents, utility models, industrial designs, trademarks, and commercial signs, name of origin and industrial secrets.
 - o Prevent acts that attempts industrial property or shall create unfair competition related to it; and, establish the penalties related to them.

LABOR LAW

- The Honduran Labor Code is applied to all corporations regardless if they are sited in a Free Zone or an Industrial Park. Contract may be verbal or written. The Labor Code authorizes the verbal contract in cases of:
 - o Domestic service.
 - o Incidental or temporary work not exceeding 60 days.
 - o A given work which value does not exceed 200.00 Lempiras (almost US \$10), and, if it has been stated time for delivery, provided it is not more than 60 days.
 - o A farming or ranching, unless in the case of industrial or commercial enterprises from agriculture or livestock.
- It is important to mention that the written agreement is a guarantee for the employee and its omission is imputable to the employer. The labor contract and all subsequent legal obligations are assumed at the beginning of the work relationship, even though the contract was verbal. Labor contracts may include a trial term for the first 60 days, term within which any of the parties may terminate the relationship without cause. Once these 60 days have passed, the labor contract is considered undetermined, unless the parties have agreed a specific term in the cases permitted by law.
- The Labor Code provides the following types of work:
 - o Working indefinitely.
 - o For a limited time.
 - o For work or services.

Work Shifts

- The following shifts are established in the Honduran Labor Code:
 - o Day Shift: from 5:00 a.m. to 7:00 p.m.
 - o Night Shift: from 7:00 p.m. to 5:00 a.m.
 - o Mixed Shift: This would be part day shift and part night shift. If more than 3 hours would be part of a night shift, the whole shift is considered a night shift.

Vacations

- Vacations according to Honduran Labor Code are:
 - o 10 consecutive work days for the 1st year of work.
 - o 12 consecutive work days for the 2nd year at work.
 - o 15 consecutive work days for the 3rd year at work.
 - o 20 consecutive work days for the 4th and following years at work.





MEXICO

- Mexico, officially the United Mexican States (Estados Unidos Mexicanos) is a federal republic in North America. Mexico's government is based on a framework of a federal representative democratic republic that is based on a congressional system. The federal government follows the Political Constitution of the United Mexican States, which was enacted in 1917. The Mexican federal government has three branches: executive, legislative, and judicial. The seat of the federal government is in the Federal District (Distrito Federal). Mexico's official language is Spanish and its currency is the Mexican peso (MXN).
- Mexico's population is 120,286, 655. Mexico's total area is 1,964,375 sq. km. Mexico and the United States share a 3,141 km border and the United States is Mexico's most important trading partner. In fact, 80% in 2015 of Mexico's exports go the United States. Mexico's total exports amount to \$349.8 billion USD in 2015. Since the implementation of the North American Free Trade Agreement (NAFTA), Mexico's economy has become increasingly oriented towards manufacturing. In fact, it has made Mexico pursue further free trade agreements (FTA). Mexico today has FTA with over 50 countries, more than any other nation in the world, and is under negotiations for the Trans-Pacific Partnership (TPP). It is also a founding member of the Pacific Alliance.
- Mexico's nominal GDP is \$1.291 trillion (2015), making Mexico's economy the 14th largest in the world. Its public debt is 45.6 % of GDP (2014)² and its forecasted GDP Growth expectation in 2016 is 2.8%. Its inflation rate in 2015 was of 2.3% (2014) and foreign direct investment (FDI) is currently at a record high with \$38.4 billion (31 March 2015)¹.
- Since NAFTA entered into effect more than 20 years ago, Mexico has not seen any other major amendments to its legal system impacting all areas of its economy. Such amendments have the purpose of making the country more competitive and aligning it with current global economic trends.
- Some of the laws that have been enacted or amended include the Fiscal Law, Labor Law, Antitrust Law, Telecommunications and Transportation Laws, Foreign Investment Law, Corporate Law, Energy Law, Financial Law, Personal Data Protection Law, Immigration Law, Anti-Money Laundering Law, Securitization Law, Commercial Code Law and others.

BUSINESS ENTITIES

Representative Office

- Allows a foreign entity to have a presence in Mexico by means of an office that serves as a link between the foreign entity and its clients in Mexico. Its activities are limited to preparatory processes for business carried out by the parent company, such as receiving or delivering information and rendering advice related to the activities, products or services of the parent company. The foreign entity is not considered a separate entity from its Mexican representative office and is liable for the activities and duties of the Mexican office.

Branch

- A branch may engage in business activities and is subject to the tax obligations of all Mexican companies. As is the case with the representative office, the parent company is subject to liabilities of the Mexican branch. A permit from the Ministry of Economy needs to be obtained in order to commence operations, except for service related industries. Furthermore, it must register its bylaws in the Public Registry of Commerce, the Ministry of Finance and with the Foreign Investment Registry.

Subsidiary

- The most common forms of Mexican entities regulated by the general law of commercial companies are the Corporation (Sociedad Anónima, S.A.) and the Limited Liability Company (Sociedad de Responsabilidad Limitada, S. de R.L.). Such entities provide limited liability for the shareholders/partners for as much as the amount of the investment on the capital stock. It is required to have at least two shareholders/partners and in the case of the S. de R.L., a maximum of 50.
- The capital stock of the S.A. is represented by shares which can be freely transferred, and in its case, subject to shareholders agreement. The capital stock of the S. de R.L. is represented by quota holdings evidenced by certificates that are non-negotiable instruments. The transfer of capital stock requires the consent of the partners representing the majority of the capital stock and a right of first refusal is granted by law to the partners.

Securities Law (*Ley del Mercado de Valores*)

- Securities Law implemented on December 2005 to create corporations that promote investment (Sociedades Anónimas Promotoras de Inversión). It aims to provide the possibility to include in its bylaws more flexibility than the standard S.A. Among the specific provisions, the shareholders could agree on the possibility to restrict the voting rights to some of the shareholders, to freely determine the way profits or other benefits will be granted or restricted to the shareholders; veto rights, among others. Some of these provisions were recently allowed also for Corporations.
- This law also includes the creation of the corporations that promote investment and securities (Sociedades Anónimas Promotoras de Inversión Bursátil), whose main objective is to participate in the stock market.

Distribution and Agency Agreements

- There is no specific law that regulates distribution or agency agreements. The parties shall be subject to the terms and conditions of their agreements. There are no provisions for payment of remuneration at termination, unless established in the agreement. Antitrust Law considers monopolistic practices the obligation of the distributor to sell at a price established by the company granting the distribution, among other cases.

Foreign Investment Law

- Together with NAFTA and as a part of the liberalization of the Mexican economy, the Foreign Investment Law was adopted on December 1993, changing the general rule from 49% foreign investments participation to allow 100% foreign investment on the capital stock of most entities operating in Mexico. At that time, certain foreign investment participation remained restricted in areas such as oil and gas, petrochemicals, electricity, telecommunication. During recent months, Mexican Congress has approved major reforms to oil, gas and telecommunication laws, in order to allow up to 100% foreign investment in these areas. Amendments to the Mexican Constitution have been enacted as well as the specific secondary laws.

Central Bank Exchange Control

- There are no exchange controls in Mexico. The Mexican peso is subject to free market conditions. There is no restriction, nor is there any governmental process for repatriation of investments and the free flow of money. Special attention will be taken with the new Anti-Money Laundering Law, which requires the notification of certain transactions related to gaming, financial operations, jewelry and real estate transactions, among others when those transactions are for amounts over a certain threshold.

TAXATION¹

- On 2016 different tax hikes/changes took in effect in Mexico. The tax hikes/changes include incentives for the repatriation of capitals to Mexico, temporal investment deduction for small and medium enterprises and individual with commercial activities, filing and informative transfer pricing tax return. Furthermore, it will maintain the current corporate tax rate.
- On 2015 entered into force several dispositions through which the tax authorities grant incentives to the energy and infrastructure trusts focused on the hydrocarbons exploration and extraction.

a) Federal Taxes

- In Mexico, companies are subject to the following: federal taxes: income tax, value added tax, special tax on products and services, international commerce tax, motor vehicle usage tax and sales tax on new automobiles

Income Tax

- The income tax rate on business legal entity resident income earners is 30% for companies (corporate tax) and up to 35% for individuals. The tax base is similar to the accounting profit subject to certain and specific adjustments.

Capital Gains

- The tax rate on capital gains is the same as the rate imposed upon business profits. The difference between them is the treatment of the set-off. Capital losses can only be offset against capital gains and not against any other type of income.

Branch Profits

- A locally formed subsidiary that is considered a Mexican tax resident has to pay corporate income tax on its worldwide income. A branch of a non-resident company that is a permanent establishment according to Mexican law must only pay income tax on income attributable to that permanent establishment.
- Subsidiaries and permanent establishments of non-resident companies are subject to the same taxes, with respect to the constitutional principle of tax equality.

VAT

- Mexico has a value added tax (VAT) which is levied on the alienation of goods, rendering of independent services, granting the temporary use or enjoyment of goods, and on importation of goods and services. The general rate is 16%.
- Exports and some other specified items are subject to the 0% rate, such as non-industrialized animals and vegetables, some products intended for food, medicines and agricultural services and books.

b) Special Taxes

Taxes on production and services are payable on the sale of alcoholic and some non-alcoholic beverages, tobacco, gasoline, diesel, non-fossil fuels and some other specified items. Tax is also payable on certain gourmet foods and a 0% rate is applicable to exports of such gourmet products processed by Mexican enterprises.

c) Local Taxes

- States are empowered to impose tax on any wealth/income that is not expressly reserved for the federal government.
- The main local taxes are on real property (on new acquisition and on continued ownership), payroll tax, and taxes on public shows, lotteries and gambling.

Property Taxes

- In Mexico, there exists a state tax on acquisition of real state in most of the 32 states of the Federation; the tax rate differs in each state ranging between 3% and 5% on the value of the real state

Payroll tax

- Most states in Mexico have a payroll tax. The rate varies but the average is 2.5%

Tax and investment incentives

- There are tax incentives for the following: processing, assembly or transformation operations (maquila and manufacturing programs); agricultural and land transportation activities; investment in national film and theatrical production; deductions for employers who hire handicapped employees, among others.

Tax Treaties

- Mexico has more than 70 tax treaties (to avoid double taxation and/or exchanging information) currently in force and it is negotiating several more. Most of the tax treaties for the Avoidance of Double Taxation and Fiscal Evasion follow the OECD model with some amendments. In México, tax treaties cannot be overridden by any existing or subsequent domestic law.

LABOR LAW

- On December 1st, 2012, new labor laws took effect in Mexico. These reforms make it easier for companies to hire and dismiss workers, contemplate trial periods and training contracts for employees, and provide the possibility to contract for hourly wages (as opposed to daily wages), among others.

Basic Labor Provisions

Concept of Employment

- Any person rendering services to another individual or entity is considered an employee if that person works under the supervision of, or is subordinate to, the contracting individual or entity in exchange for a salary. Individual Employment Agreement (Mandatory for Employers).
- Employment agreements:
 - o For a definite period of time
 - o For an indefinite period of time
 - o For a specific job or task
 - o With an initial training period
 - o With a trial period
 - o Per hour
- The minimum wage is determined by the National Minimum Wage Commission which sets the minimum wage to be applied annually in the different geographical areas in Mexico. For 2016, the general minimum daily wage is \$73.04 pesos (USD \$3.83).

Geographical Area	Minimum Daily Wage
"A"	\$70.10 pesos (USD \$ 4.58)
"B"	\$68.28 pesos (USD \$ 4.46)

- The National Minimum Wage Commission also determines the specific ranges of minimum wage according to specific occupations. The National Minimum Wage Commission

is composed of employees, employers and governmental representatives.

- Working shifts shall be agreed to by employee and employer with the following rules:
 - A daytime work shift is between the hours of 6:00 to 20:00 with a maximum of 8 hours.
 - A nighttime work shift is between the hours of 20:00 to 6:00 with a maximum of 7 hours.
 - A mixed work shift is one which includes hours from the daytime and nighttime work shifts as long as the part of the shift that is during the nighttime hours is less than 3 and a half hours, otherwise it should be considered a nighttime work shift. The maximum duration for the mixed work shift is 7 and a half hours.
- Employees are entitled to have at least a 30 minute break.
- Workers may work overtime for up to 9 hours per week and be paid 100% of wages for the overtime they work.

Salary

- Salary is composed of daily cash payments, bonuses, housing, premiums, commissions, payments in kind and any other amount or benefit given to the employee. The cash payment shall never be less than the minimum wage.
- Workers shall be entitled to a Christmas Bonus after the first year, which must be paid before December 20th of the corresponding year, equivalent to at least 15 days of salary.
- Basic Labor Obligations:
 - Written Contract
 - Registration before Social Security
 - Registration before Workers' Housing Fund (Infonavit 5%) and Pension Fund (Afore – 2%)
 - Payment of at least minimum wage.
 - Christmas Bonus (of at least 15 days of salary)
 - Vacation Time and Vacation Bonus
 - Severance Payment
 - Profit Sharing- Employees are entitled to receive an amount equal to 10% of the taxable income of the Company. (National Commission of Profit Sharing) Exemptions: New Companies during the 1st year of operation (Two years for new products) Mining Companies: Exploration period. Payment shall be made no later than May 30 of the following year.
- All employees in Mexico have the right to their share of the profits of the businesses they work for, as provided by Article 123, section A, paragraph IX, of the Federal Constitution. The percentage of share participation is determined every 10 years by the National Commission on Profit Sharing, which is a government body consisting of representatives of employees, employers and the government itself.

Unjustified Dismissal

- **Indemnification.** In case of unjustified dismissal, employees are entitled to claim either:
 - 1) Reinstatement
Or
 - 2) Payment of compensation equivalent to three months' salary, seniority premium equivalent to 12 days' salary per year of service, with a cap of twice the minimum salary, payment of back wages from the time of dismissal to the date of the judgment (with a 1 year limit), and the outstanding balance of any earned and unpaid benefits.
- Back wages will be calculated for up to 12 months of employee's integrated salary. After the 12th months, interests must be calculated based on 15 months of the employee's salary applying a 2% rate each month.
- In case of employee's death, back pay salaries will stop at the date of death.
- Before the modification of the Federal Labor Law, back pay salaries were calculated for all the time that the labor process took place. Usually it would be around 2 to 4 years depending on the labor case.
- Back pay salaries are calculated based on integrated salary (no base salary). This is the base salary plus the proportional part of Christmas bonus, premium vacation and other benefits paid to the employee.
- Employer has the right to refuse reinstatement of the employee as every employer pays 20 days salary per year of services in addition to the 3 month salary compensation.
- Employee has the right to terminate with cause his employment contract if employer commits any unlawful act such as insults, salary reductions, sexual harassment, unilateral modification to the labor relation conditions and, in such case, the termination will be treated the same as with an unjustified dismissal.
- The General Law to prevent and eliminate discrimination, prohibits discrimination based on ethnic origin, culture, sex, religion, immigration status, pregnancy, family, political orientation, race, sexual preference etc. It also prohibits acts that restrict equal employment opportunities, limit training programs, etc.
- The National Board to prevent discrimination, shall take all required actions to prevent and eliminate discrimination and promote equal treatment.

Trial Period

- Trial period is when it is an agreement for specific time or when the job to be performed does not exceed 180 days.
- With an initial training period, it could be agreed to for 90 days for general employees and up to 180 days for management employees.
- In case the employer does not decide to hire this kind of employee once the period ends, then the only obligation of the employer is to notify the Mix Commission of Productivity, Training and Teaching.

- This last Commission is mandatory for companies or employers with at least 50 employees.
- These agreements can only be executed once and cannot be agreed to simultaneously or one after another.
- In these new modalities, there is no severance payment at the time that the trial or training period ends, since it is an employer's right to determine whether or not to hire the employee for an indefinite period of time.

Asset Purchase Agreement/Employer Substitution.

- The acquisition of a business is considered to be an employer substitution with respect to the employees and the original employer shall be jointly liable along with the new employer for any labor contingency prior to the transfer of employees and six months after. This term shall be effective as of the date on which the employees or the union is notified of the employer substitution. In order to be effective, it will require a transfer of assets.

Stock Purchase Agreement.

- The relationship between the target company and its employees will continue under the same terms and conditions. There is no obligation to inform or require authorization from the employees nor the union for a transfer of shares; although it is advisable to inform the union at the time of the transfer. The new shareholders shall not unilaterally decide to reduce the labor benefits and if they do, the target company shall make severance payments

IMMIGRATION LAW

- The new immigration law entered into effect on July 2011 and established a new classification for the granting of visas under the following main categories:
 - **Visas for visitors without authorization to work** authorize foreigners to stay in Mexico up to 180 days. Mostly used for tourism and business but without the right to receive any payment for activities done in Mexico.
 - **Visas for visitors with authorization to work** authorize foreigners to stay in Mexico for up to 180 days and work in Mexico. This immigration status can only be obtained from the Mexican Consulates abroad.
 - **Temporary resident** authorize foreigners to stay in Mexico up to 4 years with the possibility to work if having a job offer. This visa will enable the authorized individual to bring his family.
 - **Permanent resident** authorize foreigners to stay in Mexico indefinitely and to engage in any lucrative activity in the country. Also this visa entitles foreigners to bring their family.
- In order to change any of the above mentioned visa categories, it will be necessary for the foreigner to leave the country and request a visa under a different category.

- Any Mexican company having foreign employees shall be registered before the national immigration institute and obtain an employer's certificate.

ANTITRUST LAW⁴

- On May 23, 2014 a new Antitrust Law was enacted in Mexico. Its purpose is the implementation of a constitutional reform regarding economic competition that was approved in June 2013.

