

LEGAL GUIDE TO DOING BUSINESS 2025



ÍNDEX

1.About the Author	05
2. Legal Guide to Doing Business in Argentina	08
3. Legal Guide to Doing Business in Bolivia	19
4. Legal Guide to Doing Business in Brazil	30
5. Legal Guide to Doing Business in Chile	40
6. Legal Guide to Doing Business in China	48
7. Legal Guide to Doing Business in Costa Rica	54

8. Legal Guide to Doing Business in Costa Rica	61
9. Legal Guide to Doing Business in Ecuador	75
10. Legal Guide to Doing Business in Spain	86
11. Legal Guide to Doing Business in United States	109
12. Legal Guide to Doing Business in Honduras	119
13. Legal Guide to Doing Business in India	127
14. Legal Guide to Doing Business in Italia	138
15. Legal Guide to Doing Business in Mexico	146
16. Legal Guide to Doing Business in Panama	157





17. Legal Guide to Doing Business in Paraguay	179
18. Legal Guide to Doing Business in Peru	192
19. Legal Guide to Doing Business in Poland	201
20. Legal Guide to Doing Business in Portugal	211
21. Legal Guide to Doing Business in Dominican Republic	219
22. Legal Guide to Doing Business in Uruguay	226
23. Legal Guide to Doing Business in Venezuela	241
24. Legal Guide to Doing Business in Vietnam	251



ABOUT

THE AUTHOR

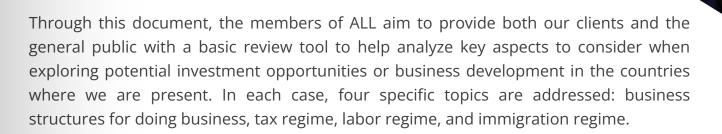
ABOUT THE AUTHOR

ALL is an international alliance of prestigious law firms, established in 2018 through the collaboration of four major South American firms. All member firms are multidisciplinary and focused on providing both preventive and corrective legal services at the corporate level. The alliance was created with the aim of offering the international legal market a serious and reliable option for handling corporate legal matters with the same high standards of quality and efficiency across all countries in which it operates.

Through ALL, the goal is to identify and connect law firms, particularly from the Latin American region, that offer high-performance legal services with similar standards of quality and responsiveness. In today's globalized world—fueled by advances in communication—clients increasingly require reliable legal services that transcend national borders. This is where ALL emerges as a serious and practical option for cross-border legal support.







We hope that this type of collective effort will, in some way, contribute to facilitating commercial and business ties between our countries.



Badeni, Cantilo, Carricart and Bilbao (BCCB)



The law firm Badeni, Cantilo, Carricart & Bilbao (BCCB) covers a broad range of legal areas, offering agile, creative, and appropriate legal solutions.

Its members are highly qualified to effectively represent their clients. Throughout its history, BCCB's team has advised clients on complex commercial transactions, both local and international, and has been involved in numerous high-profile cases of institutional and legal significance. Many of these cases, resolved by the Supreme Court of Justice of the Nation and other courts, are studied and analyzed in universities across the country.

BCCB has a team of attorneys specially trained to provide legal advice on business matters and to resolve disputes involving individuals and, in particular, various public agencies.

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How to do Business in ARGENTINA?



Any company whose main activity is carried out in the territory of Argentina must be incorporated in ac-cordance 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 be regis-tered 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 con-stitutive 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 Au-tonomous 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 Ju-rídicas). 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 \$30,000,000. At the time of incorporation of the company, 100% of the capital stock must be subscribed and at least 25% of said capital stock must be paid in cash, estab-lishing a maximum term of two years from the incorporation of the company for the payment of bal-ance. Non-cash contributions must be fully contributed at the moment 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 administra-tion 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. The Company's governing body is the Shareholders' Meeting, whose resolutions are binding to and must be complied with by the Board of Directors. Lia-bility 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 part-ners and may not exceed 50. The administration and representation of the Company corresponds to the Manager(s), who may or may not be partner(s), who will be appointed for a determined and/or undetermined period of time, either by means of the constitutive contract or in a subsequent agree-ment. The liability of the partners is limited to the value of their contributions. The capital stock is rep-resented by quotas of membership interest. 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 the integration of the balance. As regard to contributions in kind, their valuation must be made in accordance with the mechanisms established by the CGL. There is no minimum capital stock required by law for this type of companies.
- Argentine law, S.A.U. are subject to permanent government control. In this sense, the S.A.U. must, among other requirements: (i) appoint at least one syndic, and (ii) comply with the regular fil-ings required for companies subject to permanent government control, that is, a notification prior to the annual meeting approving the financial statements, among others. S.A.U. cannot be incorporated by other sole proprietorships. Upon subscribing to the share capital, it must be fully integrated.



