ALL
LEGAL ALLIANCE
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LEGAL GUIDE FOR DOING BUSINESS 2023

ABOUT US

ALL es una alianza internacional de estudios de abogados de reconocido prestigio, surgida de la vinculación de 4 importantes firmas sudamericanas en el año 2018; todos de carácter multidisciplinario dedicados a la prestación de servicios preventivos y correctivos a nivel corporativo, cuyo objetivo radicó en presentar ante el mercado legal internacional, una opción seria y segura para la atención de temas de naturaleza legal corporativa con el mismo nivel de calidad y eficiencia en los países donde opera.

A través de la ALL se busca identificar y asociar a Firmas de abogados, particularmente de la Región latinoamericana, con prácticas y prestación de servicios similares (en cuanto a calidad y velocidad en la atención) de alto performance. La globalización que hoy en día vivimos (gracias a la evolución de las comunicaciones) hace imperativo que los clientes vayan requiriendo servicios legales fiables que sobrepasen sus fronteras, ahí aparece ALL como una opción seria y real de atención legal.

Hoy ALL esta compuesto por 16 firmas asociadas, involucrando particularmente a Estudios de abogados de latinoamerica así como a despachos ubicados en otras regiones y paises de nortemaerica, europa, asia, oceania que cuentan con mayor incidencia y vinculación a nivel empresarial y de inversiones con las américas.

Mediante el presente documento los miembros de ALL queremos brindar tanto a nuestros clientes como al público en general una herramienta básica de revisión que permita analizar de manera puntual aspectos claves a tener en consideración ante posibles opciones de inversión o desarrollo de negocios en los paises en los que nos encontramos presentes, tratándose, en cada caso, 4 temas específicos: formas empresariales para hacer negocios, Régimen tributario, Régimen laboral y Régimen migratorio.

Esperamos que este tipo de trabajo colectivo contribuya en alguna medida en facilitar los lazos comerciales y empresariales entre nuestros países.

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LEGAL GUIDE FOR DOING BUSINESS IN PERÚ

TYTL
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Torres y Torres Lara Law Firm

Torres y Torres Lara law firm was founded in Lima in 1968 by its founder, Dr. Carlos Torres y Torres Lara.

For more than five decades, we have accumulated significant experience in the legal, economic, and administrative fields, putting it at the service of our clients, natural and legal persons, to carry out their activities in various sectors of goods and services production.

Currently, we have a team of 50 lawyers and over 100 highly qualified individuals dedicated to providing quality comprehensive services that meet the different requirements of our clients.

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1. How to do business in Peru?

When it comes to doing business in Peru, investors have the freedom to choose the form that best suits their needs. Our laws recognize and support this flexibility. To help navigate the options, the Law on Businesses sets out the different types of companies that can be utilized. The following forms are among the most commonly used:

There are three types of Limited Liability Companies (LLC's), Ordinary, Closed, and Open. Despite their differences, they share key characteristics such as limited liability, a minimum of two shareholders, no minimum initial capital, and representation of capital through shares. Profits are distributed according to participation, and the company is managed by the Board of Directors, and they have a general shareholders meeting. The Ordinary LLC has a maximum limit of 750 shareholders, the Closed LLC has a limit of 20 shareholders, while the Open LLC has no maximum limit of shareholders. Additionally, while the Ordinary LLC and Open LLC require a Board of Directors with a minimum of three directors, the Closed LLC does not have this requirement. The time that it takes to complete the registration of a company is from 14 to 45 days.

Limited commercial partnerships in Peru require a minimum of two and a maximum of 20 partners, each of whom hold shares in the company. Partners enjoy limited liability, and there is no minimum initial capital required. Any transfer of shares must be recorded in public deeds and registered in public registries, and partners have a right of preference in the transfer of shares. Unlike other types of companies, limited commercial partnerships do not have a Board of Directors. Instead, the general manager is responsible for management and representation, while a general meeting of partners serves as the governing body.

Cooperatives are self-governing associations of people who come together voluntarily to meet their economic, social, and cultural needs without pursuing profit. In Peru, there are three main types of cooperatives: those focused on Savings and Credit, those for Consumers, and those for Workers. Regardless of their focus, they share common characteristics such as a minimum of 11 shareholders (with no maximum limit), limited liability for shareholders, and representation of contributions through certificates. In cooperatives, profits are not the main objective, and any surplus generated is returned to the shareholders based on their contributions.

Corporate Branches are foreign companies that establish a legal presence in Peru through a public deed that is registered in the public registry. This process typically takes between 20 and 30 days. Once the registration is complete, the branch must also register with the tax authority in order to obtain a taxpayer identification number.

Foreign entrepreneurs have the opportunity to partner with Peruvian businesses through various collaborative agreements, including joint ventures, participation agreements, franchises, and distribution contracts. The legal system grants the freedom to self-regulate these agreements. The most common types of agreements used for this purpose include associative contracts, franchisor trademark license contracts, distribution contracts, private concession contracts, and agency contracts.

2. Tax System

Entrepreneurs and companies operating in Peru are subject to several taxes, the main ones being as follows:

Companies that are registered in Peru are required to pay Income Tax on both their domestic and foreign earnings. The tax treatment and applicable rates depend on whether the natural or legal person is domiciled or non-domiciled. Domiciled individuals and entities are required to pay taxes on both their domestic and foreign earnings, while non-domiciled individuals and entities are only taxed on their domestic earnings.

In Peru, the General Sales Tax is similar to VAT and is levied on the sale of movable goods, the provision or use of services within the country, construction contracts, the first sale of real estate by builders, and the importation of goods. The current tax rate is 18%. It's important to mention that if the legal requirements are met, the VAT mentioned in payment receipts for the purchase of goods or services from non-domiciled individuals can be used as a tax credit against the gross tax.

The Selective Consumption Tax is applied to certain products or services that are considered a luxury or have a negative impact that the government wants to discourage, in addition to the VAT. The tax rate varies between 2% and 50%, depending on the type of goods or services.

The primary taxes and fees levied by municipalities in Peru include the Alcabala Tax, which is imposed on the transfer of urban or rural properties at a rate of 3% of the transfer value paid by the buyer; the Property Tax, which is assessed on the value of urban and rural properties on an annual basis and is paid by property owners at rates ranging from 0.2% to 1%; and the Vehicle Property tax, which is a tax on vehicle ownership for vehicles less than three years old at a rate of 1%.

The Financial Transactions Tax is a tax on specific financial transactions that have been legally defined and is considered to be temporary. Transactions with an obligation exceeding S/. 3,500 or US$1,000 must be paid when specific Means of Payment are used through the financial system to receive money or transfer money between accounts and are subject to this tax. The applicable tax rate for the Financial Transactions Tax is 0.005%.

Finally, the Temporary Tax on Net Assets is applicable to legal entities generating Third Category income, which is subject to the Income Tax Code. This tax is imposed on the net assets that exceed one million soles of as of December 31 of the previous year, with a rate of 0.4%.

Double Taxation Agreements:

Peru currently has active double taxation agreements with Chile, Canada, Brazil, Korea, Portugal, Switzerland, Mexico, and the member countries of the Andean Community of Nations, which include Peru, Colombia, Bolivia, and Ecuador. These agreements determine which country has the power to tax certain income by allocating tax jurisdiction between countries. As a result, they often reduce instances of double taxation.

3. Labor Regulations

In Peru, an employment contract of indefinite duration is created when personal, subordinated, and remunerated services are provided. There are no major prerequisites for hiring personnel, except for the requirement to reach the age of majority, which is 18 years old in Peru. However, minors between the ages of 15 and 18 need their parents' permission to work, as well as the approval of the Ministry of Labour and Employment Promotion.

The Peruvian labor law recognizes different types of employment contracts, including indefinite term contracts, part-time contracts, and fixed-term contracts, the latter of which can only be signed under exceptional circumstances. Upon hiring, the employer can establish a legal trial period of up to three months, after which the worker is entitled to protection against arbitrary dismissal.

Workers have various rights, such as a minimum wage of S/. 1,025, an eight-hour daily or forty-eight-hour weekly workday, a mandatory weekly rest period of 24 hours, national holidays, Annual vacation of 30 natural days for each complete year of service, compensation for arbitrary dismissal, compensation for time of service, legal gratuities, participation in company profits, payment for overtime work, mandatory health insurance, mandatory life insurance, family allowances, pensions, sick leave, maternity leave, paternity leave, adoption leave, leave for severe illnesses or accidents of direct family members, as well as collective rights such as collective bargaining, unionization, and the right to strike.

Considering the benefits and contributions mentioned above, the approximate monthly cost for a company or employer that hires a worker is as follows:

Employer:

- Salary: 100%
- Health Insurance: 9%
- Vacation pay: 8.33%
- Bi-annual bonus: 16.66%
- Unemployment: 9.72%

Employee:

- Income Tax: According to tax rate
- Pension: 13%

Concept	Employer	Employee
Salary	100 %	
Health Insurance	9 %	
Vacation pay	8.33 %	
Bi-annual bonus	16.66 %	
Unemployment	9.72 %	
Income Tax		According to tax rate
Pension		13 %

In addition to the above, Peruvian law has provisions in place offering a system that allows certain companies to reduce their labor costs. Specifically, workers employed in micro and small enterprises are entitled to labor benefits that can result in a reduction of labor costs ranging from 20% to 40%. However, this special treatment is only applicable to companies whose annual income is less than $200,000 (micro) and $2,200,000 (small), respectively.

4. Inmigration System

Foreigners who enter Peru for temporary or permanent activities are required to apply for different categories of migratory statuses from the Department of Immigration. Each of these categories corresponds to a specific type of visa that regulates the foreigner's stay or residency in the country.

Below are the different migratory visas provided for foreigners in Peru according to Legislative Decree No. 1350:

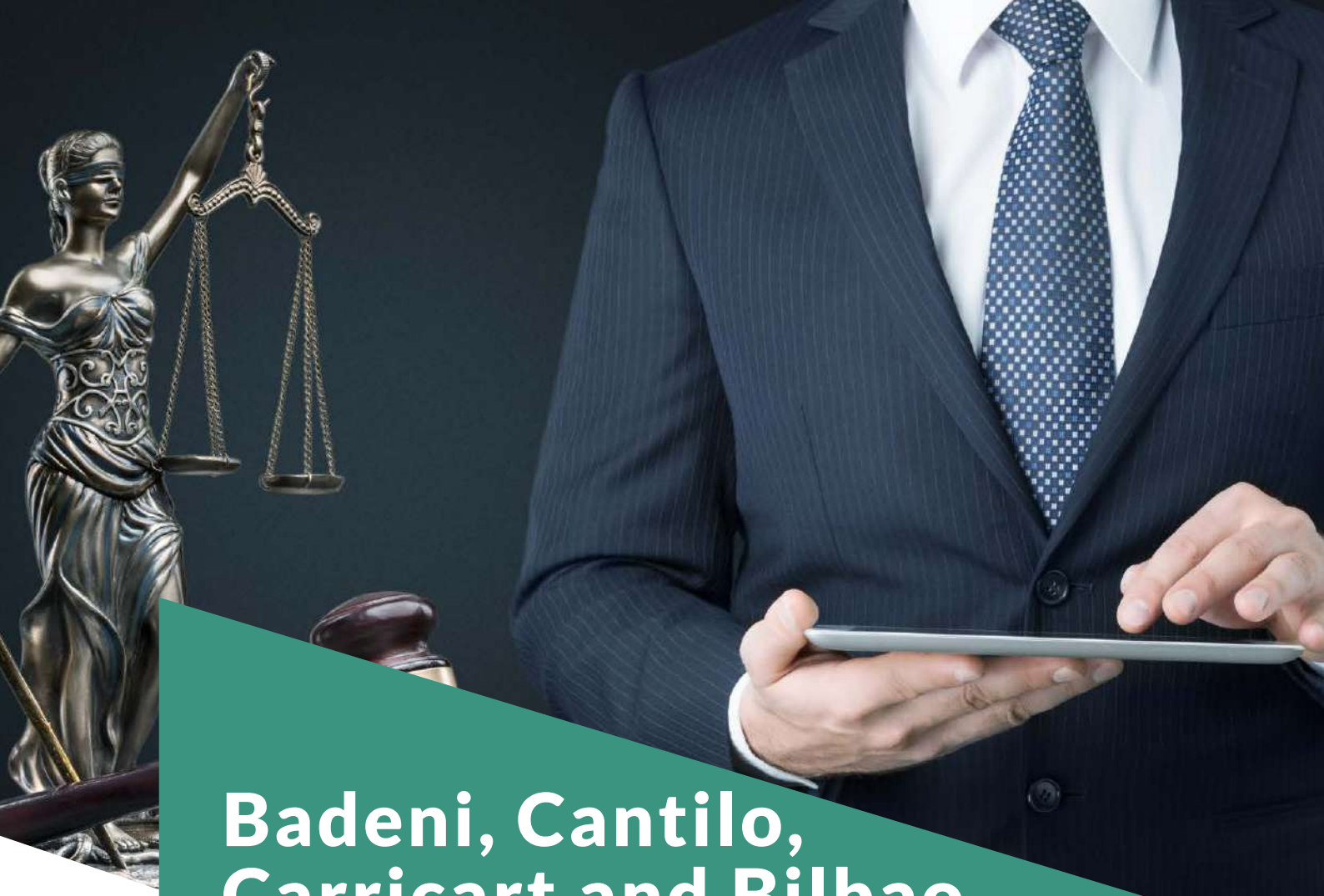
- Designated worker. This visa allows foreigners to perform work activities in the national territory, consisting of performing a specific task or function, or a job requiring professional, commercial, or specialized technical knowledge, sent by a foreign employer. Its duration is 365 days.
- Investor. This visa allows foreigners to establish, develop or manage one or more investments according to Peruvian legislation. The minimum investment amount is S/. 500,000.00. The foreigner can only serve as a manager or director of their own company.
- Business. This visa allows foreigners, without intent of residence, to carry out entrepreneurial, legal, contractual, specialized technical assistance, or similar activities. It is granted by the Ministry of Foreign Affairs.
- Permanent. This visa allows foreigners to reside indefinitely in the country after three years as a legal resident. The duration of stay is indefinite.
- Rentier. This category is for foreigners who come to live off their income, for which they must demonstrate that they receive a permanent and lifelong income from abroad or nationally.
- Worker. This visa is for foreigners who enter the country to perform work activities. They must have a work contract approved by the Department of Labor or registered with it and may receive a temporary or permanent resident visa and remain in the country during the validity of the work contract.

People entering from MERCOSUR countries, Argentina, Brazil, Paraguay, and Uruguay, can obtain a Mercosur Visa which allows them to work legally in Peru for up to two years. It is renewable. Obtaining this visa is relatively simple and takes between 3 to 4 months to obtain.

To hire foreign personnel, it is necessary to sign a written contract with certain formalities and limitations. The contract must be approved by the Ministry of Labor and Employment Promotion. The number of foreign workers must not exceed 20% of the total number of workers and their compensation cannot exceed 30% of the payroll.

02

LEGAL GUIDE TO DOING BUSINESS IN EN ARGENTINA



Badeni, Cantilo, Carricart and Bilbao (BCCB) Law Firm

The Badeni, Cantilo, Carricart & Bilbao (BCCB) Law Firm covers a wide range of legal areas, providing agile, creative, and appropriate legal solutions.

Its members are highly qualified to effectively represent their clients. Throughout history, BCCB members have advised their clients in complex commercial transactions, both local and international, and have been involved in numerous litigation cases of great institutional and legal relevance. Many of these cases have been resolved by the Supreme Court of Justice of the Nation and other courts that are the subject of study and analysis in the country's universities.

BCCB has a team of lawyers specially trained to provide business advice and assist in resolving conflicts that may arise with individuals, particularly with various government agencies.

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1. How to do business in Argentina?

Any company whose main activity is carried out in the territory of Argentina must be incorporated in accordance with the General Companies Law No. 19,550 (hereinafter, "GCL"), constituting a local company. At present, the most commonly used types of companies or vehicles in Argentina are the Corporations, the Limited Liability Companies and the Single-member Corporations. The shareholders or partners of each company may be nationals or foreigners, and in case of foreign companies they shall register locally pursuant to section 123 of the GCL. It is currently possible to incorporate in Argentina sole-member corporations or companies with two or more shareholders or partners. The incorporation of the companies is carried out through the execution of a corporate agreement or bylaws, embodied in a constitutive instrument. Depending on the type of company, the incorporation may or may not be required to be carried out through a public deed. The incorporation documents of the companies must be registered before the Public Registry of Commerce corresponding to the corporate domicile (in the case of the Autonomous City of Buenos Aires said register is held by the Inspección General de Justicia, and in the case of the Province of Buenos Aires said register is held by the Dirección Provincial de Personas Jurídicas). We describe below the most relevant aspects of the aforementioned types of companies:

- Sociedad Anónima (S.A.): The capital is represented and divided into registered shares of equal value, with voting rights. The minimum capital required is $100,000. At the time of incorporation of the company, at least 25% of the capital stock must be paid in cash and 100% of the capital stock must be subscribed, establishing a maximum term of two years from the incorporation of the company for the payment of 100% of the subscribed capital stock. Non-cash contributions must be fully contributed at the momento of subscription and may only consist of obligations to give. The transfer of shares is free and may be limited by the bylaws, but in no case may the transfer be prohibited. Its corporate name must be followed by the acronym "S.A.". It must have a minimum number of 2 shareholders and there is no maximum limit. The administration and representation of the Company is responsibility of the Board of Directors, which may be composed of one or more directors appointed by the Shareholders' Meeting. The President of the Company shall be its legal representative, and the bylaws may authorize the appointment of one or more directors. The Company's governing body is the Shareholders' Meeting, whose resolutions are binding and must be complied with by the Board of Directors. Liability of the shareholders is limited to the contribution of the subscribed shares.

- Limited Liability Company (S.R.L.): Its corporate name must be accompanied by the words "Sociedad de Responsabilidad Limitada" (Limited Liability Company) or the abbreviation "S.R.L.". It must have a minimum number of 2 partners and may not exceed 50. The administration and representation of the Company corresponds to the Manager(s), who may or may not be partners, who will be appointed for a determined and/or undetermined period of time, either by means of a constitutive contract or in a subsequent agreement. The liability of the partners is limited to the value of their contributions. The capital stock is represented by quotas. It must be fully subscribed at the time of formation and each time there is a capital increase. At least 25% of the cash contributions must be paid in and a term of two (2) years is established for their integration to 100%. As regards contributions in kind, their valuation must be made in accordance with the mechanisms established by the Corporations Law. There is no minimum capital stock required by law.

- Sociedad Anónima Unipersonal (S.A.U.): Under Argentine law, SAUs are subject to permanent government control. In this sense, the SAUs must, among other requirements: (i) appoint at least one syndic, and (ii) comply with the regular finings required for companies subject to permanent government control, that is, a notification prior to the annual meeting approving the financial statements, among others. SAUs cannot be incorporated by other sole proprietorships.

- Branch: In accordance with articles 118 and following of the GCL, which regulate the rules applicable to companies incorporated abroad, a distinction is made between isolated acts and habitual exercise of activity by such companies. In the event that the Company intends to perform acts included in its corporate purpose, establish a branch or seat or any other kind of permanent representation, it must prove before the competent agency: (i) the existence of a company incorporated under the laws of its country of origin; (ii) establish a special domicile in Argentina; (iii) the decision to incorporate such representation in Argentina, appointing a person who will act as legal representative and will be in charge of it, with a real and special domicile in Argentina, and (iv) in some cases, prove that its main activity is actually carried out abroad and that it is not an off-shore company. Pursuant to Section 120 of the GCL, branches must keep their books and accounts separate from those of their parent company and must be expressed in the currency of legal tender in the country, in Spanish.

On the other hand, Argentine companies may enter into business collaboration agreements (joint ventures, transitory unions, licenses, concessions, agencies, franchises, distribution, etc.), where contractual freedom to self-regulate applies as long as public order is respected.

2. Tax Regime

The main taxes affecting companies doing business in Argentina are, at the national level, the Income Tax, the Value Added Tax (VAT) and the tax on debits and credits in bank accounts, as well as social security contributions. In addition, there are other taxes at the provincial level such as the Gross Income Tax, the Real Estate Tax and the Stamp Tax. Argentina has tax incentive regimes for certain activities, such as mining, renewable energies, knowledge economy, software and biofuel production. Argentina also has a series of bilateral treaties to avoid double taxation and has entered into information exchange agreements with countries with which it does not have treaties, within the framework of the OECD's BEPS project.

A company is a fiscal resident in Argentina if it is incorporated in Argentina. Branches of foreign companies registered pursuant to section 118 of the GCL are also considered residents. Resident companies are taxed on worldwide income, which includes the income of branches and subsidiaries abroad. Branches of foreign companies are treated as resident companies and taxed in the same manner. Non-resident companies without a permanent establishment in Argentina are taxed only on Argentine source income, and the tax is usually applied as a one-time and definitive withholding tax, depending on the type of income.

VAT is levied on all supplies of goods or services within Argentina, unless specifically exempted, and is also levied on the importation of goods and services provided abroad, but with economic use in Argentina. There are four VAT rates in force in Argentina (i) the general rate of 21%, (ii) an increased rate of 27% applicable to certain services, such as the provision of certain communications services, electric power, natural gas and water, (iii) a reduced rate of 10.5% applicable to capital goods and other goods, and (iv) a zero rate applicable to exports. In the case of zero-rated transactions, VAT is not charged on the sale but VAT credit on inputs may be computed. Certain services may be exempt from VAT (e.g. education, international transportation, etc.).

As regards Gross Income Tax, all provinces of Argentina and the City of Buenos Aires apply this tax, which is levied on the invoicing of all companies engaged in commercial, industrial, agricultural, financial or professional activities. The rates vary according to the activity, but generally range between 1% and 5%. Some industrial activities are exempt or taxed at lower rates.

3. Labor Regime

Argentine labor legislation provides for a comprehensive coverage of all aspects related to employment contracts, social security and organization and operation of trade unions. In Argentina employment relationships are governed mainly by the following laws: Labor Law (hereinafter the "LL"), National Employment Law, Occupational Accident Laws, and Workday Law, all in tune with the Argentine National Constitution.

In addition to those laws, such relationships are subject to Collective Bargaining Agreements (hereinafter "CBA") agreed between the associations representing employers and the trade unions (for employees) according to their particular activity of work. In some cases, they are subject to special statutes that complement the LL. The employer may not establish working conditions less beneficial to the employee than those imposed by the LL or on CBA. The general principle is that the employment contract remains in force for an indefinite period of time, notwithstanding this, there are fixed-term contracts and temporary work contracts, among others. In all cases, they can be agreed in person or remotely (teleworking). In contracts for an indefinite period, the first 3 months are tested and have their specific regulations.

(i) Remuneration: The Minimum Living Salary to be paid is that established by the applicable CBA. In the event that a CBA is not applied to the employee, the Minimum Living Salary (MLS) represents the minimum consideration to be charged by employees, rendering any stipulation of a lower salary null and void. Currently, in June 2023, the gross amount of the MLS is fixed at AR$80.342 permonth. Although the salary must be paid in local currency, up to 20% of the monthly salary can be in other currencies. On June 30 and December 18 of each year, the employee must be paid an additional 50% of the highest monthly salary received during the previous semester (legal annual bonus-LAB) or its proportionately. Those who provide tasks outside of the working day must receive an increase of between 50/100% over each hour if said hours are fulfilled on Saturdays after 1:00 p.m., on Sundays and/or holidays. Directors and managers are excluded from this payment.

(ii) Dues and Contribution: Both employers and workers must make contributions to the social security system, including medical services, pensions and unemployment benefits. Also, trade unions can agree on union contributions (1%-2.5%). In addition, employers must hire an Occupational Risk Insurer that generally reaches 0.5% plus a fixed fee.

(iii) Leaves: In cases of accidents or illnesses, the employee will be entitled to payment of his salary for a period of between 3 and 12 months (depending on seniority and charge dependents).The LL regulates vacation periods between 14 and 35 calendar days a year, depending on seniority. In addition, it establishes special days of paid leave in cases of: marriage, birth, death of certain relatives of the employee, exams of careers authorized by the national educational authorities, blood donation, legal proceedings and summons, vote, sports special, transplant and vaccination Covid19. Pregnant women enjoy a maternity leave, for a total of 90 day, with the possibility of extending it without pay.s. In general, CBA provides for other leaves of absence in addition to the LL.

(iv) Termination of the Employment Contract Under the LL, in general, the employer and/or the employee may terminate their contract by: mutual agreement, resignation of the employee due to dismissal with or without just cause, indirect, abandonment of work, total disability of the employee, retirement, bankruptcy of the employer, death of the employer or employee. In case of dismissal without cause, it is mandatory to pay compensation according to seniority (1 salary per year or fraction greater than 3 months), notice, vacations, LAB. In some cases, such compensation could be greater (maternity, marriage, illness, or others).

(v) Foreign employees: To work in Argentina foreign employees must apply for a temporary residence visa. In some cases, it is also possible to obtain an exemption for the payment of social charges and contributions if it is proven that the employee is granted the payment of retirement and pensions in his country of origin.

4. Inmigration Regime

Article 20 of Law No. 25,871 provides that foreigners shall be admitted to enter and remain in the country in the categories of "permanent residents", "temporary residents" or "transitory residents". Until the corresponding procedure is formalized, the enforcement authority may grant an authorization of "temporary residence", which may be revoked when the reasons for its granting are distorted. It shall be valid for up to one hundred and eighty (180) calendar days, and may be renewed until the resolution of the requested admission, and shall entitle its holders to stay, leave and re-enter the national territory, work and study during its period of validity.

Any foreigner who, with the purpose of settling permanently in the country, obtains from the National Direction of Migration an admission as such, shall be considered a "permanent resident". Likewise, immigrants who are relatives of Argentine citizens, whether native or by choice, shall be considered permanent residents, being understood as such the spouse, children and parents. The children of Argentine citizens, native or by choice, born abroad are recognized as permanent residents.

“Temporary residents" shall be considered to be all those foreigners who, under the conditions established by the regulations, enter the country in the following subcategories: a) Migrant worker, with authorization to remain in the country for a maximum of three (3) years, extendable, with permission to work under a relationship of dependency; b) Rentista: whoever pays for his stay in the country with his own resources, for a term of residence of up to three (3) years, extendable; c) Pensioner: whoever receives from a government or international organizations or private companies for services rendered abroad, a pension whose amount allows him a regular and permanent pecuniary income in the country, for up to three (3) years, extendable; d) Investor: who contributes his own assets to carry out activities of interest to the country, for a term of residence of up to three (3) years, extendable; e) Scientists and specialized personnel, for a term of residence of up to three (3) years, extendable; f) Sportsmen and artists: hired because of their specialty by natural or juridical persons who develop activities in the country, for a term of residence of up to three (3) years, extendable; g) Religious of officially recognized cults, for a term of residence of up to three (3) years, extendable; h) Patients under medical treatment, with authorization to remain in the country for one year, extendable. In case of minors, handicapped or sick persons that due to the importance of their pathology should remain with companions, this authorization will be extended to the direct relatives, legal representative or curator; i) Academics for a term of up to one (1) year, extendable for the same period each one; j) Students for two (2) years, extendable; k) Asylum seekers and refugees for a term of two (2) years, extendable as many times as the asylum and refugee enforcement authority deems necessary; l) Citizens of MERCOSUR, Chile and Bolivia, with authorization to stay in the country for two (2) years, extendable; m) Humanitarian reasons; n) Special: Those who enter the country for reasons not contemplated in the previous subsections and that are considered of interest by the Ministry of the Interior and the Ministry of Foreign Affairs, International Trade and Worship.

Foreigners entering the country as "temporary residents" may be admitted in some of the following subcategories: a) Tourists; b) Passengers in transit; c) Border neighboring transit; d) International transport crew members; e) Seasonal migrant workers; f) Academics; g) Medical treatment; h) Special: Foreigners who invoke reasons that justify in the opinion of the National Direction of Migration a special treatment.

Foreigners admitted into the country as "temporary residents" or "transitory residents" may remain in the national territory during the authorized period of stay, with its due extensions, and must leave the country upon expiration of such period.

03

LEGAL GUIDE TO DOING BUSINESS IN BOLIVIA

LAZO DE LAVEGA
ABOGADOS

Lazo de la Vega S. C. Law Firm

Lazo de la Vega Abogados, es una firma boutique dedicada a la solución de controversias civiles y comerciales, con alta especialización en arbitraje doméstico e internacional. comercial y de inversiones, energía, construcción e infraestructura, finanzas, procurement y compliance.

Brinda soluciones prácticas hechas a medida y dirigidas con precisión para proteger las necesidades e intereses de clientes, en el marco absoluto de respeto a la ley, con asesoramiento jurídico a empresas industriales, comerciales, nacionales y extranjeras, que permiten acreditar la vasta experiencia de nuestros profesionales.

El desarrollo académico y profesional de su equipo, así como el reconocimiento de clientes, colegas y académicos, nos posiciona a la vanguardia del mercado legal con el más altoestándar de calidad en la prestación de servicios jurídicos en Bolivia.

Conoce más sobre Lazo de la Vega Abogados S. C. en: https://lazodelavega.com/

1. How to do business in Bolivia?

In general terms, the national regulation (it is not federal or autonomous), maintains the traditional difference between those foreign traders (individual or collective persons), who carry out acts of commerce on a permanent basis and those who only carry out isolated acts.

In that sense, those foreign traders who carry out commercial acts in Bolivia on a continuous basis may choose between two options. The first one, through the incorporation of a commercial company of Bolivian nationality.

The second one, through the creation of a branch or agency in Bolivia, is different from the previous ones, in the sense that the branch or agency is linked to a parent entity which is located outside the national territory. In such a way that its legal personality is linked to the parent entity. With the requirement of separate and agglomerated accounting.

In both cases, the respective registration with the Plurinational Commercial Registry Service (SEPREC) is required. It is also necessary to have a municipal operating license and a tax registration. And, depending on the business, a specific license or administrative permit, whether regulatory, environmental, or other.

Traders who carry out permanent commercial activities, and wish to establish themselves in Bolivia, may choose one of the corporate types described in the Code of Commerce:

a) Limited Liability Company (SRL): a commercial company in which the partners are not personally liable for the company's obligations, but only up to the amount of their capital contribution. It requires at least two partners and a maximum of 25.

b) Public Limited Company (SA): The capital stock is divided into shares and the shareholders are not personally liable for the obligations of the company, but only up to the amount of their equity interest. At least three shareholders are required and there is no maximum limit of shareholders.

c) Simple Limited Partnership: is characterized by having two types of partners. Agents who contribute their labor and are jointly and unlimitedly liable for the obligations of the company; and limited partners, who are not personally liable for the obligations of the company, but only up to the amount of their contribution to the capital stock. It requires at least two partners.

d) Joint Stock Limited Partnership: under the same structure as the previous one, it is different because it allows the contributions of the limited partners to be represented by shares, under the regulatory structure of the corporation. It must be composed of at least two partners.

e) General Partnership: generates joint and unlimited liability to all partners, for the obligations of the company. Its administration can be entrusted individually or collectively. This does not affect liability, since the non-managing partners have the power to supervise the administration of the company at any time. It must be composed of at least two partners.

f) Mixed Economy Company (SEM): created by supreme decree and registered with the Registry of Commerce. They are legal entities under private law with participation of the State. The State's shareholding may vary according to the law or decree creating them. They are managed by a board of directors composed of representatives of the State and private shareholders, subject to the control and supervision of the government.