The Commission

- The aforementioned constitutional reform restructured what is now referred to as the Federal Economic Competition Commission ("Commission") into an independent government agency (previously, it had been a semi-autonomous agency under the purview of the Ministry of Economy) with its own legal personality and assets. Moreover, all five commissioners were removed from the Commission, and seven new commissioners were appointed using a selection process carried out by an Evaluation Committee consisting of the Mexican central bank, the National Institute for Educational Assessment, and the National Institute of Statistics and Geography. The reform also led to the creation of a telecommunications regulatory agency called the Federal Telecommunications Institute, among whose responsibilities is enforcing the Law in matters of telecommunications and broadcasting. For the purpose of this document, the Commission's powers apply to said Institute in matters of economic competition regarding telecommunications and broadcasting.

Investigation Authority

- One of the Law's new features is the creation of an Investigation Authority in the form of an independent agency under the Commission's purview that is responsible for investigating violations of the Law. Once this authority has concluded its investigation and has issued a determination of presumptive liability concluding that the economic agent is presumably liable for a monopolistic practice or forbidden concentrations, it becomes another party to be tried in the procedure overseen by the Commission. The head of the authority must be appointed by a qualified majority of five commissioners, serves a four-year term, and may be reelected once.

Monopolistic Practices

- As was the case for the previous law, this Law regulates absolute and relative monopolistic practices; however, it includes a new absolute monopolistic practice consisting of exchanging information for one of the purposes or effects covered by the practices already under regulation. Previously, exchanging information was only addressed regarding practices involving the fixing, raising, combining, or manipulation of prices. Now, this behavior has been included and applied to the remaining absolute monopolistic practices.
- Regarding relative monopolistic practices, two new behaviors have been included that were not present in the previous law. These are the refusal of, restriction of access to, or access subject to discriminatory terms and conditions to an essential

⁴ This section has been prepared in collaboration with Mr. Alejandro Mendiola, Partner of RGRH.

raw material, as well as margin squeezes, which consist of reducing the existing margin between the price of access to an essential raw material supplied by one or more economic agents and the price of a good or service provided to the end user by the same economic agents using the same raw material for its production.

Concentrations

- The concentrations proceeding has not undergone significant change with respect to how it had been handled in the past. It is important to mention that the notification thresholds are the same as before.

The Proceeding

- An investigation into monopolistic practices and forbidden concentrations may commence ex officio by the Commission, at the request of the federal executive branch or the Federal Consumer Protection Agency, or at the request of an individual party. Any person may file a complaint alleging absolute or relative monopolistic practices and forbidden concentrations. Previously, only the affected party could file the corresponding complaint regarding relative monopolistic practices and forbidden concentrations. As mentioned above, the Investigation Authority is responsible for conducting the corresponding investigations. If an economic agent is presumed liable, the proceeding will be carried out in trial form overseen by the body responsible for the trial stage and in which there will be two parties: the Investigation Authority and the implicated economic agent.
- In accordance with the constitutional reform dated June 2013, general rules, acts, or omissions of the Commission may only be challenged via indirect amparo and are not subject to a stay. However, fines and disposals of assets or stock are not enforceable until the amparo proceeding has concluded. For trial proceedings, only decisions bringing the proceeding to a close may be challenged. Additionally, said constitutional reform also specifies that the amparo proceedings must be resolved by specialized economic competition judges and courts.
- Finally, as with the previous law, the new Law contains procedures for waiving and reducing fines for economic agents taking part in monopolistic practices and forbidden concentrations. In the event of relative monopolistic practices and forbidden concentrations, it establishes the possibility of accepting a reduction in fines by making commitments that must meet certain requirements. In the case of absolute monopolistic practices, the party in question may acknowledge that it committed such behavior and accept a reduction in penalties, provided it is the first of the implicated parties to provide evidence, cooperate, and take actions aimed at discontinuing its participation in such behavior.

TELECOMMUNICATIONS/MEDIA

General Legal Framework

- Mexico's telecommunications reform creates a new autonomous telecommunications regulator, the Federal Telecommunications

Institute which will have triple the budget of the old regulator. The new regulator can revoke operating licenses for companies employing monopolistic practices. A second new regulator, the Federal Economic Competition Commission will promote competition and seek to prevent companies from controlling more than 50 percent of market share.

- The legislation creates two open television channels, and makes access to information and communication technologies a constitutional right. It also allows foreign investment in telecoms to grow from 49 percent to 100 percent, though it limits foreign investment in radio to 49 percent. The reform defines rules around "must carry, must offer," requiring paid TV operators to offer free channels, and for open TV operators to provide free transmissions to paid operators. Finally, the reform aims to improve access to broadband and other telecom services.

ENERGY⁵

- The 2014 energy reform in Mexico, among many other effects, caused both Petróleos Mexicanos ("Pemex") and the Comisión Federal de Electricidad ("CFE") -and their new subsidiaries- to be transformed into productive public companies owned by the Mexican State instead of public entities depending from the federal administration. This major change means that they shall compete within their respective economic areas and markets with all other players, both foreign and domestic, and not as monopolistic entities.
- To be able to compete, the legislative changes, among many other administrative reforms to public procurement rulings, include new organic laws for each of such entities within which new contracting schemes are now allowed. To such end, their new laws allows them to enter into agreements under civil and commercial laws, which opens a complete and new set of possibilities regarding the ways in which such companies, once under rigid frameworks, can do and close contracts and participation schemes with domestic and foreign companies.
- The new flexibility given by the recent legal framework allows new opportunities to be created in the very near future. Already alliances are on their way between parties that, before the reform, had little or no projects together. Now as public productive companies, CFE and PEMEX are not only entitled—but obliged—to create value to their operations and within this process, the experience, capabilities and financial strength of private companies will surely be welcomed. Also, they have full technical, operative and administrative independence, providing more flexible business capabilities.

Petróleos Mexicanos (PEMEX)

- This Energy Reform gave PEMEX an initial period to choose the fields for Exploration and Production (E & P) activities-called - Round 0. The scope was determined by the National Hydrocarbons Commission once PEMEX demonstrates that it has sufficient technical and operational capabilities.
- Oil & Gas bid Round 1, is still in progress with a diversified portfolio of blocks that range from deepwater to mature fields to unconventional resources.

⁵ This section has been prepared in collaboration with Mr. Luis Jáuregui from Consulting Services Petroleum Business and Mr. Claudio Rodríguez head of Energy Department of RGRH.

Wholesale Power Market Rules

- On September 2015 after important comments, discussions and suggestions made by relevant industries, the Ministry of Energy enacted the Rules which definitively changed the way the power businesses were understood in Mexico since 1992, when a partial liberalization of the power market occurred.
- The Rules allows private entities to offer and buy not only power but associated products such as capacity, financial transmission rights and clean energy certificates at: (i) "spot" market, (ii) through bilateral agreements with market participants; or, (iii) medium or long term auctions (power, financial transmission rights and capacity) with basic power suppliers (CFE).

Industries with major possibilities

- On the second quarter of June 2015, CFE announced USD 9.8 Billion bids in power and gas.
- All energy laws promote new participation schemes and indeed, very important gas transport agreements have been recently awarded by CFE. In the power sector, the division between generators, traders and certified users means that new entities and collaborative measures will be formed and taken which were not needed under the previous schemes. The wholesale power market will require a continuous supply of several products, including, energy, capacity, financial transmission rights, and clean energy certificates.
- Whether or not the price and conditions of availability and dispatch capacity can be met will depend on the rulings and the infrastructure and technology available, and therefore, supplied by generators (i.e., gas-fired, geothermal, wind, solar). Further, alliances with companies with proven storage technologies will be necessary in order to increase a project's dispatch capacity and availability, given the intermittency and inability of some technologies to generate electricity during peak hours. To such ends, several technologies, companies will have to merge into a single proposal in order to comply with the requirements set forth in power bid proceedings. Thus, we foresee a huge potential of synergies within this industry.
-
- In August 2015, CFE intended to launch a "round one" bidding process to offer to private investors the geothermal fields over which CFE did not declare its intention to explore and exploit. Since CFE is, as we stated, a productive state company, international experienced players will be allowed to enter into association agreements with CFE. However, as in the case of oil-related "round one" processes, international geothermal companies might be interested in entering in joint ventures, or even M&A, with foreign companies in order to share the risk, receive local experience, and with national entities in order to comply with national contents requirements instead.
- The alliances are even clearer in cogeneration projects to be built by PEMEX, in which several GW of power under this technology will be built and operated. In this case, important consortiums have been already structured to meet the financial, technical, experience, and national contents requirements.

- Lastly, but no less important, is the fact that the energy reform opened a complete new set of opportunities in transmission. Even though transmission and distribution will continue to be areas operated by the Mexican State, the Power Industry Law already foresees private participation in the design, finance, construction, and maintenance (but not operation) of new transmission infrastructure. This collaboration will contribute to create the necessary evacuation needed as new pipelines for gas-fired projects, in one hand, and for renewable projects, in the other, are built in the following years.





NICARAGUA

- The Republic of Nicaragua is the largest country in the Central American region, bordering Honduras to the north and Costa Rica to the south. The Pacific Ocean lies to the west and the Caribbean Sea to the east.
- With a total area of 130,373.4 km², Nicaragua has experienced sustained economic growth as a result of the disciplined management of its fiscal, financial monetary and exchange policies.
- Although the official language of Nicaragua is Spanish, English is increasingly popular, mainly being used for business.
- Córdoba is the official currency.
- Population: 6.1 million
- Labor Force: 3.2 million

EXCELLENT ECONOMIC PERFORMANCE

- Pro-business legislations and administrative procedures have contributed to a strong inflow of foreign investment in recent years. Furthermore, Nicaragua's excellent economic performance has been recognized by the International Monetary Fund (IMF) through a series of revisions over the past years. In 2014, the GDP of Nicaragua checked a growth of 4.7 percent. In turn, GDP per capita was US\$ 1,904.7 experiencing a growth of 4.4%.

SOLID LEGAL FRAMEWORK

- The legal framework for investment in Nicaragua possesses a unique harmony. This is complemented by groundbreaking special regulations, enacted over the last ten years. These regulate specific aspects of the country's business climate such as: contracts, loans, investment incentives and exports, stock market, banking, real estate, etc.
- The Foreign Investment Promotion Law offers investors fundamental guarantees such as full currency convertibility; freedom to expatriate all capital and profits, dividends or earnings generated in the national territory, after paying pertinent taxes; there is no need of a minimum or maximum amount of investment; prompt depreciation of capital goods; national loans are available through local banks, according to their terms and condition of approval; 100% international ownership if allowed.

GENEROUS FISCAL INCENTIVES

- The Tax Law describes a series of benefits to different sectors:

Exporters

- 0% Value of Added Tax (IVA) rate to exports on domestically produced goods or services provided to clients abroad.
- Exports of goods are taxed at 0% of the Selective Consumption Tax.
- A tax credit can be applied to the advance payments or annual Income Tax with previous authorization of the tax administration in an amount equal to 1.5% of the FOB value of exports.

Agricultural Producers

- Article 127 presents a list of transfer that are exempt of transferring the Value Added Tax, some of them are related to the agricultural sector.
- Additionally, article 274 provide exemptions on Value of Added Tax and Selective Consumption Tax, to the transfers of raw materials, intermediate goods, capital machinery and equipment to agricultural producers and micro, small and medium industrial and fishing enterprises, through a tax list.

Forestry Sector

- Plantations registered on the regulatory entity will be exempted of paying fifty percent (50%) of the Municipal Income Tax.
- Areas where forestry plantations are established and where forest management are performed through a Forest Management Plan are exempted from Property Tax (IBI).
- Companies of any line of business that invest in forestry plantations may deduct, as an expense, 50% of the amount invested for Income Tax purposes.

Temporary Admissions Law

- Companies that export directly or indirectly are eligible for this regime at least 25% of total sales with an export value not less than US\$ 50,000 annually.

Industrial Free Zones for Export

- 100% exemption from Income Tax during the first 10 years of operation, and 60 percent from the 11th year onwards.
- Exemption from taxes on transfers of real-estate.
- Tax exemption from the set-up, transformation, merger and reforming of entity as well as on stamp duties.
- Exemption from all taxes, customs and consumption duties related to empower the company for its operations, as well as taxes applicable to benefits that tend to satisfy the needs of personnel of the company.
- Exemption from customs taxes on transport equipment, including vehicles used for cargo, passengers or service intended for normal use of the company.
- Full exemption from indirect, selective-sales or consumption taxes.
- Full exemption from municipal taxes.
- Full exemption from export taxes to products processed within the zone.
- Exemption of taxes on local purchases.

Electricity Generation from Renewable Sources

- Exemption from payment of import duties of machinery, equipment, materials and supplies used exclusively for pre-investment work and of building works.
- Exemption from payment of VAT on machinery, equipment, materials and supplies used exclusively for the work of pre-investment and construction works.
- Exemption from all existing municipal taxes on property, sales, fees for the construction of the project for a period of 10 years (5 years in case of geothermal energy).
- Exemption from all taxes for the exploitation of natural resources for a maximum period of 5 years after the start of operating.
- Exemption from Stamp Tax that may cause the construction, operation or expansion of a project for a period of 10 years with the same tax exemptions.

Exploration and Exploitation of Mines

- The holders of mining concessions are required to pay for surface right and pay for the right of extraction. The exemptions to this sector are:
 - Temporary admission regime which allows the entry of goods into national customs territory and the local purchase of goods into national customs territory and the local purchase of goods or raw materials without paying any tax or fee.

◦ If it is not possible to apply the previous suspension of duties and taxes, the benefit will apply under subsequent refund procedure of the taxes paid

◦ Zero percent tax rate for exports applicable to all exports.

Tourism Industry

- Exemption of 80 to 100 percent of the income tax (IR) for a period of ten years.
- Exemption of property tax (IBI) for a period of ten years.
- Exemption of Value Added Tax (VAT) applicable to design services, engineering and construction services.
- Exemption of Import Tax and Value Added Tax on the local purchase of goods, furniture, equipment and vehicles, and on the purchase of equipment that contribute to save water and energy for those necessary for the safety of the project. Also, exemption on the purchase of non-luxury materials and fixtures of the building.

Ports

- The approved investment projects, during the period of construction, improvement, expansion or development of port infrastructure, will be considered exempt from duties and taxes on imports, local purchases and municipal taxes.

Fishing and Aquiculture

- In addition to the benefits granted by the Tax Law, the Law of Fishing and Aquiculture grants the right of previous suspension of taxes levied on diesel used for fishing activities.

Hydrocarbons

- An exemption of Import Duties and Temporary Protection Tariff which are regulated in accordance with the Agreement on the Customs and Tariff Regime of Central America.
- There is a Unique Specific Tax on Fuels (IECC, for its acronym in Spanish) which purpose of creating a single tax on crude oil or partially refined or reconstituted, and other derivatives. The IECC is applied just once on the transfer of import of petroleum derivatives; the Tax Law (822) forbids the existence of another tax on them, municipal, local and regional taxes.

SECURITY INDEX

- The 2014 Security Index, published by the Economist Intelligence Unit, ranked Nicaragua on its evaluation as sixth safest country in Latin America, before Dominican Republic and after Argentina, being the safest country in Central America.

Fiscal System

- Tax Law (Law 822) provides numerous tax benefits to certain productive sectors of the economy in order to promote their growth and development. Waivers and exemptions granted by this law are without detriment to those granted by the legal provisions listed in the article 287.

Income Tax

- A direct and personal tax is applied to income of Nicaraguan source obtained by tax payers, whether residents or not. That income tax is also applied to any increase in capital that is not justified and to income that is not explicitly or exonerated by law. Income is classified as follows:
 - o Work income: Encompasses all kind of compensation, remuneration or revenue, whatever its designation or nature, in cash or kind, arising from personal work provided by others. The taxable base for income tax of the work income is net income, which is the result of subtracting the allowable deductions from gross income.
 - o Income from economic activities: are those earned or received in cash or kind by a taxpayer who provides goods and services, including capital income and earnings and loss of capital, as long as they are constituted or integrated as income from economic activities. Additionally, taxpayers are required to pay a definitive minimum payment, which is calculated by applying a one percent of aliquot on taxable gross income. During the first three years, taxpayers are exempt of this payment.
 - o Capital income on earnings and losses of capital: Capital incomes are revenues earned or received in cash or kind, from the operation or disposition of assets under any legal concept. Earnings and losses of capital are changes in the equity value of taxpayer; as a result of the sale of goods, or assignment or transfer of rights. Also, capital incomes are those derived from gambling, betting, donations, legacies and any other similar income. When the amount of capital income is greater than or equal to 40% of total income from economic activities, these incomes pay the same taxes of economic activities.

Value Added Tax

- Is applied to the following activities performed in Nicaraguan territory, with a tariff of 15 percent of the value of a product or of an activity carried out; except the export of goods of the national production and the services provided abroad:
 - o Goods transferred.
 - o Import of goods.
 - o Exports of goods and services.
 - o Provision of services or use of goods.

Selective Consumption Tax

- An indirect tax that is applied to the transfer and import value of goods and merchandises in annexes I, II and III of the Tax Law. Exports are subject to 0 percent of ISC.

Stamp Tax

- Applies to certain documents listed in article 240 of the Tax Law when they are issued in Nicaragua or when issued in foreign countries, but take effect in Nicaragua.

Real Estate Tax

- It must be paid by December 31st every year, is applied to properties located within the boundaries of each municipality. The real estate tax payment is one percent over the base, which can be established in:
 - o Municipal Land Registry Appraisal: Based on the application of the guidelines of Land Registry of DGI-MHCP. The land appraisal can also be outsourced by the Mayor's Office to companies specialized in land and property appraisal.
 - o Self-Appraisal: Is declared by the tax payer based on the property's description according to formats, value tablets and municipal costs provided by the municipal Mayor's Office. The property value is estimated by the tax payer, the value is based on the book value or acquisition value of the property minus the accumulated depreciation, whichever is highest.

Municipal Income Tax

- Establishes the payment of a monthly tax equal to one percent of total gross income. This tax applies to any person or entity engaged in the sale of goods, industrial activity or the provision of services.

Municipal Registration Tax

- The amount of registration tax is 2 percent of the average monthly gross income from the sale of goods and services in the last three months of last year. In cases of starting a business, the municipal registration tax is 1 percent of the social capital.