Branchl: In accordance with articles 118 and following of the GCL, which regulate the rules applicable to com-panies incorporated abroad, a distinction is made between isolated acts and habitual exercise of ac-tivity by such companies. In the event that a company intends to perform acts included in its corpo-rate 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 coun-try of origin; (ii) establish a special domicile in Argentina; (iii) the decision to incorporate such repre-sentation 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 jurisdictions within Argentina, prove that its main activity is actually carried out abroad and that it is not an off-shore company may be requiered. Pursuant to Section 120 of the GCL, branches must keep their books and accounts sep-arate 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 ven-tures, transitory unions, licenses, concessions, agencies, franchises, distribution, etc.), where contractual freedom to self-regulate applies as long as public order is respected.

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 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 this country. Branches of foreign com-panies 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. Branch-es 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 in-come.

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 Argenti-na. 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 0% 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.

DNU 70/2023: Incentive Regime for Large Investments (RIGI for its acronym in Spanish):

The RIGI is a program that enables the development of investments in Argentina within strategic sectors such as oil and gas, mining, renewable energy, forestry industry, steel industry, technology, infrastruc-ture, and tourism. The minimum investment required to apply for the program is USD 200,000,000 (two hundred million dollars).



With the enactment of Resolution 1074/2024, the regime has been regulated. Among other provisions, the resolution defines the details regarding tax and foreign exchange benefits covered by the regime, the entities eligible to receive them, and the goods included under these benefits.

The tax benefits include a special corporate income tax rate of 25%, along with the option to apply accel-erated depreciation for assets involved in the projects. Additionally, VAT will be settled with tax credit certificates without requiring prior authorization from the Revenue and Customs Control Agency (ARCA for its acronym in Spanish). Meanwhile, the tax on bank debits and credits will be 100% creditable against corporate income tax.

Regarding customs benefits, both temporary and permanent imports for consumption of capital goods, new spare parts, components, and parts will be exempt from tariffs, statistical fees, and any national and/or local collection, prepayment, or withholding regimes.

The RIGI also allows provinces to voluntarily adhere to the regime and grant additional benefits to invest-ing companies. In addition to the fiscal stability and legal security provided by the national regime, it es-tablishes that no tax burden may be increased on the projects covered for a period of 30 years.





EMPLOYMENT 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 rela-tionships are governed mainly by the following laws: Labor Contract Law (hereinafter the "LCL"), 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 LCL. The employer may not establish working conditions less beneficial to the employee than those imposed by the LCL or on CBA. Recently, in July 2024, Law 27.742 (Ley Bases) came into effect, introducing certain labor-related modifications that will be detailed below.

- Term and modality: The general principle is that the employment contract remains in force for an unde-termined period of time. Notwithstanding this, there are fixed-term contracts and temporary work con-tracts, among others. In all cases, they can be agreed to perform in person or remotely (teleworking). In contracts for an undetermined period, the first 6 months are for testing purposes and have their specific regulations. The probation period may be extended through a collective agreement.
- Remuneration: The Minimum Living Salary to be paid is that one 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 paid to such employee, and any stipulation of a lower salary shall be null and void. Currently, as of February 2025, the gross amount of the MLS is fixed at AR\$ 292,446 per month. 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 or its proportional (under the concept of Legal Annual Bonus or LAB). Those who provide tasks outside of the working day must receive an in-crease of between 50 and 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.





- Dues and contributions: 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.
- 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 LCL regulates vacation periods between 14 and 35 calendar days a year, depending on seniority. In addition, it estab-lishes 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 mater-nity 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 LCL.
- Termination of the Employment Contract: Under the LCL, in general, the employer and/or the em-ployee 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, mar-riage, illness, or others).
- 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.