Foreigners who are required to be legal representatives of any commercial company must be residents in Bolivian territory, either temporarily or permanently.

It is possible to make investments through other non-corporate entities, such as:

a) **Sole proprietorship:** incorporated by a single natural person. Such person is unlimitedly responsible for all the obligations and liabilities generated during the exercise of the economic activity of the company.

b) **Temporary partnership:** incorporated by means of a temporary written agreement between the parties, under which specific rights and obligations are created. It does not generate legal personality, nor partnership. Therefore, there are no joint tax and accounting obligations. Profits and losses are assumed according to the contract. Liability to third parties is joint and several and unlimited.

c) **Joint venture:** temporary joint venture of companies or individuals, formalized by means of a public document and registered with the Registry of Commerce. The formal and solemn contract is required for certain regulated activities such as gas and oil. It does not create its own legal personality, but it does create its own administration, which leads to a liability limited to the contribution of the parties.

On the other hand, foreign companies may carry out commercial activities on the basis of unnamed commercial contracts such as business collaboration, supply, distribution or franchise contracts.

The customs regime is regulated by the General Customs Law and its regulations, as well as by the international trade agreements that the country has signed. The main types of customs regimes include imports for consumption, definitive export, re-export, customs transit, and temporary admission. The Bolivian customs regime considers the existence of free zones and bonded warehouses, where goods may be stored without payment of customs duties until they are allocated for consumption or export.

2. Tax Regime

The tax system is basically regulated by the Tax Code, its complementary laws, and regulations. Individuals and companies engaged in economic activities are required to pay taxes on their income and profits, as well as on the sales and services they offer.

The Bolivian tax system is composed of two systems, the general regime, and the special regime.

According to the Law, all individuals and legal entities that carry out an economic activity are part of the general regime, except for economic activities that belong to the special regime.

Within the general regime, taxpayers are classified into PRICOS (Major Taxpayers), GRACOS (Large Taxpayers) and RESTO (Rest of taxpayers).

The classification is made by the tax administration (SIN) based on the regulatory resolutions of the board of directors (RND), for the categorization of a company in one of these regimes, the accumulated information of the following parameters is taken into account; i) The assessed tax; ii) Tax paid (cash and securities); iii) Total sales; iv) Total purchases; v) Purchases (for export or domestic market); vi) Value of exports and sales (Exporters claiming tax refund); vii) amount of remittances abroad; viii) Expenses supported by invoices (taxpayers with IUE exemption).

The categorization of taxpayers in one of the regimes implies a greater number of obligations to the tax administration, as in the case of taxpayers categorized as PRICO or GRACO, who must comply with the registration, preparation and submission of the information of the VAT sales and purchases ledger, financial statements with external audit opinion, complementary tax information and others, in the form, means and deadlines established by the tax administration.

Having said that, taxpayers classified under this regime are all individuals and legal entities, public and private, including sole proprietorships and others, who carry out economic activities such as; i). Habitual sale of personal property (e.g. appliances, clothing, cement, vehicles, alcoholic beverages and others), ii). Rental of movable and immovable property (e.g. dishes, costumes, vehicles, houses, apartments and others). iii). General Services (e.g. restaurants, karaokes, doctors, accountants, etc.), iv). Definitive imports.

The special regime is composed of the taxpayers registered in the Special Regimes, which do not pay taxes and do not issue invoices:

- Simplified Tax Regime (RTS): Retail trader, shopkeeper and artisan.
- Integrated Tax System (STI): urban public transportation of passengers or cargo and interprovincial public transportation of passengers or cargo.
- Unified Agricultural Regime (RAU): Individuals, cooperatives or undivided estates that carry out agricultural and livestock activities on a permanent or partial basis, farmers grouped in small farmers' organizations.

Having said that, any individual or collective person that is not regulated by the special regime belongs to the general regime, they have the obligation to issue an invoice and to comply with the tax obligations.

Companies operating in Bolivia must register with the National Tax Service (SIN), obtaining their Tax Identification Number (NIT) and file periodic tax returns (formal obligations), as well as keep proper accounting and accurate records of their financial transactions.

The main taxes are as follows:

- Business Profit Tax (IUE): Tax levied at the national level. It is applied on the profits resulting from the financial statements at the end of each year based on the source principle. The source is not determined by: the nationality of the parties, the domicile or residence of the owner, nor the place or execution of the contract, the rate of 25% for Bolivian companies, with the respective adjustments.

- Profits tax - foreign beneficiary (IUE-BE): Bolivian regulations establish that those who pay dividends from companies incorporated within the national territory to beneficiaries abroad have the tax obligation to withhold the effective rate of 12.5% of the amount remitted, corresponding to the IUE-BE, as Withholding Agents, who must subsequently make the corresponding payment to the National Tax Service.

- Value Added Tax (VAT): Is a national tax, and is applied on the regular sale of personal property located or placed in national territory, services in general and work contracts, definitive imports, rental of personal property or real estate, financial leasing of personal property or real estate. The general rate is 13%, and it is levied on the total income obtained by the taxpayer. There are exemptions in the case of sale of national and imported books, international transportation of land cargo and to mining cooperatives, for the sale of minerals in the first stage of commercialization. The tax is payable on a monthly basis.

- Transaction Tax (IT): It is paid at the national level, for the performance of trade, industry, profession, business, rental of goods, works and services or any other activity (profitable or not), whatever the nature of the subject that provides it, including free of charge acts that involve the transfer of ownership of movable property, real estate and rights, with a rate of 3%, which is applied on the gross income accrued for the tax period.

- Financial Transaction Tax (ITF): On bank transactions in U.S. dollars, at a rate of 0.30%.

- ✓ Complementary regime to the value added tax RC-VAT: Personal income is taxed at a rate of 13% on salaries and any other type of remuneration received through personal services. Likewise, those persons earning less than 3 national minimum wages are not subject to this tax; therefore, the following concepts are considered as "income of individuals"; i). Wages, salaries, bonuses, allowances; ii) Per diems according to scale. iii). Lease or sublease of furniture, rights and concessions and real estate; iv). Interest and yields on capital placement; v). Trustee and director fees; vi). Antichresis, and finally, all other income of a regular nature not subject to IUE.

The tax regime for foreigners in Bolivia depends on the immigration status of the foreigner and the type of income he/she earns in the country. Foreigners residing in Bolivia and generating income are subject to the same tax obligations as Bolivian citizens, it is important to take into account that Bolivia has double taxation agreements with different countries. Likewise, within the foreign investment promotion system, Bolivia offers tax benefits, such as tax exemptions for a limited period of time for certain sectors or regions.

3. Labor Regime

The General Labor Law, its complementary laws and regulations constitute the normative basis. Agricultural workers, public and military officials and employees, members of the Armed Forces and the National Police, and teachers in rural and urban areas, which have specific regulations, are excluded from this law.

The workday in Bolivia is 8 hours per day and 48 hours per week, and 40 hours per week for women. However, there are exceptions in some sectors that may work up to 12 hours a day, with a maximum of 60 hours a week. All workers in Bolivia must be affiliated to a Caja (health insurance) or Seguro Social (short-term social security) and to the Integral Pension System - SIP (long-term social security). In turn, workers are entitled to one paid rest day per week and 15 days of paid vacation per year after one year of continuous work.

The minimum wage in Bolivia is set annually by the government. Since 2022, the national minimum wage in Bolivia is 2,250 Bolivianos per month (323 U.S. dollars).

Likewise, employees are entitled to an indemnity called "desahucio" for unjustified dismissal, equivalent to three months' salary, in case the employee accepts dismissal, since there is labor stability, except in cases of justified dismissal. There is also an indemnity for years of service, corresponding to one salary per year worked. The right of workers to unionize and to collectively negotiate a bargaining agreement with employers is recognized. In addition, there are rules for strikes and the resolution of labor conflicts.

Except in the case of fixed-term contracts, which must be written and not longer than 1 year; labor contracts may be verbal, under the risk of a burden of proof to the employer. In Bolivia, there are different modalities of employment contracts, the most common modalities are:

1. **Indefinite-term contract:** It establishes a permanent employment relationship between the employer and the employee, with no scheduled termination date.

2. **Fixed-duration contract:** The contract must establish the start and end date of the employment relationship, which may not exceed 2 years.

3. **Temporary contract:** may not exceed 90 days.

4. **Contract for specific work or service:** must specify the work or service to be performed, its duration and payment terms.

5. **Apprenticeship contract:** must establish the term of the training, which can be from 6 months to a maximum of 2 years, with or without remuneration.

Taking into consideration the above-mentioned benefits and contributions, the approximate monthly cost structure for a company or employer hiring a worker is as follows:

1. **Employee's salary:** Basic payment given to the employee for his or her services and varies according to the type of work and the employee's experience.

2. **Social security contributions:** Employer's obligation to make social security contributions in Bolivia, which are equivalent to 15.71% of the employee's salary. This percentage is divided into 10% for the pension fund and 5.71% for health insurance.

3. **Contributions to occupational risk insurance:** The employer is also obliged to pay contributions to the occupational risk insurance, which is equivalent to 2% of the employee's salary.

4. **Christmas Bonus:** Benefit granted to the employee equivalent to 12.5% of the employee's annual salary, i.e., one additional salary per year.

5. **Vacations:** 15 working days of vacation correspond to the year of work completed; 20 days between the fifth and tenth year of continuous work, and 30 days from the tenth year of work onwards. Vacation calculation does not transfer from one employer to another, and cannot be accumulated for more than two years.

6. **Double Bonus:** Extraordinary additional benefit granted to the employee, equivalent to one additional salary per year and paid in two installments, one in June and the other in December. This benefit is granted if the country's economy grows more than 4.5% in a year. 2018 was the last year that this bonus was paid.

7. **Supplemental health insurance:** Some companies may grant supplemental health insurance to the employee, which covers medical or life expenses in addition to those covered by the social security health insurance.

8. **Seniority bonus:** The bonus consists of an additional remuneration to the employee's basic salary and is subject to the employee's time of service with the employer.

4. Inmigration Regime

In Bolivia, immigration status refers to three types of stay that allow entry and stay in the country.

Definitive stay, applicable upon the express request of the foreigner who has resided in Bolivia for three years. Temporary stay, which allows foreigners to reside in Bolivia for a limited period of time, which may be renewed from one to three years. Transitory stay, which allows residence for a maximum period of 180 days.

There are nine generic types of visas to enter Bolivia, which cover most purposes, including tourist, sports, cultural or business activities for a limited period of time. Migrant worker, to foreigners entering Bolivia with an employment contract. Refugee, to persons fleeing their country of origin due to persecution for reasons of race, religion, nationality, political opinion or membership in a social group.

Individuals entering Bolivia from MERCOSUR member countries (Argentina, Brazil, Paraguay and Uruguay) may do so freely and without the need for a visa, under the Agreement on Residence for Nationals of MERCOSUR Member and Associate States, obtaining the right to enter, stay, work and study, provided they comply with legal requirements, such as a valid passport and no criminal record, among others.

Citizens of Germany, Colombia, Costa Rica, Chile, Ecuador, Spain, France, Mexico, Panama, Peru, Venezuela, among others, do not require a visa.

In order to work in Bolivia, foreigners must obtain a migratory status of "transitory worker" or "temporary worker", as the case may be. To do so, they must submit certain documents, such as the employment contract, the job offer, a criminal record certificate, among others.

In Bolivia, an Andean migrant worker is a worker who comes from one of the member countries of the Andean Community (CAN). They have the right to work in Bolivia under the same conditions as Bolivian workers, as long as they comply with certain requirements and procedures established by the immigration and labor authorities.

04

LEGAL GUIDE FOR **DOING BUSINESS IN BRAZIL**

NELSON
WILIANS
ADVOGADOS

Nelson Wilians Advogados

It was born from a big, healthy and ambitious dream: to be the most successful corporate law firm in the country.

With professionalism, commitment and empathy, in two decades, the dream became a reality.

NWADV is now present in all Brazilian capitals and has representation in several countries. However, there is something else that makes us unique: the humanized way of attending to companies and their representatives, people with many responsibilities and great problems to solve. It was with this way of working that NWADV was built. The trust of their customers has always driven them and continues to drive them. They always seek an efficient, fair and objective service in the solution of problems in all areas of law.

Learn more about Nelson Wilians in: *https://nwadv.com.br/*

1. How to do business in Brazil?

Limited Partnership

- It is governed by the Civil Code, arts. 1,052 et seq. and by the Company's bylaws, with supplementary application of the rules relating to simple corporations, or the Corporations Law, as provided in the bylaws;
- It can be a sole proprietorship;
- The capital stock must be proportional to the business activity;
- The liability of the partners is limited to the value of the capital stock, provided that it is fully paid up;
- The partners may enter into a Partners' Agreement, which generally takes care of the organizational structure of the Company, establishes qualified quorums to deliberate on sensitive matters and sets rules for the circulation of shares;
- Managed by one or more administrators, according to the terms of the Social Contract;
- Resolutions adopted at the Shareholders' Meeting/Members' Meeting, observing the deliberative quorums established by law or in the Articles of Incorporation/Members' Agreement;
- At least once a year, until April, the Shareholders' Meeting shall examine, discuss and deliberate on the Management Report, the management accounts and the financial statements;
- A disproportionate distribution of profits among the members is possible, provided it is The case provided for in the Articles of Incorporation;
- It is possible to exclude a member from membership for the practice of an act of undeniable gravity, based on cause, provided that this is the hypothesis foreseen in the Corporate Agreement;
- It is recommended that the Articles of Incorporation and/or the Members Agreement establish the form of calculation of a partner's equity in the event of exercise of the right of withdrawal, supervening incapacity or succession;
- The accounting must follow accounting legislation, but is less complex in relation to the Corporation;
- This type of company is less costly than the corporation, since, as a general rule, its organizational structure is more agile, its accounting is less complex and legal publications are not required;
- Corporate operations such as spin-off, incorporation and merger are allowed; Subject to the Judicial Reorganization and Bankruptcy Act.

Limited Partnership

- Governed by Law 6,404 of December 15, 1976 (Corporations Law), and by the Company's bylaws;
- It may be a wholly owned subsidiary of another business enterprise;
- The capital stock may be divided into common and preferred shares - with limitation of some rights, such as voting rights, but with other advantages and preferences, such as, e.g., preference in the distribution of dividends. The capital stock must also be proportional to the business activity of the company;
- It can be open capital, i.e., when its shares are listed and traded on the stock exchange or over-the-counter market, or closed capital;
- Shareholders' liability is limited to the issue price of their shares;
- The members may enter into a Shareholders' Agreement, which usually takes care of the Company's organizational structure, establishes qualified quorums to deliberate on sensitive issues and sets rules for the circulation of shares;
- Managed by a Board of Directors, with at least two directors, with a maximum term of office of 3 years, renewable, responsible for the day-to-day activities of the company; There may also be a Board of Directors, responsible for the long-term strategic vision, the general orientation of the company's business, the implementation of corporate governance, as well as the monitoring of risks and potential problems, with a view to generating shareholder value; There may also be an Audit Committee, a body for inspection and opinion, especially with regard to the management report, rendering of accounts and financial statements;
- Resolutions adopted at Ordinary and Extraordinary Shareholders' Meetings, observing the deliberative quorums established by law or in the Bylaws.
- Corporate/Shareholders' Agreement;
- At least once a year, until April, the Ordinary Shareholders' Meeting shall examine, discuss and deliberate on the Management Report, the management accounts and the financial statements;
- The distribution of mandatory minimum dividends is mandatory, but the Meeting may decide to distribute a dividend lower than the mandatory dividend, or to withhold profits, provided there is no opposition from the shareholders;
- It is advisable to establish in the Shareholders' Agreement the method of calculating the assets in the event of the exercise of the right of withdrawal by a shareholder, supervening incapacity or succession;
- The accounting must follow the accounting legislation, which is more complex as compared to the Limited Liability Company;
- This type of company is more costly as compared to the Limited Liability Company, since, as a general rule, its organizational structure is more extensive, its accounting is more complex and it is subject to legal publications;
- Possible debt issuance, for example, through the issuance of debentures and commercial paper;
- Corporate operations such as spin-off, incorporation and merger are allowed;
- Subject to the Judicial Reorganization and Bankruptcy Act.

2. Tax Regime

The objective of this material is to provide subsidies and basic general legal aspects, in the corporate, tax and labor areas, for those who wish to do business with Brazil. It should be noted that the points listed below are the basic legal pillars of the aforementioned matters, so the individual analysis of each possible operation remains fundamental.

Lorem

1. BASIC NOTIONS ON THE BRAZILIAN TAX REGIME

The Brazilian legal regulation divides its taxes into 5 types, as follows: i) taxes; ii) fees; iii) social contributions; iv) contributions for improvement; v) forced loan.

Such taxes, in accordance with the Federal Constitution, are divided into three jurisdictions, federal, state and municipal, and the levies may be created, respectively, by the Federal Union, by the States and by the Municipalities.

In order to provide an overview of the subject, the main taxes currently required in Brazil will be distinguished as follows

a) Income Tax - It is a federal tax, instituted and levied by the Federal Union, through which income, whether of individuals or corporations, is taxed. Such tax, in the case of legal entities, IS levied at the rate of 15%, however, an additional rate of 10% will also be applied if the monthly income exceeds R$ 20,000.00.

In addition, it may be required through two taxation regimes, namely: a) presumed profit; b) real profit.

The Presumed Profit is a simplified form of taxation for the determination of the calculation base, whereby the law assumes a percentage of profit according to the business activity carried out by the taxpaying companies. Applying this percentage of legally presumed profit on the company's turnover, we arrive at the calculation basis that will receive the incidence of the IRPJ rate.

On the other hand, under the Real Income regime, the net income for the covered period is calculated, adjusted by the additions, exclusions or compensations prescribed or authorized by law. The product of this calculation will generate the calculation basis for the application of the fees.

b) Social Contribution on Net Income - The Social Contribution on Net Income (CSLL) is a Brazilian federal tax levied on the net income of the base period. Due to its characteristics, it is required only from legal entities and its income is destined by the Federal Government to finance social security. The general rate is 9%, however, it can be 15% for financial institutions and similar. As a general rule, it follows most of the applicable income tax legislation.

c) PIS/COFINS - PIS is the abbreviation for Social Integration Program and COFINS stands for Contribution for the Financing of Social Security. These are federal taxes levied on the gross income of companies, the rates of which vary according to the type of activity of the companies and the calculation system defined by law. As a general rule, the PIS/COFINS may be required on a cumulative basis, a regime in which the rate will be 3.65%, taxed directly on the gross income of the company, without deductions. On the other hand, it may also be required on a non-cumulative basis, in which case credits may be deducted to evaluate the calculation basis, which, in turn, will be subject to the 9.25% tax.

d) ICMS - It is a state tax levied on transactions with goods. In short, the ICMS is the tax levied on the value of the sale and purchase of goods, and is therefore the most relevant tax on a large part of commerce. In addition to the transaction with goods, ICMS also taxes some exceptional services, such as interstate and intercity transportation and communication services. Finally, its average market rate is 18%, reaching a maximum of 30%, with a few exceptions.

Despite the existence of other taxes, the aforementioned taxes are the most significant, from a financial and strategic point of view, for domestic and foreign entrepreneurs. This brief presentation is intended only to give a general overview of the most important taxes required in Brazil, so that it is indispensable for the analysis of each investment operation, in order to determine the specific nuances provided by the legislation.

3. Labor Regime

EMPLOYMENT CONTRACTS - MODALITIES

Indefinite-term contract

- ✓ Principle of continuity of labor relations;
- ✓ Specific effects of the suspension and interruption of the contract, labor stability and indemnities.

Contract of indefinite duration

- ✓ Existence of a fixed term of extinction;
- ✓ Maximum period of 2 years, with exceptions;
- ✓ As a general rule, it can only be renewed once, provided that the maximum duration defined by law is respected;
- ✓ Severance pay (articles 479 and 480 of the CLT), except for clauses ensuring the reciprocal right to termination of the employment contract.

Endless contract

- ✓ Discontinuous provision of service;
- ✓ Alternation between periods of activity and inactivity.

SALARY AND COMPENSATION
COMPENSATION = SALARY + BENEFITS ACQUIRED IN THE CONTRACT

Features

- Irreducibility: the salary cannot be reduced, unless otherwise provided for in a
- collective bargaining agreement or agreement
- Harmful inalterability - form and method of payment
- Embargoability, except, exceptions
- Intangibility - Prohibition of discounts by the employer, except when they result from advances, legal provisions, collective bargaining agreements or collective bargaining agreements.
- Impossibility of waiver (Article 9 CLT)

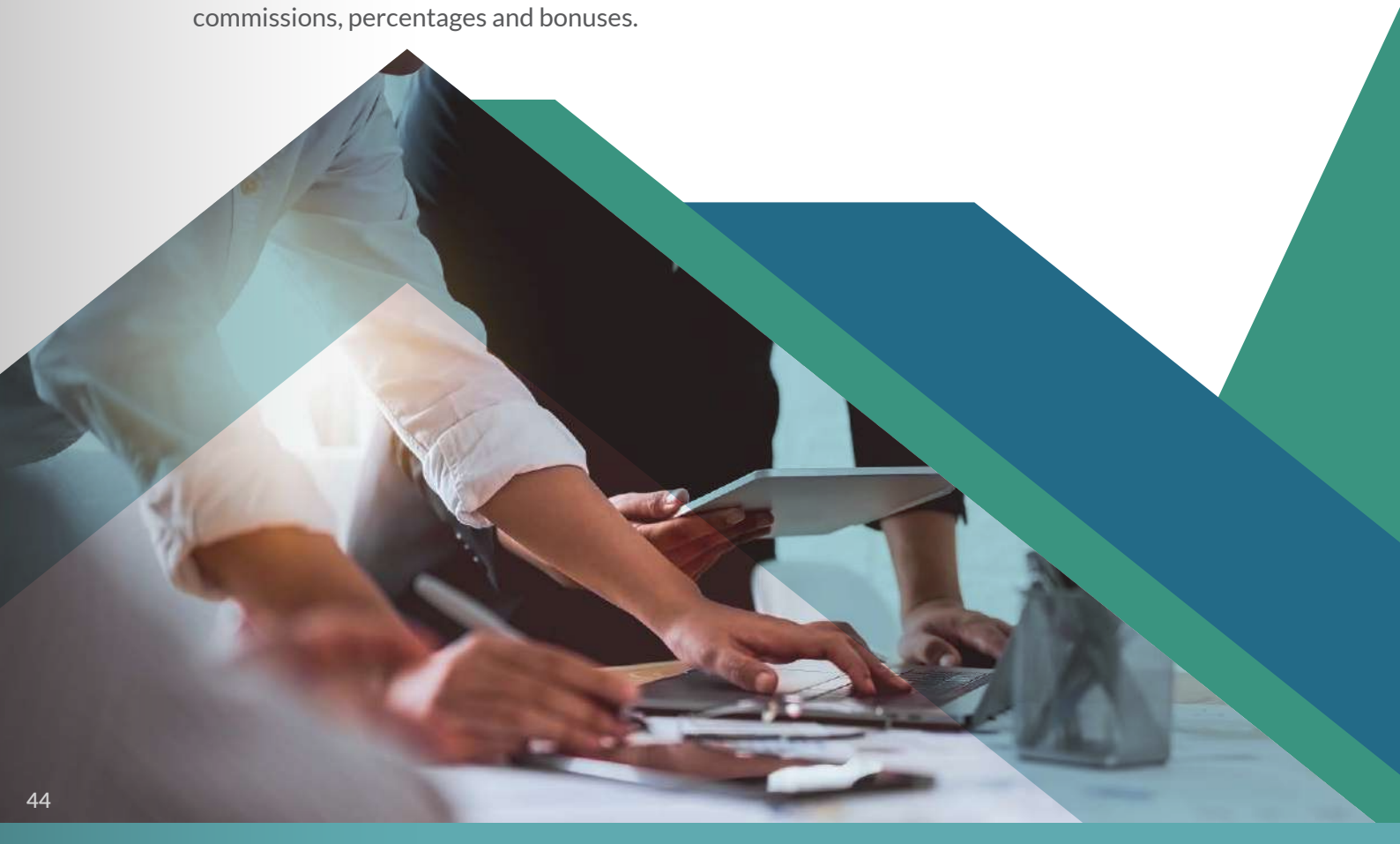
Forms of Wage Adjustment in the Hiring Process

- On time
- By production
- Per task - unit of time and production

Forms of Wage Adjustment in the Hiring Process

- In cash
- By check or currency
- In profits (in natura) - limited to 70% (art. 82 CLT)

The payment of salaries should not be stipulated for a period longer than 1 (one) month, except for commissions, percentages and bonuses.



- Employment relationship protected against arbitrary or unfair dismissal, under the terms of a complementary law, which will provide for compensatory damages, among other rights.
- Unemployment insurance, in case of involuntary unemployment.
- Seniority Guarantee Fund (FGTS).
- Minimum wage, fixed by law, unified at the national level.
- Irreducibility of salary, except as provided in the collective bargaining agreement or collective bargaining agreement.
- Salary guarantee, never lower than the minimum, for those who receive variable compensation.
- Thirteenth salary based on total compensation or retirement amount.
- Pay for night work higher than day work.
- Protection of wages in accordance with the law, being the fraudulent withholding a crime.
- Participate in profits, or results, not related to remuneration.
- Family allowance paid on behalf of the dependent of the low-income worker under the terms of the law.
- Normal working hours not to exceed eight hours per day and forty-four hours per week, with the option of compensating hours and reduction of working hours, by collective bargaining agreement.
- Six-hour workday for work performed in uninterrupted shifts, except in the case of collective bargaining.
- Paid weekly rest, preferably on Sundays.
- Remuneration for extraordinary services at least fifty percent higher than normal.
- Annual paid leave at least one-third more than the normal salary.
- Maternity leave, without prejudice to employment and salary, with a duration of one hundred and twenty days.
- Paternity leave, under the terms established by law.
- Notice proportional to the length of service, at least thirty days, in accordance with the terms of the law.
- Additional compensation for arduous, unhealthy or dangerous activities, under the terms of the law.
- Retirement.
- Recognition of collective bargaining agreements and collective bargaining agreements.
- Insurance against accidents at work, payable by the employer, without excluding the indemnity to which the employer is obliged, when he/she incurs in fraud or negligence.
- Action, with respect to claims arising from employment relationships, with a five-year statute of limitations for urban and rural workers, up to the limit of two years after the termination of the employment contract.

2. 4. Migratory Regime

I. Immigration Regime

Law 13.445/17, Decree 9.199/17 and the "Consolidation of Labor Laws" determine The immigration and labor status of foreign citizens in Brazil which are analyzed by The "General Immigration Coordination of the Labor Ministry". Under Law 13,445/17 and Decree 9,199/17, it is illegal for an employer to employ an employee without an authorization from the Brazilian "Ministry of Justice". Brazilian workers have priority to be employed in the national territory, so companies need to justify the hiring of a foreign employee. Foreigners residing in the country for more than 10 years and Portuguese have equal status to Brazilian workers.

The most common ways to do business or work in Brazil are residence authorizations and work visas for foreigners with or without an employment relationship, but there are several other ways that may apply to a particular case. Each case and client is different and requires an in-depth analysis of the client and the client's objectives/plans in Brazil in order to develop an efficient and viable immigration (and tax) plan.

- ✓ VISA RN1 and RN2

  The "Visas RN1 and RN2" are intended for foreign workers with a common employment relationship. In this case, it is necessary for the employee to prove his or her academic qualifications and work experience that justify his or her hiring. There is no limit to the number of years a person can hold this visa classification. Additionally, the spouse of a foreigner with a work visa in Brazil may apply for a "family visa" and, if authorized, will also have work authorization that will allow him/her to work on his/her own or with any company, there are no restrictions. Children under the age of 21 are considered dependents and may also be included in the process.

- ✓ VISTO RN 3

  "Visa RN3" is intended for technical professionals who have an employment contract arising from an agreement or technical cooperation agreement between a Brazilian company and a foreign company. There must be a "qualifying" corporate relationship between the foreign company and the Brazilian company.

- ✓ VISTO RN 4

  The "Visa RN4" is intended for qualified immigrants, but without labor ties, who wish to make a technology transfer to the Brazilian state, originating from an agreement or technical cooperation agreement made between the Brazilian government and a foreign company or country.

- ✓ VISTO RN 5

  "Visa RN5" is intended for maritime workers without employment ties in Brazil who are working on vessels and cruise ships on the Brazilian coast.

- ✓ VISTO RN11

  "Viesa RN11" is intended for immigrant administrators, directors and managers with powers of representation of a group or economic conglomerate that carries out investment in companies established in the country, with the potential to generate employment and revenue.

- ✓ El “Visto RN13”

  Is intended for immigrants who wish, with their own resources and those of foreign origin, to invest in companies in Brazil, in a project with the potential to generate jobs and income in the country. It is necessary to prove investments equal to or higher than R$ 500.000,00 through the elaboration of an Investment and Business Plan.

- ✓ VISTO RN 19

  The "RN19 visa" is intended for employees of foreign companies (not related to Brazilian companies) who come to Brazil for professional training in Brazilian companies of the same economic group of the foreign company.

- ✓ VISTO RN 20

  The "RN20 Visa" is intended for scientists, researchers, professors who wish to carry out research or academic extension programs in Brazil.

05

LEGAL GUIDE TO **DOING BUSINESS IN CHILE**

Lagos Maclean
ABOGADOS

Lagos Maclean Law Firm

Reúne abogados de comprobada experiencia profesional en permanente actualización y perfeccionamiento, que desarrollan su trabajo en forma colaborativa, interactiva y polivalente.

Es un estudio de tamaño medio que desarrolla creativamente su trabajo, actuando en forma asertiva y flexible frente a las necesidades del cliente. Nuestros equipos combinan la experiencia, eficacia y energía de nuestros abogados.

Asesoramos y prestamos servicios de carácter corporativo e integral a compañías industriales y comerciales, entre otros en las áreas de la construcción, inmobiliaria, retail, financiera, telecomunicaciones, tecnologías de la información, energía, educación, seguros y minería.

Conoce más sobre Lagos Maclean Abogados - LMA en: https://lmabogados.cl/

1. How to do business in Chile?

Chile is a country with great flexibility for doing business. Except for certain specially regulated activities – such as banking services, insurance companies, and general fund management companies, among others – individuals are allowed to freely incorporate themselves in any given legal form according to their needs.

For this purpose, the most used types of companies are:

The "Corporation" or "Public Limited Company" (Sociedad Anónima or S.A. in Spanish) are equity companies that can be listed ("S.A abierta", its shares are traded on the Stock Exchange), closely held ("S.A. cerrada", its shares are not traded on the Stock Exchange) or special. They are characterized by the gathering of a common fund among the shareholders (equity) which must be at least two. They are managed by a Board of Directors, which cannot have less than three members in the case of closely held S.A.; and not less than five in the case of listed S.A. The equity is divided into shares of equal value unless there are a series of shares, each series with a different value. The shares may be freely transferable, notwithstanding that the shareholders may agree among themselves on clauses restricting the free transfer of the shares. The initial equity must be paid up within three years from the date of the incorporation. The liability of the shareholders is limited to the amount agreed to be paid for such shares.