Customs Duties on Imports

- Taxes are contained in the Central American Import Tariff and apply to the CIF value of goods imported outside of Central America. DAI taxes are applied proportional to the value of the imported goods.

LABOR LAW

- Spanish will be the default language to use in all labor relations, except for the Caribbean Coast which uses the languages of its communities.
- It is mandatory for employees to hire at least 90% of Nicaraguan employees, except if the Ministry of Labor authorizes the employers to hire more foreign employees for technical reasons.

Minimum guaranties

- Equal salary for equal work in the same conditions without discrimination of any kind.
- 8-hour workday, weekly rest, vacations, remuneration for national holidays and Christmas bonus in accordance with the law.
- Social security for full protection and livelihoods in cases of disability, old age, occupational hazards, sickness and maternity; and their families in cases of death, in the form and manner prescribed by the Law.

Fringe Benefits

- **Paid Vacations:** All workers have the right to take 15 continuous days of vacation, fully paid, for every six months of uninterrupted labor by the same employer.
- **Christmas Bonus (13th Month):** For each year of continued labor, all workers are entitled to a 13th month of salary. The amount of this bonus is equivalent to a monthly salary. If the worker does not have a year of continued labor, the 13th month is calculated proportional to the months worked. This must be paid within the first 10 days of December. If the employer fails to comply, he or she must pay a compensation equal to one day's worth for each day of delay.
- **Severance payment:** An employer can fire an employee without cause, as long as the employer pays a severance payment according to the Article 45 of the Labor Code. This payment also applies if the labor relation ends by natural agreement or quit and consist in a payment of a month of salary per each worked year, during the first three years; and 20 days of salary per each additional worked year after the fourth year, no more than 5 months of salary. The applications of Article 45 have some limitations in cases of workers with union privileges.

SOCIAL SECURITY

- Every employee must be registered in the Nicaraguan Social Security Institute (INSS) within three days of beginning employment. The employer must withhold the social security contribution (6.25%) from the employee's salary and monthly pay the employer's contribution (17%) along with the employee's contribution to the INSS. In both cases, the salary subject to contribution will be up to CS\$ 72, 410.00 monthly. From 2016, every 1st of January, the INSS will set the salary object to contribution by applying the annual change of the average salary of the monthly insured people.

MINIMUM WAGE

- Nicaragua ranks as the country with the most competitive wages in the region, with wages of US\$ 0.73 per work hour in the agricultural sector and US\$ 1.09 in companies under the free zone regime.
- The Minimum Wage Law states that minimum wage will be fixed every six months according to the details of each job and industry. This fixation may be per unit of time, work, or task, and can be calculated per hour, day, and week, per fourteen days, fortnight or monthly.





PANAMA

- The Republic of Panama is located in the center of the Western Hemisphere. It is bordered by Costa Rica to the northwest, Colombia to the southeast, the Caribbean Sea to the north and the Pacific Ocean to the south. Panama occupies a strategic location at the southeastern end of the isthmus forming the land bridge between North and South America.
- Area: 75,517 km².
- Population: 3,405,813 (per May 2010 census).
- Political division: ten provinces and five indigenous communities.
- Government: Constitutional democracy.
- Religion: Freedom of religion is protected by the Panamanian constitution. Most Panamanians are Roman Catholics but due to the diversity of the country all kinds of temples of worship may be found throughout the country.
- Language: The official language is Spanish but English is widely spoken as a second and commercial language.
- Weather: Panamanian weather is tropical and uniform throughout the year. The average temperature is 27°C.
- Currency: The official Panamanian currency is the Balboa, fixed at parity with the United States dollar since the country's independence in 1903. In practice, however, the country is dollarized; Panama uses US dollars for all its paper currency and has its own coinage, which is equivalent in size and value to those of the US dollar.
- Panama's dollar-based economy rests primarily on a well-developed services sector that accounts for three quarters of gross domestic product (GDP). Services include the operation of the Panama Canal, logistics, banking, the Colon Free Zone, insurance, flagship registry, corporate legal services, and tourism.

BUSINESS PRESENCE

- Panamanian legislation offers several types of business models in Panama. Amongst the most relevant are the following:

Panamanian Corporation (Sociedad Anónima)

- In Panama, a corporation is usually known as an "S.A.," or Sociedad Anónima (translated literally to "anonymous company"). However, only the shareholders are actually anonymous.
- A Panamanian corporation can have the following suffixes: INC., CORP., Corporation, or S.A.; there is no difference from a legal perspective.

- Two or more natural persons may organize a corporation by executing the corresponding Articles of Incorporation. The incorporators do not need to be citizens or residents of Panama.
- The Articles of Incorporation must contain at least the following information: name of the corporation, general purpose or purposes of the corporation, amount of authorized capital, and the number and par value of the shares into which said capital is to be divided. Non par value shares are also allowed.
- The enumeration of corporate purposes in the Articles of Incorporation does not preclude the corporation from pursuing any other activities not so specified, since Panamanian law

expressly allows a corporation to engage in any business, even though same is not mentioned in the Articles of Incorporation.

- The Articles may provide that the corporation can issue both par value and no par value shares.
- Panamanian corporations can have shares issued in either Bearer form or Nominative form. If the company issues Bearer Form shares, they must be given in custody to a duly authorized agent (Lawyer or Bank). A Panamanian corporation can do business and own property and other assets (boats, cars, jewelry, etc.) in any country. Some offshore jurisdictions do not allow IBC's to do business locally. Panamanian corporations can do business inside or outside of Panama.
- Panamanian law requires all corporations to have a Resident Agent domiciled in the Republic of Panama, whose name and address must appear in the Articles of Incorporation. The Resident Agent must be a lawyer or law firm authorized to practice law in the Republic of Panama. Usually the lawyer or law firm that incorporates the corporation acts as such.

Panamanian Branches of Foreign Companies

- A foreign company can register a branch in Panama by depositing the following documents at the Public Registry Office:
 - Articles of Association;
 - Board minutes authorizing the Panamanian registration;
 - Copies of the most recent financial statements;
 - A certificate from a Panamanian consul confirming that the company is organized according to the laws of its place of incorporation;
 - Notification of the allocation of capital to the Panamanian operation.
- All the above mentioned documents, if not originally issued in Spanish, must be previously translated to Spanish by a Panamanian Authorized Public Translator. All signatures must be legalized before a Panamanian consulate or by Apostille.

Panamanian Limited Liability Company (LLC)

- Limited Liability Companies (*sociedad de responsabilidad limitada*) must have a minimum of two partners.
- There is no restriction on the nationality of the partners or their domicile.
- The names of the partners must be registered in the Public Registry Office along with details of the amount of capital committed and paid in (in cash or kind) by each of them.
- The partners can appoint administrators for the company, who may or may not be partners, and whose names must also be registered at the Public Registry.

Panamanian Civil Company

- The Civil Company (*sociedad civil*) has legal personality, although the liability of the partners is unlimited. This type of company is often selected by professionals such as lawyers and accountants.

Panamanian Private Interest Foundation

- This legal entity was created based on the Liechtenstein Family Foundations. Private Interest Foundations are used mostly for the protection of assets and protection of minors and disabled persons, protecting the objectives of the Founder with regard to the destiny of its patrimony even after his or her death. The Private Interest Foundation cannot be profit-oriented. Nevertheless, it can engage in a non-habitual manner in commercial activities if the economic result is used towards the foundation's objectives.
- It can be defined as a donation or assignment of assets by a Founder for specific objectives, determined in a document known as the Foundation Charter, and carried out by the Foundation Council, which is similar to a board of directors in a corporation. The members of the Foundation Council must be designated in the Foundation Charter.
- The Foundation Charter must be registered at the Public Registry. Since the moment of its registry, the Foundation starts its existence without the need for previous approval from any governmental authority. The regulations or rules do not require registry and therefore can be maintained as a private document.
- The Foundation Charter must specify the names of the Foundation Council (who administer the foundation on behalf of the beneficiaries), the property of the Foundation, its domicile, the name of its Panamanian-registered agent and other details; but the names of beneficiaries and principles of operation can be contained in separate regulations or rules, and can remain as a private document.
- The minimum capital requirement is US\$10,000.

Panamanian Trusts

- A trust is a juridical act by which a person called settlor transfers assets to a person called trustee for its administration or disposition in favor of a beneficiary, who may be the settlor.
- Panamanian trusts (*Fideicomiso*) must be expressed in writing, so cannot be constructive. The trust shall be executed via private document, with the only formality being that the signature of settlor and trustee must be authenticated by a Panamanian notary, guaranteeing confidentiality. The trust instrument must be executed via public deed and registered before the Public Registry in such cases where real property located in Panama is given in trust.
- Trusts can be stated to be revocable but otherwise are irrevocable.
- The settlor, trustees, and beneficiaries need not be Panamanian nationals or residents in Panama.
- A Panamanian lawyer must act as registered agent for the trust.
- Trusts may be established for existing or future property; additional property may be included after the settlement either by the settlor or a third party.
- Assets in trust constitute an estate separate from the assets of the trustee. Therefore, they cannot be seized, sequestered, or

subject to any lien as a result of the trustee's obligations. The assets of the trust can only be affected by the liabilities of the trust itself.

FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

- Panama's investment regime offers foreigners national treatment with some exceptions.
- The Constitution reserves for Panamanian citizens the acquisition of land located less than 10km from the country's borders, as well as retail trade, fishing in Panamanian territorial waters, and broadcasting.
- The operation of games of chance and gambling, along with postal and telegraph services, are reserved as state monopolies. In the case of games of chance and gambling, the tax code gives the Gaming Control Board of the Ministry of the Economy and Finance (MEF) the power to regulate the operation of casinos, bingos, hippodromes, and other related activities by signing contracts with private Panamanian or foreign-owned firms.
- Foreign investment in the air transport sector is also subject to restrictions.
- In Panama there is no specific legal statute on foreign investment, and the general legal regime is applied equally to national and foreign investors alike.
- The constitution provides that foreigners in the national territory shall receive the same treatment as nationals, but it allows the authorities to impose special conditions or deny access to certain activities to foreigners in general for reasons of employment, health, morality, public safety, and national economy.
- According to the constitution, salt pans, mines, underground and thermal waters, hydrocarbon deposits, quarries, and mineral deposits of all kinds may not be privately owned, but they can be exploited by private enterprise through concessions or other types of contract.
- Law No. 54 of July 22, 1998, (Law on Legal Stability for Investments) promotes and protects investments made in Panama, including foreign investment. It states that foreign investors and the enterprises in which they participate have the same rights and obligations as national investors and enterprises, without any restrictions other than those established in the Constitution. The same law allows foreign investors to freely dispose of the proceeds of their investment, guaranteeing free repatriation of capital, dividends, interest and profits arising from the investment, and freedom to market their production.
- There are also certain restrictions relating to the nationality of a corporation's executive staff and workers. Up to 10% of a firm's total work force may be foreign nationals, and up to 15% in the case of technical or specialized personnel. The proportion of foreign technical or specialist staff may be increased, for a predefined period, with due authorization from the Ministry of Labor.

- Although foreign investment does not need prior authorization, registration and licensing requirements exist in certain activities that generate investments, for example, banks, insurance, and reinsurance.
- Disputes are settled through the national courts and the foreign investor has access to the same procedural remedies as the local investor.
- Panama has signed agreements for the reciprocal promotion and protection of investments with several countries. It also has double taxation agreements with other countries.

EXCHANGE CONTROL

- There are no exchange controls in Panama and there is no central bank. Foreign investment is welcomed, and profits may be freely repatriated.

TAX COMPLIANCE—TAXATION

Corporate Income Tax

- The taxation system of the Republic of Panama is based on the territoriality system, by which only Panamanian source income is levied with income tax. The general corporate income tax rate is 25%.

Individual Income Tax

- Individuals who earn less than US\$11,000 per year pay no income tax. Those earning between US\$11,000 and US\$50,000 pay a 15% tax rate while those earning more than US\$50,000 pay a 25% rate.

Social Security Tax

- Employers and employees pay social security taxes on the employee's salary. Currently, employers pay 12.25% and employees pay 9.75%. Employers are required to withhold a percentage from each employee's pay for income tax and for social security tax.

Educational Tax

- An additional 1.25% of an employee's wages are withheld as an "educational tax" while the employer pays 1.5%.

Capital Gains Tax

- The capital gains tax rate differs by the type of property being transferred. Only properties located in Panama are subject to the capital gains tax. The standard rate is 10% of the realized gain from the sale.
- Transfer of shares of a Panamanian entity that obtains Panamanian source income requires the buyer to withhold 5% of the purchase price and remit it to the Ministry of Economy and Finance within ten days. This is considered as an advance of the seller's capital gains tax. The seller can declare the 5% to be the total capital gains tax or if the amount withheld exceeds the normal 10% rate of the actual gain, the seller can claim a tax credit for the excess amount when filing his/her annual tax return.

Dividends Tax

- There is a 10% dividends tax levied to entities that have a commercial operations permit and have Panamanian source income. Dividends distributed to holders of bearer shares must pay a 20% dividend tax. The dividend tax is only 5% if the earnings come from foreign sources, are export-related, or other specific laws exempt the income. Companies located in the free trade zones pay a 5% dividend tax for all income. The entity declaring the dividend withholds the tax and remits it to the tax authorities. There is no additional income tax levied to those receiving the dividends.

Commercial Permit Tax

- All persons and entities engaging in business activities within the Republic of Panama must obtain a commercial operation permit ("*Aviso de Operacion*") which is issued by the Ministry of Commerce and Industries. The annual tax for the permit equals 2% of the company's net worth with a maximum payment of \$60,000. Companies located in special economic or development zones within free trade zones pay a rate of 1% with a maximum payment of \$50,000.

VAT

- Value Added Tax or sales tax is known in Panama as the "ITBMS". This tax applies to imported goods, products sold or services rendered in Panama. The ITBMS is 7%. Higher rates exist for other activities such as the sale of alcoholic drinks (10%), tobacco products (15%), and specific services such as housing services (10%). Exceptions to paying this tax include free trade zone transactions, power generation and distribution services, and cargo and passenger transportation by sea, air, or land.

Real Estate Taxes

- Property tax applies to the value of the land and all registered improvements. The standard property tax rate begins at a value of \$30,000 up to \$50,000 at a rate of 1.75%, while the rate is 1.95% between \$50,000 and \$75,000, with everything over \$75,000 at a 2.1% rate.

Other Taxes

- Stamp taxes can be applied based on the value of certain documents, such as contracts. Panama banks and some financial institutions pay a yearly tax based on the type of institution or total assets. The usual stamp tax levy is \$0.10 for each \$100.00 or fraction of \$100.00 of the value of the document.

Avoiding Double Taxation

- Panama has entered into an Agreement for Taxation Cooperation and the Exchange of Taxation Information with the United States of America and more than sixteen Treaties to Avoid Double Taxation with several countries, in order to meet the current international standards set by the Organization for Economic Co-operation and Development (OECD). Having completed this process, and having been withdrawn off the OECD's "grey list" of tax havens, Panama continues to negotiate and sign tax treaties with other countries to avoid double taxation of foreign investors on their Panamanian source income.

TAX AND INVESTMENT INCENTIVES

- Certain industries receive tax incentives to encourage foreign investment in areas including agriculture, tourism, mining, exporting non-traditional goods, power generation, construction and operation of government concessions, processing and storing oil-related products, maritime, manufacturing, and reforestation.

ESTABLISHMENT AND OPERATION OF REGIONAL CENTERS FOR MULTINATIONAL ENTITIES

- Law 41 of August 24, 2007, creates a special regime for the establishment and operation of Regional Centers for Multinational Entities in the Republic of Panama, with the purpose of attracting and promoting investments, the generation of employment, and the transfer of technology, as well as to make the Republic of Panama more competitive in the global economy by means of using its optimal geographical position, its infrastructure, and its international services.
- A Multinational Entity is such juridical firm that, having its head office in a given country, develops important productive, Commercial, financial, and service activities in various other countries. In addition, they will be considered as such companies that, despite operating only in one country, have important operations in different regions of such country, and decide to establish a branch, subsidiary, or related company in Panama in order to develop commercial transactions in the region. For immediate reference, the law establishes that in order to be able to apply, the assets of the commercial group must be equal to or greater than US\$200,000,000 and in the event of establishing a headquarters or branch in Panama, minimum initial capital of US\$2,000,000 is required.
- Services to be rendered by the Regional Centers for Multinational Entities are the following:
 - o Direction and/or administration of business operations, globally or in a specific geographical area, of any company of the business group.
 - o Logistics and storage of components or parts, required for the manufacturing or assembly of manufactured products.
 - o Technical assistance for companies of the business group or clients that have acquired some product or service from the company.
 - o Accounting for the business group.
 - o Elaboration of plans that are part of the designs and/or developments, or part thereof, related to typical business activities of the head office or any of its subsidiaries.
 - o Counseling, coordination and follow-up on marketing and advertisement guidelines for goods and/or services produced by the business group.
 - o Electronic processing of any activity, including the consolidation of operations of the business group.

- o Financial management (treasury) for the business group.
- o Operational and investigatory support and development of products and services for the business group.
- o Any other service approved previously by the Licensing Commission of the Ministry of Commerce and Industries of the Republic of Panama.
- The main function of a Regional Center for Multinational Entities is to render services only to the business group to which it belongs, in attention to the aforelisted activities.
- Regional Centers for Multinational Entities have the following tax benefits:
 - o Exemption on the payment of income tax in the Republic of Panama, for services rendered to entities of any kind domiciled abroad, that do not generate taxable income in the Republic of Panama. This exemption will only apply to the company and not to its employees.
 - o Exemption on VAT Tax on services, as long as such services are rendered to persons domiciled abroad, who do not generate taxable income in the Republic of Panama.
- Income of Regional Centers for Multinational Entities will be deemed produced in the Republic of Panama as long as the services rendered are incident to the production of Panamanian source income or its conservation, and its value has been considered as a deductible expense by the person that received them. In such cases, Regional Centers for Multinational Entities will pay their income tax at 50% of the rate established by the Fiscal Code of the Republic of Panama.