REFORM OF LAW 27.742 (Ley Bases) – Effective as of July 2024:



- Probation Period: Extended from 3 to 6 months, with the possibility of further extension up to 12 months under specific conditions.
- Maternity Leave: The start of maternity leave can be reduced to up to 10 days before the expected due date (previously one month).
- Serious Employment Misconduct" in Termination for Cause: Active participation in workplace blockades or takeovers is now considered a serious offense.
- Presumption of "Serious Misconduct" During Direct Action Measures: If the action restricts the freedom to work of those not adhering to the measure, obstructs entry/exit to the workplace, or causes damage to persons, property, or third parties within the workplace.
- Proven Discriminatory Dismissal: Compensation may range from 50% to 100% of the severance pay applicable in a dismissal without cause.
- severance Fund Option: An alternative severance mechanism is introduced.
- New Category "Collaborators": Recognizes dependent collaborators of self-employed workers.
- Repeal of Penalties: Penalties established by Laws 24.013, 25.323, and 25.345 for improper or lack of employee registration are repealed, along with fines for failure to issue employment certificates.

IMMIGRATION REGIME



Law No. 25.871 applies, and its Article 20 establishes that foreigners shall be admitted to enter and remain in the country under the categories of "permanent residents," "temporary residents," or "transitory residents."

Until the corresponding process is formalized, the enforcement authority may grant a "precarious residence" permit, which may be revoked if the reasons for its issuance are no longer valid. This permit is valid for up to one hundred eighty (180) consecutive days and may be renewed until a decision is made regarding the requested admission. It allows its holders to remain in, leave, and re-enter the national territory, as well as to work and study during its validity period.

A "permanent resident" is any foreign national who, with the intention of settling permanently in the country, obtains such admission from the National Directorate of Migration. Permanent resident status is also granted to immigrants who are relatives of Argentine citizens—whether by birth or naturalization—including spouses, children, and parents. Children of Argentine citizens by birth or naturalization who are born abroad are also recognized as permanent residents.

The following individuals shall be considered "temporary residents," under the conditions established by regulation, when entering the country in the following subcategories:

- a) Migrant worker: authorized to remain in the country for a maximum of three (3) years, renewable, with permission to work under an employment relationship;
- b) Rentier: an individual who finances their stay in the country with personal funds, for a residence term of up to three (3) years, renewable;
- c) Pensioner: a person receiving a pension from a government, international organization, or private company for services rendered abroad, in an amount sufficient to provide regular and permanent income in the country, for up to three (3) years, renewable;
- d) Investor: an individual contributing their own assets to carry out activities of interest to the country, for a residence term of up to three (3) years, renewable;
- e) Scientists and specialized personnel: for a residence term of up to three (3) years, renewable;
- f) Athletes and artists: contracted for their expertise by individuals or legal entities operating in the country, for a residence term of up to three (3) years, renewable;



In the case of minors, individuals with disabilities, or patients who, due to the seriousness of their condition, require the presence of companions, this authorization may be extended to direct family members, legal representatives, or guardians.

- i) Academics, for a term of up to one (1) year, renewable for identical periods;
- j) Students, for a term of two (2) years, renewable;
- k) Asylees and refugees, for a term of two (2) years, renewable as many times as deemed necessary by the competent authority on asylum and refugee matters;
- l) Citizens of MERCOSUR member states, Chile, and Bolivia, with authorization to remain in the country for two (2) years, renewable;
- m) Humanitarian reasons;



Foreign nationals entering the country as "temporary residents" may be admitted under one of the following subcategories:

- a) Tourists;
- b) Transit passengers;
- c) Border-area transit;
- d) International transportation crew members;
- e) Seasonal migrant workers;
- f) Academics;



Foreign nationals admitted to the country as "temporary residents" or "transitory residents" may remain in the national territory for the authorized period of stay, including any applicable extensions, and must leave the country upon the expiration of that period.





DOING BUSINESS IN AUSTRALIA

LMA CONNECT



LMA Connect was born from the alliance between our firm LMA | Lagos Maclean Abogados and the Australian firm Southern Connections Law.

The project is designed to provide comprehensive legal services and advice to individuals and companies in Australia, Chile, and Latin America.

It is implemented through the associated offices of LMA | Lagos Maclean Abogados in these jurisdictions, which work together to offer quality service tailored to local needs.

Learn more about LMA Connect at: https://lmabogados.cl/?page_id=1133.



How to do Business in AUSTRALIA?



Australia offers a dynamic and stable environment for businesses, that combines regulatory clarity with strategic incentives, making it an attractive destination for domestic and international enterprises. By selecting appropriate legal structures, optimizing tax strategies, complying with labor standards, and leveraging skilled migration pathways, businesses can thrive in this vibrant market.