The "Joint Stock Company" (Sociedad por Acciones or SpA in Spanish), like the previous type of company, they are characterized by the gathering of a common fund among its shareholders, but unlike these, it allows great flexibility in its regulation. They can be incorporated with a single shareholder (either an individual or a legal entity). Their administration is left to the autonomy of the shareholders, so that they may freely regulate in the bylaws that the company will be administered by a specific collective body (such as a Board of Directors), by one or more administrators, by a General Manager, among other figures. Like the S.A., the shares may be freely transferable, unless a restriction to the free transfer is agreed upon, which in this case may be directly stated in the bylaws. The initial equity must be paid within the term indicated in the bylaws; if nothing is stated, the term is five years. The liability of the shareholders is limited to the amount of their contributions.

The "Limited Liability Company" (Sociedad de Responsabilidad Limitada or Ltda. in Spanish) is a partnership, which requires a minimum of two partners and has a maximum of 50. Its corporate name must necessarily contain the name of at least one partner or a reference to the company object. The partners participate in the capital stock in a percentage of the corporate rights, which can only be transferred by unanimous agreement of the partners. Likewise, any amendment to the articles of incorporation requires the consent of all the partners. The liability of the partners is limited to their obligation to contribute a certain amount to the company.

The "Agencies" in Chile are not autonomous entities in themselves but rather are branches of a foreign legal entity or parent company. For their incorporation, it is required that certain corporate records of the foreign company, translated into Spanish if applicable and apostilled, be registered before a local Notary Public, together with a declaration of the agent or representative incorporating the Agency. The foreign entity is responsible for the activities and business carried out by the Agency, and this responsibility is not limited to the assets located in Chile.

It should be added that to promote and attract income from all types of capital and investments, Chile has enacted Law No. 20,848, which establishes the framework for direct foreign investment in the country, including the creation of a Foreign Investment Promotion Agency, whereby foreign entrepreneurs who make a direct foreign investment, that is, the transfer to the country of foreign capital or assets owned or controlled by a foreign investor, for an amount equal to or greater than USD 5,000,000 or its equivalent in other currencies, may access the rights conferred by such law. The investment may be made through freely convertible foreign currency, physical goods in all their forms or states, reinvestment of profits, capitalization of credits, technology in its various forms susceptible of being capitalized, or credits associated with foreign investment from related companies.

2. Tax Regime

The main taxes in Chile are:

- Income Tax: In Chile, the concept of taxable income is broad and includes all types of earnings or profits and any increase in wealth generated during the tax year. As a rule, taxpayers domiciled or resident in Chile are taxed on income from any source. Non-domiciled and non-resident taxpayers are only taxed on Chilean source income. As an exception to the above, foreigners who establish their domicile or residence in Chile are only taxed on their Chilean source income for the first three years (this term may be extended by the Regional Director of the Internal Revenue Service in qualified cases).

- Category Taxes:

  - First Category Tax: This is the "corporate" tax levied on income earned by companies and derived from industry, commerce, mining, real estate, and other activities involving the use of capital. Its current rate is 25%.

  - Second Category Tax: This is a monthly tax, with an increasing progressive rate, which is levied on income from the personal services of dependent workers.

- Final Taxes:

  - Global Complementary Tax: Personal, global, progressive, and complementary tax that is determined and paid annually on taxable income determined following the rules of the two income tax categories. Its maximum marginal rate is currently 40%.

  - Additional Tax: This is a withholding tax, applicable to Chilean source income obtained by persons not domiciled or resident in Chile. The general tax rate is 35%, although there are reduced rates and certain exemptions.

    .

- Sales and Services Tax (Value Added Tax): This is an indirect tax levied on the sale of goods and services, with a general rate of 19%, calculated on the price of the transaction.

- Municipal Patents: The exercise of a commercial or industrial activity is subject to an annual tax in favor of the municipality in whose territory such activity is carried out. The tax is determined by applying the rate on the equity capital of the company that will carry out the activity, which is set by each municipality and varies from 0.25% to 0.5% with a maximum amount to be paid of 8,000 UTM (USD 615,000 approx.).

- Double taxation Conventions: Chile has entered into agreements with several countries, which are based on the OECD model, and provide more favorable treatment to foreign investment from such countries in tax matters. The complete list of treaties in force can be reviewed at the following link: https://www.sii.cl/normativa_legislacion/convenios_internacionales.html.

3. Labor Regime

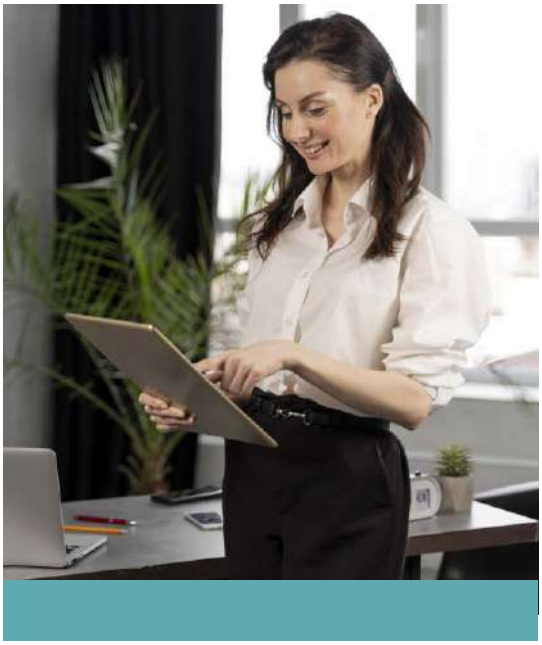
In Chile, the individual employment contract is an agreement by which the employer and the employee are reciprocally obliged, the latter being obliged to render personal services under the dependence and subordination of the former, who pays a determined remuneration for these services. Any rendering of services in the terms indicated above makes the existence of an employment contract presumed.

The services of persons over 18 years of age may be freely contracted. By exception, minors over 15 years of age may work under certain conditions.

- Stipulations of the Contract: The employment contract must contain, at least, the following stipulations: the employee's position and a description of the work to be performed, the conditions of payment, duration, and distribution of the working day, the place of work and the duration of the contract. The contract may have different modalities, either a Fixed Term Contract; Indefinite Term Contract; or Contract for a specific Work or Task and teleworking.

- Foreign workers: Current regulations establish that at least 85% of the workers employed by the same employer must be of Chilean nationality. An employer who does not have more than twenty-five workers is exempted from this requirement. To compute this proportion, a foreigner whose spouse, civil partner, or children are Chilean or who is the widower of a Chilean, and foreigners residing for more than five years in the country, without considering occasional absences, will be considered as Chilean.

- Workday and Vacations: The normal workday is limited to a maximum of 45 hours. This maximum must be worked on not less than five nor more than six consecutive days. The normal daily workday shall not exceed 10 hours. Workers with more than one year of service are entitled to an annual vacation of 15 working days, fully paid, which cannot be compensated with money. Workers rendering services in the XII Region of Magallanes and Chilean Antarctica, in the XI Region of Aysén del General Carlos Ibáñez del Campo, and the Province of Palena, are entitled to an annual vacation of 20 working days.



  Female workers are entitled to 6 weeks of leave before (prenatal leave) and 12 weeks after (postnatal leave) the birth of a child, with full pay; there is also a parental postnatal leave that can be used by the mother or the father when legal requirements are met. This payment is made by and on account of the Social Security system and not by the employer. In addition, women cannot be dismissed during pregnancy and for 1 year from the end of the postnatal period, except with the prior authorization of a labor court.

- Minimum wage: The current minimum monthly salary is $410,000, that is, USD 502 approx.

- Unions: The Labor Code recognizes the autonomy of unions and the right of workers to form one and to bargain collectively. The main purpose of unions is to represent workers in the exercise of their rights, promote integration between employers and workers, review compliance with labor and social security legislation, assist their members, and promote education and the improvement of safety in the workplace. Workers are free to join or not join a union. According to the law, there may be more than one union in each company.

- Social Security: Employers are responsible for withholding and paying their workers' contributions, which include 7% for health care, 10% -plus a commission according to the employee´s AFP (pension fund administrator)- for payment of social security contributions, and 0.6% for unemployment insurance. In addition, employers must contribute 1.54% for disability and survival insurance (SIS in Spanish), 2.4% for unemployment insurance, and a range of 0.95% to 3.4% for insurance against accidents at work and occupational diseases, depending on the activity or presumed risk of the employer.

- Exception for Foreign Employees (Wealth Management): Law 18,156 allows the exemption of contributions to pension funds for those foreign workers: (i) who are professionals or technicians; (ii) who are affiliated with a pension fund administrator abroad; (iii) whose employment contract contains a clause related to belonging to a pension system abroad.

4. Migratory Regime

On April 11, 2021, the new Immigration and Foreigners Law was enacted, which establishes the duties and obligations of migrants arriving in Chile, allowing a safe, regular, and responsible migration. The law establishes several migratory categories for which foreigners may opt. Among them:

Transitory Permanence Permit;

Temporary Residence Permit;

Permanent Residence Permit.

No prior authorization or visa is required for entry and stay in Chile for those who do so as holders of a temporary residence permit. Notwithstanding that for qualified reasons of national interest or reasons of international reciprocity, a prior authorization or visa granted by a Chilean consulate abroad may be required for nationals of certain countries.

06

LEGAL GUIDE TO DOING BUSINESS IN COLOMBIA

Brick Law Firm

Brick is a law firm founded in 2006 in Bogotá D.C, with the purpose of meeting the legal needs of national and foreign companies. Since its creation, Brick Abogados has been recognized for being a firm that always seeks simplicity, responsibility, and legal solidity in advising its clients.

Our lawyers have significant experience in mergers and acquisitions, project finance, structured financing operations, establishment of private equity funds, restructuring, real estate and hotel matters, as well as foreign exchange issues.

Additionally, we provide our clients with legal advice on labor, commercial, tax, financial, and corporate aspects within the ordinary course of their businesses.

Learn more about Brick Law Firm at: *https://brickabogados.com/*

5. How to do business in Colombia?

1. CORPORATE AFFAIRS

1.1. Main aspects of Limited Liability Companies ("Sociedades de Responsabilidad Limitada"), Anonymous Corporations ("Sociedades Anónimas") and Simplified Stock Corporations ("Sociedades por Acciones Simplificadas")

	LIMITED LIABILITY COMPANIES	ANONYMOUS CORPORATIONS	SIMPLIFIED STOCK CORPORATIONS
Form of Constitution	The Limited Liability Company must be constituted by public deed before a notary. The public deed must be registered with the Chamber of Commerce of the company's domicile.	The Anonymous Company must be constituted by public deed before a notary. The public deed must be registered with the Chamber of Commerce of the company's domicile.	The Simplified Stock Corporation can be constituted through a private document (unless at the time of incorporation of the company real estate is contributed, in which case it must be recorded in a public deed before a notary). The private document of incorporation must be registered with the Chamber of Commerce.
Corporate purpose	The statutes of the company must contain a specific list of the activities that the company can carry out, included within its corporate purpose.	The statutes of the company must contain a specific list of the activities that can be carried out by the company, included within its corporate purpose.	Unlike other types of company, Simplified Stock Corporations may establish any commercial or civil activity without any restriction, if they are lawful activities.

[1] However, according to article 22 of Law 1014 of 2006, companies that have less than 10 workers or assets of up to 500 legal monthly minimum wages in force (approximately COP $ 500,000,000 for the year 20 22), can be constituted through a private document and not by means of a public deed.

[2] Ibíd.

	LIMITED LIABILITY COMPANIES	ANONYMOUS CORPORATIONS	SIMPLIFIED STOCK CORPORATIONS
Mínimo de socios/ accionistas	2 shareholders.	5 shareholders.	1 shareholders.
Máximo de socios/ accionistas	25 shareholders.	Unlimited number of shareholders.	Unlimited number of shareholders.
Responsibility of Shareholders	Rule: Liability is limited to the total of your capital contribution. Except: (i) the statutes provide for additional liability; (ii) employment obligations; (iii) tax obligations pro rata of their percentage of participation; and (iv) when the initials ("Ltda. or "limited partnership") are not used correctly.	Rule: Liability is limited to the total of your capital contribution. Except: That the statutes establish additional responsibility.	Rule: Liability is limited to the total of your capital contribution. Except: (i) That shareholders have used the company to carry out illegal activities or to cause damages to third parties; and (ii) The shareholder who abuses his right to vote will be liable for the damages caused.
How to pay the capital	The capital must be paid in full at the time of incorporation of the company and each time a capitalization is made.	At the time of incorporation, at least 50% of the authorized capital must be subscribed and at least one third of the nominal value of each of the subscribed shares must be paid.	A minimum percentage of the capital is not required to be paid at the time of incorporation. Notwithstanding the foregoing, the subscribed capital must be paid in full within 2 years of the registration of the document of constitution before the Chamber of Commerce.

[3] Article 42 of Law 1258 of 2008. Additionally, it is worth mentioning that in accordance with article 24, numeral 5, literal d) of the General Code of Procedure, the legal personality of any type of company may be rejected, regardless of whether it is an S.A.S. or not when it is used in fraud to the Law or to the detriment of third parties. on the understanding that the shareholders or administrators who have carried out, participated in or facilitated the fraudulent acts, will be jointly and severally liable for the obligations arising from such acts.

2. Tax Regime

2. TAX MATTERS APPLICABLE TO COMPANIES

This section explains certain very general tax matters when determining the way the Company may receive resources from its shareholders. It should be clarified that what is indicated in this section includes certain reforms to the Colombian tax regime introduced by Law 2277 of December 13, 2022, whose provisions will enter into force as of January 1, 2023.

2.1. Funding with debt

The main tax considerations that must be considered when delivering resources to the Company with debt are the following:

2.1.1. Deduction of interest and losses on exchange diferential

According to Article 260-8 of the Colombian Tax Statute (the "ET"), interest and exchange differential losses paid or derived from loans granted by entities abroad are deductible provided that transfer pricing rules are met and the entity can demonstrate that the interest is market interest.

An additional requirement for the deduction of interest payable on loans acquired with related (or unrelated) parties abroad, is that an income tax withholding is carried out when applicable.

2.1.2. Under capitalization rules

According to Article 118-1 of the ET, only interest paid to related parties on loans that, on average during a fiscal year, does not exceed twice the Company's net worth of the previous year, are deductible from income tax. Therefore, the proportion of interest paid on the excess of the limit are not deductible. To calculate this ratio, only interest-bearing loans are considered.

2.1.3. Withholding income tax (“retención en la fuente”)

Interest earned in favor of (or paid to) foreign lenders is subject to a general withholding rate of 15%, provided that the term of the loan is equal to or greater than one year. If the term of the loan is less than one year, the applicable withholding is 20%. However, special (more favorable) rates may apply when the lender is domiciled in a country that has signed double taxation treaties with Colombia ("DT Treaties").

2.2. Funding with capital

Distributed dividends may be derived from profits that were taxed at the Company level or that for some reason (e.g., use of accumulated losses) were not taxed at their level. According to article 49 of the ET, to calculate the maximum dividend that can be distributed as taxed at the Company's level, the applicable income and capital gains tax is subtracted from the taxable income and capital gains.

Dividends paid to foreign shareholders, with the exceptions provided for by the DT Treaties, are taxed as follows:

(i) From profits that did not pay taxes in the company that distributes them (dividends taxed at the head of the shareholder): Applies the general rate of income applicable to legal entities (35%), plus dividend tax (20%) on the value of dividends after deducting income tax.

(ii) From profits that did pay taxes in the company that distributes them (dividends not taxed at the head of the shareholder): Dividend tax (20%) on the value of dividends after deducting income tax.

3. Labor Regime

3. Legal Analysis of Labor Aspects

3.1. Modalities of Employment Contracts

Following our previous recommendation, you will find below the modalities of labor contracting foreseen in our regulations:

(i) Indefinite Term Employment Contract It is the contractual modality that supposes greater stability, since its duration is not conditioned to an event or a certain time, so it must be understood that the vocation of permanence is one of its main characteristics.

It represents the "general rule" of employment contracts, to the point that it is legally presumed that, if no contract is concluded, the relationship is governed by this modality.

This employment contract may be terminated by the employer at any time without just cause, in which case he must pay the worker 30 days of salary for the first year of service and 20 days of salary for the subsequent years (if he earns less than 10 legal monthly minimum wages in force) or 20 days of salary for the first year of service and 15 days of salary for the subsequent years (if accrued more than 10 legal monthly minimum wages in force).

(ii) Fixed-Term Employment Contract: Regardless of whether the causes that give rise to the employment contract remain, it is perfectly viable for the employer to agree with the worker, from the beginning of the employment relationship, a defined duration. In Colombia this modality has two ways of agreeing according to its duration: (i) Less than one year and (ii) Greater than one year for up to 3 years.

In both cases, the employment contract must be agreed in writing so that it is understood to be valid and will be understood to be extended for the same time initially agreed if the parties do not notify in writing to the other, with a notice of not less than 30 days, their determination not to extend it.

However, in employment contracts of less than one year, the following rules apply:

a) The contract can be extended up to 3 times and from the fourth extension the contract is automatically converted to one year.

b) The parties may agree to shorter extensions, never longer than the term initially agreed.

c) If the contract ends without just cause before the fulfillment of the term agreed by the parties, the worker must be recognized as compensation the value corresponding to the wages for the time remaining to comply with the stipulated term. This could represent a risk of an economic nature, since the compensation could in most cases be higher than that provided for in the contract of employment of indefinite duration.

(iii) Contrato de trabajo por obra o labor: Article 45 of the Substantive Labour Code states: (...) "The employment contract may be concluded for a fixed time, for the duration of the performance of a work or work determined for an indefinite period or to perform occasional, accidental or transitory work". Hence, it is feasible to sign with the workers an employment contract whose duration is subject to the specific fulfillment of a work or a work.

Such work must be determined, so that the parties can know from the outset the condition that will determine the employment contract. In this regard, the Constitutional Court pointed out that when the work is determined, it allows the continuity of the contract not to be common, since it is not faced with a continuous provision (judgment T 1083/07).

4. Migration Regime

4. Types of Visas in Colombia

4.1. Visitor Visa (type V): Document applicable to the foreigner who wants to visit Colombia once or several times or intends to stay temporarily in the country without settling permanently. This Visa is granted for the development of the following activities: airport transit, tourism, business management, academic exchange and studies in art or crafts and postgraduate studies, medical treatment, administrative and / or judicial procedures, boat crew member or coastal platform, participation in events, internship or practices, volunteering, audiovisual and / or digital production, journalistic coverage, temporary service provider, transfer of intra-corporate personnel within the framework of current international instruments, official or commercial representative of a foreign government, vacation work program and courtesy.

4.2. Resident Visa (Type R): Provided for foreigners who aspire to establish or establish their permanent residence in Colombia for: (i) having renounced Colombian nationality; (ii) be the father of a Colombian national by birth; (iii) cumulative time of permanence; and (iv) foreign direct investment.

4.3. Migrant Visa (Type M): Applicable to the Foreigner who wishes to enter or remain in the national territory with the intention of settling down and does not meet the conditions to apply for an "R" visa.

Persons who are in the following condition may apply to this Visa: (i) spouse or permanent partner of a Colombian national; (ii) parent or child of a Colombian national by adoption; (iii) migrant under the Mercosur Agreement; (iv) refugee; (v) work; (vi) entrepreneur; (vii) exercise a profession or independent activity; (viii) religious; (ix) elementary, secondary, middle and undergraduate students; (xi) real estate investor; and (xii) retired or rentier.

07

LEGAL GUIDE TO DOING BUSINESS IN COSTA RICA

Zurcher Odio & Raven Law Firm

ZURCHER ODIO & RAVEN Law Firm is a legal firm established and committed to providing the best legal services in Costa Rica and Central America.

For over 85 years we have created the leading law firm in Costa Rica, where tradition, innovation and excellence converge. Our structure and vision allow us to be considered as the traditional firm in our country, with the capacity to adapt to changing demands on behalf of the market and our clients for more than eight decades. We carefully choose the matters and clients we represent. Our work teams consist of a balanced relationship between partners and associates, enabling us to focus on our client's matters with greater attention, more experience and sophistication, carefully designating the professionals necessary for each matter, always providing the best possible service and legal advice.

Conoce más sobre Zurcher Odio & Raven en: *https://www.zurcherodioraven.com/en-us/*

5. How to do Business in Costa Rica?

1. Corporate and/or Commercial Relationships:

Costa Rica offers various means for those seeking to initiate commercial relations in the country. Each entity has its own legal and fiscal characteristics, allowing interested parties to choose the one that best suits their expectations according to the objectives they may have. Among the options that best suit the needs of merchants, are the following:

Corporation: Corporations are a form of business organization, characterized by having its capital stock divided into shares, where the partners are obliged to pay their contributions in proportion to their participation in the capital stock. These shares, by their nature, may be sold, endorsed, and transferred to third parties without the prior authorization of the rest of the partners. Nonetheless, there are means to impose limitations on their transferability, if so desired by the corporation's members. For its constitution, this type of companies will require the presence of a minimum of two partners, where each one subscribes and pays at least one share. The Costa Rican legislation also allows the totality of the shares to be transferred to a single shareholder. However, the corporation must always have at least three members of the Board of Directors and a Fiscal, who may be partners or not, as well as a Resident Agent in case of not having representatives domiciled in Costa Rica.

Limited Liability Company: The main difference between Corporations and Limited Liability Companies is, as its name indicates, the way in which the responsibilities of the partners are limited. Therefore, the capital stock of these companies will be represented by nominative but not common shares, which means that these will be transferable, not by means of endorsement but by assignment, for which the prior and express consent of the other partners must be obtained. Said quotas may not be estimated in foreign monetary units, only in Costa Rican colones, as is allowed in the case of the Corporation. Similar to the previous case, this type of company also allows for the quotas to be held by a single partner or shareholder, but it does not have a Board of Directors, instead, it is governed through Managers or Assistant Managers.

Incorporation of Companies: The incorporation of a company in Costa Rica must be carried out in front of a Notary Public, who will detail the bylaws of the company in a public deed, including: corporate name, amount and distribution of the capital stock, exact address of the corporate domicile, complete qualities of the members of the company, who is responsible for the judicial and extrajudicial representation, as well as - in cases where none of the members have domicile in the country – establishing a Resident Agent, who must be a lawyer with an open office, for notification purposes. This process has an estimated completion time of one to three (1-3) business days.company is incorporated through a private document and is endowed with legal personality from the date of its registration in the Mercantile Registry. The minimum stock capital is the equivalent to USD $1.

Company's obligations:

i) Payment of the Corporate Income Tax: The payment of this tax must be made within the first thirty (30) calendar days following January first of each year, considering the base salary in effect for that year. At the time of incorporation, the tax must be paid proportionally to the remainder of the year. Such tax is calculated based on the income of each company, according to what it reports to the General Directorate of Taxation. It is important to be up to date in all payments regarding this tax in order to carry out procedures before public institutions. In the case of inactive companies, this tax is around US$135.00 per year, legal currency of the United States of America.

ii) Declaration of Beneficial Owners: It is an obligation to declare annually the beneficial owners of each Costa Rican entity. Such declaration must be made by the legal representative of the company, or by a special proxy designated for the case. Whoever files the declaration must have a Costa Rican digital signature. Subsequently, every April, the structure of the beneficial owners will have to be declared, as well as when there is a modification that exceeds fifteen percent (15%) of the distribution of the capital stock of the company. This procedure has an estimated completion period of one (1) business day.

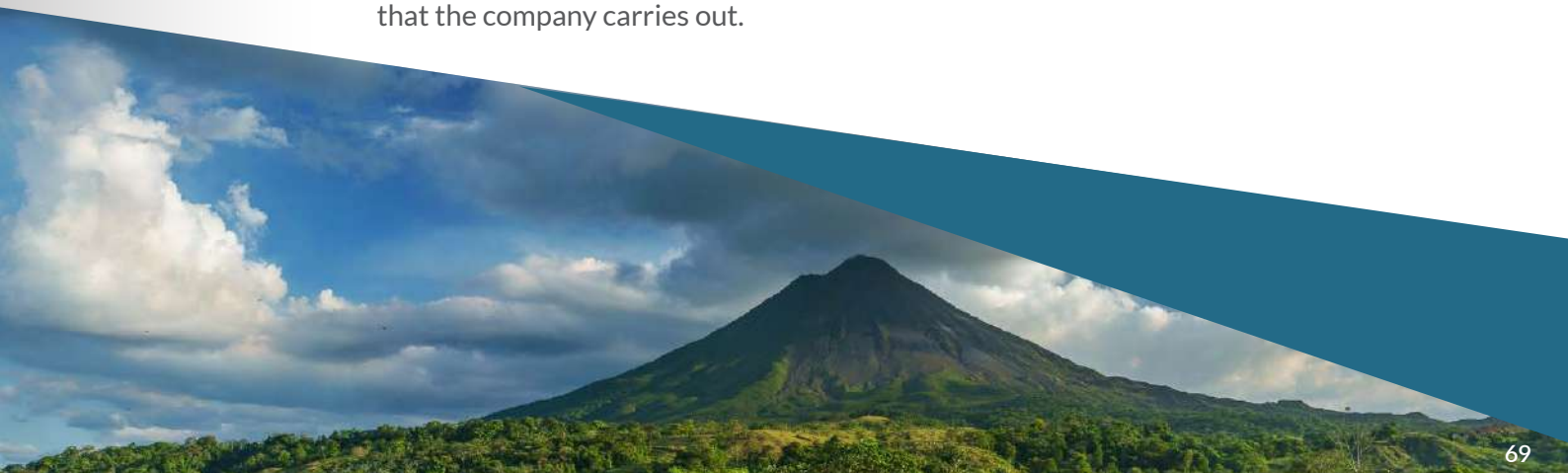
iii. Registration before the General Directorate of Taxation (D-140): Within the first ten (10) calendar days from the registration of the company in the National Registry, all companies must register as taxpayers and detail their economic activity before the General Directorate of Taxation, or else declare themselves as inactive. This procedure has an estimated completion period of one to two (1-2) business days.

a) Inactive Company:

Inactive Company Declaration before the General Directorate of Taxation: Inactive companies are those that do not carry out any lucrative activity in the country. Such companies must comply with this declaration requirement, by filing the annual Inactive Companies Declaration before the Ministry of Finance, in the month of April. Assets are declared, taking into consideration movable and/or immovable property, securities, and intangible assets, as well as liabilities, such as notes and accounts payable and the amount of capital stock, documenting (if any) extraordinary contributions from partners or revaluation surplus.

b) Active Company:

Companies that are active will have tax obligations according to the activity that the company carries out.



iv. Education and Culture Stamp: It applies to all corporations registered in the National Registry, regardless to if they are registered as a company which carries out a lucrative activity, or not. The amount to be paid depends on the net capital of each company and may vary from ¢5,000.00 to ¢18,000.00 colones - or approximately $10.00 to $33.00 dollars, legal currency of the United States of America - and is paid annually.

Operating Permits:

Both, individuals and legal entities, who wish to develop commercial activities in Costa Rica, must first apply for the required operating permits before various institutions, such as the corresponding Ministry of Health and Municipality, the Costa Rican Social Security Fund (CCSS, for its acronym in Spanish), the National Insurance Institute (INS), the National Environmental Technical Secretariat (SETENA, for its acronym in Spanish), the Agency of Foreign Trade Promotion in Costa Rica (PROCOMER, for its acronym in Spanish), among others:

i) Land Use Certificate: Document issued by the Municipality of the place where the property is located, determining the possible uses and exploitation for the land, valuing the pre-existing structures, and regulating those that may arise later.

ii. Sanitary Operating Permi: Document issued by the Ministry of Health of the area in which the commercial establishment is located, as a prerequisite for operations to be developed in a way that reduces the impact it might have on the environment and general health.

iii. Municipal License: Document issued by the Municipality of the area in which the property is located, by means of which individuals and/or legal entities, are authorized to develop the operation and functioning of the economic activity they wish to provide. Once granted, the patentee will be subject to the payment of a municipal tax, which contemplates a percentage of the income received annually; nonetheless, the amount varies depending on the Municipality in charge of the area.

iv. INS Risk Policy: Insurance policy issued by the National Insurance Institute for employers to protect their workers against any labor risk they might suffer as a result of the work performed. This policy is paid annually based on the rate of the economic activity carried out by the employer, which is indicated by the tariff manual in force at the time of subscription. Nonetheless, it might be paid semi-annually with a surcharge of eight percent (8%), or quarterly with a surcharge of eleven percent (11%).

V. Environmental Impact Assessment before SETENA: Administrative procedure that allows the Environmental Evaluation Department of the National Environmental Technical Secretariat to identify and predict the effects that the development of an activity or project could have on the environment, with the objective of preventing, controlling, mitigating and/or compensating said impact. However, SETENA does not have the power to approve nor reject any project, but rather its viability, by means of an environmental analysis. Those that must undergo this study are contemplated in Executive Decree number 31849-MINAE-S-MOPT-MAG-MEIC, which has been in effect since 2004.

VI. Foreign Trade Promoter of Costa Rica (PROCOMER): Institution that provides support to Costa Rican companies, and oversees that companies dedicated to the practice of exporting goods, are registered under the Register of Exporters. Likewise, if the company wishes to access one of the special export regimes, PROCOMER administers the Free Trade Zone System, which corresponds to the set of incentives and benefits that the State grants to companies that make or contribute to new investments in the country, and which specifically comply with the provisions of Law 7210; as well as the Special Drawback System, which corresponds to the customs regime that allows its contributors to obtain the refund of a percentage of the value of customs duties that have taxed importations.

Depending on the particular case and the complexity of the activity, additional permits may be required.

5. 2. Tax Relationships:

In regard to taxation, in addition to the aforementioned obligations, the following must be taken into account in Costa Rica:

Real Estate Tax: In the event of acquiring real estate property on behalf of the company, you must comply with the payment of this tax before the Municipality of the area in which the estate is located. The amount to be paid will correspond to a percentage of 0.25% of the declared and registered value of the property, and its payment will be made on a quarterly, semi-annual, or annual basis. It is of utmost importance to remember that the owners must declare the value of their estate, as well as any modification or addition they have made onto the property, at least every five (5) years, before the corresponding Municipality. Likewise, it should be considered that, in case of not complying with this obligation, the Municipality may carry out an ex-officio appraisal and charge the respective fines, which will correspond to an amount equal to the amount not paid.

Solidarity Tax: Corresponds to the Law of Solidarity Tax for the Strengthening of the Housing Program, it is also known as Tax on Luxury Houses and applies to those properties destined for housing that have a fiscal value higher than ¢148,000,000.00 colones, or approximately $270,000.00 dollars, legal currency of the United States of America. Under this understanding, every three (3) years, the taxpayers will have the obligation to present before the General Directorate of Taxation, a sworn declaration [50] that updates the fiscal value of their estate. This tax is paid annually, within the first fifteen (15) days of January and may range from 0.25% to 0.55% of the fiscal value of the property - depending on the amount declared.