EMPLOYMENT LAW

Panamanian Regulatory Environment

- The main piece of employment legislation in Panama is the Labor Code of 1971, which deals with labor relations and the rights and duties of employer and employee.
- There is a contract between employer and employee, whether written down or not, and it can include elements from a collective agreement. Unions are allowed, and can negotiate on behalf of employees collectively. Strikes are lawful under defined circumstances and after a majority vote. Conciliation is mandatory before a strike. However, only around 11% of private sector workers are unionized.

Panamanian Work Permits

- The employment market is quite closely regulated in Panama: the law sets maximum percentages for the employment of foreigners. Usually the figure is 10%, and 15% for technical workers. For workers in senior positions of companies that are dedicated exclusively to perform transactions that are perfected or whose effects take place abroad, it may be possible to agree a higher percentage with the Ministry of Labor, which is responsible for issuing work permits.
- A Panamanian worker is privileged with a wide variety of legal benefits:

- o For every 11 months of continuous employment employees are entitled to an annual paid vacation of 30 days.
- o The “thirteenth month” rule: In Panama workers get paid 13 months for every twelve months worked, or one day’s salary for every 11 days worked. This bonus is payable in three equal installments in April, August, and December.
- o There are 11 public holidays per year. An employer will be expected to pay a 150% surcharge calculated over the salary, plus an additional day of rest, if he or she requests that employees work on a national holiday.
- o Termination of employment compensation includes, among other sums, a week’s salary for every year worked.
- o Paid maternity leave of 14 weeks (paid by social security, not by the employer).

INTELLECTUAL PROPERTY

Copyright Law

- The National Assembly in 1994 passed a comprehensive copyright bill (Law 15), based on a World Intellectual Property Organization (WIPO) model. It was issued to protect the intellectual property rights of literary, educational, scientific, or artistic works. The law modernizes copyright protection in Panama, provides for payment of royalties, facilitates the prosecution of copyright violators, protects computer software, and makes copyright infringement a felony.

Patent Law

- An Industrial Property Law (Law 35) went into force in 1996 and provides 20 years of patent protection from the date of filing. Pharmaceutical patents are granted for only 15 years, but can be renewed for an additional ten years, if the patent owner licenses a national company (minimum of 30% Panamanian ownership) to exploit the patent. The Industrial Property Law provides specific protection for trade secrets.

Trademarks

- Law 35 also provides trademark protection, simplifying the process of registering trademarks and making them renewable for ten-year periods.

Treaties

- In addition to its membership in the WIPO Panama is a member of the Geneva Phonograms Convention, the Brussels Satellite Convention, the Universal Copyright Convention, the Berne Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, and the International Convention for the Protection of Plant Varieties. In addition, Panama was one of the first countries to ratify the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty.

DISPUTE RESOLUTION

Legal System

- Based on a civil law system. Acceptance of foreign tribunals' jurisdiction with some reservations.

General Legal Framework

- The constitution establishes the Supreme Court as the highest judicial body in the land. Judges must be Panamanian by birth, be at least 35 years of age, hold a university degree in law, and have practiced or taught law for at least ten years. The number of members of the court is not fixed by the constitution. There are nine justices, divided into three chambers, for civil, penal, and administrative cases, with three justices in each chamber. Magistrates (and their alternates) are nominated by the cabinet council and subject to confirmation by the legislative assembly. They serve for a term of ten years. Article 200 of the constitution provides for the replacement of two judges every two years. The court also selects its own president every two years.
- The constitution defines the Supreme Court as the guardian of "the integrity of the constitution." In consultation with the attorney general, it has the power to determine the constitutionality of all laws, decrees, agreements, and other governmental acts. The court also has jurisdiction over cases involving actions or failure to act by public officials at all levels. There are no appeals of decisions by the court.
- Other legislation defines the system of lower courts. The nation is divided into three judicial districts: the first encompasses the provinces of Panamá, Colón, and Darién; the second, Veraguas, Los Santos, Herrera, and Coclé; the third, Bocas del Toro and Chiriquí. Directly under the Supreme Court are four superior tribunals, two for the first judicial district and one each for the second and third districts. Within each province there are circuit courts (civil and criminal). The lowest regular courts are the municipal courts located in each of the nation's 65 municipal subdivisions. In the tribunals, the judges are nominated by the Supreme Court, while lower judges are appointed by the courts immediately above them. Additionally, there are courts of special jurisdiction such as family law court and admiralty court.
- The constitution also creates a public ministry, headed by the attorney general, who is assisted by the solicitor general, district and municipal attorneys, and other officials designated by law. The attorney general and the solicitor general are appointed the same way supreme court justices are. Lower-ranking officials are appointed by those immediately above them. The functions of the public ministry include supervising the conduct of public officials, serving as legal advisers to other government officials, prosecuting violations of the constitution and other laws, and arraigning officials before the Supreme Court over whom the Court "has jurisdiction."
- Several constitutional provisions are designed to protect the independence of the judiciary. These include articles that declare that magistrates and judges are independent in the exercise of their functions and are subject only to the constitution and the law; that positions in the judicial organ are incompatible with any participation in politics other than voting; that judges cannot be detained or arrested except with a written order by the judicial authority competent to judge them; that the supreme court and the attorney general control the preparation of the budget for the judicial organ; and that judges cannot be removed, suspended, or transferred from the exercise of their functions, except in cases and according to the procedures prescribed by law.

Alternative Dispute Resolution

- Although, as of 1984, Panama has been a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, Panama's alternative dispute resolution law, which implemented and regulated arbitration, conciliation, and mediation as alternative dispute resolution mechanisms, was only passed in 1999. At first, the law was not well perceived by the judiciary, who considered rendering justice was its exclusive function (arbitration proceedings were previously governed by the Code of Civil Procedure). But in 2004, the National Assembly approved a series of amendments to the Constitution including certain provisions relevant to the acknowledgment of the use of arbitration in the resolution of disputes. The Constitutional amendments were approved and as a result, an important step forward was made in the promotion of the use of arbitration in the resolution of commercial disputes as well as in contracts with the government.
- In addition to acknowledging that arbitration was also a means of administering justice, the amendments acknowledged the arbitration tribunal's capacity to decide, on its own, if it was competent or not to decide on a matter submitted to arbitration and not the ordinary civil courts. It was also acknowledged that approval from the cabinet of ministers was not necessary as a formality to initiate arbitration proceedings, provided the public contract object of dispute already had an arbitration clause.
- Ever since the constitutional amendments were adopted, the Panamanian government has been proactive in promoting the use of arbitration as an alternate dispute resolution mechanism for private matters as well as in public contracts, and has incorporated its use in various areas of the law. For example, in recent amendments to the Code of Maritime Procedure, the use of arbitration was acknowledged as a mechanism to resolve maritime litigation disputes, establishing the duty of the maritime judge to refer disputes to the arbitration tribunal when evidence of the existence of an arbitration clause was provided by one of the parties; the Consumer Protection law of 2007 introduced a chapter on Consumer Matters Arbitration (a matter yet to be regulated).
- Panama's dominant arbitration centers are the Center for Conciliation and Arbitration hosted by the Panamanian chamber of commerce, Industries and Agriculture (CeCAP), and the Center for Resolution of Controversies of the Panama Construction Chamber (CESCON). Both have extensive experience in national and international commercial arbitration, as well as in disputes related to the public and private sector.

In addition the International Chamber of Commerce (ICC) has established a Panama Chapter with the Panamanian Chamber of Commerce, Industries and Agriculture, and actively promotes ICC arbitration for the resolution of commercial disputes.

IMMIGRATION PROCEDURES

- The law establishes four categories of foreigners entering the Panamanian territory:
 - o Non-residents: tourists, transit passengers and crew, fishermen, workers shows, casual workers, domestic workers, short stay visas.
 - o Temporary residents: those who come into Panamanian territory for work, for reasons of investment, special policies, for reasons of education, for religious reasons, for humanitarian reasons, and for family reunification.
 - o Permanent residents: those who enter Panama, for economic or investment purposes, or by special policies or for family reunification.
 - o Foreigners under protection of the Republic of Panama: refugees, asylum seekers, stateless persons accepted on humanitarian grounds.

Tourist Visa Requirements

- Most foreigners enter Panama, with a tourist visa or a tourist card, which allows them to stay in the country for a 90-day period. There are exceptions for citizens of several countries who do not need a tourist visa or tourist card to enter the territory.

Visas/Permits

- Tourist Visa: Runs for 90 days with a possibility for a 90-day renewal for good cause, not an automatic renewal.
- Reforestation: The temporary visa is US\$60,000 minimum with a 3-hectare requirement. The permanent reforestation visa is US\$80,000 with a requirement of 5 hectares.
- Self-Solvency Visa (bank time deposit): US\$300,000 in a three year time deposit at any Panamanian bank.
- Self-Solvency Investor Visa (real estate): requires US\$300,000 in titled Panamanian real property. You can mix real estate and time deposit of US\$300,000. It is possible to hold real estate under a Panama Foundation if the primary applicant is the beneficiary of the foundation or if the founder.
- Rentist Visa: Requires a time deposit in the National Bank of Panama or Caja de Ahorros for five years that yields US\$850.00 per month.
- Pensioned Person Visa (Retirement Visa): The applicant must show a government or private pension income guaranteed for life of US\$1,000 per month. You can be any age and is permanent, no renewals needed. Applicants can apply for citizenship after five years. There is a provision to mix property up to US\$100,000 in personally held Panama real estate.

- Permanent Residency for Specific Nationalities: This permit grants permanent residency to citizens of the following 50 countries: Andorra, Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, Costa Rica, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, Israel, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Mexico, Monaco, Montenegro, Netherlands, New Zealand, Norway, Paraguay, Poland, Portugal, Republic of Ireland, Republic of Taiwan, San Marino, Serbia, Singapore, Slovakia, South Africa, South Korea, Spain, Sweden, Switzerland, United Kingdom and Northern Ireland, United States of America, Uruguay, who wish to pursue any economic, labor, or professional activities in Panama. Once the permanent residency is approved, an Indefinite Work Permit may be requested, thus allowing the foreigner to work in Panama.
- Permanent Residency for Italian Citizens: This permit grants permanent residency to Italian citizens who wish to pursue any economic, labor, or professional activities in Panama. Once the permanent residency is approved, an Indefinite Work Permit may be requested, thus allowing the foreigner to work in Panama.
- Work Permits: Work visas must be approved before the foreign employee can start. Any foreigners caught working without permits will be fined and deported. Some work permits are not permanent and must be renewed. Foreign workers must contribute to social security.
- Multiple Entry Visas: Are required for the provisional processing card, for non-residents who are applying for a Panama residency. Approved temporary and permanent residents are not required to have this visa.
- Visas for Permanent Personnel of Multinational Company Headquarters: These visas are granted to foreign personnel at the management staff or executive levels, and their dependents. Visas are issued for five years, renewable for the same period of time. It is not necessary to obtain a work permit with these types of visas.
- Visas for Dependents of Personnel of Multinational Company Headquarters: These apply for spouse, underage children, or students under 25 years of age, and for parents who will remain in Panama under the responsibility of the executives of Multinational Company Headquarters. The term of the dependent visa is equal to the term of the visa granted to Permanent Personnel of Multinational Company Headquarters whose application covers.
- Special Visas for Temporary Personnel of Multinational Company Headquarters: These visas are issued to any personnel of a Multinational Company Headquarters that has to come to Panama for activities related to the Multinational Company Headquarters, like technical services or training, and has a maximum term of three months, renewable only once for the same period of time. This type of visa also eliminates the requirement of obtaining a working permit or any other permit from any governmental authority.

- Visa for Foreign Professionals: This visa grants permanent residency to any foreigner who has a college or university diploma in a profession that is not restricted by the Constitution of Panama to Panamanians nationals (among those professions restricted are engineering, architecture, agricultural sciences, economy, accounting, law, sociology, journalism, medicine, chemistry, pharmacy, nursery and nutrition).





PARAGUAY

- Paraguay is strategically located right at the center of South America, between Brazil, Argentina, and Bolivia. Albeit landlocked, Paraguay's position at the confluence of an important river system and at the crossroads of the Atlantic and Pacific Oceans situate it within easy reach of both thriving regional markets and major international sea ports. In addition, the country has had exponential growth rates in recent years (14.5% GDP growth in 2010) turning it into an attractive investment alternative.
- With an area of 406,752 km², Paraguay is slightly smaller than California and somewhat bigger than Germany. The Paraguay River runs north to south and divides the country into two distinct natural and climatic regions. The Eastern Region (Región Oriental) is humid, has a temperate to subtropical climate and houses almost 97% of Paraguay's 6.5 million inhabitants. The Western Region (Región Occidental or Chaco) has a wet-and-dry to semiarid tropical climate and occupies close to 60% of the country's land area.
- Paraguay is rich in natural resources. Both of the country's regions have very fertile soils, apt for agriculture and cattle farming. The Eastern Region has dense woodlands and sits on top of the Guaraní Aquifer, one of the biggest fresh water reserves in the world. A vast uranium reserve has recently been discovered close to the country's border with Brazil heralding the development of a mining industry.
- The country has access to abundant, clean, and cheap energy supplied by three hydroelectric power plants. Itaipú and Yacyreta are extensive facilities operated in conjunction with, respectively, Brazil and Argentina; Acaray is a small national dam in the proximity of Ciudad del Este, the country's second most populous city.
- Paraguay is a presidential, representative, and democratic republic. Since the beginning of the democratization process back in 1989, Paraguay's civil society has matured greatly developing a free press and a multi-party political system. A modern and democratic constitution was introduced in 1992, which empowers Congress and significantly curtails the president's powers. Paraguay is a unitary but decentralized state with 17 administrative subdivisions (departamentos) in addition to the capital district of Asunción. The official languages are Spanish and the indigenous Guaraní. The national currency is the guaraní (ISO code PYG).
- The Republic of Paraguay is a founding member of the Mercosur trading bloc and maintains friendly diplomatic relations with the United States and the European Union as well as Asia.

INVESTMENT CLIMATE

- The Paraguayan Government encourages foreign investment. Law No. 117/91 secures equal treatment to foreign investors and Law No. 60/90 allows the full repatriation of capital and profits, while the recently enacted Law No. 5102/13 for the Promotion of Investment in Public Infrastructure (public private partnership or PPP law) encourages private investments in infrastructure and public services.
- The country has a low tax and social security contributions. Foreign investment is further encouraged with tax breaks.
- Paraguay has entered into investment agreements with Germany, Switzerland, Luxembourg, Austria, Belgium, The Netherlands, Spain, Hungary, Korea, Romania, Peru, Costa Rica, Venezuela, El Salvador, and Ecuador. BITs have been signed with France, the UK, South Africa, Taiwan, Brazil, Chile, Argentina, and Uruguay.
- Comparatively, Paraguay's enjoys both monetary and fiscal stability. The country's banking system is sound. Even though the banks are very liquid, credits are costly, creating a good investment opportunity. Paraguay's financial market is underdeveloped, but has made great strides in the past few years.
- Paraguay's workforce is vast and young. Close to 3 million Paraguayans are of working age. The country's population growth rate is 3% per annum.
- The Government is looking to give concessions to bolster the road, rail and waterway networks. A deepening of the Paraguay River's bed was planned to enhance navigation and 1,000 km of roads are being built and improved to increase the volume of trade that crosses the country between the Atlantic and Pacific Oceans. An expansion of the electricity grid with the building of 500 kV transmission lines and two sub-stations is being completed.

BUSINESS ENTITIES IN PARAGUAY

Main types of entities

- A foreign entity can carry out business in Paraguay by incorporating a new entity (subsidiary) or setting up a branch. The main types of business entities in Paraguay used by non-resident foreigners or foreign companies are Limited Liability Companies (sociedad de responsabilidad limitada or "LLC"), Corporations (sociedad anónima or "Corp") and Branches (sucursal).

Shareholders or Partners

- Both the Limited Liability Company as well as the Corporation, require by law, a minimum of 2 partners (LLC) or shareholders (Corp)
- In Paraguay, an LLC can have a maximum of 25 partners, whereas, a Corp does not have an established maximum of shareholders.
- Paraguayan law does not set forth a minimum stockholding percentage or participation a shareholder or partner may

subscribe. It is possible for a shareholder to hold a substantial amount of shares and the other one a minimum amount.

- There are no restrictions for natural persons or companies, local or foreign, resident or nonresident, to be shareholders or partners. Non-resident foreigners and foreign companies can hold 100% of stock.

Administration

- The administration and representation is in charge of one or more managers in an LLC, one or more directors in a Corp and one or more proxies or managers in a Branch.
- Administrators (manager or director) can be foreign, but are required to hold a residency permit.
- Directors can be reelected indefinitely and their appointment can be revoked at any moment by decision of the Shareholders Meeting.

Capital

- There are no minimum capital requirements to establish a subsidiary (LLC or Corp) or branch, except for some specific activities (such as banking and insurance activities). In practice it is advisable to subscribe a minimum capital of approximately US\$ 5,000 and then increase it according to the company's needs.
- Capital must be subscribed entirely at the incorporation act. Contributions not made in cash must also be completely subscribed at the incorporation act.
- In LLCs, or Paraguayan branch of a foreign LLC, 50% of cash contributions must be paid in at the incorporation act and the remaining percentage completed within a 2-year period. The payment of the 50% cash contribution is credited through a deposit made in an official bank. These funds are unavailable during the paperwork period for the incorporation of the company, but released afterwards.
- There is no minimum cash contribution percentage for a Corp or branch of a foreign Corp.
- Capital increases in both LLCs and Corps require the agreement of the shareholders/partners, amendment of the bylaws, and registration of such amendment in the Public Registries.

Additional formal procedures required for Corps

The annual maintenance cost for a Corp is relatively higher to that of a LLC or branch, ranging from US\$ 1,000 to US\$ 3,000 per year.