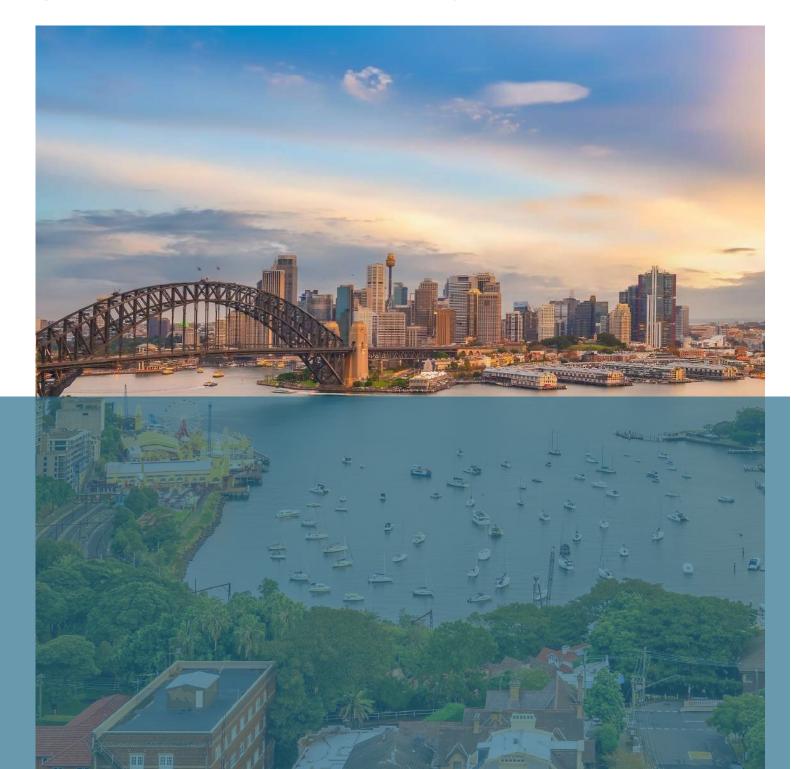
Australia's legal system provides diverse business structures tailored to varying operational needs, risk appetites, and growth strategies. The most common Business Structures in Australia include:

- Sole Trader. A sole trader structure is the simplest form, where an individual operates a business
- independently. The sole trader retains full control over decision-making and profits but bears unlimited liability for debts and obligations. Registration requires an Australian Business Number (ABN) and, if applicable, Goods and Services Tax (GST) registration for enterprises exceeding AUD 75,000 in annual turnover.
- Partnership. Partnerships involve two or more individuals or entities sharing ownership, profits, and liabilities. General partnerships allocate equal responsibility among partners, while limited partnerships allow some investors to contribute capital without assuming management roles or full liability. Partnerships must register an ABN and adhere to agreements outlining profit-sharing, dispute resolution, and dissolution procedures7.
 - Company. Companies are separate legal entities regulated by the Australian Securities and Investments Commission (ASIC). Key subtypes include:
 - Proprietary Limited Companies (Pty Ltd): Privately held entities with up to 50 shareholders, limited liability, and restrictions on share transfers.
 - Public Companies: Listed on stock exchanges, allowing unlimited shareholders but subject to stringent reporting requirements under the Corporations Act 2001.

Registration mandates an Australian Company Number (ACN), a corporate constitution or replaceable rules, and director identification numbers (DINs) for officeholders. Companies must also have at least one local director, maintain registered offices in Australia and comply with annual financial reporting obligations.

- Trust. Trusts involve a trustee managing assets for beneficiaries' benefit. The trustee may be an individual or a company. Discretionary trusts offer flexibility in profit distribution, while unit trusts allocate fixed units to beneficiaries. Trusts require a trust deed outlining operational guidelines, trustee responsibilities, and beneficiary rights. While trusts provide asset protection, they face complex tax implications, including distributions taxed at beneficiaries' income rates.
- Foreign Entities and Branch Offices. Foreign corporations can establish branch offices in Australia, which operate as extensions of the parent company. Registration with ASIC requires submitting certified copies of the parent's constitutional documents, appointing a local agent, and adhering to Australian accounting standards. Unlike subsidiaries, branch offices do not limit the parent's liability for Australian operations.

In terms of foreign investment, it is relevant to mention that Australia's Foreign Investment Review Board (FIRB) oversees investments exceeding statutory thresholds, ensuring alignment with national interests. Sectors like agriculture, critical infrastructure, and media face additional scrutiny.