Income Tax: As previously mentioned, this tax applies to those taxpayers who, regardless of their nationality, domicile, or place of incorporation, maintain lucrative activities within the Costa Rican territory. This tax is calculated based on the net income, which results from deducting from the gross income, those deductible expenses contemplated in Article 8 of the Income Tax Law. At the beginning of every fiscal period, a readjustment is made in the income brackets, hence, in the present year, those incomes that do not exceed ¢941,000.00 monthly - or around $1,730.00 dollars, legal currency of the United States of America -, are exempt from the payment of the present tax; on its excess and up to ¢1,381,000. 00 per month - or about $2,540.00 dollars, legal currency of the United States of America - will pay 10%; and so on, until reaching the 25% that will be charged on the incomes that exceed the amount of ¢4,845,000.00 per month - or about $8,910.00 dollars, legal currency of the United States of America. It is also known as Single Income Tax because it is based on an annual period, counted from January first (1) to December thirty-first (31), so it is levied only once per fiscal year.

Value-Added Tax: This tax corresponds to thirteen percent (13%) established on the sale of goods and the rendering of services, regardless of the means by which they have been obtained or provided, as long as it is within the Costa Rican territory. The people or entities that develop activities with the purpose of contributing to the production, distribution, commercialization, or sale of certain goods or rendering of services, will be considered taxpayers of this tax; those will have the obligation to file this declaration on the fifteenth (15th) day of each month.

3. Labor Relationships:

Labor relations are defined as the set of interactions between employers and workers, regulated by labor legislation and collective bargaining agreements, in order to establish the working conditions, rights, and obligations of both parties. In Costa Rica, these relations are mainly supervised by the Ministry of Labor and Social Security together with the Costa Rican Social Security Fund and the courts of justice, so the following should be considered:

Any individual or legal entity that employs one or more employee under its direction and control, assuming the legal and labor obligations that correspond to a formal employment relationship, must register as an employer before the Costa Rican Social Security Fund (CCSS). This process must take place no later than eight (8) days after starting operations, or after the acquisition of the company, and its registration has a term of one to three (1-3) business days.

Labor relations, as indicated in Article 18 of the Labor Code of the Republic of Costa Rica, may exist by means of an individual employment contract, which may be for an indefinite term or for a definite period of time. The latter may be subject to an extension if both parties so agree. In any of these types, the employment contract is characterized by three fundamental elements:

i. Provision of Services: The person who signs the contract is the same person who will be obliged to perform the work, as agreed by the parties.

ii. Salary or Remuneration: Corresponds to the sum of money agreed between the parties in exchange for the service rendered.

iii. Subordination: The immediate dependence between the employee and the employer, where the latter exercises a position of direct leadership with powers of instruction and direction.

In the absence of these assumptions, depending on the particular conditions of each case, the existence of an employment relationship could be debated.

Costa Rica also offers professional services contracts, which are characterized by the fact that a person with unique attestations performs a service but are not subject to work schedules nor disciplinary sanctions, and the clients are not subject to the obligation to participate in the employer's obligations, such as: vacations, maternity leave, payment of disability allowance, Christmas bonus; among others.

Under this same principle, Costa Rica also offers different types of workshops, the main ones being:

i. Ordinary day shift: Between 5:00 AM and 7:00 PM, eight (8) hours per shift, and cannot exceed forty-eight (48) hours per week.

ii. Ordinary night shift: Between 7:00 PM and 5:00 AM, six (6) hours per shift, and cannot exceed thirty-six (36) hours per week.

iii. Ordinary mixed shift: It is a workday that combines the previous two, for example, workers could have a workday from 2:00 PM to 10:00 PM. Those who operate under this type of shift will work up to seven (7) hours per day and cannot exceed forty-two (42) hours per week. Nonetheless, whenever it exceeds 3 hours past 7:00 PM, it will be considered a night shift.

Additionally, there are also special shifts, such as those considered cumulative, fractioned, reduced, among others.

Now, the item which calculates the minimum wage varies every year and depends entirely on the area in which a person works and is established according to the National Wage Council. For example, for 2023, based on an ordinary day shift, according to the worker's qualification, the following is established:

I. **Workers in unskilled occupations:** These are understood to be those who perform simple tasks, mainly those that are considered physically demanding, and should receive a daily salary of ¢11,738.83 (or about $21.00 dollars, legal currency of the United States of America).

II. **Workers in semi-skilled occupation:** These are those who operate or drive internal combustion motor vehicles, understood as carriers, and receive a daily salary of ¢12,765.12 (or about $23.00 dollars, legal currency of the United States of America).

III. **Workers in skilled occupation:** Those who perform tasks of a higher degree of difficulty, whose tasks require specific knowledge of a subject acquired through studies and will receive a daily salary of ¢13,154.99 (or about $24.00 dollars, legal currency of the United States of America).

IV. **Worker in specialized occupation: :** Those who perform tasks that involve a high degree of difficulty and require in-depth knowledge of a specific subject, for which they receive a salary of ¢15,333.31 (or about $28.00 dollars, legal currency of the United States of America).

Types of insurance:

I. **Salaried Employees Insurance:** This type of insurance applies to those who work for a third party (employer), have an established salary, and a schedule to comply with. The employees' monthly contributions are based on 10.67% of their net salary, but the employer will contribute an extra 26.67%, for a total of 37. 34%, of which a portion will be used for the Disability, Old Age and Death Insurance, which is what will allow workers to enjoy the benefits of retirement in the future, and the other portion will be destined to the Health Insurance, which is what will allow workers to receive treatment from the CCSS and opt for maternity leave or disability.

II. **Self-Employed Workers Insurance:** This will apply to those who are self-employed and generate formal income on a monthly basis. In this case, they must have an interview with CCSS officials, where they must demonstrate their monthly income and expenses, which will be the basis used to determine the amount of their contribution - this can range from 9.72% to 18.72% per month. This option will also allow them to be part of the Disability, Old Age and Death regime, as well as the Health Insurance benefits, which means that their monthly contributions will go towards their retirement, as well as allowing them the possibility of treatment with the CCSS.

III. **Voluntary Insurance:** Voluntary insurance is usually requested by those who do not develop an official income-generating activity, but still wish to have some type of insurance. Unlike the previous options, those insured under this modality have the right to be attended by the CCSS, but will not be enrolled in the Disability, Old Age and Death regime, nor enjoy the benefits of paid disability or maternity leave. Contributions for this insurance also range from 9.72% to 18.72%, based on monthly income. Additionally, once they are affiliated under this methodology, they will not be able to waive it until another type of insurance has been set in its place.

4. Migratory Relationships:

There are different immigration categories that may be applied for, depending on different factors. They could be temporary or permanent, depending on the applicant's needs.

Migratory categories:

I. Professionals, interns, and their dependents: Those who work in the field of science, for a journalistic medium, in sports activities, or for a company registered with the General Directorate, and need to reside in Costa Rica for reasons related to their profession, may apply.

II. Investors and dependents: Applies to those who have invested at least $200,000.00 (two hundred thousand dollars, legal currency of the United States of America) in a project that is of interest to the country, or in a property, as well as their dependents - who do not have to comply with this requirement but must demonstrate the marital or parental relationship they have with the applicant.

III. Pensioners and dependents: Those who are currently receiving their pension, as well as their dependents, are eligible to apply.

IV. Annuitants and dependents: Those who receive a monthly income of at least $2,500.00 (two thousand five hundred dollars, legal currency of the United States of America), as well as their dependents, may apply.

V. Direct relationship with a Costa Rican: Any foreigner who has a real and proven relationship with a Costa Rican citizen, including: spouses, parents, minor or adult children with disabilities, and minor or adult siblings with disabilities, may apply for this Residence.

VI. Digital Nomad: It is important to mention that this category is classified as "Special Category of Stay" and not as a residency. It is optimal for those employees who render remunerated services remotely, using telecommunication means, in favor of individuals or legal entities located abroad, and who therefore receive payment from institutions abroad.

The requirements for these procedures will vary depending on the category chosen by the applicant, however, it can be estimated that the immigration procedures in Costa Rica will entail an expense of approximately $2,500 (two thousand five hundred dollars, legal currency of the United States of America) per applicant. This amount will be used to pay for security deposits, filing of applications, certificates of residence, among other things.

08

LEGAL GUIDE TO DOING BUSINESS IN ECUADOR

Cevallos Casals Balseca Bilbao Law Firm

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1. How to conduct business in Ecuador?

In Ecuador, investors have different ways to conduct business. Our regulation recognizes the freedom to adopt the corporate form of your choosing. The Companies Law regulates the different types of companies that may be used, being the following company forms the most used:

The Sociedad Anónima (Corporation) is company whose capital, divided into negotiable outstanding stocks, is made up by the shareholders contributions, who are liable only up to the amount of their stocks. The Sociedad anónima requires at least two stockholders at the moment of its incorporation; nonetheless, following its incorporation the company can survive with only one stockholder. There is no maximum limit in the number of stockholders. This type of company is incorporated through a public deed executed before a Notary Public and is endowed with legal personality from the date of its registration in the Mercantile Registry. The minimum stock capital amount is the equivalent to USD $800,00.

The Compañía de Responsabilidad Limitada (Limited Liability Company) is a company divided into shares, it is made up by the contribution of its partners that are solely liable up to the amount of their contribution. The transfer of shares requires the unanimous approval of the General Shareholder's Meeting. The limited liability company requires at least two shareholders (partners) at the moment of its incorporation; however, following its incorporation it can survive with only one shareholder (partner). The maximum number of shareholders (partners) is fifteen. This type of company is incorporated through a public deed executed before a Notary Public and is endowed with legal personality from the date of its registration in the Mercantile Registry. The minimum share capital amount is the equivalent to USD $400,00.

The Sociedad por Acciones Simplificadas SAS (Simplified Joint Stock Company) is a company whose capital, divided into negotiable outstanding stocks, is made up by the shareholders contributions, who are liable only up to the amount of their stocks. The Sociedad por acciones simplificada can be incorporated with one stockholder. There is no limit in the number of stockholders. This type of company is incorporated through a private document and is endowed with legal personality from the date of its registration in the Mercantile Registry. The minimum stock capital is the equivalent to USD $1.

The Foreign Branches domiciled in Ecuador are foreign companies that domicile a branch in the country, through an administrative procedure known as “Domiciliation”. This process involves the approval of documents of the foreign company granted abroad, as sufficient to act as a company in the country. The branches act through a general attorney-in-fact whose power of attorney is approved by the Superintendence of Companies, Securities, and Insurance. The minimum capital is USD $ 2000.00. It is endowed with legal personality from the date of registration of the approval resolution granted by the Superintendence in the Mercantile Registry.

These types of companies are subject to control by the Superintendence of Companies, Securities, and Insurance. On an annual basis they must submit to this institution financial and corporate information.

2. Tax Regime

The main taxes of a national nature in Ecuador, administered by the Internal Revenue Service, are the following: (i) Income Tax, (ii) Value Added Tax, (iii) Overseas Remittance Tax, and (iv) Tax on Special Consumptions.

Income Tax:

Ecuadorian and foreign domiciled companies are subject to income tax, regarding its taxable profit. The tax base is made up the totality of ordinary and extraordinary income levied with the tax, minus refunds, costs, expenses and deductions, attributable to income. The general Income Tax rate for companies is 25%.

Value Added Tax VAT:

It is a tax that levies the value of the transfer of titles or the import of corporal movable property, in all stages of its commercialization, as well as on copyright, industrial property rights and related rights; and on the value of services provided. The tax rates are 0% in basic food products, medications, books, agricultural products, health services, among others; and, 12% in the case of purchase of goods and provision of services, exports, among others.

Overseas Remittance Tax:

It is a tax that levies the transfer or movement of currency abroad in cash or through writing of checks, transfers, remittance, withdrawals, or payments of any nature made with or without the intermediation of institutions of the national financial system. The rate of this tax since February 1st, 2023, is 3,75%. With this adjustment, begins the progressive reduction of two percentage points of the tax that will apply until the end of 2023, when it will reach a rate of 2%.

Tax on Special Consumptions:

This tax levies the consumption of determined local and imported goods, as well as determined services. The products levied with the tax on special consumptions with are tobacco, alcoholic beverages, sodas, beers, perfumed, video games, among others.

Treaties to avoid double taxation:

Ecuador has in force treaties to avoid double taxation with Germany, Belarus, Belgium, Brazil, Canada, Chile, China, South Korea, Arab Emirates, Spain, France, Italy, Japan, Mexico, Qatar, Rumania, Russia, Singapore, Switzerland, member countries of the Andean Community made up of Colombia, Bolivia, and Ecuador, Currently, the application of the Treaties to Avoid Double Taxation is automatic, and does not require the prior determination of the Tax Administration.

Municipal Taxes:

The Ecuadorian legislation, besides taxes of a national nature, contemplates other taxes of a municipal nature that are paid to the Municipality where the economic activity takes place. These taxes are the following: i) Annual Municipal License Tax; and ii) Tax of 1.5 Per Thousand on Total Assets.

- Annual Municipal License Tax

  Every natural or legal person that performs permanent commercial or industrial activities is required to pay the annual license tax to the Municipality of the jurisdiction where the activities were conducted. For the purpose of the calculation of the tax, the equity declared by the company at the close of the previous tax year shall be considered. The rate of this tax is determined by each Municipality.

- Tax of 1.5 Per Thousand on Total Assets

  Every legal person is obliged to pay the Municipality where it conducts its economic activity, a tax of 1.5 per thousand over the total assets of the company. The tax base is made up of the total assets minus the obligations of up to a period of one year and the contingent liabilities, which are contained in the statement of financial position at the close of the immediately preceding fiscal year. The tax rate is 1.5 per thousand on total assets.

3. Employment Regime

There are two main laws that govern labor matters for private companies in Ecuador: 1. The Labor Code; 2. Social Security Law.

There is ample protection provided to employees in Ecuadorian law, and a basic principle called indubio pro operario is applied, which means that in case of doubt the authorities shall apply the most favorable conditions for the employee.

It is important to note that all payroll employees must be registered before the Social Security Service (IESS) from the first day of the labor relationship, regardless of the type of contract.
According to the Labor Code, foreign employees have the same rights and obligation as local employees; the only additional condition is that foreigners need to have a visa that allows them to perform work activities in Ecuador.

Furthermore, the Labor Ministry every year defines the minimum wage to be paid to employees. For the year 2023, the minimum wage is USD $450. Likewise, the Ministry issues a list of the minimum wages to be paid depending on the sector of the employer and position of the employee, which must be used as reference for the setting of the wage.

Besides the monthly salary, the other legal benefits to be paid to employee are as follows:

Concept	Description	Amount
13th salary	Additional salary to be received until December 24th of each year.	Equivalent to the 12th part of the total income received by the employee during the period between December 1st and November 30th of the year of payment.
14th Salary	In the Coastal Region and Galápagos, it must be paid by February 28th or 29th of each year. - In the Andean and Oriental Regions, it must be paid August 15th of each year.	Equivalent to the 12th part of one basic salary (US$ 450 for year 2023) The period is calculated as follows: - From March 1st to February 28th or 29th of each year for the Coastal Region and Galápagos. - From August 1st to July 31st for Andean and Oriental Regions.
Reserve Funds	This right comes into effect starting on the second year of employment. The employee may decide either to receive it monthly or to save it with the Social Security.	8.33% of the employee's salary.
Social Security	Monthly contribution, payable to the Ecuadorian Social Security Institute.	The total monthly contribution to be paid to IESS is 20.6% of the monthly salary of the employee, distributed as follows: - 9,45% payable by the employee (deducted from his/her salary) - 11,15% payable by the employer There are two taxes that employers pay on a monthly basis together with the contribution to IESS: - 0,5% for the Ecuadorian Institute of Educational Credit (IECE) - 0,5% for Ecuadorian Service for Professional Training (SECAP)

There are several types of contracts; however, the most used are the following:

- **(i) Indefinite-term contract:** The indefinite-term contract is the typical model for stable or permanent labor relationship. It can only be terminated with cause, or by mutual agreement of the parties (resignation). It is possible to include under this type of contract 90 days of probation period, during which either party may terminate the labor relationship without any compensation.

- **(ii) Contract for specific work:** When the employer and the worker agree to maintain an employment relationship only for a defined time and for a specific work. Once the work and the term end, the contract is terminated without compensation.

- **(iii) Eventual contract:** This contract is used in case of an increase of the production of the company, to attend circumstantial needs, or replacements. The term of the contract may be up to 180 continuous or non-continuous days during a period of 365 days. For this contract, the employer must pay a surcharge of 35% over the minimum wage.

- **(iv) Permanent part time contract:** This contract allows the payment of the salary in proportion to the number of hours worked. This type of contract must be at least 4 hours daily and no more than 36 hours per week.

- **(v) Special Emergent Contract:** As a result of the Covid-19 pandemic, there is a new type of contract named the special emergent contract, which serves for a defined period, held for the sustainability of production in emergency situations, or for new investments or lines of business, products, or services. The contract term is for one (1) year and may be renewed for one additional year.

4. Immigration Regime

Foreigners that enter Ecuador to conduct different activities on a temporary or permanent basis in the country are subject to requesting to the Foreign Relationships and Human Mobility Ministry different immigration categories or statuses. Each one of these statutes have a different type of visa that will regulate the permanence or residence of foreigners in Ecuador.

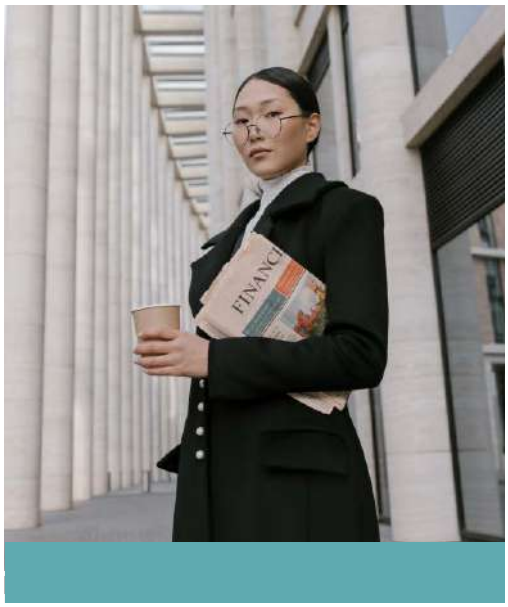
Below, we detail some of the immigration categories contained in the Organic Human Mobility Law:

- **Temporary residence work visa.** It is the authorization granted by the Ecuadorian State to foreign nationals who want to carry out labor activities under a dependent work relationship in the private or public sector, or independently of professional, civil, or consulting services in favor of legal o natural persons, national or foreign, legally established in Ecuador. It has a duration of two year. The company must accredit a share capital of at least US $12.500.

- **Temporary residence rentier visa.** It is an authorization granted by the Ecuadorian State to foreign nationals who have their own resources brought from abroad, with the income that those produce or any other legal foreign source income or has funds from an Ecuadorian source. The foreign national must present the documents that certify the monthly legal income for him or herself abroad or in Ecuadorian territory, such a rent contracts, investment securities or similar, equal to or higher than three (3) Unified Basic Wage of a worker in general. (US$1.350,00).

- **Temporary residence remote work rentier visa.** The residence visa to conduct remote work will be granted to foreign nationals who have their own company or that work for one or several legal or natural persons with domicile abroad, to perform professional or service activities of at least three (3) Unified Basic Wage per month of the three (3) months prior to the visa request or have a total of thirty-six (36) Unified Basic Salary for each year. Furthermore, documents that prove that the visa petitioner works or provides his/her services to an employer, client, or foreign company, domiciled abroad, to perform independent or dependent professional activities in a remote, digital or telework manner must be provided. It applies also for cases where the applicant shows that he/she is the owner of the company registered and domiciled abroad.

- **Temporary residence retiree visa.** It is the authorization granted by the Ecuadorian State to foreign nationals that receive a pension from a foreign source, whose amount allows the retiree to cover the expenses of his/her stay. An official support document that accredits the retiree category granted by the competent authority abroad, which certifies the monthly payment of the foreign source pension, in favor of the petitioner, equal to or greater than three Unified Basic Wage of the worker in general, must be presented. (US $1.350,00).



- **Temporary residence investment visa.** It is the authorization granted by the Ecuadorian State to foreign national that have property and financial resources from a legal source to conduct productive or commercial activities in Ecuador. Within this category, legal representatives, attorneys-in-fact, commercial representatives, or similar positions, of national or foreign companies, and in general, those who enter the country to conduct commercial or productive activities or develop businesses in Ecuador are covered. The investment amount is minimum one hundred (100) Unified Basic Wage of the worker in general; in other words, US$45.000,00. This may be proven through a deed of purchase of a property, certificate of deposit with a duration of at least 730 days, document that accredits the holding of stocks or shares of a company. In the case of attorneys-in-fact or legal representative, a company that has a share capital of at least $45.000 is required.

- **Temporary residence Scientist, researcher, or scholar visa.** It is the authorization granted by the Ecuadorian State to foreign nationals who dedicate themselves to scientific, research or academic activities, hired by public or private entities, or that form part of programs of the Ecuadorian educational system to performs works in their field.

- **Temporary residence Treaty visa.** It is the authorization granted by the Ecuadorian State to foreign nationals of State members of the Agreement of Residence of Mercosur who have the intention to establish themselves in the country to conduct legal activities.

- **Temporary residence protection visa.** It is the authorization granted by the Ecuadorian State to foreign nationals that are children and spouses or partners in a legally recognized common-law relationship of the holder of an immigration category provided for in this article, whose validity period of the visa may not exceed the validity period of the visa holder.

It is important to clarify that foreign nationals must first obtain a temporary residence visa of two years, which may be renewed again with a temporary visa or with an indefinite permanent visa. Only under specific circumstances the foreign national may directly request a permanent residence visa without having first obtained a temporary visa (foreign nationals that accredit a marital or common-law relationship with an Ecuadorian or a foreign national who holds an indefinite visa, and foreign nationals that accredit being relatives in the second degree of consanguinity or affinity with an Ecuadorian citizen or of a foreign citizen with permanent residence in Ecuador).

09

LEGAL GUIDE TO DOING BUSINESS IN EL SALVADOR

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1. How to do Bussiness in El Salvador?

In general terms, national regulations apply different rules for foreign entities (natural or legal persons) that carry out permanent commercial activities than for those that only carry out isolated activities.

Therefore, foreign entities that carry out commercial activities in El Salvador can choose one of the following options:

i. Register a branch. The branch or agency is linked to a parent entity that is located outside the national territory. One of the disadvantages of this option is that any fiscal or contractual contingency may reach the parent company, even though they have separate accounting.

ii. Establish a new Salvadoran nationality company. It would be a company according to the different options and natures contemplated in the Commercial Code. With this, the responsibility that may arise from the business developed in El Salvador is "encapsulated", since the company only responds to the extent of its assets located within the territory.

iii. Maintain its foreign status. It can operate in this way when it carries out very short-term projects, in which case it will be subject to special tax withholdings.

In the first two cases, the entity must obtain its Tax Registry; commercial registration and registration with the Municipal Government where its administrative headquarters are located.

It should not be overlooked that there are controlled items (sale of weapons, regulated pharmaceutical products, alcoholic beverages, among others) that require a specific administrative license or permit, whether regulatory, environmental or otherwise.

Traders who carry out permanent commercial activities and wish to establish themselves in El Salvador can opt for one of the types of companies described in the Commercial Code:

a) Limited Liability Company (LLC): commercial company in which the partners are not personally liable for the company's obligations, but only up to the amount of their capital contribution. At least two partners and a maximum of 25 are required.

b) Variable Capital Stock Corporation (SA de CV): the share capital is divided into shares and the shareholders are not personally liable for the company's obligations, but only up to the amount of their share participation. At least three shareholders are required and there is no maximum limit of shareholders.

c) Simple Commandite Company: it is characterized by having two types of partners. The managers who contribute their work and are jointly and severally liable for the company's obligations; and the limited partners, who are not personally liable for the company's obligations, but only up to the amount of their capital contribution. At least two partners are required.

d) Sociedad en Comandita por Acciones: under the same scheme as the previous one, it differs by allowing the contributions of the limited partners to be represented by shares, under the regulatory scheme of SA. It must be composed of at least two partners.

e) Sociedad Colectiva: generates joint and several liability to all partners for the company's obligations. Its management can be entrusted individually or collectively. This does not affect liability, since non-managing partners have the power to supervise the management of the company at any time. It must be composed of at least two partners.

f) Mixed Economy Company (MEC): They are private law legal entities with state participation. The State's shareholding may vary according to the law or decree that creates them. Its management is in charge of a board of directors, composed of representatives of the State and private shareholders, subject to the control and supervision of the former.

ACTIVITIES CARRIED OUT BY FOREIGNERS

Foreign entrepreneurs are allowed to engage in any type of commercial activity in El Salvador, as there is no commerce area exclusive to Salvadorans. However, it should be noted that our Constitution requires reciprocity in terms of property ownership: only foreigners who are citizens of countries where a Salvadoran can also own property can own real estate in El Salvador. Otherwise, the foreigner cannot acquire land in their own name and will require a Salvadoran company to do so, making them an indirect owner.

GENERAL REQUIREMENTS TO ESTABLISH A COMMERCIAL COMPANY

Any company to be established in El Salvador requires at least TWO shareholders. Shareholders can hold any percentage of ownership, which can range from 99% to 1% and above.

Prerequisites for granting the Articles of Incorporation:

a) Shareholders must be at least 2 individuals;
b) If shareholders are natural persons, a copy of their valid passport must be sent to us;
c) If shareholders are legal entities, the following documentation must be provided:

i. Copy of the company's Articles of Incorporation, which must be authenticated by a Notary of the country where the company belongs;
ii. Certification detailing and attesting who is the legal representative of the company, which must also be authenticated by a Notary with the same requirements as the previous document;
iii. If the documents are written in a language other than Spanish, a translation of each document must be attached.
iv. The Notary's signature must be apostilled or authenticated by the appropriate authority, culminating with the signature of the Consul of El Salvador.

d) The name the shareholders wish to give to the company must be provided, which must be investigated in the Commercial Registry of El Salvador prior to the drafting to determine if it has not been used to date by another company.
e) A model containing the company's bylaws will be sent to the shareholders for study and subsequent modification/approval by them;

Shareholders must be registered in the Taxpayers Registry to obtain their Tax Identification Number (NIT).

Once the shareholders have approved the text of the Articles of Incorporation of the Company, and all the above steps have been completed, the shareholders must pay at least 5% of the company's founding capital and commit to paying the rest of the capital within the next year.

The minimum founding capital is US$2,000.00; the minimum initial contribution is US$100.00, which must be made by check payable to the company to be incorporated.

The company can be created under the "FIXED CAPITAL" or "VARIABLE CAPITAL" structures, and at the time of incorporation, shareholders must choose between the two structures. Under the "FIXED CAPITAL" structure, when shareholders want to increase or decrease the capital, they must perform the following activities:

a) Convene an Extraordinary General Shareholders' Meeting, in which the topic will be discussed and submitted for approval;
b) The increase or decrease in capital must be approved by 2/3 of the votes;
c) Once approved, publish the decision in a national newspaper of wider circulation to inform the public about the increase or decrease in capital;
d) Fifteen days after the publication, a Public Deed must be granted that documents the increase/decrease in capital, which must be registered in the Commercial Registry.

Under the "VARIABLE CAPITAL" structure, capital is increased or decreased with the simple agreement of the majority of shareholders, without the need for publications or the granting of any type of deed in this regard.

Once all the aforementioned requirements have been met, the Articles of Incorporation of the company will be signed and presented for registration in the Commercial Registry.

The duration of the previous process of company incorporation, which includes the collection of the necessary documentation for granting the company and the analysis of the clauses that will contain the social agreement, will depend on the speed with which shareholders submit the documentation and modify or approve the social agreement clauses.
On the other hand, the process of registering the company in the Commercial Registry takes approximately one week.

GENERAL REQUIREMENTS FOR STARTING OPERATIONS

Once the company is registered with the Commercial Registry, the following requirements must be fulfilled to operate commercially:

a) Obtain their Tax Identification Number;
b) Obtain their Taxpayer Registration Number (Value Added Tax);
c) Obtain paperwork to document operations (authorization of accounting books, preparation of invoices, authorization of cash registers, etc.).

The above aspects are mainly related to accounting and not legal matters, so once the company is registered, the documents will be sent to a local auditing firm to finalize the accounting procedures for the business operations.

However, the External Auditor of the company, who is the one authorizing the documents related to section c) above, must be appointed in the Public Deed of Incorporation of the company.

2. Tax Regime

The Salvadoran tax system is mainly regulated by the Tax Code, its laws and complementary regulations.

Individuals and companies engaged in economic activities are required to pay taxes on their income, profits, as well as on sales and services they offer. The Salvadoran tax system is composed of:

1. INCOME TAX LAW. This law imposes a maximum tax of 30% on net profits earned by individuals or legal entities at the end of the annual fiscal year, which by law runs from 12:00 a.m. on January 1st to 11:59 p.m. on December 31st of each year. The law specifies the costs, expenses, and other expenditures that are considered tax-deductible, all of which must be real, recorded, necessary, and related to the generation of the taxpayer's income.

Once the tax is paid by the company, dividends recognized to shareholders are subject to a 5% tax on dividends. Income received by individuals or legal entities abroad is not subject to this tax. Any foreigner who earns income in El Salvador is subject to a 20% withholding tax on their payments for this tax.

2. VALUE-ADDED TAX (VAT) LAW. Any transaction involving economic content, which involves the provision of a service or the sale of a movable property, is subject to a 13% tax calculated on the selling price or the price of the service.

For individuals who are not engaged in mass commercial operations (such as employees), the tax becomes part of the cost of the goods and services acquired. For individuals or legal entities that regularly engage in economic operations involving the sale of movable property or the provision of services, the amount paid in tax for the goods or services acquired becomes a "tax credit," which is offset against the tax generated by the services provided or the goods owned and transferred, which is called a "tax debit"; they must pay the tax authority only the resulting difference in case the debit is greater than the credit. To avoid double taxation, exports are subject to a 0% rate. Additionally, in order to encourage exports, the unused tax credit remaining with the exporter is refunded by the tax authority upon request of the interested party.

3. IMPORT DUTIES. There is a series of duties levied on the import of movable goods produced abroad. In this regard, El Salvador has recently entered into a Free Trade Agreement with the United States of America, under which both countries can import products to their respective territories without payment of the corresponding Import Duty, or enjoying a preferential rate compared to other countries.

The customs regime is regulated by the General Customs Law and its regulations, as well as by international agreements that the country has signed regarding trade.
Among the main types of customs regimes are consumption imports, definitive exports, re-exportation, customs transit, and temporary admission.

4. FREE TRADE ZONE. In El Salvador, there is the possibility for a natural or legal person to establish operations in a "Free Trade Zone," where there is a complete exemption from all identifiable taxes, both on profits and taxes related to the sale of goods and the provision of services, as well as taxes related to the importation of machinery and goods.

The concept of a "Free Trade Zone" was created to encourage all national and foreign companies specializing in manufacturing ("Maquilas"), which can either acquire raw materials locally or import them from abroad, in order to produce a final product, which they can export, re-export or sell in the local market.

Industries and companies subject to this regime will only pay taxes in relation to sales made to the local market.

5. OTHER LEGISLATION. There are other bodies of law that set special tax rates for special items in trade, such as "on alcoholic beverages," "on cigarettes," "on books," etc., which we can inform you about in the future according to your consultancy needs.