The functioning of a Corp is also subject to more formalities than a LLC or branch. A Corp requires:

- o Keeping records of directors' and shareholders' meetings;
- o iConvening of an annual Shareholders Meeting by publishing summons in newspapers;
- o Appointing a corporate comptroller (syndic).
- o Periodically electing a new Board of Directors, whose members must periodically meet;

- o Preparing an Annual Report, Balance Sheets and a Comptroller Report once a year.

Operations prohibited for LLCs

- LLCs can neither perform banking, insurance, capitalization and saving operations, nor other specific activities for which the Law requires a different type of business entity.

Assignment of quotas and stock assignment

- Paraguayan law rejects the free transfer of quotas in an LLC. Transfer and assignment of quotas to third parties requires the agreement of the partners representing three quarters of capital when the LLC has more than 5 partners, whereas if the LLC has less than 5 partners, unanimous agreement is required. Transfer or assignment of quotas requires an amendment of the bylaws.
- In a Corp assignment of shares is free. The bylaws may regulate the transfer of nominal shares, but may not prohibit it. Shareholders agreements are permitted.

Liability of partners and shareholders

- A very important difference between a Corp or LLC on one side, and the branch on the other, is that in a branch the parent company is also liable, whereas in the LLC or Corp liability is limited to the partners' participation or shareholders' stockholding amount.

Taxes

- Corps, LLCs and branches are all governed by the same tax provisions and tax treatment is the same for all 3 company types. All 3 company types must pay taxes in the form of withholdings when remitting funds abroad to their parent company or foreign shareholders.

Duration of incorporation process

- Setting up a subsidiary (Corp. or LLC) through business proxies or shareholders that move to the country: 4 weeks¹
- Setting up a subsidiary or branch through a power of attorney: 8 weeks²
- Acquiring a previously incorporated company (Corp): 3 days³.

Required documentation

- Power of attorney granted by two or more shareholders, duly legalized by the Paraguayan Consulate, authorizing a representative to sign the public deed in which the Articles of Incorporation and the By-laws of the subsidiary are passed, as well as perform all necessary proceedings before public offices regarding the registration of said subsidiary.

- Foreign company branch⁴

- a) Copy of the parent company's bylaws and amendments thereto, duly certified by the appropriate government authority;
- b) Certificate of good standing of the company issued by the appropriate government authority;
- c) Duly notarized extract from the minutes of the meeting of the Board of Directors of the company resolving the following:

- (a) to register the branch in Paraguay,
- (b) to appoint the Manager and establish legal domicile in Paraguay, and (c) to assign capital to the branch.

- d) Power of attorney granted by the company authorizing a local proxy to register the branch;

- e) Power of attorney granted by the company authorizing an individual to act as Manager of the branch;

Incorporation proceedings

- Receipt of the above mentioned documents and legalization of the documents at the Ministry of Foreign Affairs.
- Submission and registration of the Powers of Attorney for the incorporation of the company or registration of the branch at the Public Registries.
- Notarization of the bylaws or resolution by which it was resolved to set up a branch, assign capital and appoint managers or representatives.
- Submission of the respective documentation to the Treasury's Advocacy and obtaining an approval for the registration of the company at the relevant registries.
- Registration of the bylaws or the company's articles of incorporation at the Legal Entities and Associations Registry Office and at the Public Registry of Commerce.
- Publication of the summary of the articles of incorporation in a newspaper and in the Official Gazette for 3 times.
- Registration of the company with the Ministry of the Treasury to obtain the Taxpayer Unique Registration Number (RUC)
- Obtaining a commercial license from the relevant municipality, which requires entering an office lease agreement or owning property (Vouga Abogados may lease space initially).
- Obtaining and registering the mandatory commerce books.
- Registering the company at the Ministry of Justice and Labor to get the Employer
- Registration Number and, if there are employees, with the Social Welfare Institute (IPS).
- According to the specific activities the company carries out, it may be required to be registered and obtain permits, registrations or licenses at the: Ministry of Industry and Commerce (MIC), National Customs Administration (Aduanas), Environmental Agency (SEAM), National Telecommunications Commission (CONATEL), among others.

Other

- Paraguay has recently enacted the 1961 Hague Convention Abolishing the Requirement of Legalization for Foreign Public Documents.

TAX REGIME

- Compared to the other countries of the region, the overall tax burden in Paraguay is one of the lowest. Paraguay introduced amendments in 2004 to lower the tax burden while expanding

the tax base. It did so to help formalize the economy, increase income and investments, and ultimately expand revenues from taxes. Further amendments were introduced in 2013, extending VAT to agriculture and cattle-farming activities, introducing a new income tax for agribusiness and basic transfer pricing rules, and amending the tax credit recovery process.

- The main tax laws are Law No. 125/91 on Tax Reform, Law No. 2421/04 of Administrative Reordering and Fiscal Adjustment, and Law No. 5061/13 which Amends Law No. 125/91.

Corporate Tax (Income Tax on Commercial, Industrial and Services Activities – IRACIS)

- The corporate tax rate in Paraguay is 10% and is levied on a territorial basis. Corporate income tax is due on all income obtained from activities carried out, property located in or economic rights exercised in Paraguay, irrespective of the nationality, residence or domicile of those participating in the transaction. The taxable income is the difference between the total earnings and expenses incurred. Capital gains derived from the sale of fixed assets, real estate and securities are also taxed at the standard corporate rate.
- Certain tax exonerations are contemplated in the law.
- Loss carryback and carryforward is not permitted.

Withholding tax

- Dividends are taxed at a 5% rate, if distributed to residents. The distribution of dividends to non-residents is subject to a 15% withholding tax. 50% percent of the interests paid to non-residents are also subject to a 30% withholding tax, resulting in an effective rate of 15%. If the payment is made to a financial institution, the effective rate is lowered to 6%. 50% of the royalties paid to non-residents are taxed at 30%, with an effective rate of 15%. In addition to the 10% corporate tax, branch remittances to the head office are subject to a 20% withholding tax.

Real Estate tax

- Municipalities collect taxes on real property at a 0.5 to 1% of the cadastral value depending on whether the plot is a rural or urban one, as well as its surface. Both natural and legal persons are responsible to pay the real estate tax. In case of inheritance, joint ownership, and marriage partnership, all parties are jointly and severally liable to pay the taxes.
- Conveyances are taxed at a 0.3% rate on the sales price or cadastral value, whichever yields the highest amount.

Social security contributions

- Employer contributions to social security amount to 16.5% of the employee's total earnings. Total earnings are calculated based on all remuneration, either in cash or in kind, except year-end bonuses and family bonuses. The employer also acts as a withholding agent of the employee's contribution of 9% of earnings.

Personal Income Tax

- The personal income tax is levied on Paraguayan-source (net)

income from services and certain investments, provided the taxpayer's income exceeds the monthly minimum wage by a certain amount.

- Income from services and certain investments are taxable. These items include: personal services income; benefits in kind; dividends, profits and share price surplus (50% if derived from a resident company/enterprise subject to corporate or agricultural income tax and 100% if the resident company/enterprise is not subject to corporate or agriculture income tax); certain capital gains; and interest, commissions and other income that has not been subject to the corporate or agriculture income tax. A nonresident that derives business or professional income in Paraguay is subject to withholding tax at an effective rate of 15% on the gross amount.
- Capital gains from the assignment of real estate located in Paraguay and shares of Paraguayan companies are subject to individual income tax if they are occasional. If not occasional, the gains are subject to the corporate, agricultural business tax or small business tax. Capital gains derived by a nonresident are subject to tax at an effective rate of 15% on the gross amount.

Agricultural Business Tax (IRAGRO)

- This tax levies income originating from agricultural activities in Paraguayan territory. The levied net income arises from the difference between gross income and all expenses relating to the business activity, provided that they are real and properly documented, including depreciation of assets. The applicable rate shall 10% over the net income.
- Entities with lower income may be subject to a different tax liquidation regime.

Small Business Tax

- Taxpayers qualify as small businesses when (i) they are a small one-person business, domiciled in the country, having earned less than PYG 100,000,000 in the previous calendar year; or (ii) owners of forest areas, not exceeding 30 ha, used for the purpose of extraction and sale of timber. Import and export activities are excluded from this tax.
- Net income is the tax base, but can be calculated using the taxpayer's actual or presumptive net income, whichever is lower. Real net income is the positive difference of the duly documented total income minus expenditures. Presumptive net income is calculated as 30% of the gross annual revenue. Once the net income is determined, a flat 10% tax rate is applied.

Value Added Tax (IVA)

- The Value Added Tax levies the transfer and supply of goods and services, and the import of taxable goods and services. The standard rate is 10%. Lease agreements and in general the transfer of the right to use goods or immovable property, sale of basic food products, pharmaceutical products, interest and commissions on loans are levied a lower 5% rate.
- Notwithstanding special provisions, transfers and services rendered within the country are subject to tax, regardless of where the agreement is entered into or the domicile, residency or nationality of the parties engaging in the operations,

as well as who receives them and where the payment is made. Technical assistance and other services, as well as the assignment of the use of goods and rights, are considered performed within the country when used or exploited therein.

- Exports of goods and services, foreign currency, interests of public and private securities, among other, are exonerated.
- All companies and unincorporated businesses whose taxable income exceeds a certain amount are required to register for the VAT. VAT must be filed and paid on a monthly, with the due date determined according to the taxpayer's registration number.

Selective Consumption Tax

- This tax levies the import of certain products foreseen in the Tax Law and the first transfer of any title, when manufactured in the country.
- Depending on the types of goods, the tax rate ranges from 1 to 12%, except on fossil fuels, which pay a flat tax of 50%. The Executive may establish the different rates for different each type of products within the maximum limits established by the law. The tax must be filed and paid on a monthly basis, except for taxes on fuel. For imports, the tax must be paid before the goods can be removed from the customs.

Other taxes, anti-avoidance rules and relevant provisions

- There are no payroll taxes, stamp duties or transfer taxes.
- Paraguay does not have foreign exchange controls.
- With respect to anti-avoidance rules, there are currently no transfer pricing or thin capitalization rules, nor controlled foreign company or disclosure requirements provisions. Advance Pricing Agreements (APA) are not foreseen in the law. Paraguayan tax laws do not establish or define arm's length agreements, "intra-company" transactions, or affiliated corporations, either.
- The Paraguayan fiscal year normally coincides with the calendar year, but certain industries are required to use specific fiscal years. Consolidated tax returns are not permitted; each company must file a separate return. A company must make 4 advance payments based on the previous tax year's liability. A return and balance sheet, at a minimum, must be filed for corporate income tax purposes. In general, the return is due within 4 months of the end of the taxpayer's tax year, but the taxpayer's identification number determines the exact due date.
- Applicable penalties range from 4% to 14% of the total tax due, plus monthly interest at 1.5%.
- Corporate reorganizations are exempted from taxes. Transfers that have taken place as a result of the reorganization of a company (i.e., mergers & acquisitions, changes in the type of entity) or capital contributions thereto, are not subject to VAT. Likewise, neither are the raises of capital stock that have taken place during the fiscal year as a result of capital contributions levied by the Income Tax.
- A useful tool tax payers can use is the "binding enquiry system", expressly governed in Paraguayan law in favor of

whoever holds a personal interest in the matter and directly on the use of said right in a specific situation. The filing of the enquiry does not suspend the course of the time lapses, nor does it justify fulfilling the obligations exclusively borne by the enquirer. The authorities must apply the technical criteria supported in the resolution; the enquirer must be served of the modification thereof must be notified thereto and shall only take effect after said notification, regarding events subsequent thereto. If the authorities do not issue a ruling within a 90-day term, the enquirer may exercise the right (in accordance with his/her valid opinion). Obligations that arise shall only apply to interests and surcharges.

- With respect to double taxation treaties, some treaties with Chile, Uruguay, Belgium, Germany and Argentina have been signed, but these refer exclusively to income that comes from international air and land transport activities, and in some cases, river transport activities.
- Additionally, Paraguay has entered into a treaty with Chile to avoiding double taxation. It is applicable to Income taxes and capital taxes, which affect any activity (In Paraguay, the agreement applies to Agricultural Tax, of Single Tax payer tax and Personal Service Tax, and in Chile, to the Taxes established in the Income Tax Law). Paraguay also entered into agreements with China on April 28, 1994 and Brazil on November 20, 2000 in order to avoid double taxation regarding Income Tax. However said agreements were not ratified by Paraguay.

INVESTMENT INCENTIVES

Law No. 117/91 of Investments

- In order to promote economic and social development, Paraguay enacted Law No 117/91 of Investors. The law gives investment from abroad equal status to domestic investment, where foreign investors have the same rights and guarantees as domestic investors. The law guarantees a currency exchange system that allows unlimited convertibility of local currency into foreign currency. It also guarantees a competitive free market system, which includes freedom of production, marketing, export, and import of goods and services. It also includes a free market for pricing, which may not be subject to the state's protectionist privileges.

Law No. 60/90 of Tax Incentives for Domestic and Foreign Investment

- For certain investments, filed prior to their commencement, this law permits nationals and foreigners to request tax exemptions. Investment can be money; financing; supplier credit or other financial instruments; capital goods; raw materials or instruments for local industries in order to produce capital goods established in the investment project; trademarks, designs, models, industrial processes, and other forms of technology transfer subject to licensing; leasing of capital goods; and any other form established by the executive branch. Approved investment projects can enjoy the following exemptions:

- o Total exemption from fiscal and municipal taxes levied on the incorporation, registration, and recording of companies and enterprises;
- o Total exemption from customs duties and others with equivalent effects, including internal taxes for specific application on capital goods import, raw materials and supplies for the local industry under the investment project;
- o Release of the requirement of any banking reserve or special deposit for the importation of capital goods;
- o When the amount of funding from abroad intended to promote the investment activity is at least USD 5,000,000, it is exempted from the payment of taxes levied on remittances and payments abroad as interest, commissions and capital of the same, for an agreed period, provided that the borrower was a bank or financial institution or other lending institution with a distinguished record in the financial markets and multilateral lending agencies located abroad;
- o Total exemption of taxes that impact dividends and profits from approved investment projects for a term of ten years counted from when the investment project began; where the investment must be at least USD 5,000,000; and exemptions on taxes of such dividends and profits which would not be credited to the investor in the country from which the investment originated.

Tax incentives under Law No. 3180/07 of Mining

- Holders of mining rights are exempt from paying any taxes whatsoever during the prospecting and exploration phases. Likewise, all machinery, vehicles, tools, supplies, installments and materials that aren't manufactured in the country and are necessary for prospecting and exploration are exempt from import rights, VAT and all other taxes currently in force or yet to be created. They must, however, pay the tariffs for services effectively rendered.
- This tax exemption does not apply in the mining production phase, in which the mining claim holder must pay the corresponding taxes. The claim holders must pay one fee per year or through installments, according to a scale foreseen in the law, different for each stage, taking into account the surface that is being prospected, explored or produced.
- When an extension/deferral is requested, the fee shall increase 30% over the fee that corresponds to the surface that is still under stages of prospecting, exploration or production. The law establishes a 30% reduction of fees for licenses and claims regarding non metallic minerals and mineral gems, with the exception of diamonds. The Ministry of Public Works and Communications decides whether a certain mineral is metallic or not. One of the causes of the lapsing of mining licenses and claims is the lack of payment of fees and royalties within the time frames set forth in the Law.

Export Manufacturing Program (Maquila)

- Investors may bring goods, products, or services into the country, for the purpose of assembly, repair, or improvement, worked or processed for subsequent export, once the aggregated value is added. Foreign businesses seeking to

create a Maquila program can create any type of business entity recognized by national law. There are no restrictions or limitations on the necessary domestic or foreign capital needed to start a Maquila program.

- Maquila entities can temporarily import raw materials and supplies needed to begin production and later exportation; sample equipment and products for quality control testing, equipments and accessories. This exemption cannot exceed a period of six months. Extensions of this period of exemption will only be granted when properly justified.
- Maquila programs can sell a portion of their production in the domestic market. This amount cannot exceed 10% of the total volume of the product exported in the past year.
- A Maquila program is limited to a tax of 1% on the value added to the product in the country or 1% of the value quoted on the invoice in respect to the costs to create the product, whichever is greater. The exportations pursued by Maquila entities are VAT exempted.

Incentives for the Automotive Industry and Free Trade Zones

- Local laws and regulations contemplate several other tax incentives for other specific activities, such as those encompassed in the National Automotive Regime pursuant to Decree No. 21.944/98, or the sale of goods and services from Free Trade Zones (FTZ) under Law No. 523/95, among other.

LABOR AND SOCIAL SECURITY

- The Labor Code, Law 213/93, governs the relationships between dependent workers and their employers. It is not applicable to directors, managers, administrators and other executives of a company where, by the nature of their work or technical skills, receive high levels of compensation or enjoy independence and autonomy in their employment. The rights granted by the Labor Code for dependant workers cannot be waived, compromised or limited by contract; any such agreements are null and void. Unlike dependant workers, the special employee relationships mentioned above can be regulated by collective bargaining agreements or under the terms of individual employment contracts.
- Currently, the minimum wage for various activities is approximately PYG 1.600.000 per month.
- The salary may be paid by unit of time (monthly, weekly, daily, hourly, etc), by production level, or by commission.
- The Labor Code provides for a 30-90 trial period before employment contracts take effect. The 30-90 day period depends on the amount of time used for worker training. During the trial period either party can terminate the contract without incurring any liability, including having to pay compensation for unfair dismissal and giving proper contract termination notice.
- To dismiss an employee without cause who does not have special tenure (those working 10 years continuously with the same employer, union leaders or pregnant workers) a previous notice of 30, 45, 60, or 90 days, depending on the employee's

seniority, is required. If dismissed without notice, the employer is obligated to pay the employee an amount equivalent to his salary during the would-be term of notice (30, 45, 60, or 90 days). In addition the employer is obliged to pay the employee 15 days wages for each year of service or fraction of time that exceeds 6 months in compensation of dismissal without cause.

- The dismissal of a worker with tenure is only possible for just cause after verification by trial, or for those having opted for retirement. In case of dismissal for just cause, the employer assumes no obligation to indemnify or give advance notice, only having to pay the salary and bonuses accrued to that point.
- The normal work day cannot exceed 8 hours per day or 48 hours per week when during daytime hours. At night, the work day cannot exceed 7 hours per day or 42 hours per week. For employees working mixed shifts, the total work per day cannot exceed 7.5 hours or 45 hours per week. Unhealthy or dangerous work cannot exceed 6 per day or 36 hours per week. Young adults under 18 cannot work in any jobs at night or those in unhealthy or dangerous locations. They may not work overtime, and the only occasional exception to this rule is for rural jobs.
- Overtime work is permitted in special cases but may not add more than 3 hours to the workday and with increased pay.
- Every employee is entitled to a period of paid leave or vacation after each year of continuous service of 12-30 days, depending on seniority. Vacation time is not cumulative, unless through previous agreement and for a maximum period of 2 years. Any pregnant employee has the right to go on leave for 6 weeks before and after delivery.
- Workers have the right to form unions without prior authorization from the state.

Social Security

- The state, through worker and employer contributions, has established a Social Security System (IPS) to protect against risks of a general nature, especially from work. The Social Security System cover sicknesses, maternity, accidental work injuries and work-related health problems, invalidity, old age, and death of employees in the country.
- All employers that have one or more employees are required to:
 - Register in the Social Security Institute at the start of its activities
 - Pay monthly Social Security payments.
- Companies choosing not to withhold employee contributions to Social Security are still responsible for their payment. The total percentage of social security contribution for employer and employee is 25.5% of the monthly wage of the worker. 9% is paid by the employee and 16.5% by the employer.

IMMIGRATION

- Foreigners can be admitted to the country as residents or non-residents. Residents can be permanent (valid 10 years) or

temporary (valid 1 year, renewable for 5 years). A precarious residency may also be obtained under certain circumstances (valid 6 mos., renewable for 6 mos.).

- Diplomatic or consular civil officials, representatives and members of international organizations accredited or recognized by the Government of Paraguay, and administrative or technical civil servants on service missions are exempt from these immigration laws.
- As for permanent or temporary residence, the following documents must be filed: (i) passport, (ii) police or criminal records certificate from the country of origin, (iii) health certificate, (iv) birth and marital status certificate, (v) sworn statement by the applicant stating that he will abide by the laws of the country, (vi) professional license or certificate that states the activity or occupation that would be considered in order to grant entry permit, (vii) certificate or reliable proof of economic solvency, (viii) Interpol record, (ix) foreign citizen record, (x) life and residency certificate. The items (iii), (v), (viii), (ix) and (x) are obtained locally in Paraguay. Visas are also required for certain countries.
- For entry as a non-resident, the foreign citizen must present a valid passport or identification document (the latter for nationals of MERCOSUR member countries).

FINANCIAL SYSTEM

- Paraguay's financial system is dominated by commercial banks. Other players in the financial system are finance companies and cooperatives. Banks and finance companies require prior authorization from the Central Bank of Paraguay (BCP) to operate.
- Laws and regulations governing the financial sector include, among other, Law No. 861/96 of Banks and Finance Companies, the Organic Law of the BCP, regulations passed by the Board of Directors of the BCP and the Bank Superintendency (authority of control).
- Foreign investment in financial entities receive the same treatment as domestic investment. Banks and financial Institutions must be incorporated as corporations (sociedad anónima) and their capital must be represented by registered shares. This requirement does not apply to branches of foreign banks within the country.
- Banks must maintain at least PYG 40 billion in capital at all times, whereas finance companies need keep a minimum of PYG 20 billion. Said amounts can be updated by the BCP according to the Consumer Price Index. Branches of foreign financial entities must maintain the same capital amount as national financial entities, and funds must remain in Paraguay on a permanent and indefinite basis.
- Paraguayan law, under various banking legislations, permits banks to conduct operations in various sectors including mortgages, incentives, savings and loans, and investments to name but a few.

INTELLECTUAL PROPERTY

- Intellectual property rights are protected by the National Constitution, several treaties and other laws and regulations. Paraguay has ratified the TRIPS agreement. Penalties for intellectual property rights offenders have stiffened in recent years.

Trademarks

- Trademarks for products and services are protected by Law No 1.294/98 and Decree No 22.365/98, which are in line with international standards. The International Classification of Products and Services of Nice prepared by the WIPO is adopted. Trademarks owned by foreign companies must be registered with the Industrial Property Office (DPI) to receive the wide array of protection granted by Paraguayan laws.
- The owner of a trademark may enter into license agreements for use of the trademark. To be effective against third parties, the license agreement must be filed with the DPI (prior translation into Spanish). A trademark may be licensed out exclusively.

Patents and Utility Models

- Patent Law No. 1630/00 grants protection to inventions and utility models. The Law follows the principle of unity of invention, where a patent application can link together more than one new invention, provided that they constitute one inventive concept.

Copyrights and Related Rights

- Law No. 1328/98 and Decree No. 5199/99 grant authors of a work, by the mere fact of its creation, original right of ownership opposable to all, including all moral and economic rights. Moral rights, including distribution, paternity, integrity, and withdrawal of the work, are perpetual, inalienable, indefeasible, and non waivable, and continue after death of the author through his or her heirs. Economic rights, including reproduction, communication, public distribution, importation and translation can be utilized in any form or procedure benefiting the author.

DISTRIBUTION, AGENCY AND REPRESENTATION

- Law No 194/93 governs the relationship between foreign and domestic businesses where a domestic business (including distributors, agents, and representatives) aids the foreign business (manufacturers and the like) in the promotion, sales or distribution of products or services in Paraguay. In the event the relationship is terminated or improperly modified without cause, this Law sets forth guidelines for the aggrieved domestic business to receive indemnification. The contractual parties cannot waive the rights set forth in the Law, though parties can contract freely on other terms. Distribution, agency and representation agreements may or may not be exclusive.
- Any and all distribution, agency, and/or representation contracts between foreign and domestic businesses must be subject to Paraguayan law, under the jurisdiction and venue of Paraguayan judicial courts or arbitration.

- Promotion, sales or distribution agreements with foreign entities must be executed in writing. Even without a written contract, domestic persons or businesses can prove a relationship exists through any evidence the law allows.
- A distribution agreement can always be unilaterally amended or terminated by the foreign manufacturer without cause, provided the foreign manufacturer indemnifies the local distributor in accordance to Law 194/93.

Termination procedure

- A termination “with cause” is permissible and shall not trigger the foreign manufacturer’s obligation to indemnify the distributor, provided the foreign manufacturer complies with the termination requirements and procedure of Law 194/93. Please note that the occurrence of a cause will not suffice without the specific procedure, which is the following: a) In the occurrence of any of the causes stated in the Law, the foreign firm shall request that the distributor solve (mend) the stated cause within a 120-day term; b) If the distributor solves the cause within said term, the foreign firm cannot terminate the contract “with cause”; c) On the other hand, if the distributor does not solve the specific cause, the foreign firm shall file a lawsuit to prove in court –or before an arbitral tribunal if agreed– the cause alleged for termination; d) In the event the alleged cause is not duly proven before the court, the termination of the distribution relationship will be considered “without cause”, and thus subject to compensation in favour of the local distributor.

CONSUMER PROTECTION

- Law No. 1334/98, among other provisions, governs consumer protection. The rights provided by these laws cannot be waived, transferred, or be subject to any contractual or other limitations. The rights granted by the law supersede any other custom, practice, use, or stipulation. When in doubt, provisions must be interpreted in favor of consumers.
- These legal protections apply to any activity which can potentially burden the consumer market. Banking, finance, credit and insurance activities fall under the purview of consumer protection laws, while activities arising from employment relations and certain services do not.
- If the cause alleged by the manufacturer is fraud or abuse of trust, the manufacturer is allowed to terminate immediately (that is, there is no 120-day advance notice); nevertheless, the manufacturer must file an action in court or in arbitration, to prove the cause alleged for termination. Only after the court or the arbitration panel has ruled that the alleged cause has occurred, can the foreign manufacturer terminate the contract without becoming liable for an indemnification.
- Law No 194/93 calculates the indemnification by taking into account the average of the last three years’ gross profits obtained from the representation or distribution relationship by a coefficient representing the duration of the relationship or other factors. The trial judge determines the final amount of indemnification.

MINING

- Mining has become an important factor of economic development in the country. Several investors have focused on the search and obtainment of, among other, uranium, titanium, aluminum and gold.
- In 2007, Law No 3180/2007 replaced the previous Law No. 93/14, governing mining in Paraguay.
- Then again, prompted by the recent discoveries of gold, titanium and uranium on Paraguayan soil, Congress revamped the 2007 Mining Act. The goal was to strengthen the legal framework and make Paraguay more appealing to investors by introducing longer timeframes, making the devising of investment plans easier, and enabling the possibility of making advance payments of the mining canon to avoid speculations.
- Paraguayan law establishes that all natural mineral resources in the country are property of the state. The state reserves the right to issue temporary permits and concessions to individuals or businesses, which by nature can be any combination of private, public, foreign or domestic, for prospecting, exploration, and extraction of mineral resources in the country. Foreign investors seeking mining rights must be domiciled within the country or designate a proper representative within in the country. Mining rights are transferable by proper assignment.
- The state grants prospection and exploration permits. A prospection permit grants the right to conduct the initial search for minerals within a given land area for up to one year (it may be renewed once for a 6 month term). An exploration permit within a given area is granted for up to two years (it may be renewed once for a one year term).
- Paraguay grants mining concessions through authorization from the National Congress. Before obtaining a mining concession, the investor must sign a contract with conditions established by law. The contract must also have executive approval. An extraction concession gives its holder the exclusive right to extract mineral resources for their benefit from a designated area for a period of 20 years (renewable every five years). The concession holder also has the right to transport, smelt, refine, or market the extracted minerals as necessary.
- The permit holder pays an annual fee for their mining rights. However, the holder is exempt from paying any fiscal, departmental, or municipal tax during the prospecting and exploration phases. Additionally, all machinery, tools, and supplies imported from other counties for prospecting and exploration are exempt from import duties and value added taxes. During production phase, the concession holder is subject to the general provisions of the tax laws.

ENVIRONMENTAL LAW

- The National Constitution establishes the foundation for environmental law in Paraguay. It gives all people the right to a healthy and ecologically balanced environment, and identifies this as a social interest and thus commits the state to working to preserve, conserve, rebuild, and improve the environment.

It also outlines the general power of the state to regulate environmental affairs. These goals for environmental protection and sustainable growth have become the framework for all current environmental laws and regulations within the nation. The National Constitution states that all damage done to the environment will imply an obligation to repair and compensate.

- Considered the main environmental law in the country, Law No 1561/00 created the three primary environmental agencies in Paraguay. These agencies are the Secretariat of the Environment (SEAM), the National Environmental Council (CONAM), and the National System of Environment (SISNAM). The law establishes the agencies powers and responsibilities for developing and supervising national environmental policy. Of the three, SEAM is the primary environmental agency charged with the development and enforcement of environmental laws. SEAM is the primary authority for implementing nearly all of the country's environmental legislation and main body responsible for monitoring compliance. CONAM is responsible for researching and establishing the general environmental policy goals SEAM must help implement. CONAM is split into smaller committees that focus on various environmental areas including, inter alia, water resources, forestry, soils, and biodiversity. SISNAM is composed of various bodies including national government entities, municipal and private sector actors concerned with solving environmental problems. SISNAM provides a forum for the private and public sector to work together collectively, developing ideas and plans to promote sustainable development.
- Under Law No 294/94, SEAM must approve any work or activity that could have an impact on the environment before the work or activity can begin.
- Environmental impact assessments (EIAs) are a necessary requirement for practically any activity that due to its size or intensity may cause an impact on the environment. Just to name a few, this includes projects or activities like agriculture, livestock, forestry, farming, industrial projects, mining, oil projects, construction, sewer systems, urban waste disposal, archaeology, any action with hazardous substances, and importing alien species. Following the assessment, the SEAM may approve or reject the project based on the EIA.
- SEAM gives its approval of an EIA by issuing a declaration. A declaration granted by SEAM is valid for up to two years. SEAM will revoke declarations for violations of approval conditions or misrepresentations on the assessment. The declaration is required for obtaining loans or guarantees from banks. The banks are required show the declaration when applying for government subsidies and tax exemptions. The law outlines a limited group of activities that do not require an approval declaration from SEAM, but only a simplified study on the potential environmental harms of a project or activity.

Water law

Law No 3239/07 regulates the waters and lands that produce them within the Republic of Paraguay. The law's purpose is to ensure the quality and sustainability of water.

All surface and ground water is property of the state. With the exception of any foreign state or its representative, every inhabitant has the right to use the water as needed.

Any use of water resources or their surrounding areas, except for direct personal or family purposes, requires a permit or concession from the state. Prior to receiving a permit or concession, the prospective project must successfully complete an EIA and receive approval from SEAM. Further, the water authority must issue a certificate of water availability before the environmental impact assessment.

GOVERNMENT CONTRACTS

- Law No. 2051/2003 regulates public sector contracts concerning planning, programming, budgeting, procurement, implementation, disbursement, locating/acquiring goods, and for contracting of general services, public works, and consulting. Paraguay is not a signatory of the WTO Agreement on Government Procurement.
- Public entities may execute public contracts through the following proceedings:
 - o Public bidding;
 - o Call for tenders;
 - o Direct contracting; and
 - o Fixed funds contracting.
- o Public bidding can take the form of:
 - a) National: where only natural or legal persons within the country can participate; or
 - b) International: where any natural or legal person from within the country or abroad can participate.
- International bidding: Bidding will only be international when:
 - o Resulting from obligations taken on by the Republic of Paraguay in international agreements;
 - o Stipulated in a loan agreement with an international multilateral organization;
 - o There are no offers from domestic suppliers or contractors for needed goods or services;
- or
 - o No other local offer meets the necessary requirements.
- If a country does not grant reciprocal treatment to Paraguayan suppliers or contractors, Paraguay may deny participation to individuals or legal entities domiciled in that country.

Law No. 5102/13 on Public Private Partnership (PPP Law)

- Paraguay enacted in 2013 its first-ever public-private partnership law. The regulatory decree is currently in its drafting stages and is expected to be finalized in the coming months.

TELECOMMUNICATIONS

- The transmission of electromagnetic communication signals are controlled and regulated by the state. Investors are guaranteed equal opportunity to access to the electromagnetic spectrum, subject to principles of non-discrimination. Paraguay ratified by Law No. 444/94 the Final Act of the Uruguay Round of the GATT, and with it, the Annex on Telecommunications. Law No. 642/95 along with Decree No. 14135/96, regulating the industry under the executive branch, classify the different types of telecommunication services, establishes conditions of operation, and creates a system of protection for subscribers and users, the system of charges to be applied, and a list of restricted conduct.
- This restructuring of the telecommunication sector offers new opportunities for national and foreign investors without discrimination. There are no limitations or restrictions on the amount of shares a foreign investor may own in a telecom company providing services in Paraguay.

ALTERNATIVE DISPUTE RESOLUTION

- Law No. 1879/2002 of Arbitration and Mediation follows the Model Law of the United Nations Commission on International Trade Law (UNCITRAL). Any dispute, providing it has economic consequences and has not been subject to a final, enforceable ruling, may be submitted to arbitration.
- Paraguay is a member of ICSID. The central government, administrative subdivisions, state-owned enterprises, and municipal bodies may submit their disputes with domestic or foreign individuals to arbitration, providing they arise from legal acts or contracts governed by private law. Mediation may also be used to resolve any matter that results from a contractual relation susceptible to transaction, agreement or arbitration.