6. TAX INCENTIVES: LAW OF TAX INCENTIVES FOR THE PROMOTION OF RENEWABLE ENERGIES IN ELECTRICITY GENERATION

- During the first ten years, there will be a total exemption from the payment of import duty on machinery, equipment, materials, and inputs exclusively for pre-investment and investment activities in the construction and expansion of works for electricity generation plants, including the construction or expansion of the substation, transmission or subtransmission line, necessary to transport energy from the generation plant to the transmission and/or distribution electric networks. The following items are excluded from the benefit contained in this section: household furniture and appliances, as well as vehicles for individual or collective transportation;

- Income derived directly from the generation of energy based on renewable sources will enjoy a total exemption from income tax for a period of five years in the case of projects over 10 megawatts (MW); and ten years in the case of projects of 10 or fewer megawatts (MW); in both cases, starting from the fiscal year in which income is derived from energy generation based on renewable sources; and,

- Total exemption from the payment of all types of taxes on income derived directly from the sale of "reduced emissions certificates," hereinafter CERs, within the framework of the Clean Development Mechanism (CDM) of the Kyoto Protocol, or similar carbon markets, obtained by projects qualified and benefited under this law.

Companies operating in El Salvador must register with the National Directorate of Internal Taxes (DGII), obtain their Tax Identification Number (NIT), and submit periodic tax declarations (formal obligations), as well as keep proper accounting and maintain accurate records of their financial and commercial transactions, expenses, and costs.

The tax regime for foreigners in El Salvador depends on the foreigner's immigration status and the type of income earned in the country.

Foreigners residing in El Salvador and generating income are subject to the same tax obligations as Salvadoran citizens, but it is important to note that El Salvador does not have double taxation agreements with other countries, except for the Kingdom of Spain, which relates to a reduction in withholding rates for Spaniards and/or Salvadorans.

LAW OF LEGAL STABILITY

Upon signing an Investment Contract for El Salvador, the signing investors will enjoy the following guarantees:

a) Tax stability at the national level, derived from the legal regime of current taxes;
b) Tax stability at the municipal level, derived from the legal regime of current municipal taxes;
c) Stability in tax exemptions contained in Special Laws, for the term that would have been granted by the relevant institution;
d) Stability of customs regimes, derived from Special Laws related to tariff refunds, suspensions, and exemptions;
e) Stability of free transfer abroad of funds from foreign investments, in accordance with the Investment Law; and,
f) Stability of the migratory regime related to the residence of the investor, as established in the Investment Law and other current legislation.
g) Contractor's consideration: The contractor will commit to allocating three percent (3%) of the total value of the investment stated in the Contract for the execution of local development works in the Municipality where the investment will be established.
h) Contract term: For fixed asset investments for an amount equivalent to or greater than 42,200 current minimum wages in the industry sector ($12,835,974.00), they may have a contract with a maximum term of up to twenty (20) years.

TAX BENEFITS UNDER THE BITCOIN LAW IN EL SALVADOR

Starting on September 7th, 2021, El Salvador became the first country in the world to recognize Bitcoin as legal tender through the enactment of the Bitcoin Law and Decree No. 27 containing the Regulation of the Bitcoin Law, making it mandatory for all Salvadorans and businesses present within its jurisdiction to accept it. The Public Accounting and Auditing Oversight Council, the entity that regulates accounting in El Salvador, issued an accounting application guide for Bitcoin that contemplates the accounting treatment of transactions.

Compliance with the asset elements established in the conceptual framework of IFRS and the use for which the company will hold crypto-assets, as a means of payment (current asset) and trading (non-current asset) has been taken into account.

Tax incentives and opportunities

Transactions with the cryptocurrency have a competitive advantage over other assets as exchanges will not be subject to any taxes, such as capital gains tax, Value-Added Tax (VAT), income tax, etc. Additionally, the government offers the facility to pay tax contributions using Bitcoin.

The main objective of using BTC is to encourage foreign investment by offering lower costs, simpler purchasing processes, and the security offered by the use of blockchain in a company's internal processes.

7. Labor Regime

The Labor Code, its complementary laws, and regulations constitute the normative basis that regulates the employer-employee relationship. Agricultural workers, public officials and employees, military personnel, members of the Armed Forces and the National Police are excluded from it, as they have specific regulations.

The workday in El Salvador is 8 hours a day and 40 hours a week. There may be work schedules for specific areas (such as private surveillance), but they must be analyzed on a case-by-case basis. All workers in El Salvador must be affiliated with the Salvadoran Social Security Institute and the Pension System (AFP). In turn, workers are entitled to one paid day off per week and 15 days of paid vacation per year after a year of continuous work.

The minimum wage in El Salvador is periodically set by the government. The national minimum wage in El Salvador is $365.00 (US dollars).

Likewise, workers are entitled to compensation for unfair dismissal equivalent to one month's salary for each year worked. In the case that the worker has two years of work, they are entitled to be compensated if they resign voluntarily with at least fifteen days' notice, or with thirty days' notice if they hold a leadership or management position in the company. In that case, the worker is compensated with 50% of the compensation they would be entitled to for unfair dismissal.
Workers have the right to unionize and to collectively negotiate a collective labor contract with employers. In addition, there are rules for strikes and labor dispute resolution.

Contracts must be in writing. The lack of a contract is attributed to the responsibility of the employer, who can be sanctioned. However, the absence of a written contract is not a cause for nullity of the employment relationship, which can be proven by any means.

In El Salvador, there are different types of employment contracts, the most common being:

a) Indefinite time contract: Establishes a permanent employment relationship between the employer and the employee, without a predetermined end date.
b) Fixed-term contract for a specific project or service: The contract must establish the start and end date of the employment relationship, and must be for a specific job or emergency. It must also specify the project or service to be performed, its duration, and the payment conditions.
c) Apprenticeship contract: must establish the training period, which can range from 6 months to a maximum of 2 years, with compensation.

Taking into account the aforementioned benefits and contributions, the approximate monthly cost structure for a company or employer that hires an employee is as follows:

1) Employee's salary: Basic payment granted to the employee for their services, which varies depending on the type of work and the employee's experience; it cannot be lower than the minimum wage.
2) Social security contributions: Employer's obligation to make contributions to social security in El Salvador, which are equivalent to 7.00% of the employee's salary.
3) Pension fund contributions: Employers contribute 8.75% of the employee's salary to the pension fund.
4) Christmas bonus: Benefit granted to the employee equivalent to 15 days of monthly salary when the employee has worked for the company for 1 to 3 years; if the employee has worked for the company between 3 and 10 years, the bonus is equivalent to 19 days of salary; and if the employee has worked for the company for more than 10 years, the bonus is equivalent to 21 days of salary.
5) Vacation: corresponds to 15 business days of vacation for every 200 days of work completed; plus an economic compensation equivalent to 30% of the salary. Vacation time cannot be accumulated.

In summary, the workers' rights are as follows:

a) Minimum wage: US$365.00 (Industry, commerce, and services sectors);
b) Daytime work hours: 8 hours;
c) Nighttime work hours: 6 hours;
d) The right to vacation, unionization, overtime, and Christmas bonuses is recognized;
e) Termination of employment can only be done with justified cause, and the justified causes are previously contemplated in the law;
f) A worker who resigns voluntarily loses their right to compensation;
g) The maximum compensation to which a worker is entitled, regardless of their rank or position, is four minimum wages per year of work.

4. Migration Regime

In El Salvador, migratory statuses refer to the different categories of migrants who can enter and stay in the country. Below are the main migratory statuses in El Salvador:

Permanent Resident - foreigners seeking to permanently reside in El Salvador.

Temporary Resident - allows foreigners to reside in El Salvador for a limited period of time, which can be renewed from two to five years, after which they can opt for permanent residency or citizenship.

Tourist Regime - foreigners who enter El Salvador for the purpose of carrying out tourism, sports, cultural, or business activities for a limited period of time.

Permanent or Temporary Resident with authorization to work - foreigners who enter El Salvador with a work contract, which must be requested by the company where they will work.

Refugee - foreigners who flee their country of origin due to persecution based on race, religion, nationality, political opinion, or membership in a social group.

Most foreigners can enter El Salvador freely and without the need for a visa, obtaining the right to enter and stay for a period not exceeding three months, provided they meet requirements such as having a valid passport.

To work in El Salvador, foreigners must obtain a migratory status of "Permanent or Temporary Resident with authorization to work," as appropriate. To do so, they must present certain documents, such as the work contract, job offer, a certificate of criminal records, among others. The Salvadoran company that hires the foreign worker must also demonstrate that there are no Salvadoran workers available to perform the work and in any case, can only hire 1 foreigner for every 10 employees.

In any case, foreign personnel must maintain an 80/20 ratio in the company, in the sense that 80% of payroll payments must be for Salvadorans and only 20% must be for foreigners. This is the only requirement imposed by law to grant or deny authorization to work in El Salvador.

The requirements established by the Ministry of Governance of El Salvador to request residence with authorization to work are as follows:

1) Fill out the application provided by the Ministry of Governance of El Salvador;
2) Original and authenticated copy of the birth certificate by the Salvadoran Consul for the country of origin or apostilled;
3) Original police clearance certificate issued by the country where the applicant has resided for the last two years prior to entering El Salvador, authenticated as indicated in number 2;
4) Photocopy of the passport with all used pages (original and copy must be presented to the Ministry, returning the original immediately to the applicant);
5) Original or draft of the employment contract;
6) Documents proving the legal status of the company that will employ the applicant.

For family members of the foreigner, all the above except for those in numbers 5 and 6 must be presented, as well as the respective marriage certificate with their spouse. If any of the documents to be presented are in a language other than Spanish, they must be translated.

Hoping that the above serves to sufficiently illustrate you regarding the general requirements to start commercial operations in El Salvador.

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GUIDE LEGAL TO DOING BUSINESS IN ITALY

CARNELUTTI
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1. How to do business in Italy?

There are certainly different ways of doing business in Italy.

Over the years, several reforms have been introduced to streamline and simplify the procedures required to start and operate a business in Italy (for example, by reducing the minimum capital and paid-up capital requirements and streamlining registration procedures).

A business can be operated either as a sole trader or as a company. Both entities are governed by the Italian Civil Code. A person may carry on a business either as an individual or by setting up a new company or by acquiring shares in an existing company.

Firstly, you can set up a representative office in Italy (local office) or an Italian branch of a foreign company.

The Italian branch does not have its own legal personality; therefore, the head company is responsible for its operations, but the branch is subject to taxation in the foreign country where the economic activity is carried out.

Incorporating an Italian company is the best way to start a business in Italy.

Italy offers a wide range of legal forms for setting up companies, depending on the company's organizational model, its commercial objectives, the amount of capital to be committed, the extent of liability, and tax and accounting implications.

1. Types of companies:

Substantially, under Italian laws companies are divided in two main types:

- ✓ partnerships (“Società di persone”), which are companies characterized by the unlimited liability of the members for the obligations of the company; and
- ✓ corporations (“Società di capitali”), which are limited liability companies in which the shareholders’ liability is limited to the contribution, or the amount unpaid thereof, to the company.

2. Corporations:

There are three types of corporations:

- ✓ Società per azioni (S.p.A.);
- ✓ Società a responsabilità limitata (S.r.l.); and
- ✓ Società in accomandita per azioni (S.a.p.a.).

In principle, the S.p.A. is considered a suitable vehicle to undertake activities of substantial nature and it can be characterized by a large number of shareholders and a formal corporate governance structure, whilst the S.r.l. is more suitable for smaller business as it is characterized by a highly flexible corporate structure directly involving the shareholders. These are only general indications given by the practice, since an S.r.l. can also be used for large operations and purposes depending on the circumstances.

Both S.p.A. and S.r.l. can be incorporated with one member (individual or legal person). However, if this is case, it must be stated in the company's documents, letterhead and papers, the share capital must be fully paid up at the time of incorporation, and the sole shareholder still benefits from limited liability.

3. Partnerships:

A partnership is characterized by the personal commitment of each individual partner as a whole within the partnership. Individual partners are personally liable for the liabilities of the company (including with their personal assets) and each individual acts for the whole business. Limitations on individual partners' liability are restricted.

The main types are:

- ✓ Società semplice ("S.S." – simple partnership)
- ✓ Società in nome collettivo ("S.n.c. " - general or unlimited partnership)
- ✓ Società in accomandita semplice ("S.a.s." - limited partnership)

4. Innovative start-ups:

In addition to traditional models, it is possible to create an innovative start-up, i.e., a new type of company with a high technological content, which is one of the key points of Italian industrial policy. Indeed, Italian legislation has introduced specific measures to support the creation and growth of companies in the one of the forms of joint stock companies described above.

As an alternative to the previous options, a foreign company may acquire an existing business or asset. The purchase of an enterprise occurs when it concerns a set of assets (tangible and intangible assets such as movable and immovable property, equipment, trademarks, patents, etc.) that are functionally related and are likely to become an instrument for carrying out a business activity. The purchase of an enterprise is generally a single transaction and it can only be carried out by means of a notarial deed or a private deed certified by a notary.

2. Tax Regime

From a tax perspective, business can be carried on in Italy mainly through a branch/permanent establishment or a stock company/limited liability company.

From a legal point of view, one has to bear in mind that companies are responsible for their own obligations directly, while parent companies inherit all the legal obligations and duties of branches: branches are not responsible on their own.

In general terms both companies and branches of foreign companies are subject to the same taxation in Italy.

Branches do not have their own legal personality (while companies do), but they are subject to taxation in Italy where the business is carried out. They represent a permanent establishment of the foreign company and are mainly treated as independent entities for tax purposes with their own separate tax and accounting identity and autonomy.

Branches must be registered with the VAT and Income Tax authorities and should keep certain registers and accounting records in accordance with applicable VAT and tax regulations.

The two most common kinds of corporate vehicles in Italy are the "Società per azioni" (the "SPA") (joint stock company or company limited by shares) and the "Società a responsabilità limitata" (the "SRL")

Profits earned by a company, if distributed to the stockholders, are subject to a withholding tax on dividends, if applicable, whereas the transfer abroad of profits earned by a branch is not subject to any withholding tax.

Limited liability companies and branches of foreign companies carrying out commercial activities in Italy are basically subject to the same tax charges. Both companies and branches of non-resident companies are subject to the following corporate taxes:

- ✓ Italian Corporate Income Tax (IRES - Imposta sul Reddito delle Società) set at a 24% rate;
- ✓ Italian Regional Tax on Production (IRAP - Imposta Regionale sulle Attività Produttive) set at a specific rate for financial services, which depends on the Region where the company or the branch has its registered office (for example in Lombardia the rate is set at 3.9%).

Companies and branches are also subject to the same tax compliance requirements. Specifically, an Italian SPA or a branch has to adopt the following books:

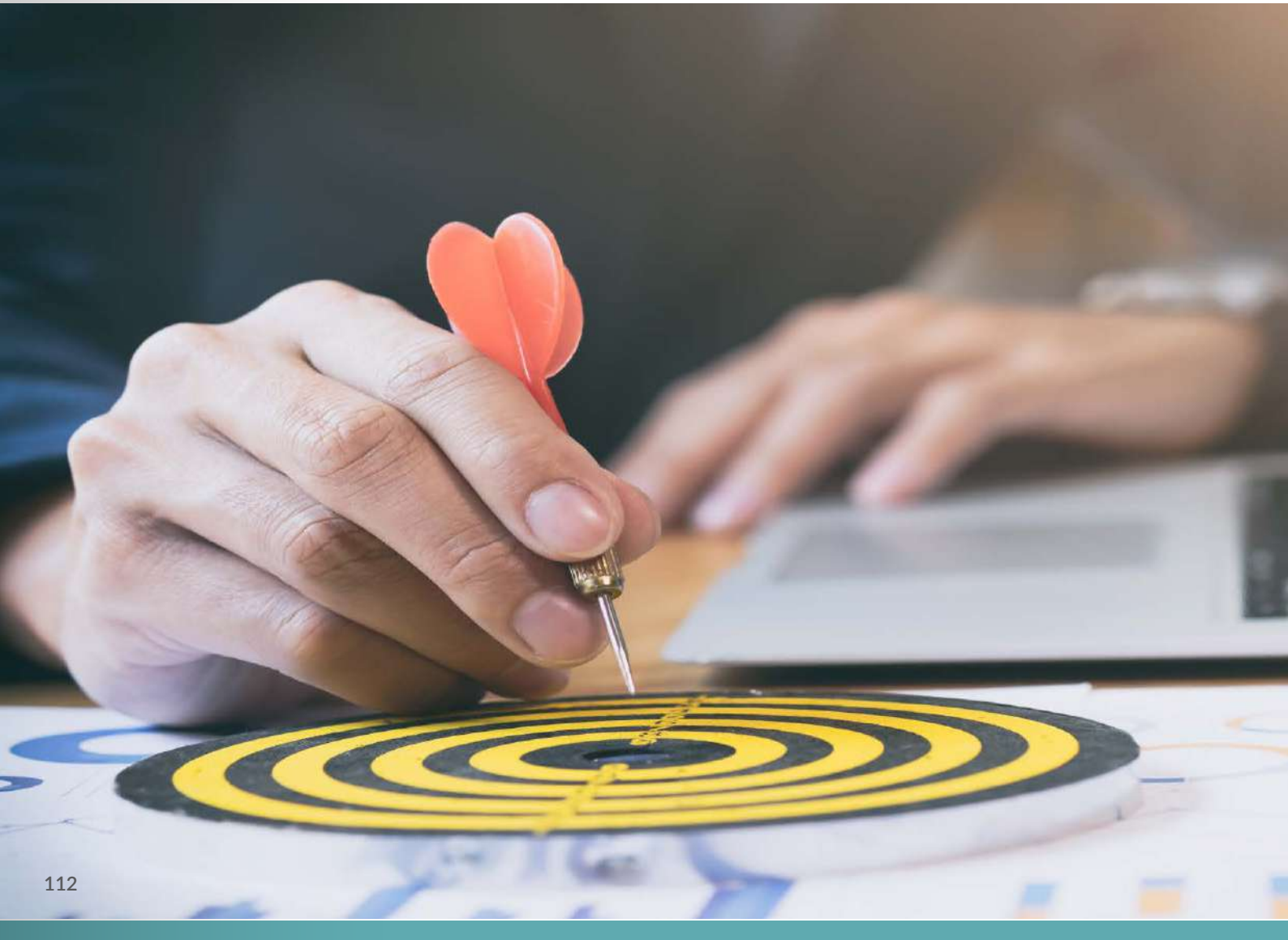
- ✓ general ledger, where to record all transactions;
- ✓ VAT books, where to register all invoices issued and received;
- ✓ assets book, where to record all tangible assets and the relevant depreciation;
- ✓ inventory book, where to report the details of assets and liabilities.

Companies and branches are subject to transfer pricing rules in connection with transactions with other foreign entities belonging to the same corporate group.

Furthermore, an Italian SPA or a branch has to prepare and file electronically the following tax returns with the Italian Tax Authorities.

- ✓ Corporate income tax return;
- ✓ Regional income tax return;
- ✓ withholding tax return;
- ✓ VAT returns.

Corporate income tax returns, regional income tax returns and withholding tax returns have to be filed electronically no later than 11 months after the end of the fiscal year. Instead, VAT returns have to be filed by April 30 of the subsequent calendar year.



3. Labor Regime

Italian Labor Law is basically regulated by the following rules: rules under the Italian Civil Code; rules under Italian Special Laws; rules under collective labor agreements.

1. Rules under the Italian Civil Code

This set of rules mainly regulates the following topics:

- ✓ power of the employer to unilaterally modify job duties and place of work;
- ✓ protection of employees' rights in the event of transfer of undertakings or part thereof;
- ✓ non competition covenants after termination of standard employment;
- ✓ differences between standard employment and self-employment.

2. Rules under Italian Special Laws

This group of rules mainly regulate the following topics:

- ✓ remedies in the event of unfair dismissals;
- ✓ anti-discrimination rules;
- ✓ maternity and paternity leaves;
- ✓ remote work and whistleblowing policies;
- ✓ union rights/prerogatives;
- ✓ remote control of employees.

3. Rules under collective labor agreements

This group of rules mainly regulates the following topics:

- ✓ cost saving variable remuneration;
- ✓ welfare benefits plan.

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LEGAL GUIDE TO DOING BUSINESS IN MEXICO

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1. How to do business in Mexico?

Introduction:

According with the World Bank, Mexico is positioned the place 60 of 190 in the world classification to doing business.

At the same way, Mexico has a geographic located that offers advantage to reduce logistic costs, also is part of the one of the most important economic blocs, TMEC.

MORE USED CORPORATE FORMS IN MEXICO.

The corporate regimes (types of companies) most used to enter in the Mexican market are Corporations and Investment Promotion Corporations, which are described below:

1. La Sociedad Anonima It is a type of company, under which shareholders are only obligated to pay their shares, shares are the way in which their capital is represented, and these give their shareholders rights and obligations.

   The rights can be divided mainly into corporate and economic; the first allow participate in Company decisions; the second allow to obtain a participation in the economic benefit generated by the company, proportional to the participation in the share capital.

2. La Sociedad Anónima Promotora de Inversion. Follow the rules of the Sociedad Anónima; however, its main regulation is found in the Stock Market Law. The main objective of this company is attract investment in a non-stock market area, since, through its regulation allows design different types of shares with different rights and obligations for each specific case, to facilitate the attraction of invest through capital increases.

Formalities to create a Company:

The main formality required by the law is create the Company before Public Notary and register in the Registro Público de la Propiedad y del Comercio, that is the reason because it´s creation and operation could take among 20 and 40 business days.

Benefits:

- Protect the shareholders to legal contingencies.
- Separate the heritage of the shareholders and the company.

Requirements:

- Create a share capital (Do not exist a minimum).
- Designate an administrator or administrators of the company.
- May exist, at less, two shareholders of any nationality.

Stablish a Company Branch.

A company branch is an office of the company located in another country that the main operations office, and in this office take care of the regional business.

To open a company branch in Mexico is necessary obtain an authorization for the Mexican Authorities, and obtain a Tax ID.

The benefits that offer stablished a company branch are mainly:

- Access to a tax process easier.
- Reduce requirements to operate in Mexico immediately.

The authorization process to stablish a company branch in Mexico took at less 15 business days, plus the times before Mexican Authorities, as well as the estimated time to stablish and operate a company branch in Mexico is 20 to 30 business days, it depends of request times of Mexican Authorities.

2. Tax Regime

I. Main taxes to companies.

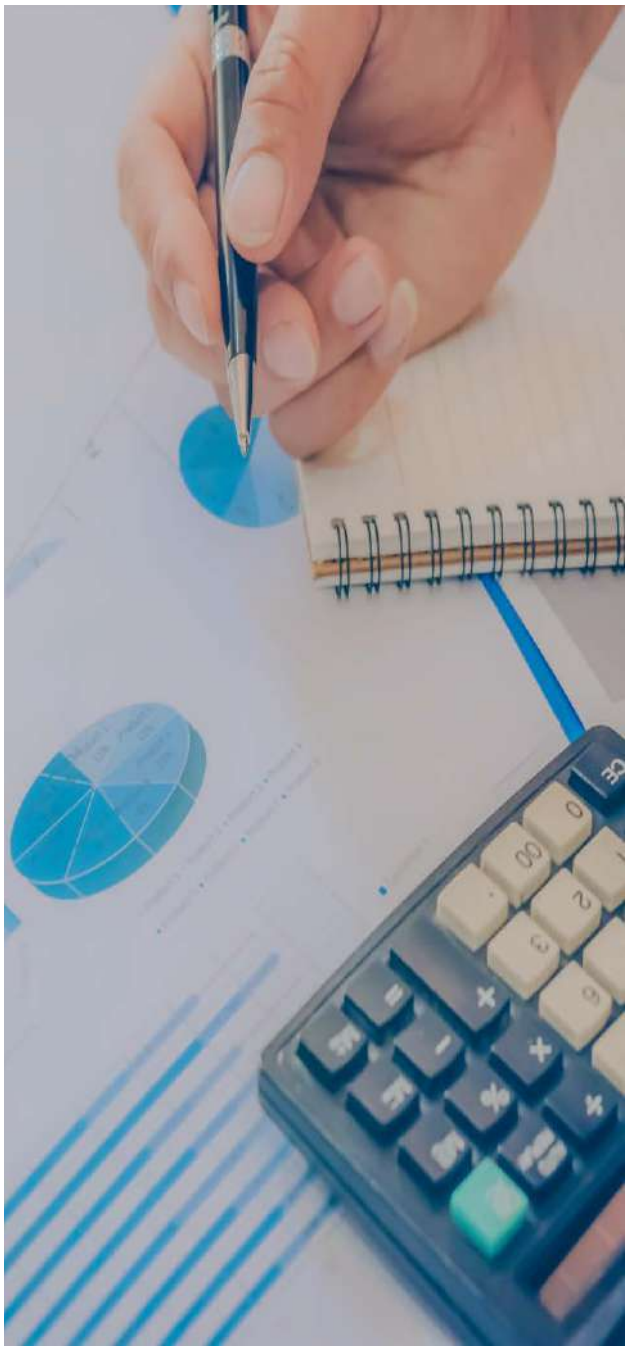
In Mexico all companies have the obligation to pay different taxes depending economic activity that develops, place of residence, among others. The main ones are the Income Tax (ISR), Value Added Tax (IVA) and Special Tax on Products and Services (IEPS) that have the following characteristics:

1. Income Tax

It is a tax that applies for all the incomes considered profits obtains among a tax year (one natural year). This tax may pay per year and provisionally per month, the tax rate for this tax is 30% of the profits of the company.

2. Value Added Tax

This tax applies for sell of products and services, and the persons obligated to pay it are the final consumer, but the person that sell the products or provide the services are obligated to retain and paid to the Tax Authorities. For this tax exist two tax rates, general of 16% of the amount and 0% applicable to specific activities. que se aplica a ciertas actividades.



3. Special Tax on Products and Services (IEPS),

Tax levied on the production and sale of alcohol, beer, gasoline, and tobacco among others, and is calculated with different rates that will depend on the product to which it must be applied.

It is adjusted from time to time derived from inflation and other aspects that are taken account for the calculation of this, for example:

- Foods containing calories with a density of 275 kilocalories or more, 8% must be paid for each 100 grams.
- Alcoholic beverages are calculated depending on the alcohol degree that it contains, it can go from 26.5%., up to 53% of IEPS.
- Regarding gasoline, the kind of gasoline is taken in consideration, the regular gasoline pays an IEPS of 5.4917 pesos per liter, while the premium gasoline pays 4.6375 pesos per liter and the Diesel pays 6.0354 pesos per liter.
- Flavored drinks must pay 1.39 pesos per liter.

Countries with which Mexico has agreements to avoid double taxation.

In Mexico exist different trades to avoid the double international taxation, however, this measure only diminishes the effects of double taxation, but does not succeed in eliminating them completely.

Countries that have tax treaties with Mexico on double taxation are Argentina, Australia, Austria, Bahrain, Barbados, Brazil, Canada, China, Colombia, Czech Republic, Estonia, Germany, Greece, Hungary, Hong Kong, Iceland, India, Indonesia, Italy, Kuwait, Latvia, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Panama, Peru, Poland, Qatar, Romania, Russia, Slovak Republic, United Kingdom, United Kingdom, Singapore, South Africa, Switzerland, Turkey, Ukraine and Uruguay.

3. Laboral Regimen

COSTS OF COMPANIES DERIVED FROM THE HIRING OF WORKERS:

Rights and Labor Burdens in Mexico

In Mexico, work is ruled by certain labor rights and obligations, which generally apply to all employers and employers.

The obligations for employers are mainly the following:

1) Provide all the necessary work tools to employees to develop their functions.

2) Provide capacitation to upgrade the capacities of the employees.

3) Establish internal work rules that regulate the labor conditions to develop the employees' activities.

4) Grant mandatory benefits, such as vacations, vacation bonus (25% on the number of vacation days to enjoy), Christmas bonus (15 days for one year of service) and participation to workers for profit generated by the employer (the percentage to be granted is updated every year).

5) Grant the payment of accrued benefits and, where appropriate, compensation that corresponds to the termination or termination of the employment relationship.

6) The company must grant social security to all employees.

In Mexico, employers must pay certain expenses for hiring a worker and these can be seen with the following example:

A worker who earns the minimum salary in Mexico, ($ 207.00 pesos per day), the monthly expense is approximately $ 8,125.48, this at the rate of the following:

Monthly salary: $6,210.00
Withholdings: - $261.19
Net payroll payable to worker: $5,948.81
Monthly tax payable (ISN, COP, RCV, INFONAVIT): + $1,915.48
Total cost to pay for the employeer: $8,125.48.

4. Migratory Regimen

The applicable law contemplates different ways to entry in Mexico, that is, having a visa to Stay within Mexican territory and which will depend of the reason for which you want to entry in the country. In this sense, the most used modes of visa for foreigners dedicated to Business and labor sector are as follows:

Kinds of visa:

Visitor:

- With permission to carry out remunerated activities: Este tipo de visado permite a la persona extranjera interesada, solicitar su ingreso al país con la finalidad de realizar actividades remuneradas, siempre y cuando su intención sea permanecer por un tiempo ininterrumpido no mayor a ciento ochenta días, contados a partir de la fecha de entrada.

- Temporary residence, es aquel tipo de visado que autoriza a cualquier extranjero la entrada a territorio nacional, con la finalidad de permanecer por un tiempo no mayor a cuatro años, en donde se debe cumplir con uno de los siguientes supuestos:

  - By offer of employment: it is the means of entry to the most employed country and through which the foreigner may stay the time determined by the laws in force, having a remuneration through a job offer of authority or workplace.

  - For economic solvency: : It is the channel through which the foreign person enters Mexico, demonstrating that he has sufficient capital to cover the amount of accommodation and living expenses during his stay in national territory.

  - For being an investor: It is the way in which you can enter Mexico through the accreditation of participation in the share capital in Mexican companies or have movable property or assets where the purpose is to be used in economic or business sectors, this as long as the estimate of the investment is greater than the administrative provisions determined by the authorities.

  - Finally, in this case, it may be proven that it develops economic or business activities within the national territory, which can be prove with invoices, receipts, business plans, contracts, etc.

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GUIDE LEGAL TO DOING BUSINESS IN PANAMA

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1. How to do business in Panama?

In Panama, investors have different ways to conduct business. Our regulations recognize the freedom to adopt any business form they choose. There are different specific laws, which are added to the Commercial Code, which regulate the different types of companies that can be used, the most used company forms being the following:

Limited Companies (Law 32 of 1927): These have general characteristics such as the limited liability of their shareholders, a minimum of 1 shareholder, no minimum initial share capital (although the customary amount is US$10,000.00, without the need to prove its disbursement), representation of the Capital through share certificates, distribution of profits according to shareholding, administration through the Board of Directors and the Board of Shareholders, or special or general representatives. There is no maximum shareholder limit. Shareholders are not registered in the Public Registry, but the ultimate beneficial owners must be announced in a single private system of ultimate beneficial owners, to which a government authority has access to. It is mandatory for the Board of Directors to have at least 3 directors, of which these, or different from the Board of Directors, must occupy officer positions as: President, Secretary and Treasurer (at least). Registration time ranges from 2 days to 5 working days. A Panamanian company can be the sole owner of a foreign entity, in which case it is called a 'subsidiary'. Likewise, companies from other jurisdictions can be registered in the Public Registry of Panama, as an 'agency' or 'branch', and follow the same administration rules as if it had been created in Panama.

Limited Liability Companies (Law 4 of 2009). They have a minimum of 2 members, with no maximum number of members, also called participants or quota-holders. Partners can be natural or legal persons. Partners must register with the Public Registry. There is limited liability and no minimum initial share capital is required. The partners are holders of shares, which are issued through certificates, and which must be known by the Public Registry. Share transfers must be elevated to Public Deeds and registered in the Public Registry. The partners have a preferential right in the transfer of shares. There is no Board of Directors, but an "Administrator", so that said General Administrator is responsible for the administration and representation and they have an Assembly of Participants. This type of company can also be registered in Panama as "agencies" or "branches".

BRANCHES VERSUS SUBSIDIARIES. Both types of companies explained above, constituted and headquartered abroad, can be established in Panama, as a branch, by public deed registered in the Public Registry. Its registration in the Public Registry takes an estimated 5 to 10 days. However, it is far more common to register a completely new company, as a subsidiary of a foreign-based parent company. Then, we proceed with the registration of the company in the Taxpayer Registry (RUC) before the tax authority, with the purpose that, each year, it pays to the treasury a tax called: Annual Tax on Public Limited Companies.

On the other hand, foreign businessmen can also link up with their Panamanian counterparts through business collaboration contracts (joint venture, accounts or joint venture, consortium, franchise, distribution, and others). For these contracts, the Panamanian legal system grants freedom to self-regulate them (without the need to register with any government authority), the most common being associative contracts, franchise contracts or trademark license contracts, distribution contracts, private concession and agency. In Panama, in order to carry out the foreign brand representation business and/or sales of goods or products at retail or retail within the territory of Panama (except restaurants and goods with a high component of services), it is necessary to prove that the managers and Company shareholders are Panamanians, born or naturalized, or married to Panamanians.

2. Tax Regime

In Panama, there are various taxes applicable to entrepreneurs and companies, the main ones being the following:

1. Income Tax:

Companies incorporated in Panama (and branches) are subject to Income Tax, but only with respect to their Panamanian source income. Regarding the criteria of natural persons, domiciled legal persons or branches, the same tax treatment is applicable only to their Panamanian source income. Income tax, as a generic concept, also includes other taxes that are part of the same notion: Dividend Tax, Complementary Tax, Capital Gains Tax, Operation Notice Tax, Withholding Tax for Remittances Abroad, Tax Educational Insurance (individuals) and Municipal Taxes. Income considered from a foreign source (invoiced outside of Panama, or due to activities that are "foreign" for Panama), as well as income considered "exempt" (interest and income generated from banks and/or stock markets, even if they are Panamanians) do not pay income tax;

2. Tax on the Transfer of Movable Personal Assets and Provision of Services (ITBMS).

It is the General Sales Tax, or the equivalent of the Value Added Tax (VAT) and it is applied to the sale of property, the provision of services, the importation of goods and the exportation of services (the exportation of goods does not generate ITBMS). The applicable rate is 7%. It should be noted that the ITBMS consigned for the acquisition of goods or use of services provided for non-residents (transients or tourists), does not constitute a tax credit, because the ITBMS is considered a territorial tax, applicable to all who acquire goods within Panama. However, it is exempt in free fairs and in free trade and port transit zones (airports and cruise ports);

3. Selective Consumption Tax (ISC).

The Selective Consumption Tax taxes certain products considered luxury or that have a connotation of "ostentation" that the State wishes to discourage, in addition to the ITBMS. With few exceptions (internet services, cable TV and betting), the tax is paid on import customs forms (vehicles, yachts, cigarettes, liquor) or with tax forms attached to purchase orders from local manufacturers (sweetened beverages, soft drinks). The rate of this tax fluctuates greatly, depending on the type of good or service;

4. Municipal taxes.

The main local municipal taxes (Panama has 81 independent municipalities as of 2023) are those applicable to mere commercial activity (except for liberal or professional ones) and taxes on signs, which are paid monthly, and the registration tax. of vehicles; and each company must present a Declaration once a year to the municipal treasury;

5. Social Contributions.

In addition, for the social security system, called "Caja de Seguro Social" (CSS), there are various charges or contributions for the worker and for their employers;

6. Real Estate Transfer Tax (ITBI) and Property Tax.

These national collection taxes are: The transfer of real estate with a rate of 2% of the updated cadastral value of the property at the time of sale; the Real Estate Tax that is levied annually on the value of urban and rural properties in charge of the owners of the properties, a rate that exempts the first US$30,000 for all real estate, and the first US$120,000 for real estate for main residence or familiar, and that in the subsequent tranches go from 0.50% to 1%;

7. Taxes that do not exist in Panama.

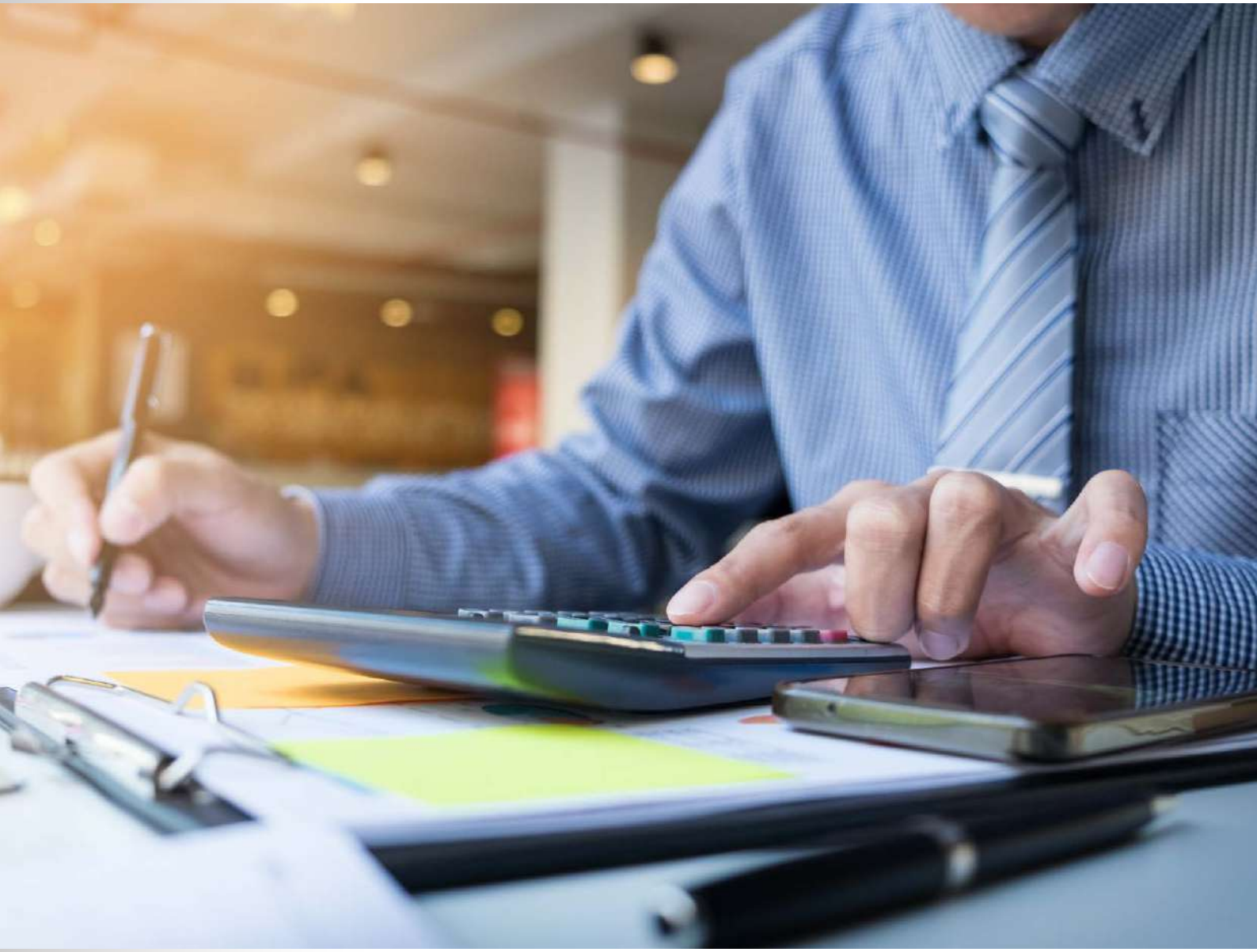
In Panama, Financial Transactions are not taxed. It should be noted that banks or financial institutions in Panama, due to legal and constitutional precepts, cannot be computationally connected to the tax authorities (General Directorate of Revenue or National Customs Authority), nor can they provide the treasury with information related to local taxpayers., except for administrative or criminal proceedings in progress. However, by virtue of international agreements, financial institutions in Panama must deliver to the Panamanian tax administration, every year, financial information on foreign account holders. In Panama, there is no wealth tax. In Panama, there is no tax on Net Assets by category. There is no tax on large estates, nor taxes on livestock.

Accords to avoid double taxation and prevent tax evasion:

Panama has agreements in force with: (1) Mexico; (2) Barbados; (3) Portugal; (4) Qatar; (5) Luxembourg; (6) Spain; (7) Holland; (8) Singapore; (9) Korea; (10) Italy; (11) France; (12) Ireland; (13) Czech Republic; (14) United Arab Emirates; (15) Israel; (16) United Kingdom; and (17) Vietnam.

The purpose of these agreements is to establish mechanisms for the distribution of tax jurisdiction so that through them rules are provided to determine which country will have the power to tax certain income and at what percentage, achieving in most cases reducing double taxation. In exports of services from Panama to a country that has signed this type of treaty, the agreements establish that, in the event that income has been taxed in the country of destination of the service, in Panama the income is exempt.

Panama has also signed multilateral agreements for the exchange of financial information, under the name of Common Reporting Standard (CRS).



3. Labor Regime

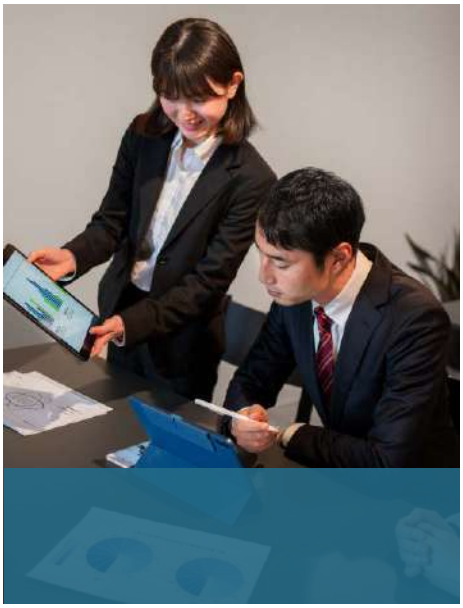
In Panama, the provision of services of a personal, subordinate and remunerated nature, with economic dependence, gives rise to the existence of an employment contract. The hiring of personnel does not require major prerequisites, except for the age of majority, which in Panama is acquired at 18 years of age. Every employment contract must be sent in copy to MITRADEL at the time of its execution. Minors between the ages of 15 and 18 require their parents' permission to work, but without the need for approval from the Ministry of Labor and Labor Development (MITRADEL).

There are various types of employment contracts such as indefinite-time employment contracts, definite-time employment contracts, and specific work contracts (generally construction contracts). The legal probationary period is 3 months at the end of which the worker achieves protection against dismissal without just cause.

Workers have various rights such as minimum remuneration (approximately US$600.00 per month, by 2023), the work day of eight hours a day or forty-eight hours a week, a mandatory weekly rest of 24 hours, national holidays (currently, there are 12 national holidays -year 2023-), annual vacations of 30 calendar days for each full year (every 11 months) of services, compensation for unjustified dismissal, compensation for time of service or seniority premiums. In some cases, due to collective agreements, also legal bonuses, bonuses and participation in company profits. In addition, the regulations of the Labor Code also require remuneration for overtime work, mandatory social security (disability, old age -pensions-, illness, hospitalization, death, maternity and professional risks), payment of a thirteenth month, as well as collective rights such as collective bargaining, unionization and strike.

Taking into consideration the aforementioned benefits and contributions, the approximate monthly cost structure for a company or employer that hires a worker is as follows:

Employer



- Remuneration: 100%
- Employer Social Security: 12.25%
- Holidays: 1/11 of salary
- Thirteenth Month: 1/12 of salary
- Seniority Bonus: 1 week for each full year of work
- Indemnity for unfair dismissal: 3.4 weeks for each year of work
- Education Insurance Tax: 1.5%
- Professional Risk Fee: Varies between 0.56% to 5.67%. Generally, it is in the order of 2.1%.

Worker

- Income Tax: According to scale (exempt up to US$11,000 per year, 15% up to US$50,000; and 25% thereafter)
- Educational Insurance Tax: 1.25%
- Employee Social Security: 9.75%

Notwithstanding the aforementioned, Panamanian legislation establishes a special regime for workers with special temporary or permanent residence status who work in the Headquarters of Multinational Companies (SEM), who are exempt from these taxes, rates and contributions, provided that the company covers their social security in some way (disability, old age, death, pension, maternity, illness, hospitalization).

4. Immigration Regime

Foreigners who enter Panama for the purpose of carrying out various activities temporarily or permanently are subject to requesting different migration categories from the National Immigration Service. Each of these classifications has a different type of visa that will regulate the permanent or temporary residence of foreigners in the country.

1. Treaty of Friendship, Commerce and Navigation between the Republic of Panama and the Republic of Italy.

Foreigner of Italian nationality who wishes to establish his residence indefinitely in our country.

2. Foreign Nationals of Specific Countries that maintain Friendly, Professional, Economic and investment Relations with the Republic of Panama.

This residence is for those foreign nationals of certain countries, who can prove some professional, economic or investment link with Panama with a value of B /. 200,000.00. This residence grants permanence after two years.

Among the nationalities that can apply for this citizenship are: Germany, Andorra, Argentina, Belgium, Brazil, Canada, Chile, Costa Rica, Croatia, Spain and the United States of America, among others.

3. As a Professional Foreigner.

The professional foreigner may apply for this permit, as long as said profession is not limited by the Constitution of the Republic of Panama or by naturalization.

4. Economic Solvency by Opening a Fixed-Term Deposit.

Foreigner who invests the minimum sum of three hundred thousand balboas (300,000.00) in fixed-term deposit goods and who demonstrates that the funds come from abroad. This Permit will be for a term of two (2) years, after this period the applicant may opt for permanent residence. To include a dependent, you must add the investment of B/.2,000.00 for each dependent, which can be justified by a local bank reference.

5. Economic Solvency by Investment in Real Estate.

Temporary residence: Foreigner who invests the minimum sum of three hundred thousand balboas (300,000.00) in real estate and demonstrates that the funds come from abroad. This Permit will be for a term of two (2) years, after this period the applicant may opt for permanent residence. To include a dependent, you must add the investment of B/.2,000.00 for each dependent, which can be justified by a local bank reference.

Permanent residence: Foreigner who invests the minimum sum of five hundred thousand balboas (500,000.00) in real estate and demonstrates that the funds come from abroad. This Permit grants permanent residence expeditiously, in less than six months. To include a dependent, you must add the investment of B/.2,000.00 for each dependent, which can be justified by a local bank reference.

7. Economic Solvency by Mixed Investments (Fixed Term Deposit and Real Estate).

Foreigner who invests the minimum sum of three hundred thousand balboas (300,000.00) in real estate or fixed term; or a combination of both and demonstrate that the funds come from abroad. This Permit will be for a term of two (2) years, after this period the applicant may opt for permanent residence. To include a dependent, you must add the investment of B/.2,000.00 for each dependent, which can be justified by a local bank reference.

To hire foreign personnel, it is necessary to engage into a written contract with certain formalities and limitations, in simultaneous processing with the National Immigration Service. Contracts must be approved by the Ministry of Labor and Labor Development (MITRADEL). The number of foreign workers must not exceed 10% of the total number of workers and their remuneration cannot exceed that same percentage of the payroll (10%), unless it is proven before MITRADEL that the company needs specialized workers, in which case the percentage can go up to 15%.

7. Retired Rentier.

Foreigner who enters the national territory and accredits earning a monthly income of eight hundred and fifty balboas (850.00), which comes exclusively from interest product of a fixed-term deposit in the National Bank of Panama or the “Caja de Ahorros” national Bank, and whose interest accrued as a result of this deposit, are free of liens or guarantees of any nature, for a minimum period of five (5) years, failure to comply with the terms set forth in Law 9 of June 24, 1987 and its regulations, will cause the loss of incentives and rights granted.

8. Retired Pensioner.

Foreigner who receives a retirement or pension from a foreign government, international organization or private company, who enters the national territory to settle there and has sufficient economic means to cover all his subsistence expenses and those of his dependents in the country. The monthly income or pension may not be less than one thousand balboas (B/.1,000.00) and must be granted for life.

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LEGAL GUIDE TO DOING BUSINESS IN PORTUGAL

CRUZ ROQUE SEMIÃO

CRS ADVOGADOS

Cruz, Roque, Semião - Sociedad de Abogados, RL is a professional society created by lawyers with extensive professional experience and with the objective of providing our clients with a differentiated service based on the figure of the trusted lawyer.

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1. How to do business in Portugal?

Introduction

Portugal offers security and quality of life. It has few social upheavals, it is an inclusive and open society with low levels of racism, religious tensions, and sexual prejudices. As an example, according to the institute for Economics & Peace´s "Global Peace Index 2021", Portugal is ranked 4th among the most peaceful countries in the world, and 3rd among European countries. Portugal also ranks 9th in the Societal Safety and Security domain among countries in the world.

I. Direct Investment Incentives

Portugal offers national and foreign investors access to several investment incentive programs. The incentives may take the following forms: financial incentives, refundable or non-refundable, tax benefits and co-financing. Among the incentive programs available in Portugal, we stand out the following:

- Incentives granted under the "Portugal 2030" program, which results from an agreement with the EU covering the period from 2021 to 2030;
- Incentives granted the "Resilience and Recovery Plan" (RRP), from 2021 to 2026;
- Tax incentives granted under the Investment Tax Code;

Portugal has also created a system to monitor, facilitate and reduce bureaucracy in the implementation of projects considered to be of "potential national interest" (PIN).

II. Types of Investment Vehicles

Investors wishing to establish an economic activity in Portugal may do so through various forms of corporate and contractual organization. When the investor intends to develop its activity in a direct and lasting way, it is more common to establish a branch or a commercial company.

a) Branches

Branches are extensions of the companies that set them up and, as such, have no legal personality and no assets of their own. To set up incorporate branch, it is sufficient to register in Portugal a document from the holding company deliberating the opening of the branch. No minimum share capital is required, although the parent company may allocate funds to the branch for the development of its business. The management of branches is carried out though a legal representative appointed by the holding company and does not require the establishment of its own bodies.

b) Private limited company (Lda.)

Commercial company where capital is divides into shares and partners have limited liability. Requires: i) a minimum of two partners; ii) share capital of €1 per quota; and iii) an accountant.

c) Single-member limited company

Commercial company with a single shareholder, natural person, or legal entity, representing the total share capital of the company, with liability. (Otherwise, same as Lda).

d) Public limited company (S.A)

Commercial company whose capital is divided into easily transferable representative securities (shares) and in which partner limits his liability and participation to the value of the shares he/she subscribed. Requires: i) Minimum share capital of EUR 50.000.00, ii) Minimum of five partners at incorporation, who can be natural or legal persons, iii) Governing bodies are divided into a General Assembly, a Board of Directors or single Director, and a supervisory body; and iv) Requires the intervention of a Statutory Auditor (ROC).

The incorporation of a company in Portugal is a very streamlined process and can be done online and in 48 hours we have a company created.

2. Taxation

The main taxes in Portugal are personal income tax (IRS), which varies between 14,5% and 48%, corporate income tax (IRC) and value added tax (VAT), which is levied on transactions of goods and services and varies between 4% and 23%.

a) Corporate Income Tax (IRC)

The general IRC rate of corporate income tax in the mainland is 21% focusing on the taxable profit of the company or on the taxable profit attributed to the activity in Portugal, in the case of a foreign company with permanent establishment in Portugal. In the archipelagos of Madeira and the Azores the general corporate income tax rate is 14,7%. In the case of a small or medium-sized company, the rate to be applied to the first €50,000 of taxable income is 17% on the mainland, 11,9% in Madeira, and Azores archipelagos. In general, business costs and expenses are tax deductible if they are properly documented and are essential to obtain taxable income or to maintain the source of production.

The municipal surcharge approved by each municipality (with a maximum limit of 1.5%) is added to the IRC. And large companies pay a state surcharge for the part

- From €1.5 million to €7.5 million: 3%.
- From € 7.5 million to € 35 million: 5%; and
- Above €35 million: 9%.

When there is distribution of dividends these are taxed by those who receive them at the rate of 28 %.

b) Personal Income Tax (IRS)Físicas (IRS)

The personal income tax (IRS) applies to the income of citizens living in Portuguese territory and of non-residents who obtain income in Portugal. It is considered tax resident in Portugal who:

- Stay more than 183 days, consecutive or not, in a 12-month period beginning or ending in the year in which you request the tax address.
- Having stayed for a shorter period, they have on any day of the period referred to in the previous sub-paragraph, they have housing there in such conditions that make presume current intention of maintaining and occupying it as habitual residence.

For residents, the tax is determined according to the income obtained, applying the corresponding rate according to the tax bracket they belong to, and considering the deductions foreseen by law (e.g., education or health expenses). For non-residents, the IRS is only levied on income obtained in Portugal and at flat rates or special rates.

Non-Habitual Resident Tax Regime (NHR): It applies to foreign citizens with the intention of coming to live in Portugal or to nationals who are living outside the country and wish to return, and who have not been taxed as tax residents in the five years prior to requesting the status. has tax benefits such as a lower IRS rate and in some cases having exemption from taxation on income earned abroad. The main advantages of the non-habitual resident regime are:

- The income from dependent work and self-employment obtained in Portugal will be subject to a flat rate of 20%.
- Retirements obtained outside Portugal are, as a rule, exempt from IRS; and
  Other income from abroad may be exempt from IRS, provided it can be taxed outside
- Portugal according to the applicable tax conventions or the OECD model (if it is not a tax

These advantages extend for a period of ten consecutive years including the year of registration as a tax resident in Portugal.

c) Social security contributions

The income of employees is subject to social security contributions: 11% payable by the employee and 23.75% payable by the company.

3. Labour Law

Possibility of an employment contract or a service contract, in case of independent service provision.

a) Types of employment contract:

i) Fixed – term employment contract: cannot be longer than 2 years.
ii) Very short-term contract: for seasonal agricultural activities or for organizing events, there is no obligation to put the contract in writing.
iii) Permanent contract. there is no date for the termination of the contract between both parties.
iv) Part-time contract: Corresponds to a normal weekly working period that is shorter than that practiced in a comparable situation on a full-time basis, also known as part-time work.
v) Telework contract: Portuguese law provides situations in which the employee is entitled to exercise his activity through telework.
vi) Temporary work contract is a fixed-term employment contract between a temporary employment agency and an employee whereby the latter undertakes, for a fee, to work for users while remaining linked to the temporary employment agency.

b) Some employees 'rights:

- Minimum wage is 760€. In addition to the fixed monthly salary, the employer must also pay the employee a Christmas bonus and a vacation bonus equal to one month's salary.
- The maximum normal work period is eight hours per day and 40 hours per week.
- 22 days holidays.

c) Termination of employment contracts

Employment contracts can only occur under the terms and conditions foreseen in the Labor Code, and dismissals without cause are prohibited. Specifically, employment contracts can only be terminated in the following cases:

I) Termination of the fixed-term employment contract.
II) Expiry of the permanent employment contract.
III) Revocation by agreement.
IV) Termination and denunciation by the employee.
V) Collective dismissal.
VI) Dismissal by termination of employment.
VII) Dismissal by inadaptation; and
VIII) Dismissal for reasons attributable to the employee.

4. Visas and Immigration

There are several types of visas and residence permits in Portugal, namely:

- ✓ D2 Visa - Residence visa for independent activity;
- ✓ D7 Visa - Residence visa for settling pensioners, religious and people living on their own income.
- ✓ D3 Visa - Residence visa for research or highly qualified activity.
- ✓ Digital Nomad Visa - Residence visa for telecommuting professionals, for stays of up to one year in National Territory, with salaries over € 3,040.00.
- ✓ CPLP Visa - Residence visa for citizens of the CPLP countries, with a simplified regime and exemption from proof of means of subsistence.
- ✓ Residence Permit for Investment (Golden Visa).

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GUIDE LEGAL TO **DOING BUSINESS IN** SPAIN

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EJASO ETL GLOBAL

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With its main office located in Madrid, the firm also has branches in Lisbon and major Spanish cities, as well as an extensive network of partner firms across Europe and Latin America.

In 2016, EJASO became a part of ETL GLOBAL, a German-based group specialized in legal, tax, audit, and consulting services. With almost 50 years of experience, ETL GLOBAL has been integrating prestigious firms and professionals in Spain to become a leading service provider for small and medium-sized enterprises, as it already is in Germany and Central Europe.

While EJASO initially focused on labor and competition law, it has expanded its practice areas over the years to become the multidisciplinary firm it is today, growing through the development of its lawyers and professionals and the addition of top-tier talent.

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1. How do to business in Spain?

1. CORPORATE REGIME

Depending on their profile and specific needs, foreign investors have at their disposal different alternatives for doing business in Spain. In the first place, and as an alternative to developing a business activity as an individual entrepreneur, he/she can start up a business under any of the main types of companies in Spain: the public limited company, the limited liability company, as well as the general partnership and the limited partnership (or "en comandita").

In the following, we will limit ourselves to developing the alternatives that, due to their advantages and characteristics, may be of greater interest to foreign investors: the [a] Sociedad Limitada ("SL"), the [b] Sociedad Anónima ("SA"), the [c] Cooperatives and the [d] Emprendedor de Responsabilidad Limitada ("ERL").

Likewise, in other scenarios it may also be interesting for the foreigner to choose to invest in Spain by [e] acquiring shares or stock in companies already incorporated; [f] forming a joint venture with one or several entrepreneurs already established or, finally, by creating a [g] branch. The latter are also explained below.

A) Incorporation of a Limited Liability Company ("SL")

Of those regulated by the LSC, it is unquestionable that the Sociedad Limitada is the most common type of company in Spain to develop a business. This can be seen from the statistics published by the website Statista , which concludes that of the active companies in Spain (2022), a total of 1,161,848 companies are under the form of limited companies, 58,860 are under the form of public limited companies, while the other two legal forms mentioned at the beginning of this document do not even reach 1% of the companies in force in Spain. The figures published by the National Statistics Institute (INE) arrive at the same deduction, since during the 2022 financial year only 433 companies were incorporated as public limited companies, and only 18 as partnerships and limited partnerships, compared to 98,616 companies incorporated as limited companies.

This is a legal entity with a different identity from the partners of the company. Thus, its main characteristic is that the entrepreneurs are not personally liable for the debts of the company with their assets, but their liability is limited to the capital contributed.

Its capital stock is divided into shares. In order to reduce incorporation costs and promote the creation of companies, the requirement of a minimum capital stock of €3,000 has recently been eliminated, so that SLs can now be created with a capital stock of €1, although some specific safeguards have been regulated to counteract the effect of this lower capital stock figure. Whatever the share capital, it must be fully subscribed and paid up.

They are closed companies and this is reflected in the legal regime for the transfer of their shares, which establishes, unless otherwise provided for in the bylaws, limitations on the entry of new shareholders, such as, for example, preferential acquisition and assumption rights of the existing shareholders over the shares.

For its incorporation it requires formality, i.e., that the partners execute a public deed in which the following are usually included: (i) the identity of the partners; (ii) the contribution of each partner to the capital and the corresponding allocation of shares; (iii) the bylaws of the company; (iv) the identity of the persons who will be in charge of the administration of the Company and (v) the negative certificate of reservation of the corporate name issued by the Central Mercantile Registry. In order to expedite its incorporation, Law 14/2013, of September 27, 2013, to support entrepreneurs and their internationalization (the "Entrepreneurs Law") introduced an express regime for the telematic incorporation of SL, with and without standardized format standardized bylaws.

These companies cannot access the capital market and the persons holding the position of administrator will be appointed for the term determined by the shareholders' meeting and may even be appointed for an indefinite term.

B) Incorporation of a Public Limited Company ("SA")

As the SL, the Sociedad Anónima is also one of the most common types of companies used to do business in Spain.
In this case it is a company whose capital is divided into shares, and, like the S.L., its capital is made up of the contributions of all the partners, who are not personally liable for the company's debts.

It has many similarities with the S.L., such as its own legal personality, so that the corporation can be identified, for the purposes of a more didactic explanation, by the differences between it and the limited liability company.

We will highlight four differences, perhaps the most relevant: Firstly, it differs in that it is an open company in which the legal regime does not establish restrictions on the entry of new partners, making the transfer and acquisition of its shares free; secondly, because of its minimum amount of capital stock, which is 60. 60,000, and only a minimum of one quarter (25%) of the nominal value of each share must be paid up at the time of incorporation or capital increase; thirdly, the position of the administrative body cannot be held indefinitely, but only for a maximum term of six years, and can be reelected for periods of the same duration; and lastly, because corporations have access to the capital market.

C) Cooperatives

Business development in Spain could also be carried out through cooperatives. This is defined as a society constituted by people who associate, under a free membership and voluntary resignation regime, for the performance of business activities, aimed at satisfying their economic and social needs and aspirations, with a democratic structure and operation. That is to say, the performance of the society is oriented to the satisfaction of the individual and common needs of each of its members.

Cooperative societies in Spain are regulated by Law 27/1999 on Cooperatives and can be formed in any field of economic activity, from the production and marketing of goods and services to the promotion of cultural, educational or leisure activities.

Among the characteristics of cooperative societies in Spain are the limitation of the liability of the members to the capital contributed, the principle of one vote per member in the decisions of the cooperative, the distribution of the economic surpluses according to the activity carried out by the members in the cooperative and the promotion of the training and education of the members for the better development of the cooperative enterprise.

For its formalization it requires a public deed of incorporation and its denomination must be accompanied by the words "Sociedad Cooperativa" or "S. Coop".

Para su formalización requiere escritura pública de constitución y su denominación deberá ir acompañada por las palabras “Sociedad Cooperativa” o “S. Coop”.

D) Entrepreneur Limited Liability Company "ERL".

If, despite the lowering of the costs of incorporation of a mercantile company, the investor had the determination to develop his business without a corporate vehicle, he would have to do it as an individual entrepreneur, commonly known as "selfemployed".

It is the form that less steps and formalities have to do for the realization of its activity, since it does not have to carry out any procedure of acquisition of the legal personality (its inscription in the Mercantile Registry is optional). However, the main characteristic of the sole proprietorship is that it has unlimited liability, i.e. it is liable for its obligations "with all its assets, present and future" if it is unable to meet its financial obligations at a given time.

Furthermore, if the sole proprietor is a married person, the assets of the marital partnership, if any, acquired from the results of the business, will also be liable for the business obligations. That is why, opting for this way, the figure of the Limited Liability Entrepreneur is of interest. This is an exception to the status of individual entrepreneur described in this section, protecting him in certain cases from his payment obligations, allowing the Individual Entrepreneur "to limit his liability for the debts arising from the exercise of such business or professional activity by assuming the status of "Limited Liability Entrepreneur".