COMPETITION LAW

- Enacted in June 2013, the Law No. 4956/2013, (Paraguayan Competition Law) follows the Model provided by the United Nations Conference on Trade and Development (UNCTAD). This Law is the outcome of the consensus reached between the Government and the private sector, based on UNCTAD's assistance.
- Law No. 4956/2013 establishes the freedom in buying, selling and accessing the market in efficient and non-discriminatory conditions. Prices shall be freely offered and determined in accordance with the law. When assessing practices and conducts, the Authority must take into account "efficiency gains".
- Among the agreements forbidden by the Law we may find:
 - o i) To impose, directly or indirectly, or recommend collectively, the purchase or sale prices
- or other transaction conditions in an abusive manner
 - o ii) Unjustifiably limiting, restricting or controlling the market, production, distribution,

- technical development or investments, to the detriment of competitors or consumers
 - o iii) Allocate markets, customers or sources of supply
 - o iv) Apply unreasonably to third parties, unequal conditions to equivalent transactions
- thereby placing them at a competitive disadvantage
 - o v) Condition the conclusion of contracts to the acceptance by the other parties of
- supplementary obligations which, by their nature or according to commercial usage, have
- no connection with the subject of such contracts
 - o vi) Collusive biddings
 - o vii) The restrictions of production or sales, in particular through market shares;
 - o viii) Concerted refusals to purchase
 - o ix) Collective unjustified denial to participate in an agreement, or admission to an
- association, which is crucial to competition
- The Law also regulates vertical restraints. The following are considered cases of abuse of dominant position:
 - o i) The direct or indirect imposition of prices or other trading conditions, or unfair services
 - o ii) The limitation of the production, distribution or technical development causing unjustified
- detriment to competitors or consumers
 - o iii) The unjustified refusal to meet demands for the purchase of products or services
 - o iv) The application of unjustified unequal conditions to equivalent transactions in trade or
- service relations, thereby placing some competitors at a disadvantage to others
 - o v) Condition the conclusion of contracts to the acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have
- no connection with the subject of such contracts
 - o vi) Obtain or attempt to obtain, under the threat of disruption of trade relations, prices, terms
- of payment, terms of sale, payment of fees and other terms of trade cooperation not included in the general conditions of sales that have been agreed
- In order to establish the existence of dominant position in a market, the following circumstances shall be considered:
 - o i) The extent to which the good or service in question can be substituted by another one, of
 - either domestic or foreign origin, the terms of such substitution and the time required there for
 - o ii) The extent to which regulatory restrictions limit access to products or suppliers or demand to the market in question
 - o iii) The extent to which the possible responsible party might unilaterally influence in setting prices or restrict the supply or demand in the market and the degree to which its competitors can counteract that power
 - Additionally, Law No. 4956/2013 sets forth mergers control with a threshold of a 45% acquisition or increase in the market of a specific product or service or when the gross domestic turnover in Paraguay of the companies within the concentration exceeds 100,000 minimum monthly wages (USD 40 millions approx.) during the previous fiscal year.
 - The CONACOM is the central regulatory authority of the Paraguayan Competition Law.
 - o Spe





PERU

- Strategically located on the west central coast of South America, with total land area of 1,285,215.60 km² (third largest country in South America).
- Population: 30 million, over 75% living in urban areas.
- Constitutional democratic republic with a multiparty system. President is head of state and government.
- Dominant religion is Roman Catholic (81%). Peru allows for freedom of religion.
- Spanish is the main language with Quechua, Aymara, and other indigenous languages also having equal official status (majority of business sector also speaks English).
- Currency: Nuevo Sol, with free-floating exchange rate.
- Peru has obtained Investment-grade status from all three credit rating agencies (Standard & Poor's and Fitch in 2008, Moody's in 2009).
- Peru's GDP has shown steady growth in the past six years, with an average of 7.1% growth per year. In 2010 alone the GDP grew 8.8% and in 2011, 6.9%, and in 2012, 6.3%, and in 2013, 5.02%.
- Several ports, airports, and a road system provide infrastructure to serve as a connecting bridge between South American, Asian, and United States markets.
- More than 50% of Peruvian exports come from mining, mainly copper, gold, molybdenum, silver, and zinc. However, the country has substantially increased agricultural exports, becoming a world-leading exporter of asparagus and dried paprika. Forestry, fishing, hydrocarbons and chemicals, textiles, clothing, manufacturing, jewelry, metallurgy have all increased as exports.
- Major suppliers of the Peruvian government are as follows: U.S. (20%), China (19%), Brazil (6%), Ecuador (5.0%), and Mexico (4%).
- Investment growth areas include mining (gold, silver, copper, zinc, lead, iron), telecommunications, finance, fisheries, agriculture, oil and gas, manufacturing-related industries, tourism, and wood resources.

BUSINESS PRESENCE

- Main types of business models: The most commonly used corporate forms by investors are corporations ("*sociedad anónima*") of different modalities (open and closely held corporations), as well as limited liability companies. Locally incorporated companies are used in most activities. Foreign companies can establish branch offices in Peru, but they are required to appoint a permanent legal representative in the country.
- Peru's corporate laws allow foreigners, both domiciled and non-domiciled entities and/or individuals, to own equity in local companies in almost every sector. Those where restrictions apply are referred to below.
- Corporate laws make no restrictions between local and foreigner Board Members allowing non-domiciled foreigners to serve as Board Members. Local laws allow board meetings to be held even if board members are not physically present and votes can be cast through electronic means.

- The closely held corporation ("*sociedad anónima cerrada*") is the most widely used corporate form.
- Procedures to incorporate any form of corporate entity are generally similar with the requirement that all entities be incorporated by public deed. The incorporation process will take anywhere from seven to 14 days, no minimum capital required (usually a company is incorporated with initial capital of S/.1,000 or US\$255).

FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

- Peru offers a favorable legal framework that promotes and protects foreign investment. Foreign investment laws guarantee the possibility of investing in almost every economic sector, granting the same rights to local and foreign investors, with equal property rights for foreign investors and nationals as established by the Peruvian constitution. The shareholders with the restrictions below indicated can be foreign as well as the general manager. Peruvian residence is required for the general manager, though not for the members of the board.

Restrictions on Equity Participation

- Freedom to purchase stocks from local persons/companies, free access to internal and external credit and free transfer of capital. Certain restrictions apply to radio, television, and air transport and banking and finance sectors.

Investments That Require Government Authorization

- Investment in areas located within 50 km of the country's frontiers, as well as in weapons, ammunition, and explosive industries requires prior approval from the appropriate government agency.

Approvals and Licensing

- No authorizations are required to incorporate a company, except in the case of Superintendence of Banking and Insurance.
- Approvals and licensing are required for the operation of regular business activity. These may be obtained with the local authorities (city hall, taxpayers registry, for example). Furthermore, specific authorizations will be required in case of companies entering into regulated markets or sectors, such as banking and finance, and companies regulated by the National Superintendency of Securities Market.

EXCHANGE CONTROL

- There is no foreign exchange control. The Peruvian constitution guarantees freedom to hold and dispose of foreign currency.
- There are no restrictions on remittances of profits, dividends, royalties, and capital although investors are encouraged to register foreign investment with *ProInversion* to secure the investment.

- Exporters and importers can conduct transactions freely on the open market and are not required to channel foreign exchange transactions through the Central Reserve Bank of Peru.

Free Trade Markets and Agreements

- Peru maintains a proactive position of free trade with other markets including a free trade area among the Andean nations of Peru, Colombia, Ecuador, and Bolivia (*Comunidad Andina*).
- Economic Complementation Agreement No. 58 (ACE 58) signed by Peru, Argentina, Brazil, Paraguay, and Uruguay, States of MERCOSUR.
- Peru is a member of APEC (Economic Cooperation Forum Asia-Pacific).
- Free trade agreements with the U.S., China, Singapore, Canada, Japan and South Korea, Panama, Mexico, Thailand, Cuba, Chile, EFTA (European Free Trade Agreement) have been signed and are in full force and effect, while free trade agreements with Venezuela, the European Union, Costa Rica, and Guatemala are about to take effect. Negotiations are currently in course for free trade agreement with Honduras and El Salvador.
- Free trade agreements with U.S., China, Singapore, Canada, Japan and South Korea, Panama, Mexico, Thailand, Cuba, Chile, EFTA (European Free Trade Agreement), Venezuela, Costa Rica, and European Union have been signed and are in full force and effect, while a free trade agreement with Guatemala is about to take effect. Negotiations are currently in course for free trade agreement with Honduras, El Salvador and Turkey.

TAXATION

Corporate Income Tax

- Domiciled corporations are taxed at a rate of 28% on a worldwide income basis for 2015-2016, 27% for 2017-2018 and 26% from 2019. Branches and permanent establishments of foreign corporate bodies are taxed at a rate of 28% on Peruvian source income only for 2015-2016, 27% for 2017-2018 and 26% from 2019. Domicile in the case of corporate bodies and permanent establishments is based on place of incorporation or place of establishment concept, respectively.
- Corporate income tax is assessed on the yearly taxable profit derived from financial statements after operating proper tax adjustments.
- Dividends and other profit distribution schemes, as received from domiciled corporate bodies, are subject to 6.8% withheld by payer in a final manner for 2015-2016, 8% for 2017-2018 and 9.3% from 2019, except where a domicile corporate body is the beneficiary.

Personal Income Tax

- Domiciled individuals are subject to personal income tax on a worldwide income basis.

- Domicile in the case of individuals is based on but not limited to the civil domicile concept. Foreign individuals are deemed as domiciled in Peru for tax purposes if they have resided in Peru for over 183 calendar days within a 12-month period.
- Domiciled individuals in Peru are subject to progressive tax rates (8%, 14% and 17%) on a yearly net income basis.
- Capital gains and income derived from capital, both sourced in Peru, are subject to a 5% effective tax rate.

Non-domiciled Income Tax (Withholding Tax)

- Non-domiciled corporations and non-domiciled individuals are taxed only on Peruvian source income.
- Non-domiciled corporations are subject to a general flat rate of 30% on their gross Peruvian-source income. Some allowance could be deducted from the gross income (base cost in capital gains) provided that an invested capital certificate issued by the Tax Authority is rendered. Some other flat rates apply depending on the type on income obtained.
- Non-domiciled individuals are subject to a different set of flat rates depending on the type of Peruvian source income, such as 4.1% (dividends), 4.99% (some interests), or 30% on their gross Peruvian-source income. Some allowance could be deducted from the gross income (base cost in capital gains) provided that an invested capital certificate issued by the Tax Authority is rendered.

Value Added Tax

- Peruvian valued added tax (IGV) is applied on the sale of movable property, commercial services rendered, commercial services utilization in Peru, construction contracts, the first sale of real property by the constructor, and the import of goods.
- IGV is levied at a 16% rate, although this tax is actually imposed jointly with a Municipal Promotional Tax of 2%. Therefore the effective rate charged is 18%.
- Although the tax will be applied on each level of the commercialization chain, it is designed to transfer to the final consumer.
- In that sense, IGV paid upon acquisition of goods and services can be deducted as a fiscal credit for the domiciled company when determining its tax due.

Excise Tax

- Excise tax is applied on the consumption of luxury goods, produced or imported, alcoholic beverages, soft drinks, gambling, and games of chance. Tax rates vary depending on the type of good (0% to 50%) or the assessment system (sale value basis, final consumer price, fixed rate).

Real Property Taxes

- *Alcabala Tax*, as it is called in Peru, is applied on the purchase of real property at a rate of 3%.

Other Taxes

- Temporary Tax on Net Assets is a tax applied on net assets, entered into the books on December 31 of the previous year.

The tax effectively paid can be used as a credit against advance payments or against the regularization payment of the income tax. The rates are: (i) 0% over the net assets for S/.1,000,000 and (ii) 0.4% over the excess.

- Financial Transactions Tax is a tax levied at a 0.005% rate on banking operations in national or foreign currency (both debits and credits). It can be deducted as an expense for income tax purposes.
- Customs Duties levy the import of foreign goods and are calculated on the import CIF value. The rates go from 0% to 11%, depending on the type of imported goods. Some goods are subject to additional customs surtax.

Double Taxation Agreements

- In order to solve problems with international double tax burdens, Peru has signed bilateral agreements with Chile, Canada, Brazil, Korea, Mexico, Portugal, Switzerland and with states within the Andean Community (Ecuador, Bolivia, and Colombia).

TAX AND INVESTMENT INCENTIVES

- Special regulations for export-processing zones provide for tax exemptions on income tax, IGV, and excise tax, use of temporary labor as needed, greater flexibility in labor contracts, and for setting wage rates based on supply and demand.

IGV Early Recovery Regime – Legislative Decree N° 973

- Special Early Recovery Regimes applicable to development and/or exploitation of projects taxed with IGV (VAT) in Peru.
- This system consists of the refund of the tax credit generated on imports and/or local purchases of certain goods and services during the pre-production stage, to be used directly by the regime's beneficiaries in the execution of projects contemplated under investment agreements and destined to the performance of transactions taxed with the VAT.

IGV Definitive Recovery Regime – Law N° 28754

- The definitive recovery regime consists on the refund of IGV that has been transferred or paid on import operations and/or local acquisitions of certain goods and services during the preoperational phase of infrastructure public work and public services, provided they will be destined to non taxed transactions and used directly in the implementation of investment projects in public infrastructure and utilities.
- Under this regime, the concessionaire is entitled to recover the VAT levied on the investments in the preoperative stage, provided that its purchases were intended for the conduct of operations not taxed with IGV.

Legal Stability Agreements

- Investors may enter into Legal Stability Agreements with the government whereby the investor is able to obtain certain guarantees for the companies and towards their investment with respect to (i) income tax levied on investors and companies; (ii) free exchange of foreign currency and the

remittance of capital and profits (only for investors); (iii) hiring of workers (only for companies); and (iv) export promotion measures, including drawback (only for companies receiving investments).

- As per applicable laws, Legal Stability Agreements can be signed by those investors who undertake to make either financial contribution to the capital stock of already constituted companies or to-be-constituted ones, or risk investments under agreement with third parties, through the National Financial System, for which the least amount is as follows: (i) US\$10 million for the mining and oil sectors; and (ii) US\$5 million for the other sectors.
- Concession agreements entered into with the Peruvian government on infrastructure projects and/or public services in which investors hold an interest may obtain legal stability for the same term during which the concession is granted.

EMPLOYMENT LAW

- Maximum working hours are 48 hours per week. A full-time workday may vary from four hours up to eight hours maximum.
- Statutory minimum wage is currently set at S/.750.00.
- Overtime pay is a surcharge of 25% for the first two hours. Afterwards overtime work is paid at a 35% surcharge. Management personnel and workers earning non-wage compensation (not subject to control by employer) are not entitled to overtime benefits. Overtime should be agreed upon between employers and employees.
- Local labor laws require the withholding of income tax from salaries and wages of both residents and non-residents. Non-resident employees income is withheld at a flat 30%. Resident wages are subject to withholdings from 8% to 30% depending on the amount of wages.
- Employers are required to observe and grant the following mandatory benefits to employees: 30 days paid vacation, 20 days medical leave per calendar year, legal bonuses equivalent to one monthly salary each in July and December, life insurance (0.53% of monthly wages) since the fourth year of being hired by the employer, family allowance (10% of minimum wage), complementary risk insurance (in high risk activities).
- For severance or unemployment protection (*Compensación por Tiempo de Servicios*) employers must pay one monthly salary per year. This amount must be paid in the bank account established by the employee.
- *Essalud* provides social security protection to Peruvian employees. Contributions to *Essalud* must be paid by employers equivalent to 9% of the employee's monthly wages.
- Labor unions are part of the collective rights of employees. Strikes are allowed in matters covered by collective bargaining.
- Employers can hire foreign employees but must not allow the number of foreign employees to exceed 20% of the total number of employees in the company. Likewise total foreign

employees' salary cannot be above 30% of the total payroll. There are exemptions related to managing positions.

- Companies with more than 100 employees, must have internal labor regulations (*Reglamento Interno de Trabajo*) that must be approved by the Labor Authority.
- Companies with more than 20 employees must have a Health and Security Internal Regulations.

INDUSTRIAL PROPERTY

- Industrial property protection in Peru covers trademarks, patents, utility models, industrial design, business secrets, trade names, slogans, designations of origin, layout of integrated circuits, licensing, and assignment of trademarks.
- The Industrial Property Agency (*Indecopi*) provides equal treatment to national and foreign owners of trademarks. The law does not distinguish between individuals or corporations.
- Trademark registration entitles the holder exclusive use for ten years and may be renewed for successive ten-year periods. Trademark renewal does not require proof of trademark use and is granted automatically on the same terms as the original registration, per request of the owner.
- Patent protection is given for a term of 20 years and that of the utility patent is for a period of ten years from the filing date of the corresponding application with the Inventions and New Technologies Administration at the *Indecopi*. Once the term has expired, the patent shall assume a public nature. It is not possible to grant more than one patent for the same invention.
- Peru is a member of the World Trade Organization and is a contracting party of the Paris Convention and Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS, as well as a member of the Andean Community (CAN)).

DISPUTE RESOLUTION

- Peru adopts a civil law system with a hierarchical justice system headed by the supreme court, superior courts (with jurisdiction over several entire departments), specialized civil criminal and mixed courts, and justice of peace courts. Peruvian courts can prove to be a complicated system to navigate.
- Alternate dispute resolution is available and widely utilized through mediation and arbitration. Parties may agree to a choice of applicable laws, provided the selected laws are compatible with international public policy.
- The 2008 Peruvian arbitration law is based on 1985 UNCITRAL Model Law and applies internationally used arbitration rules and principles.
- Peru has also joined the International Convention for Settlement of International Disputes (ICSID) as an alternative to settle disputes arising between investors and the government.

IMMIGRATION PROCEDURES

Business Visa Requirements

- Usually Consulates require an Invitation Letter from the Peruvian Company. Depending on the Consulate where the visa is issued, there are different requirements. This kind of visa allows foreign citizens to sign any kind of document in Peru.

Working Visa Requirements

- Working Visas are granted to foreign employees who have a labor agreement and will develop activities as an employee. Foreign citizens should enter Peru with a temporary business visa in order to sign the labor contract. If not, we would need to ask for a special permit to sign contracts. To start the immigration procedure it would be necessary to have the approval of the labor contract by the Labor Authority.
- The immigration procedure takes at least three months.





PUERTO RICO

- Puerto Rico, officially known as the Commonwealth of Puerto Rico (Estado Libre Asociado de Puerto Rico), is a self governing territory of the United States, located in the northeastern Caribbean.
- Puerto Rico (Spanish for “rich port”) consists of an archipelago that includes the main island of Puerto Rico and several islands: Vieques, Culebra, Mona and numerous islets.
- Puerto Rico it is the smallest island of the Greater Antilles with an area of 100 miles long by 35 miles wide.
- Puerto Rico is bordered to the west by the Dominican Republic and Haiti (La Española), separated by the Mona Passage (“Mona Canal”), to the east by the Virgin Islands, to the north by the Atlantic Ocean, and to the south by the Caribbean Sea.
- Puerto Rico is a self-governing commonwealth in association with the United States. The chief of state is the President of the United States of America. The head of government is an elected Governor.
- Government: Republican form government, with three branches of government: Executive, Legislative and Judicial.
- Population: Approx. 3,620,897
- Spanish and English are the official languages of Puerto Rico.
- Currency: U.S. Dollar (USD)
- Climate: Tropical, average temperatures year round between 90 °F (32.2 °C) and 70 °F (21.1 °C).

BUSINESS PRESENCE:

- Puerto Rico law allows for the establishment of the following business types: domestic and foreign corporations and limited liability companies, limited liability partnerships, and civil partnerships. Not-for-profit, close and professional corporation types are also widely used. The Puerto Rico General Corporation Law is modelled after the State of Delaware’s General Corporation Law, thus allowing ample reciprocity between US corporate entities and PR corporate entities. The most popular entity forms used are the corporation and LLC. Typically, investors either form domestic entities or qualify their existing entity to do business in Puerto Rico.
- The incorporation process is very similar to that available in the United States. To incorporate in Puerto Rico you must file the corresponding forms with the Department of State of the Commonwealth of Puerto Rico along with the payment of the filing fees. To maintain their “Good Standing” status, entities must annually file a report and/or renewal and pay an annual fee.

FOREIGN INVESTMENT:

- Puerto Rico provides a positive legal framework to promote US and foreign investment. Some of the benefits of doing business in Puerto Rico includes:
 - Puerto Rico is a territory of the United States and unless expressly excluded, federal US laws apply. As a result:
- Puerto Rico is part of the US free trade zones and customs system.
- Puerto Rico is protected under the US legal framework for intellectual property protection.
- Puerto Rico is under the protection of the US Homeland Security Act
- Puerto Rico’s banking system is regulated under US laws (Federal Deposit Insurance Corporation).
- Puerto Rico has access to US federal programs and funds.

- There are no restrictions on foreign shareholders.
- US federal government's restrictions on doing business with certain countries apply in Puerto Rico.
- Puerto Rico does not have any exchange control or currency regulations.

TAX INCENTIVES FOR BUSINESS

- Puerto Rico offers a highly attractive incentives package that includes a fixed corporate income tax rate – one of the lowest in comparison with any U.S. jurisdiction – various tax exemptions and special deductions, training expenses reimbursement and special tax treatment for pioneer activities.
- Examples of the most popular incentives legislation include:
 - Act 20 -2012, known as the "Law to Promote the Export of Services" which aims to promote the environment and opportunity to develop Puerto Rico as an international service center, promote the retention and return of local professionals and attract foreign capital, promoting in this way the economic development and social improvement of Puerto Rico.
 - Act 22-2012, known as the "Law to Encourage the Transfer of Investors to Puerto Rico " with the objective to grant tax exemption in regards to revenue, resulting from investments accrued by individuals who are residents in Puerto Rico;
 - Act 73-2008, known as "Economic Incentives for the Development of Puerto Rico Act," allows qualifying industrial operations in Puerto Rico to obtain high profits while stimulating the local economic development.
 - Key provisions which may be available under incentive acts include:
 - 100% exemption applicable to the interests and dividends income earned by a resident individual investor (Act 22)
 - 4% or 8% fixed corporate income tax rate (Act 20, Act 73)
 - 1% income tax rate for "pioneer" industries and/or "strategic services" (Act 20, Act 73)
 - Allows for tax credits on their corporate income tax return for job creation tax, investment in machinery and equipment, purchase of locally manufactured products (Act 73)
 - Reduced electric energy cost of the industrial exempt business (Act 73)
 - Provides 90% exemption from personal and real property taxes, 60% exemption from municipal license taxes and 100% exemption from state and local sales and use tax on raw material (Act 20, 73)
 - Other tax incentive legislations is available for qualifying industries such as renewable or "green" energy, banking centers, and the film industry.

TAXATION:

- Taxation in Puerto Rico takes the form of both Federal (US) and Commonwealth taxes. Puerto Rico has independent tax-levying authority by provisions of 48 U.S.C. § 734 of the United States Code, and the Puerto Rico Internal Revenue Code.

Correlation with the United States Tax Laws.

- Though the Commonwealth government has its own tax laws, Puerto Ricans are also required to pay most U.S. federal taxes:

Individuals Residing in Puerto Rico.

- Residents of Puerto Rico pay into Social Security, and are thus eligible for Social Security benefits upon retirement. Other federal taxes paid by Puerto Rico residents include import/export taxes, and federal commodity taxes. Like residents of the United States, residents of Puerto Rico are subject to federal income tax on their worldwide income. However, U.S. Code Section 933, for tax purposes, allows a bona fide individual resident of Puerto Rico to exclude Puerto Rico source income from his/her gross income. The process for determining and establishing bona fide residence for income tax purposes hinges on the result of three tests found in U.S. Code Section 937: (a) the presence test, (b) the tax home test and (c) closer connection test.

Employers in Puerto Rico.

- Are subject to both Federal Insurance Contributions Act (FICA) tax (a payroll withholding tax, which funds Social Security and Medicare) and the Federal Unemployment Tax Act (FUTA). Employers in Puerto Rico are legally obligated to withhold the employee portion of FICA taxes from their employees' wages and contribute the employer portion of FICA.

Puerto Rico Corporations.

- Puerto Rico corporations are treated as foreign corporations for U.S. income tax purposes. Thus, Puerto Rico corporations are subject to a 30% U.S. income tax withholding on, among others: interest, rents, wages, premiums, annuities, compensation, remuneration, emoluments and other fixed or determinable annual or periodical gains, profits and income from sources within the United States. Dividends received by a Puerto Rico corporation from a U.S. corporation, however and provided certain conditions are met, are subject to a reduced U.S. income tax withholding instead of the 30% rate applicable to other foreign corporations. Puerto Rico corporations are subject to regular U.S. tax rates on their income effectively connected to a trade or business in the United States.

Puerto Rico Tax System.

- The Internal Revenue Code for a New Puerto Rico ('Puerto Rico Internal Revenue Code') is the main body of domestic statutory tax law. It covers income taxes, payroll taxes, gift taxes, estate taxes and more.

Personal Income Tax:

- Individuals are taxed on a graduate rate based on their tax bracket, which ranges from 7% to a maximum of 33%. A person

is considered a “resident” of Puerto Rico if he or she lives in Puerto Rico for at least 184 days in a calendar year. Capital gains earned by resident individuals are also taxed. Long-term capital gains are gains earned from an asset, which is held for more than 6 months. The taxable gain is computed by deducting the acquisition costs from the gross selling price.

Puerto Rico corporations.

- Puerto Rico corporate entities are taxed at on a graduated tax rate structure.
- Municipal taxes. Other taxes applicable to the Puerto Rico tax systems include, excise tax, municipal license tax (gross volume) and real and personal property taxes. The percentages will vary depending on the local government and other considerations.
- Sales and Use Tax. Puerto Rico residents and entities are also subject to 11.5% sales and use tax.

INTELLECTUAL PROPERTY:

- Puerto Rico is protected under the US legal framework for intellectual property protection:
- Patents. Patents are issued under United States federal law.

Trademarks.

- Trademark rights can be used to prevent others from using the same, or very similar mark in connection with the same goods or services that are sold under the trademark. Trademarks enjoy protection under United States Trademark Act, as amended, and under Act 169-2009, known as “Puerto Rico Trademark Act”. If merchandise is used in inter-state commerce owners of trademarks can register them with the United States Patents and Trademarks Office. Applications for the registration of trademarks in Puerto Rico must be filed with the Registry of Trademarks and Commercial Names of the Puerto Rico Department of State. In Puerto Rico, registration with intent to use is allowed.

Copyright

- Copyright is available for authors of original works, including literary, dramatic, musical, artistic, and certain other intellectual works. Copyright is governed by Federal (US) and Puerto Rico law (Visual Artists Rights Act, and PR Author’s Moral Rights Act, Act 55-2012). Copyright protection subsists from the time the work is created in fixed form and immediately becomes the property of the author of the work. Copyrights can be registered with the US Copyright Office of the Library of Congress and with the Copyright Registry Office of the Puerto Rico Department of State.

LABOR LAW:

- The Constitution of the Commonwealth of Puerto Rico establishes the framework for the Labor Laws of Puerto Rico, through its Articles 15, 16, 17 and 18. The Constitution provides the minimum range of protection that can be granted to employees. These provisions cannot be modified by a written employment contract unless it grants workers further

favorable conditions than the ones that are set as a minimum by the Constitution and related laws.

- The Minimum Wage, Vacation and Sick Leave Act statutorily incorporates, as a substantive right the automatic and immediate application of the Federal Minimum Wage to all workers in industries in Puerto Rico covered by the Fair Labor Standards Act (FLSA).
- Both the Constitution and the Laws of Puerto Rico establish that eight (8) hours of work within a period of 24 consecutive hours constitute the legal and regular workday in Puerto Rico. Forty (40) hours of work constitute the regular workweek. Act 379-1948 requires payment of work in excess of eight hours a day or forty a week at double the regular rate of pay. If the employer is covered by the Fair Labor Standards Act, the employer has to pay for each overtime hour of work in excess of the legal eight hours per day, a wage rate of not less than one and a half time the wage agreed upon for regular hours unless otherwise established by mandatory decree or collective bargaining agreement. In addition, the employer and employee have the option to agree to a flexible work schedule as regulated by the “Flexitime Act”, Act 83-1995. This law allows for flexibility in determining the beginning of an employee’s regular workday or the beginning of his meal period.
- Meal Period are regulated by Act No. 379-1948, which states that the meal period shall not be less than one hour that the employee cannot work for more than five hours consecutively without taking his meal period.
- Vacation and Sick Leave. Employees of the company are entitled to accrue vacation leave with full pay to be made effective when the employee begins to enjoy the same, at the rate of one and one fourth (1¼) working day for each month in which he has worked at least one hundred and fifteen (115) hours. Employees shall accrue sick leave at the rate of one (1) working day for each month in which they have worked at least one hundred fifteen (115) hours for. The use of sick leave will be considered as time worked in the accrual of this benefit.
- Other Puerto Rico labor laws issues are governed by: “Unjust Dismissal Act”, “Maternity Benefits and Breast Feeding”, “Safety and Health in the Work Place”, “Workmen’s Accident Compensation”, “Non-Occupational Disability and Social Security for Chauffeurs”, “Unemployment Insurance”, laws that prohibit discrimination and sexual harassment, laws concerning veterans and employees on military service leave, laws governing jury duty, witness leave for criminal cases, sports leave, automobile accident disability leave and “Christmas Bonus” Act.

FOREIGN EMPLOYEES:

- As a territory of the United States, Puerto Rico is governed by US immigration law. All foreign employees require work permits and/or residency permits issued by the United States Citizen and Immigration Services, ascribed to the Department of Homeland Security.

IMMIGRATION:

- U.S. Citizenship and Immigration Services (USCIS), ascribed to the Department of Homeland Security, is the government agency that oversees lawful immigration to the United States.





URUGUAY

- Centrally located in South America, with an area of 176,215 km².
- Population comprises those of European descent 93%, African descent 5%, Mestizo 1%.
- Spanish is the national language; English is widely written and spoken, especially in urban areas and for business.
- Currency: Uruguayan Peso.
- Investment growth areas include agribusiness, forestry, logistics, real estate, energy, finance, tourism.

BUSINESS PRESENCE

- Main types of business entities in Uruguay include corporations and limited liabilities companies; less frequently used are partnerships.
- Corporations may be newly incorporated or purchased “off the shelf.”
- Branches of foreign companies may also be opened in Uruguay.

FOREIGN INVESTMENT RESTRICTIONS AND CONDITIONS

- Generally no restrictions are imposed on foreigners owning equity in Uruguayan companies. Directors may be Uruguayan nationals or foreigners.
- The hiring of foreign personnel is not restricted, except in some areas such as shipping, and on entities located within free trade zones.

EXCHANGE CONTROL

- Uruguay maintains a long tradition of not restricting the purchase/sale of foreign currency.
- Likewise, the remittance of capital and profits is free and not restricted.

TAXATION

Principal Taxes Applicable in Uruguay Include:

- **Income Tax:** Income Tax in Uruguay consist of: (i) business tax, at an annual rate of 25% on net profits derived from Uruguayan-sourced business income; (ii) personal income tax, is a direct tax applied to resident individuals with Uruguayan-sourced income. The tax is applied under a dual system that distinguishes income derived from capital source (taxed at proportional rates that range from 3% to 12%), and from the labor source (taxed at progressive rates from 0% to 30%); and, (iii) non-resident

income tax, an annual tax applied to Uruguayan-sourced income of non-residents (individuals and legal entities). This tax is applied at proportional rates that range from 3% to 12%, depending on income type.

- Regulations require withholding on various types of income.
- **Value Added Tax (VAT)** is imposed on the circulation of goods and services, as well as imports. The basic rate for this tax is 22% and the minimum rate is 10%, which is applied to prime necessity and medical products.
- **Property tax** is applied to assets located in the country at year end (after deduction of certain liabilities), at a general rate of 1.5%.
- **Specific internal tax** is applied to the first sale of certain goods, such as beverages, tobacco, fuel, cosmetics, and vehicles at different rates according to the product.

INVESTMENT INCENTIVES

- The current investment promotion system declares that the promotion and protection of investments made by domestic and foreign investors in the country is an issue of national interest.
- Investment promotion law created streamlined procedures under which investments may qualify for substantial tax exemptions, based on objective and transparent criteria, such as the extent to which a project incorporates national added value, fosters territorial decentralization, creates quality jobs, enhances the activity of small to medium-sized companies, and promotes and diversifies exports, *inter alia*.
- Basic principles of the investment promotion law include: (i) equal treatment to national and foreign investment; (ii) investments do not require prior authorization or registration, (iii) free transferability of capital and profits overseas.
- Investment promotional law also establishes other automatic benefits: (i) exemption from property tax of moveable goods

- directly used in production and of equipment for electronic data processing; (ii) exemption from value added tax and specific internal tax for certain imported goods; and (iii) return of VAT included in local purchases of moveable goods for production and of equipment for electronic data processing.
- In addition, investment promotion law empowers the executive branch to exempt from property tax the following assets: (i) fixed assets for manufacturing and agribusiness; (ii) intangible goods such as patents, industrial models, copyrights, goodwill, trade names and concessions granted for prospecting, crops, extraction and exploitation of natural resources; and (iii) other goods, procedures, inventions or creations that incorporate technological innovation and facilitate technology transfers.
- **Temporary Admission:** Products may be imported into Uruguay under temporary admission or drawback provisions, exempt from import duties, in order to be processed, assembled, transformed or integrated, but they must be re-exported within 18 months. The system applies to raw materials; parts and accessories; motors; packaging and packaging materials; matrix, molds and models; intermediate goods; products that are part of the manufacturing products.
- **Free Trade Zones:** These are areas within the Uruguayan territory which are geographically delimited and in which industrial, commercial, and services activities may be carried out (e.g. warehousing, call centers, logistics and distribution, manufacturing, financial services, software and data processing), under a special legal system of customs and fiscal exemptions. These activities are considered to take place outside Uruguayan territory.
- Those operating in the free trade zones are exempted from: (i) all national taxation created or to be created (ii) outgoing and ingoing goods are exempted from all taxes; (iii) tax exemptions do not apply to social security contributions, except for foreign personnel who may opt not to join the national social security system. At least 75% of the personnel must be composed by Uruguayan citizens, though this percentage can be reduced under authorization of the executive power.
- Goods introduced into a free trade zone from Uruguayan territory are considered to be exports, and goods introduced from a free trade zone into Uruguayan territory are considered to be imports (thus paying the corresponding tariffs and taxes).

EMPLOYMENT LAW

- The constitution guarantees workers' right to work, to organize themselves in associations, and the right to strike.
- The maximum working hours are 48 hours per week, or eight hours per day. These limitations do not apply to management positions. The hours worked beyond those limits are considered to be overtime and are paid at a rate double to that for normal hours. Overtime on holidays or day off, is paid at 2.5 times the value of normal hours.
- Complementary benefits to employees established by law are: (i) paid holidays; (ii) an extra monthly salary, divided into two halves, payable in June and December; (iii) a holiday partial salary, which is paid before the worker takes his or her annual holiday.
- Union members are protected by law against dismissal for union activities.
- The social security system currently allows for retirement at age 60 for both men and women, 30 years of working.
- Workers who become disabled on the job receive a monthly pension from the government equal to 2/3 of their salaries.
- Uruguay has ratified most conventions that protect workers' rights, and generally adheres to their provisions.
- The government provides six months of unemployment benefits.

INTELLECTUAL PROPERTY

- Intellectual property protection in Uruguay comprises patents, industrial design, patents for utility models, trademarks, copyright, commercial names and geographical indications.
- Patents are protected by law and have a 20-year term of protection from the filing date. Patents for utility models and industrial designs have a ten-year term of protection from the filing date and may be extended for an additional five.
- Under Uruguayan law a registered trademark lasts ten years and can be renewed as many times as desired.
- Copyright protection includes literary, musical or artistic works, sound recordings, photography and other works, and lasts 50 years.
- Other assurances offered by Uruguay to investors derive from its membership with the World Intellectual Property Organization (WIPO), together with its ratification of the Bern and Universal Copyright Conventions, as well as the Paris Convention for the Protection of Industrial Property, and from its membership with the International Center for the Settlement of Investment Disputes (ICSID).

DISPUTE RESOLUTION

- Under Uruguayan procedural law, prior to initiation of any action in an ordinary proceeding a settlement hearing has to be called.
- Civil and commercial disputes may be heard by a district court or by a peace court, depending on the amount of the claim.
- Employment disputes are heard in a district court for labor matters.
- Legislation recognizes the full effectiveness of foreign findings and sentences, which are submitted to exequatur procedure for their enforcement.
- Arbitration tribunals may be guided by Uruguayan law or by foreign law, without distinction.
- Uruguayan law regulates the right of the parties to resolve their commercial disputes through arbitration. According to these rules, the parties may validly stipulate arbitration clauses

- providing for the settlement through arbitration of future disputes that may arise between them out of their contractual relationship. Uruguayan laws on execution of foreign judgments are also applicable to execution of foreign arbitration awards.
- Uruguay is a member to the 1979 Inter-American Convention on Extraterritorial Validity of Foreign Judgments and Arbitral Awards, to the 1975 Inter-American Convention on International Commercial Arbitration, and to the 1958 United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

IMMIGRATION PROCEDURES

- Entry to Uruguay is free, and there are no prior permits, invitations, visas (in most cases), nor vaccinations required.
- Foreigners arriving in Uruguay may remain for 90 days without paid employment. This may be extended to a further 90 days at the request of the interested party.
- There is no discrimination in law or in fact between nationals and foreigners, except as regards those political rights which are inherent to citizenship.
- Migrants admitted as temporary residents or as permanent residents have equal treatment as nationals with regard to labor rights.
- Those migrants that have not completed the residence process may request from the national direction of immigration a reentry permit to travel and reenter Uruguay.





DOING BUSINESS IN LATIN AMERICA

Content updated as of February 2016