However, this exception does not imply the total limitation of liability of the Limited Liability Entrepreneur, but excludes from the scope of liability (i) its habitual residence provided that, basically, its value does not exceed 300,000 euros and (ii) the productive equipment used in the operation, provided that it does not exceed the limit of aggregate turnover of the last two fiscal years.

In order to benefit from this exemption from liability, the condition of Limited Liability Entrepreneur must be acquired by means of its registration in the individual entrepreneur's record in the Mercantile Registry corresponding to its domicile by virtue of a notarized declaration. In addition, in order for the limitation of liability to operate, it will be necessary that the non-taxation of the habitual residence and the productive equipment be registered in the Property Registry and in the Registry of Movable Goods.

The Limited Liability Entrepreneur must be identified as such by adding the initials "ERL" in all its documentation, or by identifying its registry data.

E) Acquisition of shares or equity interests

As an alternative to the incorporation of a company, the foreign investor could consider acquiring shares (in the case of an SL) or stock (in the case of an SA) of an existing company. In addition to the closed (SL) or open (SA) nature of these companies, the legal formalities required to formalize the transfer must also be taken into account. Thus, the transfer of shares in an SL requires the intervention of a notary public and its execution in a public deed. In the case of an S.A., the intervention of a notary public will be necessary in those cases in which the Spanish regulations or the articles of association so require, or when the parties have so agreed.

The sale of shares (SL) or of stock (SA), regardless of whether the totality or only several of them is transferred, is subject to and exempt from the payment of the Transfer Tax (ITP).

F) Creation of a Joint Venture

As mentioned in the introduction, the foreign investor could use one or more entrepreneurs already established in Spain to do business in our country. The idea would be to collaborate in business (whether in the short, medium, or long term), sharing resources and risks, and even synergies and experience, and even being able to benefit from the other party to facilitate entry into our market.

It should be noted that the Spanish legal system does not expressly regulate this figure, so we would be dealing with an atypical contract that finds its basis in the principle of autonomy of the will that is derived from article 1255 of our Civil Code.

In practice, there are two types of Joint Venture, the contractual [unicorporated joint-venture], regulating in detail the bases on which the collaboration is based; and the one organized through a corporate structure company [incorporated jointventure].

In relation to the latter, moreover, they can take the form of very diverse structures:

- Concretization in one of the four main types of commercial companies described above, highlighting, we reiterate, their incorporation either as Limited Companies or as Joint Stock Companies.

- Creation of a Temporary Joint Venture (U.T.E.). UTEs have no legal personality of their own, formalized by means of a public deed granted by their member companies, and represent agreements in which two or more companies with a common interest join together to carry out a project or provide a certain service, temporarily constituting a single vehicle for the duration of such project or service. It is possible that the corporate purpose of the U.T.E. may not be required to coincide with that of the member companies that form the U.T.E. The duration of the U.T.E. must be identical to the duration of the project or service. The duration must be identical to that of the work or service that constitutes its object, and may not exceed a maximum of 25 years. As it has no legal personality, its members are jointly and severally and unlimitedly liable to third parties for their acts and operations.

- Creation of an Economic Interest Grouping (E.I.G.). Structuring it through this associative figure whose object can be any auxiliary activity linked to that of its members, without being identical to the one already developed by them. As in the case of the U.T.E., its members are personally liable for the debts of the EIG.

G) Establishment of a branch office

While the foreign investor could consider the incorporation of a subsidiary, i.e., a commercial company incorporated under Spanish law wholly or partially owned by a foreign legal entity, another option would be to do business in Spain through a branch.

As opposed to a subsidiary, the latter does not have its own legal personality, but depends on the foreign parent company, operating under its direction and control. As such, it is the foreign parent company that has the final responsibility for all the operations of the branch. Although it has no governing bodies of its own, the branch appoints a legal representative in Spain, who acts on behalf of the parent company and is responsible for making business decisions.

The branch has an independent financial structure and must keep its own accounting records, which must be deposited with the Commercial Registry. However, Royal Decree 1784/1996, which approves the Regulations of the Mercantile Registry, provides for two different scenarios: the first, in which the foreign parent company is obliged to deposit the annual accounts in its country of residence, so that if the accounts have already been deposited in the Registry of the foreign company, the qualification of the Spanish Registrar will be limited to the verification of this point. In a second scenario, in which the foreign parent company does not require the preparation of the annual accounts or does so in a form not equivalent to the Spanish legislation. In this case, the parent company will have to prepare the accounts in relation to the activity of the branch and deposit them in the Commercial Registry where the branch is registered.

Despite the above differences, it should be noted that ultimately the formalities and costs of setting up a branch are very similar to those of setting up a subsidiary.

FORMAL ISSUES OF INTEREST TO THE FOREIGN INVESTOR:

Foreign Identity Number (N.I.E.)

The NIE is a personal, unique, and exclusive number that must be held, for identification purposes, by all foreigners whose economic, professional or social interests are related to Spain (Art. 209 of Royal Decree 557/2011, of April 20, which approves the Regulation of Organic Law 4/2000, on the rights and freedoms of foreigners in Spain and their social integration). This is why all foreigners wishing to conduct business in Spain must apply for and obtain one, even if they do not and will not reside here. The obligation reaches, therefore, foreigners who are going to be partners and/or administrators of a Spanish company, including those who are going to be partners of branches or permanent establishments located in Spain of a foreign company.

The NIE is obtained depending on the place where the investor is located: either in Spain, by going to one of the offices of Foreigners, or at the consular office of the investor's place of residence. The application is made by prior appointment and, together with the payment of the corresponding fee, the documentation associated with this procedure must be provided (completed Ex-15 form, presentation of a copy of the passport and a document justifying the operation or economic activity to be carried out by the foreigner, etc.).

It should be noted that the system for obtaining the NIE in Spain has recently been improved when this application is motivated by the foreigner's investment in start-ups. Thus, the requirements are simplified and the electronic application and obtaining of the NIE is facilitated (Art. 9 of Law 28/2022, of December 21th, on the promotion of the ecosystem of start-ups).

2. Tax System

The Spanish Tax System

Introduction

The Spanish tax system is configured in the Spanish Constitution as a system governed by the principles of economic capacity, justice, equality, progressiveness, and non-confiscation.

The taxes that make up this tax system are taxes (direct and indirect), rates and special contributions. As for fees and special contributions, these are quantitatively lower than taxes and are levied in return for the provision of services or for obtaining profits because of the performance of public works or services.

Territorially, there are three levels of taxation in Spain: state, autonomous community and local.

In addition, there are two applicable tax regimes in Spain: a common regime applicable in most of the territory (with certain particularities in the Canary Islands, Ceuta and Melilla) and a foral regime applicable in the foral territories (the autonomous communities of the Basque Country and Navarre) that have the capacity to issue tax regulations and to collect their taxes, which must maintain a structure and rates similar to those of the common territory.

This guide focuses only on the taxes established by the State.

Main taxes

Personal Income Tax (IRPF)

Nature: tax levied on the worldwide income obtained by the taxpayer.

Type of taxation: it taxes the income in a staggered manner depending on the type of income in question.

For general income, such as income from work and economic activities, the rate is set on a progressive scale ranging from 19% to 47%*.

Personal income tax ranges 2023 in €	Applicable rate
From 0 to 12.449	19%
From 12.450 to 20.199	24%
From 20.200 to 35.199	30%
From 35.200 to 59.999	37%
From 60.000 to 299.999	45%
From 300.000	47%

*These rates are the sum of the state and autonomous community rates applicable to non-resident taxpayers in Spain. The rates applicable to residents in Spain vary according to the scale approved by each autonomous community in which the tax return must be filed.

For savings income such as dividends, interest, capital gains, etc. the rate is set on a progressive scale from 19% to 28%.

Income tax ranges 2023 in €	Applicable rate
Up to 6.000	19%
From 6.000 to 50.000	21%
From 50.000 to 200.000	23%
From 200.000 to 300.000	27%
More than 300.000	28%

Residence: a person who spends more than 183 days on Spanish soil will be considered a resident in Spain. In turn, if you have your center of interests in Spain, you will also be considered a tax resident, and there is a presumption of residence in the event that the spouse and children are in Spain.

Special regime for workers posted to Spain: known as the inpatriate regime, it is applicable to workers posted to Spain as a result of an employment contract, for teleworking, for carrying out an entrepreneurial activity or as administrators of companies classified as emerging (startups) or highly qualified professionals who provide their services to these companies.

The children of the taxpayer under 25 years of age and their spouse or, if applicable, the parent of the children, may benefit from this regime.

This regime applies to the year of travel to Spain and the following 5 years, applying the following rates:

Net taxable income in €	Applicable rate*
Up to 600.000	24%
From 600.000,01 onwards	47%

For its application, workers posted to Spain must not have been Spanish residents in the 5 years prior to the posting to Spain.

Corporate Income Tax (IS)

Nature: direct tax levied on the worldwide income of companies resident in Spain.

Tax rate: the general rate is 25%, although there are other special rates such as the one for credit institutions of 30%.

A rate of 15% is applicable to newly created entities in the first 2 years in which the taxable income is positive. In the case of companies classified as startups, the reduced rate of 15% will be applied in the first 4 years, since the taxable income is positive.

Residence: companies incorporated under Spanish law, whose registered office is located in Spanish territory or whose effective place of management is in Spain are resident in Spain.
Dividends and capital gains: they are taxed under the general regime, except when the exemption to avoid double taxation is applicable, which applies to 95% of the dividends, taxing only 5%.

The exemption requires a 5% participation in the capital of the company,

The exemption requires a 5% participation in the capital of the company, which must be maintained during the year in an uninterrupted manner. In the case of foreign entities, it is required that the investee company has been taxed on the profit at a tax like IS with a tax rate of at least 10% or reside in a jurisdiction with an agreement to avoid double taxation with Spain.

Offset of tax loss carryforwards (BINS): accumulated losses from previous years may be offset without time limit, with a general limit of 70% except in exceptional cases. In any case, 1 million euros can be offset in each tax year.

Related party transactions regulations, under OECD principles: transactions between related persons or entities must be valued at their market value, which is the value that would have been agreed upon by independent persons or entities under conditions that respect the arm's length principle.

Examples of related parties are, among others, an entity and: its partners, its directors or administrators, persons related by kinship to the aforementioned figures, another entity of the same group, another entity in which at least 25% of the shares are held, etc.

When certain requirements are met, it is necessary to prepare the corresponding supporting documentation of related-party transactions.

Deductions for investment in certain activities:

- Research, Development, and Innovation (R&D&I): a deduction of 25% (42% in certain cases) of the expenses for the period and 8% of the investments of fixed and intangible elements in research and development activities is established. As regards investment in technological innovation, a deduction of 12% of certain expenses for the development of such activity is established.

- Production and exhibition of live shows of scenic and musical arts: a deduction of 20% of the direct artistic, technical and promotional costs necessary for the production is established.

- Audiovisual productions: a deduction of 30% of the total cost of the production is established (from the first million, the deduction will be 25%).

The Spanish Treasury has endorsed the possibility of channeling the aforementioned deductions through an Economic Interest Grouping in which investors participate, and the deductions generated by the performance of the aforementioned activities will be imputed to them, thus obtaining a tax return.

Special regimes:

- Tax consolidation regime: special tax regime whereby a joint taxable income is determined for all the companies forming part of the group.

  This regime is voluntary and is applicable to those companies whose parent company owns at least 75% of the capital of the subsidiaries (70% in the case of listed companies), in order to be taxed jointly.

- Tax neutrality regime for restructuring operations: a special tax neutrality regime applies to mergers, spin-offs, contributions of assets, exchange of securities and change of registered office, whereby gains and losses generated in these operations are deferred.

  In all cases, there must be a valid economic reason, other than obtaining a tax advantage.

Special companies with tax benefits:

- Entidad de Tenencia de Valores Extranjeros (ETVE): tax regime applicable to entities whose corporate purpose includes the activity of management and administration of securities representing the equity (holding) of non-resident entities in Spanish territory.

  They represent a beneficial regime to establish holding companies that channel investments from Spanish territory thanks to.

- Listed Real Estate Investment Corporations (SOCIMI): tax regime applicable to companies engaged in the acquisition of real estate for leasing, having as main benefit a 0% taxation in the Corporate Income Tax.

- Indirect Taxation:
- Value Added Tax (VAT)
- Nature: VAT is an indirect tax levied on the provision of services and the consumption of goods. It is a neutral tax for the businessmen, acting only as collectors of this and being the final consumer the passive subject of the tax, applying only in the peninsular territory.
- In the Canary Islands the Canary Islands General Indirect Tax (IGIC) is applicable, very similar to VAT, and in Ceuta and Melilla the Tax on Production, Services and Imports.
- Tax rates: 21% is the general rate, with other rates of 10% and 4%.
- Exemptions: insurance, financial transactions, health services, housing rental, education, etc.
- Transactions not subject to VAT: those transfers of goods between individuals and companies that are not subject to VAT will be taxed by the Transfer Tax (Impuesto de Transmisiones Patrimoniales Onerosas, TPO). This tax is not recoverable and is taxed at rates that vary in each autonomous community between 1% and 11%.

3. Labor Regime

In Spain, the rendering of personal, subordinate, and remunerated services gives rise to the existence of a temporary or indefinite-term employment contract, either full or part-time. The hiring of personnel does not require any major preconditions, except for the age of majority, which in Spain is 18 years of age. Minors between 16 and 18 years of age require their parents' permission to work, as well as the approval of the Ministry of Labor.

The legal probationary period is up to six (6) months depending on the Professional Group.

Workers are entitled to various rights such as the minimum annual remuneration of 15. 120 (GROSS) fiscal year 2023, the working day of eight hours a day or forty hours a week, a mandatory weekly rest of one and a half days a week, national holidays, annual vacation of 30 calendar days for each full year of services, compensation for unfair dismissal, compensation for time of services, legal bonuses, overtime pay), paid leave for personal circumstances, maternity leave, paternity leave, adoption leave, leave for serious illnesses or accidents of immediate family members, as well as collective rights such as the right to collective bargaining, unionization and strike.

Taking into consideration the above benefits and contributions, the approximate monthly cost structure for a company or employer hiring a worker is as follows:

Concept	Employer	Worker
Remuneration	100%	
Social Secutrity	33%	6,35%
Vacations	30 calendar days	
Gratuites	12 payments+2 extras	
Antiguedad	Colective Agreement	
IRPF		Progressive according to income Max 45%

Autonomous / Self-Employed

Likewise, in Spain, the provision of services may be carried out by those commonly known as self-employed "individuals who habitually, personally, directly, on their own account and outside the scope of management and organization of another person, carry out an economic or professional activity for profit, whether or not they employ employees".

The conditions of this group will be established in the service contract to be signed with the company.

Self-employed persons pay Social Security contributions based on their actual income, in accordance with the current brackets, for 2023 between 200 and 500 euros per month.

The self-employed receives its consideration through the issuance of an invoice, which will be subject to personal income tax under the terms provided by the tax regulations in force at any given time.

4. Migratory Regime

Foreigners entering Spain for the purpose of performing various activities on a temporary or permanent basis in the country are subject to apply for a Temporary Residence and Work Authorization (for Employment or Self-Employment) under different categories or migratory qualities from the Secretary of State for Migration under the Ministry of Inclusion, Social Security and Migration. Each of these classifications has a different type of permit that will regulate the stay or residence of foreigners in the country

The following are the different migratory qualities foreseen in the Organic Law 4/2000 of January 11, 2000, on the rights and liberties of foreigners in Spain:

- ✓ Employed Work: It is a temporary residence and work authorization for an employer or businessman to hire a foreign worker who does not live or reside in Spain.
- ✓ Self-Employment: Authorization of temporary residence and work to a foreigner not residing in Spain for the performance of a lucrative activity on his/her own account.
- ✓ Mobility of foreigners admitted as researchers in Member States of the European Union.
- ✓ Residence and work authorization for highly qualified professionals.
- ✓ Mobility of workers holding an EU Blue Card.
- ✓ Residence with exception to the work authorization.
- ✓ Temporary residence and work in Spain of managerial or highly qualified personnel.
- ✓ Temporary residence and fixed-term work (Seasonal or campaign; Work or service; Senior management personnel, sportsmen or artists of public shows, training and professional practices).
- ✓ Professional Sportsmen and Sportswomen (Stable, Fixed Duration).
- ✓ Cross-border workers.
- ✓ Convicted persons (productive workshops, open regime or probation).
- ✓ Residence Authorization for Investors (Golden Visa).
- ✓ Residence Card of Relatives of EU citizens: the relatives of Spanish citizens or of other European State, will be able to obtain the Residence Card, which grants them all the rights to reside and work in Spain.

The hiring of foreign personnel requires a written contract with certain formalities and limitations. Employment contracts must comply with current regulations set by the Ministry of Labor and Social Economy.

Cases in which the national employment situation allows the hiring of foreign citizens not residing in Spain.

- ✓ When the occupation is included in the catalog of difficult to fill occupations, published quarterly by the Public Employment Service (SEPE).
- ✓ When it is valued by the Foreigners Office according to the certification of the Public Employment Service (SEPE).
- ✓ When the hiring is aimed at nationals of States with which Spain has signed International Agreements (Chile and Peru).
- ✓ Regrouped family members of working age or spouse or child of a foreigner.
- ✓ Worker required for assembly due to renovation of a facility or production equipment.
- ✓ Foreigners with ascendants or descendants of Spanish nationality; children or grandchildren of Spaniards.

Spanish Citizenship:

Generally, Spanish nationality is acquired by: Residence, Carta de Naturaleza, by origin, possession of state, Option.

The regulations consider an exception regarding the acquisition of Spanish citizenship by residence, for citizens of Latin American origin, which is reduced to a period of two (2) years of legal and continuous residence in Spain.

15

LEGAL GUIDE TO DOING BUSINESS IN URUGUAY

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1. How to do business in Uruguay?

Introduction:

Uruguay is characterized by its political stability, legal security, and being a country with an 80% middle-class population and no social contrasts. It is an open and accessible country that seeks to develop its full potential, respecting its values and identity.

Corporate forms in Uruguay:

In Uruguay, the legal and tax treatment of foreigners is the same as the one of nationals. Normally, to start a business, a company is created. The most commonly used legal forms are:

- ✓ Sociedades Anonimas: Usually, these are used for the development of commercial or industrial activities, and are generally used by big companies. In terms of its activity, this form of companies is not limited (although for certain activities certain authorizations are required). It is possible to choose a broad object, and the liability of the stakeholders is limited to the amount of capital it has undertaken to contribute. The capital is represented in shares, there is no minimum or maximum, but they must be in local currency.

  Sociedades Anónimas are managed by a board of Directors or an Administrator, as determined by the Bylaws or the Shareholder's Meeting. The Administrator or the Directors may be legal entities and natural persons, national or foreign, and may be domiciled inside or outside the country. During the period in which the company acts "in formation", the stakeholders are jointly, severally and unlimitedly liable. There are two types of Sociedades Anónimas (Open and Closed) and the number of founding partners must be two or more.

- ✓ Sociedades Responsabilidad Limitada: : It was the most used type of company for small and medium-sized companies until the incorporation of the S.A.S. It may have from two to fifty partners, who can be legal entities and natural persons, with no nationality restrictions. The liability of the partners is limited to the amount of their capital contributions. The capital is divided into social quotas.

- ✓ Unipersonales: The individual is the owner of the sole proprietorship, which must be registered with the corresponding public organism, DGI, and BPS, who will assign a RUT number and a company number for the development of its economic activity. The sole proprietorship is not a commercial company, that is to say, it does not have a legal personality or its own assets. In this type of company, the sole proprietorship's owner will have the administration and representation.

- ✓ **Sociedades de Acciones Simplificada:** It is a fairly new type of company in Uruguay. It was created in 2019, but its form acquired much relevance, since it is currently one of the most used social types when implementing a business.

  This popularity is due to its low cost of incorporation and maintenance compared to other social types. There are no maximum or minimum capital requirements. It is characterized by having its capital represented in endorsable or non-endorsable nominative shares, or scrihares. The liability of the inAs shareholders, the liability of the investorsnt of the capital they have committed to contribute, with express exemption from liability for social obligations of labor, tax, or any other nature, unless the legal entity is declared unopposable.

2. Tax regime:

In Uruguay, there are several taxes applicable to entrepreneurs (Individuals) and companies (Legal Entities), the main ones being the following:

Companies incorporated in Uruguay are subject to direct taxes such as Income Tax on Economic Activities (IRAE), whose rate is 25%, and Wealth Tax (IP) at the rate of 1.5%.

The IRAE is mainly levied on net income from Uruguayan sources, defined as income derived from activities carried out, assets located or rights economically used in Uruguayan territory.

In January 2023 an extension of the source for certain passive income obtained by Multinational Groups1 began to be applied. The income that may be subject to source extension refers to income derived from intellectual property rights related to patents and registered software, income from real estate capital, dividends, interest, royalties, other income from movable capital, capital gains derived from property transfers of the assets that generate the preceding income.

On the other hand, the IP taxes the net assets located in Uruguay at the closing date of the balance sheet.

In the case of individuals who are tax residents in Uruguay, they are subject to Personal Income Tax (IRPF). Said tax has two categories, where the income included in each one is settled independently, these are capital income and labor income. In the case of capital income, these are capital gains and capital gains, the rates are linear and depend on the type of income, the maximum rate being 12%. In the case of income derived from work, the rates are progressive and range from 10% to 36% depending on the taxable amount, with an initial range of income that is not taxed.

In the case of non-resident individuals or legal entities that do not have a permanent establishment in the country, they are subject to the Non-Resident Income Tax (IRNR). The IRNR is applied to Uruguayan source income and its rates range between 7% and 12% depending on the type of income.

Regarding profit distributions, companies act as withholding agents in relation to their shareholders or partners, they must withhold IRPF or IRNR at the rate of 7% taking into account the lower amount resulting from comparing the tax net income taxed by IRAE and the accounting result to be distributed. Likewise, withholding for fictitious dividends (i.e., even if it is not a real distribution) at the rate of 7% will be applicable in case the IRAE taxpayer company has positive accumulated taxable income for more than three fiscal years. These withholdings may be lower if there is an applicable Double Taxation Avoidance Agreement or at the rate of 12% if the income taxed by IRAE originates from foreign securities.

In the case of personal companies such as SRL or SAS, it should be noted that their distributions are not taxed as long as their income does not exceed UI 4,000,000 (Approx. USD 580,000).

The main indirect taxes and consumption taxes are the Value Added Tax (VAT) and the Internal Specific Tax (IMESI).

The basic VAT rate is 22%, with a minimum rate of 10% applicable only to certain products and services. Most agricultural products' exports and movement are subject to the zero rate regime, whereby the tax credit is refunded.

The IMESI is levied on the first sale by producers or importers of certain luxury products or products that the government wishes to discourage their consumption. It does not apply to exports. The main products covered by this tax are fuels, tobacco, beverages, cosmetics, and automobiles, the rate being variable.

Property Transfer Tax (ITP) is levied on the sale of real estate, usufruct, bare ownership, use and habitation rights; promises of sale of the related goods and rights and assignments of such promises; assignments of inheritance rights and possessory rights over real estate and declaratory judgments of acquisitive prescription of real estate.

The ITP rates are 2% for the transferor and 2% for the acquirer, in transactions for valuable consideration. In all other cases, it is 4%, except for heirs and legatees in ascending or descending straight line with the deceased, for which it will be 3%.

Trading activities:

These are intermediation activities carried out in the national territory corresponding to:

1) sale and purchase of goods located abroad which do not originate in or are not destined for national territory and/or
2) intermediation in the supply of services, provided that the services are supplied and economically used abroad.

The regime applicable to IRAE is Resolution N° 51/997 which establishes a specific optional regime for the purpose of determining the net taxable income for IRAE. The difference between the sale price of the goods (or services) and the purchase price of the goods (or services) is subject to a 3% tax for the purpose of determining the net income on which the tax rate of 25% will be applied, which implies an effective rate of 0.75%.

It should be borne in mind that in the event that the company carries out another activity independent of trading, it will apply the general regime for such income and associated expenses.

Double taxation treaties:

Uruguay has tax treaties in force with Japan, Italy, Paraguay, Chile, Singapore, Great Britain, Northern Ireland, Vietnam, Belgium, United Arab Emirates, Luxembourg, Romania, Finland, Korea, Malta, India, Switzerland, Portugal, Liechtenstein, Ecuador, Germany, Spain, Mexico and Hungary. The purpose of these treaties is to establish mechanisms for the distribution of tax jurisdiction in such a way that they establish rules to determine which country will have the power to tax certain income or assets, in most cases reducing double taxation.

Tax Incentives for Investment Promotion:

The investment promotion regime currently in force in our country is regulated by Law No. 16.906 of 1988, and is aimed at IRAE taxpayers who obtain taxable income.

General incentives are regulated by various decrees, currently, Decree No. 268/020 is in force for new projects.

The benefits that can be obtained through the presentation of an investment project in movable goods or works are as follows:

- ✓ IRAE: tax exemption, a minimum of 30% of the eligible investment and a period of 4 years for its use.
- ✓ IP: exemption of 8 years for civil works in the country's capital or 10 years in the country's interior and the whole useful life of the movable goods included in the eligible investment.
- ✓ Import duties and taxes on goods to be imported for inclusion in the project, provided that they are declared non-competitive for domestic industry.
- ✓ VAT refund on the purchase of goods and materials for civil works.

To access them, an investment project must be submitted, which is evaluated by the Commission for the Application of the Investment Law (COMAP). In addition to committing to a certain investment, it is necessary to generate increases or improvements in indicators that generate positive externalities for the economy and the environment, which allow points to be obtained in the matrix of indicators. The amount of the IRAE exemption and the term of the benefit is derived from this matrix. The indicators currently available are:

- ✓ Employment generation, an increase of employed personnel compared to the situation before the project.
- ✓ Decentralization, depending on the location of the project within the national territory.
- ✓ Increase in exports compared to the company's pre-project export situation.
- ✓ Investment in clean technologies, an exhaustive list of goods.
- ✓ Investment in research, development, and innovation (R&D&I).
- ✓ Sectoral indicator, depending on the line of business and the objective of the project. There are indicators for tourism, industry and agriculture.

It should be borne in mind that there are also other incentives related to social housing construction, large-scale economic projects in housing construction and urbanization, and tourism projects.

3. Labour Regime

In Uruguay, the provision of personal, subordinate and remunerated services gives rise to the existence of an employment contract. The hiring of personnel does not require further preconditions, except for the age of majority, which is acquired at the age of 18. Minors between the ages of 15 and 17 require parental permission to work and the approval of the Uruguayan Institute for Children and Adolescents (Institute Child and Adolescents of Uruguay).Respecto a los trabajadores extranjeros para poder desarrollar una actividad laboral en Uruguay deberán tener su situación migratoria regular, es decir, no encontrarse en Uruguay en calidad de turistas, sino contar al menos con un proceso de residencia en trámite ante la Dirección Nacional de Migraciones.

With regard to foreign workers, in order to be able to work in Uruguay they must have a regular migratory situation, that is to say, they must not be in Uruguay as tourists, but at least have a residency process underway at the National Directorate of Migration.

There are different types of employment contracts such as indefinite-term employment contracts, part-time employment contracts, and fixed-term contracts that can only be concluded once with the employee. The legal trial period is 3 months; after this period, if the employment relationship continues, the contract becomes indefinite and the worker is protected against arbitrary dismissal.

Workers have various rights such as minimum remuneration at a current value of $21,107 (Approx. USD 540) nominal per full working day, the working day is set at 8 hours per day and 44 hours per week in the case of commercial establishments and offices and 48 hours per week in the case of industrial establishments, compulsory weekly rest, national holidays, annual leave of 20 days for each full year of service, Christmas bonus, severance pay for indefinite contracts, remuneration for work outside the daily working day, unemployment, sickness or occupational accident benefits, maternity and paternity leave, study leave, family allowances, pensions, among others, as well as collective rights such as the right to collective bargaining through wage councils, to unionize and to strike. The Christmas bonus is one-twelfth of the computable income of the year and is paid twice (50% each time) in June and December. It is covered by social security contributions

In the case of holiday leave, in addition to being paid for the days of leave as if the person were working, the holiday salary is paid out, which corresponds to the liquid amount of the calculated amount of leave.

The following chart represents the social security contributions for a company or employer who hires a worker on nominal remuneration:

Concept	Worker	Employer
Pension Contribution	15%	7.5%
Health Insurance	3%	5%
Additional Health Insurance	1.5%, 2%, 3% 3,5% o 5%	-
Labour Reconversion Fund	0.125%	0,10%
Income tax (IRPF or IRNR)	% according to the scale	-

Regarding the additional health insurance contribution, the % contribution will depend on the personal situation of the worker depending on whether he/she has minor children or a dependent spouse.

Social security contributions are paid monthly. The personal contribution must be withheld by the employer and paid to the BPS.

Free Trade Zones:

The Uruguayan State has declared of national interest the promotion and development of Free Trade Zones (ZZFF) in order to achieve a series of economic and social objectives such as the generation of employment, the promotion of activities with a high technological content, the promotion of decentralization and the development of international trade, which is materialized through a preferential tax regime with broad exemptions.

There are currently twelve ZZFF in the country, distributed in the cities of Canelones, Colonia, Colonia Suiza, Florida, Fray Bentos, Libertad, Montevideo, Nueva Helvecia, Nueva Palmira, Punta Pereira and Rivera.

With regard to customs tariffs, it should be considered that goods produced in Mercosur countries, or countries with which the bloc has signed agreements, may retain their origin and benefits when transiting through a commercial or industrial free trade zone. It should be clarified that in order not to lose their origin, only operations aimed at ensuring their commercialization, conservation, fractionation, or other operations with a similar purpose may be carried out.

Within the FZFF there are developers who are duly authorized to provide users with the necessary structure to carry out their activity in the FZ.

Developers do not have tax benefits, but can access benefits for projects submitted to COMAP. For access to ZF user quality:

- ✓ The user contract must be approved by the Free Trade Zone area, as well as an investment project demonstrating the contribution to the objectives of the FTZ regime.
- ✓ Direct user contracts shall have a maximum term of 15 years for industrial activities and 10 years for commercial or service activities, while for indirect users the maximum term shall be 5 years in all cases. Extensions may be requested and must be approved by the Free Trade Zone Area.
- ✓ Contracts may have a longer term than the maximum mentioned in some cases.
- ✓ Legal entities must state in their articles of association or articles of association that their sole purpose is to carry out activities in the FTZ.
- ✓ A minimum of 75% of the personnel hired must be Uruguayan nationals. In the case of service activities, the aforementioned percentage may be reduced to 50%, subject to prior authorization from the Free Trade Zone Area.
- ✓ The activities must be permitted within the framework of the provisions in force.

ZF users enjoy total exemption from national taxes, with the exception of Special Social Security Contributions. Therefore, they are exempt from, for example, IRAE, IP, ICOSA, VAT, IMESI and even the distributions paid to their partners or shareholders are exempt from IRPF or IRNR respectively (as long as all their activities are exempt from IRAE).

In particular, it is foreseen that the exemption of income from the exploitation of intellectual property rights and other intangible assets of a similar nature will be applicable provided that such assets are protected and registered under Uruguayan law (Laws No. 9.739 and No. 17.164). Such exemption may be total, partial or null, depending on the relationship between the direct expenses or costs, with the exception of those contracted with related entities abroad, increased by 30% of the total direct expenses and costs incurred to develop them.

As a general principle and in order to qualify for broad tax exemptions, substantive activities must take place within the FTZ. Permissible activities are:

- ✓ Trading of goods, warehousing, storage, sorting, grading, grading, fractioning, assembling, disassembling, handling or mixing of goods or raw materials of foreign or domestic origin.
- ✓ International sale and purchase activities in relation to goods or merchandise located abroad or in transit in national territory
  Installation and operation of manufacturing establishments.
- ✓ Provision of all types of services, both within the FTZ and from the FTZ to third countries.
- ✓ Exceptions are provided for, to be assessed on a case-by-case basis, such as the development of activities outside the free trade zone to the extent that they are not substantive in nature or the provision of services to taxpayer's subject to IRAE to the extent that identical services are provided to third countries.

Foreign ZF staff may opt to be taxed under IRNR instead of IRPF if the following conditions are met:

- ✓ Foreign nationals.
- ✓ Exercise the option of opting out of the Uruguayan social security system.
- ✓ For income from employment as ZF staff. This can mean savings for the individual insofar as the IRNR taxes income at a proportional rate of 12% while the IRPF taxes income at progressive rates ranging from 0% to 36%.

ZF customers will be foreign entities, although a minimum percentage may be allocated to local customers, bearing in mind that the substance of the business must relate to the company's activity abroad. There is an express prohibition on retail trade within the ZZFF by ZF users, with the exception of transactions between users and between users and developers. Developers or third parties who are not users may sell the goods and services necessary to carry out the tasks of ZF personnel, and these transactions will be subject to VAT and IMESI, where applicable.

The customers of ZF users will be foreign entities, a minimum percentage of which may be allocated to local customers, bearing in mind that the substance of the business must relate to the company's activity with foreign countries.

4. Migration Regime

Some people, according to their nationality, must apply for a visa to enter Uruguay. This is an indispensable requirement to enter the country, and the visa is necessary regardless of the length of stay in Uruguay.

The Consulates of the Republic abroad are in charge of receiving visa applications and they are the ones who will inform about the requirements to be completed in order to apply for a visa.

The visa authorization is granted by the National Directorate of Migration and usually takes at least 20 working days from the time of the visa application. Once the Consulate receives the written authorization, it is in a position to issue the visa, stamping it in the passport of the holder.

Since 2018, new categories of entry visas have been established, namely: tourist, business, work, study, family reunification, humanitarian and emergency visas, and visas for national or international congresses, conventions and seminars.

However, as a general rule, if you are a national of the United States, Canada, Europe, Australia, New Zealand, South Africa, Japan or Latin America, you do not need a visa. The person will enter the country as a tourist and may apply for residency as a first step in their immigration process, if they wish to do so.

In case you would like to apply for Residence in the country, these are the possible categories:

Provisional Identity Card: Authorization issued to foreigners applying for temporary residence for a period of less than 180 days.

Temporary Residence: Valid for a maximum of 2 years.

MERCOSUR Temporary Residence: Valid for 2 years for nationals of Argentina, Brazil, Paraguay, Bolivia, Chile, Ecuador, Peru and Venezuela and countries associated to the bloc.

Permanent Legal Residence: Valid for 3 years. Permanent Residence can be granted in a period not exceeding 18 months. During this period, the applicant will be considered a Resident in Process and will have his/her Uruguayan document ("Cédula") that accredits him/her, issued on the same day of his/her application for Residence.

MERCOSUR Permanent Legal Residence: Valid for 3 years for nationals of Argentina, Brazil, Paraguay, Bolivia, Chile, Ecuador, Peru and Venezuela and countries associated to the bloc. MERCOSUR Permanent Residence can be granted in a period of 6 months. During this period, the applicant will be considered Resident in Process and will have his/her Uruguayan document ("Cédula") issued on the same day of his/her application for Residence.

Tax residence in the case of natural persons:

Tax residence, in the case of Uruguay, is used to determine the tax to which the person is subject.

The grounds for establishing residence have historically remained the same since the 2007 tax reform: staying more than 183 days during the calendar year in Uruguayan territory, having the main nucleus or base of their activities or their economic or vital interests in Uruguayan territory.

However, in 2020, with the intention of promoting foreign capital investment, the following grounds for tax residency in Uruguay were added:

- ✓ Acquire real estate worth more than UIU 3,500,000 (approximately USD 508,000), as of 1 July 2020 and provided that you have an effective physical presence in Uruguayan territory during the calendar year of at least 60 days.

- ✓ To participate, directly or indirectly, in an enterprise for a value of more than 15,000,000 UIU (approximately USD 2,170,000) as of 1 July 2020 and provided that they generate at least 15 new direct full-time dependent jobs during the calendar year. For such purposes, the investment accumulated from the date indicated above until the end of the corresponding calendar year shall be computed. In the case of investments made in kind, and with regard to their valuation, the rules governing IRAE shall apply.

As far as personal income tax is concerned, the tax has an extension of the source for capital income from abroad. In other words, if an individual is tax resident in Uruguay and has investments abroad, such income is subject to personal income tax at a rate of 12%. However, the regulations provide for a window period called "Tax Holiday" in order to attract foreign investments.

This regime allows individuals who become Uruguayan tax residents to opt, once only, to pay IRNR tax in the tax year in which the change of residence takes place and for the following 10 tax years, with respect to the aforementioned income from movable capital, or to continue paying IRPF tax at the rate of 7% (instead of 12%) from the moment in which the change of residence takes place and without a specific period for its application, i.e., they will always be taxed at the aforementioned rate.

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LEGAL GUIDE TO DOING BUSINESS IN FLORIDA, USA

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1. How to do business in Florida, USA?

Introduction

The purpose of this document is to provide general information regarding the basic requirements for doing business in the United States, more precisely, in the State of Florida. However, this list is not exhaustive, and each client's situation is unique, requiring a specific analysis to provide a solution tailored to the client's needs.

1) Most Used Business Entities:

The choice of corporate structure depends on several factors, such as the type of business to be undertaken and the residence/domicile of the owners, among others. While it is not a requirement to form a business entity to start a business, entities protect owners from unlimited liability and against legal contingencies. Although there are different types of entities, the most commonly used business entities are corporations and limited liability companies ("LLCs").

i. Corporations: Corporations are entities independent of their owners. Only one owner is required, which may be an individual or a legal entity. Corporations are managed by directors and officers (president, vice president, secretary) who must be individuals over 18 years of age. They need not be U.S. residents and a person may hold one or more offices. However, to be remunerated, the officers and directors must be authorized to work legally in the United States. To form a corporation, Articles of Incorporation must be filed with the Florida Secretary of State. The names of the directors and officers are of public record in Florida but not those of the shareholders. The corporation must also comply with certain formalities, such as annual minutes, and keep its books up to date.

i. LLCs: LLCs are the most flexible and versatile business entities as they may choose to be taxed as corporations, partnerships or be pass-through partnerships or "disregarded entities" for tax purposes. The default classification for these sole-owner entities is "disregarded entities" which means that the entity is not a separate entity from its owner for tax purposes. In this case, the owner (called “member”) is the tax filer for the LLC. All profits and losses of LLCs pass through to the members (unless taxed as corporations). LLCs must have at least one member and may be managed directly by the members, or managers and officers may be appointed to manage the corporation. The names of whoever manages the corporation (either the members or the managers) are a matter of public record in Florida. To form an LLC, Articles of Organization must be filed with the Florida Secretary of State.

An entity formed in the State of Florida cannot automatically operate in other states. Rather, it is necessary to "qualify" the entity to do business in such other state or states. In addition, all entities need to obtain a tax identification number and must file annual reports with the Secretary of State, detailing the names and addresses of the directors/managers and officers at the time of filing, together with payment of a minimum amount. Finally, as of January 1, 2022, the “Corporate Transparency Act” came into effect, which requires the disclosure of the identity of the ultimate beneficial owners and persons with substantial control (directors/managers and officers) to the government of the States starting in 2024. Copies of passports must also be provided. However, this information will not be publicly available and there is currently no requirement to update the information once it has been provided in the first instance.

2. Basic Tax Regime

i. Corporations:

- The federal rate applied to corporations is currently 21% on income. The State of Florida tax rate is 5.5%, making the effective corporate tax rate for Florida corporations 24.6%.

- All Florida corporations must file federal (to the IRS) and state (to the State of Florida) tax returns on an annual basis on Forms 1120. If the corporation's tax year coincides with the calendar year (December 31) then returns must be filed by April 15th of each year, unless this day falls on a weekend or legal holiday, in which case the due date shall be the first business day thereafter. Six-month filing extensions may be requested and automatically granted. However, any tax due must be estimated and paid by April 15th. In addition to penalties that the IRS may impose for late filing of returns, including interest, the State of Florida also imposes a $300 penalty for late returns.

- Because taxes must be paid at the corporate level and then shareholders must also pay taxes on dividends received, it is often said that corporations have “double taxation.” Dividend taxes are levied on earnings received by shareholders and apply to both ordinary and qualified dividends. Ordinary dividends are taxed at the shareholder's ordinary rate, which varies depending on the shareholder's income and residence. In 2023, tax rates for ordinary dividends range from 10% to 37%. Qualified dividends are those that meet certain types of stock ownership requirements, and the applicable rates vary between 0% and 20%, depending on the tax bracket in which the shareholder falls. However, this preferential rate can only be enjoyed by those who are US tax residents or U.S. citizens. Dividends paid to foreign corporations or individuals are usually subject to a flat 30% withholding tax. If there is a double tax treaty between the United States and the country of residence of the person receiving the dividend, this rate may be reduced, depending on the specific circumstances of the situation.

ii. LLCs:

- Again, since LLCs are so versatile and can choose their form of taxation, the tax rate depends on the tax election made. By default, if the LLC has only one owner, it will be considered a “pass-through" entity and the shareholder alone is the one who must file tax returns. An LLC with two or more owners is considered a partnership by default. In most cases, LLCs must also file tax returns. However, in many cases, it is only a 1065 informational report with no tax liability and the shareholders must file 1040 forms (1040NR if foreign).

- Certain LLCs may have to file information returns annually even if the LLC had no economic activity or income in that year. In turn, any LLC that has only one owner who is not a U.S. taxpayer (whether an individual or a corporation) must disclose to the IRS the identity of its ultimate beneficial owner and report related party transactions including capital contributions and distributions.

- If the LLC has foreign owners and conducts business in the United States (or invests in U.S. businesses), various types of payments may be subject to 30% withholding (which may be lower if a treaty applies). Examples would be dividend payments, interest, foreign personal services, royalties to name a few.

There are several other types of taxes, local and state requirements depending on the type of business to be undertaken. Just to name a few, an entity may need to register to collect and pay Sales Tax to the Florida Department of Revenue if products are to be sold to final consumers. If the entity has employees, there Federal and Florida Unemployment Tax requirements.

3. Labor Regime

There is no legal requirement that an entity provides its employees with an employment agreement. Further, Florida is what is considered an "employment at will" state in which, unless there is an employment agreement that indicates otherwise, the company can hire or terminate its employees for any reason or no reason at all. The doctrine of "employment at will" means that the employment assumed is voluntary and indefinite for both the employer and the employee. Therefore, employees can also withdraw from their employment without cause, prior notice, and at any time. In addition, there is no requirement that an employer pay a severance upon firing an employee. However, it is customary that if an employee was terminated on good terms or not for fault of his own, some type of minimum severance is paid. Due to the above, it is recommended that high-ranking employees or those who the entity wants to retain, are hired pursuant to an employment agreement.

Employers may not violate federal or labor employment laws. In addition, they may not terminate an employee for either refusing to break the law or to go against public policy. Employers must also comply with all applicable employment laws. Some of these laws are the Fair Labor Standards Act (which covers issues of minimum wage, equitable pay, child employment standards, discrimination based on age, among others), Title VII of the Civil Rights Act of 1964 (which prohibits discrimination against an employee based on race, color, sex, religion, or national origin, and also includes sexual harassment based on discrimination of a sexual nature), the American with Disabilities Act (which protects employees with disabilities in terms of conditions and privileges of employment), Family and Medical leave Act of 1993 (which establishes minimum standards for taking leave for births and adoptions and/or for addressing serious family medical issues).

4. Inmigration Regime

The Immigration Reform and Control Act (IRCA) prohibits the employment of persons not authorized to work in the United States and requires employers to enforce the law by determining the immigration status of all of their employees. Under IRCA, it is illegal for an employer to hire an employee without verifying both the employee's identity and his or her authorization to work in the United States. IRCA requirements apply regardless of the size of the corporation or employer and the employer must complete the verification process, including requesting original documents, within three days of hiring a new employee.

The most common classifications for doing business or working in the United States are the E-2, L-1A, and H-1B visas but there are several other classifications that may apply to a particular case. Each case and client is different and requires a thorough analysis of the client and the client's objectives/plans in the U.S. in order to develop an efficient and viable immigration (and tax) plan.

i. VISA E-2

The E-2 visa is a nonimmigrant visa for citizens of countries with which the United States has a treaty of commerce and navigation. The E-2 visa requires a capital investment in the United States. Interestingly, the regulations do not state a minimum investment amount, but only mention a "substantial" investment. If the investor is buying a company that is already operating, a market valuation is required. In that case, the investment amount needs to be proportional to the value of the company.

The purpose of the E2 visa is for the investor to be able to enter the United States to direct the operations of his investment. The investment needs to be an active investment - some type of business that has operations and generates jobs for U.S. persons beyond the investor. Passive investments, such as the purchase of property for personal use, is not sufficient. With countries that the U.S. has visa reciprocity, the E2 visa can be granted for up to 5 years and can be renewed indefinitely if the investment continues. There is no limit to the number of years a person may hold this visa classification. Additionally, the spouse of a Treaty Investor will have work authorization that will allow him/her to work on his/her own or with any company, there are no restrictions. The spouse will also receive a social security number. Children under the age of 21 are considered dependents and can also be included in the process.

ii. VISA L-1A

The L-1A visa is for relocating an international executive or manager from a foreign country to the United States to direct the operations of a company in the United States. There are three main requirements to apply for L-1A classification:

- there must be a "qualifying" corporate relationship between the foreign company and the U.S. company;
- the transferee must have been functioning in an executive or managerial capacity for the foreign company for at least one year during the last three years; and
- the person to be transferred must hold an executive or managerial position in the U.S. company.

If the U.S. company is new, the L-1A petition approval will be for one year. Depending on the operations of the company during that first year, it may be possible to request renewal of the classification and/or visa. If the company in the U.S. has been operating for more than one year and has an employee structure and sufficient operations, among other requirements, initially a three-year classification may be requested. The spouse of a person in L-1A classification is eligible for a general work permit that will allow him/her to work on his/her own or for any company, there are no restrictions. The spouse will also receive a social security number. Children under the age of 21 are considered dependents and may also be included in the process.

iii. VISA H-1B

A company in the United States can sponsor an H1B visa petition for a foreign professional worker. This visa is subject to an annual quota of 65,000 visas and the selection process is a lottery. If a company wishes to seek to sponsor a foreign national in this classification, it must submit a registration during the registration period that opens annually at the beginning of March. If the registration is selected in the process, the firm is eligible to file the petition. If the petition is approved, the professional will be able to apply for the H-1B visa to begin working with the company as of October 1.

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LEGAL GUIDE TO DOING BUSINESS IN VENEZUELA

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1. How to do business in Venezuela?

While Venezuela's economy has been complicated in recent years, in many cases due to inadequate or delayed action, there have been some positive results lately and, after all there are excellent investment opportunities. Indeed, the country has the largest proven oil reserves in the world, within which it also has extensive gas reserves and important hydraulic resources. In addition to having a temperate climate, fertile soils and extensive coast. Also operating in the country are a significant number of franchises, both foreign and domestic.

Additionally, a few years ago the then National Constituent Assembly enacted a special law on the subject to encourage foreign investment in productive areas. The principle being that the investment is first made and then registered with the competent Ministry. The adopted scheme, although it has certain variants, is part of the legal regime that the country had when it was a member of the Cartab gena Agreement.

In order to be able to make an investment in Venezuela, according to the Commercial Code, the individual and/or legal entity may do so through a company or corporation, always with registered shares and not bearer shares, or through a limited partnership by shares, a limited liability company or cooperatives. Another option is through the figure of a consortium and / or joint account contracts for specific projects.

We can point out that today in the vast majority of cases, investments are made through anonymous companies and which in turn can establish branches.

As in other legislations, the company and / or corporation comprises a certain number of shareholders, it may however after its constitution be reduced to a single one (1) only, with a share capital whose amount will depend on the activity to be carried out and is fixed by the Mercantile Registry before whom this type of entity is incorporated. A few years ago, the National Assembly promulgated a law to that effect, supplemented by resolutions of the Executive.

The procedures before the Mercantile Registry are done electronically and also part in person. The investor will be required to prove the existence of the foreign investor, designate a representative with full powers and provide proof of the respective contribution. Currently, in the country, there is free currency exchange, at the official rate set by the Central Bank of Venezuela. Subsequently, the company must obtain its registration in the tax information registry and as already indicated, register its investment.

The process before the Mercantile Registry can last for just over thirty-five (35) business days and, depending on the economic activity to be carried out, it may also be a requirement to obtain a license to operate from the relevant Municipal Council.

Nowadays there are a few activities reserved for the State and/or national investors and have mostly to do with the exploitation of oil, its derivatives or some other type of mineral. But even in such cases the Government may grant concessions to individuals or joint projects. In fact, this has happened with regard to hydrocarbons, in all its phases and with various minerals, especially gold, diamond and coltan.

2. Tax Regime

In relation to the taxes to be paid we can point out the following. Normally, every company must pay an income tax calculated taking into account the net profits obtained, which results from subtracting from the gross income all those deductions, expenses and production costs as defined by the current Income Tax Law and its Regulations. The highest rate is an average of 34%.

There are several modalities for the payment of income tax.

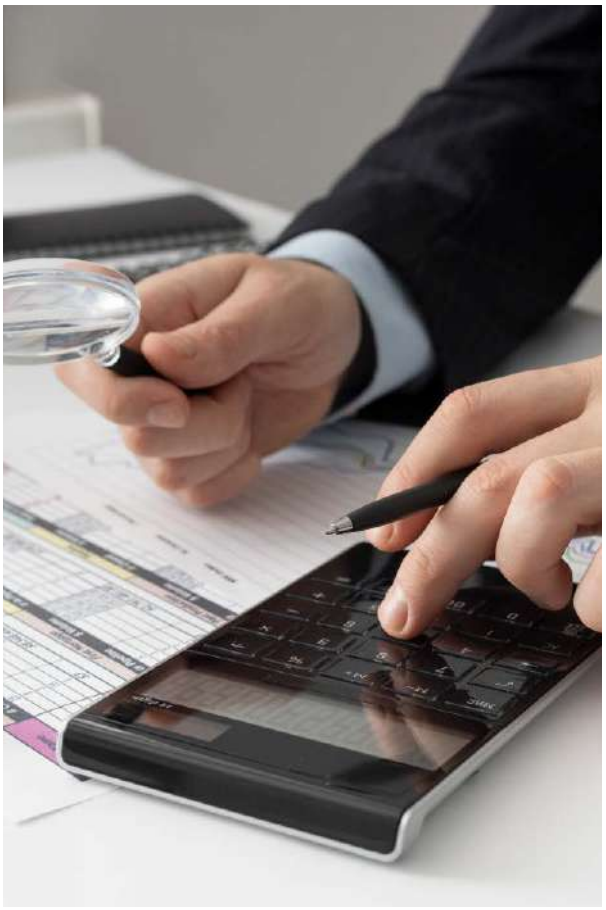
In turn, since 1982 there is an Organic Tax Code that regulates tax processes and contemplates various sanctions as well as delimiting the process of inspection, objections and establishing tax offenses in general as well as the formal duties taxpayers must comply with. The Organic Tax Code was recently reformed in 2020 and the penalties, in particular, were increased as well as their method of calculation and adjustment. In that sense some are calculated according to the foreign currency of greater value at the time of payment.

Another important tax is the value added tax, of indirect type currently set at a rate of 16%. Paid by the receiving entities in relatively short terms.
As in other countries, the value added tax is passed on to the consumer, for exports it is zero (0) and applies in general to the provision of services, the sale of all goods, and real estate. But there are exonerations and exemptions.

There are also duties on the sale of alcohol and its derivatives and on tobacco.

There are also various parafiscal contributions related to science and technology, anti-drug programs, sports, housing, social security, educational training, among others.

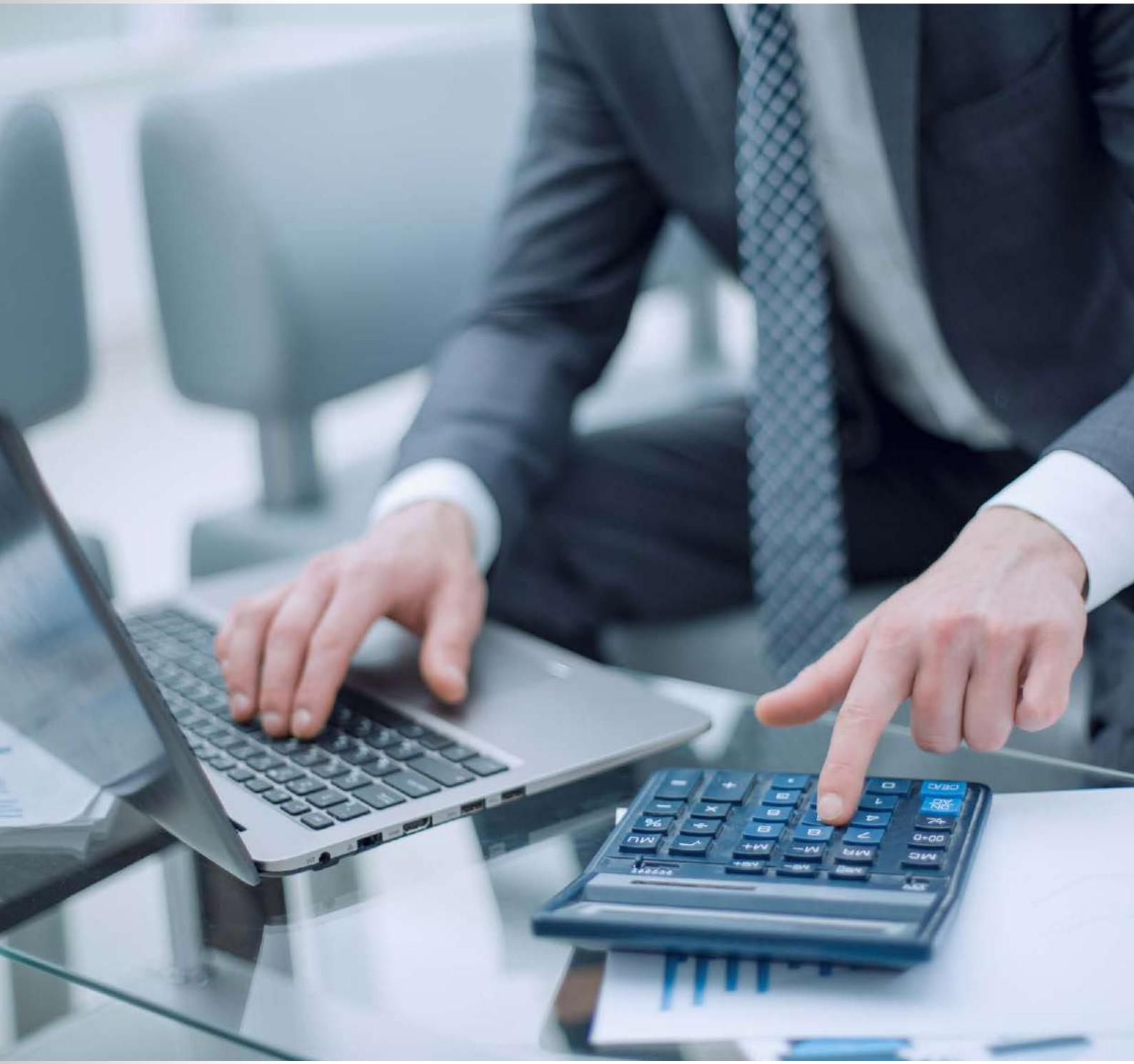
In turn, as briefly indicated, another important fiscal consideration is the payment to the Municipal Councils for the activity carried out by a taxpayer in the territorial jurisdiction of the same, the so-called license for economic activities. A percentage is paid for the gross income of the taxpayer in the fiscal period according to what is established by the respective local regulation



Recently the Executive proposed, and the Assembly agreed to reform, a law already in force, which also covers so-called financial transactions and the use of foreign currency in operations. With a maximum rate of 3% per operation.

Even though Venezuela is, theoretically, a federation the political and legal reality is that the states do not have significant nor relevant tax capacities and the greatest impact is from the National Executive or the Municipal Power.

Finally, Venezuela has signed several agreements to avoid double taxation.



3. Labor Regime

In Venezuela, the labour framework is basically regulated by the Organic Law on Labour, Workers and its Regulations. While in the field of safety and health at work, by the Organic Law on Prevention, Conditions and Working Environment and its Regulations.

The Organic Law on Labour and Workers provides that if there is subordination, remuneration and provision of services, as classic concepts, there is an employment relationship that can be fixed-term, indefinite, piece-rate or by other modalities. Even when the legislator strongly limits that relationship that is for a fixed period and gives a preference to employment contracts for an indefinite period.

The probationary period is only 30 days and since 2002 there is a job security that benefits any worker hired for an indefinite period, applicable after the probationary period and as long as it's not someones that the law calls as a management worker, that is, someone who plans or participates in the planning of company policies and can represent it before third parties. Therefore, there is a cost to terminate the employment a person who is under the protection of irremovability and it is usually a laborious process.

There is also the possibility of reduction of personnel but it must be previously approved by the Executive, as well as the possibility of the suspension of employment contracts with minimum payment of salary or a reduced salary. The latter process has been accepted by the Executive on occasions for years in certain sectors harmed by economic circumstances and the pandemic derived from Covid-19.

Minors may work but require prior permission from the Labour Inspectorate.

The daytime working day is 5 days a week and 2 days of compulsory rest and is 40 hours per week. The mixed day of 37.50 hours and the night shift week of 30 hours. The Organic Law on Labour and Workers also establishes holidays per year in conjunction with the National Holidays Act.

For vacation after the first year are 15 working days and 1 additional business day for each year of services up to a maximum of 30 days total. Holiday bonus of 15 days and with a limit of 30 continuous days. The normal salary for the time of enjoyment must be used for the payment and if it was not done during the course of the employment relationship, at the end of it it must be paid as salary to the amount of the last normal salary accrued, the same happens with the vacation bonus.

Profit-sharing payments range from a minimum of 30 days to 120 as a maximum legal limit and with the average salary earned in the respective fiscal year. However, we have customers who pay more than 120 days of average salary for their profit-sharing scheme. Payment is normally made at the end of the year, although legally the employer can do so after the end of its fiscal year and the profit obtained is determined.

The law also provides for a somewhat more complicated regime for the payment of social benefits. There is a first scheme or the so-called "old" way, by which the employer is calculating and crediting in his accounting, but not paying, 15 days for every 3 months with the last salary of the quarterly period. Which gives a total of 60 days per year of social benefits payments.

In turn, the so-called "new" system pays 30 days per year, but at the end of the employment relationship it is adjusted to the last salary. While in the other system, as explained, the adjustment is not made. Therefore, in most cases, and with consideration of the economic situation, normally the systema that is applied, can not be the 2 at the same time, is the new one by the retroactive effect and with a fairly broad salary concept, although the Social Cassation Chamber of the Supreme Court of Justice has had a somewhat more restrictive interpretation as in the case of subsidies, that does not consider them as part of the salary.

In the case of social benefits, the worker under certain cases has the power to request advances or even loans.

Another extremely important aspect of the Organic Law of Labor and Workers is that in case of an unjustified dismissal, and if the worker enjoys irremovability as explained, the employer will be obliged to pay the worker compensation equivalent to what would correspond to him for social benefits. That is, a double payment of it.

The Organic Law on Labour and Workers also regulates overtime, which is limited, as well as social security, irremovability during the period of pregnancy and after it, nurseries, rest, scholarships, studies, obligation to deliver work equipment, if applicable, among other aspects. It also covers all matters relating to trade unions and collective agreements. Until a few years ago the trade union sector was very strong in the country, from every point of view, but today that situation has changed and the level of discussion and signing of collective agreements has fallen and in most cases the agreements of employers and workers are simply to renew them and only discuss economic aspects. The Organic Law on Labour and Workers, except in certain exceptional cases, is applicable only in the territory of Venezuela.

Also during the course of the employment relationship, the employer and the worker must contribute to the Venezuelan Institute of Social Security but low percentages and this leads to deficiencies in the service.

Labor costs will depend on the level of wages paid and other conditions the employer may have. Either through a collective agreement or by some type of particular agreement. The foregoing derives from the fact, as already explained, that the Organic Law of Labor, Workers and Workers itself imposes that the payment of social benefits with the new system be adjusted and retroactively for the duration of the employment relationship to the last salary. That is, an increase can have a significant impact and this has led to the situation that today the payment of the formal salary has been strongly reduced and if they pay subsidies or other types of concepts, they could formally be salary.

There is no obligation for the worker to be a member of a trade union.

In turn, the Organic Law on Prevention, Conditions and Working Environment and its Regulations regulate, quite extensively, the minimum safety and health conditions that must exist in any employment relationship, the regular and supervisory bodies taking into account the activity of the employer and the functions carried out by the worker, as well as ensuring that it has or is provided with its work tools and all protective measures are taken to avoid, as far as possible, the occurrence of work accidents or a possible occupational disease.

The Organic Law on Prevention, Conditions and Working Environment also establishes in its regulations various rights and obligations, both of the employer and the worker and the respective sanctions, and their degree of gravity, will depend on the nature of the fault committed.

4. Inmigration Regime

Finally, with regards to migration, to provide services in Venezuela a person needs at least a special visa. It is not possible to provide services of any nature with a tourist visa.

The Organic Law of Labo and Workers requires that all employment relationships, whether with natural persons of Venezuela or abroad, must be in writing. Likewise, it reserves certain positions exclusively for workers with Venezuelan nationality, such as Head of Industrial Relations, Human Resources, captains of ships and / or aircraft, unless there are exceptional circumstances. To be a director of a company it is necessary to have an investor or business visa, which must be obtained outside the country, or be a legal resident. Before, it was usual to appoint foreign nationals to be members of the Board of Directors, but that was modified in the sense already indicated in 2014.

Foreigners who wish to work in the country must request a permit from the Ministry of Popular Power for the Social and Productive Development of Labor, having already secured an offer from a local company. Which may vary depending on the position. If approved, a first visa is granted to those who are considered as a labor migrant and who can then request to be granted a resident visa, with a longer duration.

Within migration policies, preference is given to Latin American and/or Spanish-speaking countries, among other aspects.

It is equally important to note that Article 27 of the Organic Law of Labor and Workers states that 90% of the personnel of a company or work entity with more than 10 workers must be Venezuelan. Also, the payment of salaries to foreign personnel shall not exceed 20% of the total remuneration paid to the rest of the other workers.

The same article 29 of the Organic Law of Labor and Workers gives preference in the hiring of foreign personnel when they have children born in the country or married to Venezuelans, or are residents in the country for more than 5 continuous years.

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