TAX **REGIME**

Australia's tax system balances competitiveness with compliance, offering incentives for small businesses while ensuring multinationals contribute fairly. Australia's tax system includes several key taxes relevant to businesses:

- Corporate Income Tax. Resident companies are taxed on worldwide income, while non-residents pay tax only on Australian-sourced income. The general corporate tax rate is 30%, reduced to 25% for small and medium enterprises (SMEs) with aggregated annual turnover below AUD 50 million and passive income under 80% of total assessable income.
- Goods and Services Tax (GST) A 10% GST applies to most goods and services, excluding essentials like healthcare and education. Businesses with annual turnover exceeding AUD 75,000 must register for GST, submit quarterly Business Activity Statements (BAS), and remit collected GST to the Australian Taxation Office (ATO).
- Payroll and State Taxes
 - Payroll Tax: Levied by state governments on wages exceeding thresholds (e.g., AUD 1.3 million annually in New South Wales). Rates vary between 4.75% and 6.85%.
 - Land Tax: Applies to commercial and investment properties, with exemptions for primary residences. Rates escalate with land value.
 - Stamp Duty: Imposed on property transactions, vehicle registrations, and insurance policies, with state-specific rates.
- Personal Income Tax. Sole traders and partnerships report business income as part of their individual tax returns. Australia's Personal Income Tax regime is a progressive system that applies different tax rates to various income brackets that apply for Australian residents, starting from a 0% tax to the tax-free threshold (AUD 0 AUD 18,200) up to 45% tax (income over AUD 190,000).
- Double Taxation Agreements (DTAs). Australia's DTAs with over 40 countries prevent dual taxation and reduce withholding taxes on dividends, royalties, and interest. For example, the Australia-United States DTA caps dividend withholding tax at 15% (5% for intercorporate dividends).

WORK AND EMPLOYMENT REGIME



The Fair Work Act 2009 establishes a national system ensuring consistent employment standards setting out a minimum entitlement framework, complemented by industry-specific modern awards and enterprise agreements.

- National Employment Standards (NES) The NES mandates:
 - Maximum Weekly Hours: 38 hours, plus reasonable overtime.
 - Minimum Wage: AUD 24.10 per hour (AUD 915.90 weekly) as of July 2024, adjusted annually by the Fair Work Commission.
 - Leave Entitlements: 4 weeks of annual leave, 10 days of personal/carer's leave, 2 days of compassionate leave, and 12 months of unpaid parental leave.
- Modern Awards and Enterprise Agreements

Over 100 modern awards outline industry-specific wages, penalties, and conditions. Alternatively, enterprise agreements negotiated between employers and employees can supersede awards, provided they meet the "better off overall test" (BOOT).

- Termination and Dispute Resolution

Employers can terminate employees only for valid reasons, such as serious misconduct or operational requirements, after providing written notice or payment in lieu. Unfair dismissal claims can be lodged with the Fair Work Commission within 21 days of termination.

- Workplace Health and Safety

Under the Work Health and Safety Act 2011, employers must ensure safe working environments, conduct risk assessments, and provide training. Non-compliance can result in fines up to AUD 3 million for corporations.

Superannuation and Social Security Obligations

Employers in Australia have significant obligations regarding superannuation and social security for their employees:

Superannuation Guarantee (SG)

- As of 1 July 2024, employers must contribute 11.5% of an employee's ordinary time earnings to a complying superannuation fund.
- This rate is set to increase to 12% from 1 July 2025.
- SG contributions must be paid quarterly by the 28th day of the month following each quarter (January, April, July and October).
- From 1 July 2026, employers will be required to pay SG contributions at the same time as salary and wages, with contributions received by the employee's super fund within 7 calendar days of payday.

IMMIGRATION REGIME



Australia's Migratory Regime

Australia's migration system is managed by the Department of Home Affairs, which is responsible for processing visa applications, setting policy, and enforcing compliance. The system prioritizes skilled workers, investors, and regional development through a range of visa programs designed to meet Australia's economic and social needs.

Key Visa Categories

Skilled Migration

- Skilled Independent Visa (Subclass 189): For highly skilled workers without sponsorship.
- Skilled Nominated Visa (Subclass 190): For skilled workers nominated by a state or territory.
- Skilled Work Regional (Provisional) Visa (Subclass 491): Encourages skilled migrants to live and work in regional Australia.

National Innovation Visa (subclass 858)

- Permanent visa for exceptionally talented migrants from across the world to drive national growth in sectors of importance for the Australian economy.
- This visa has replaced the Global Talent visa (as of 6 December 2024).

Employer-Sponsored

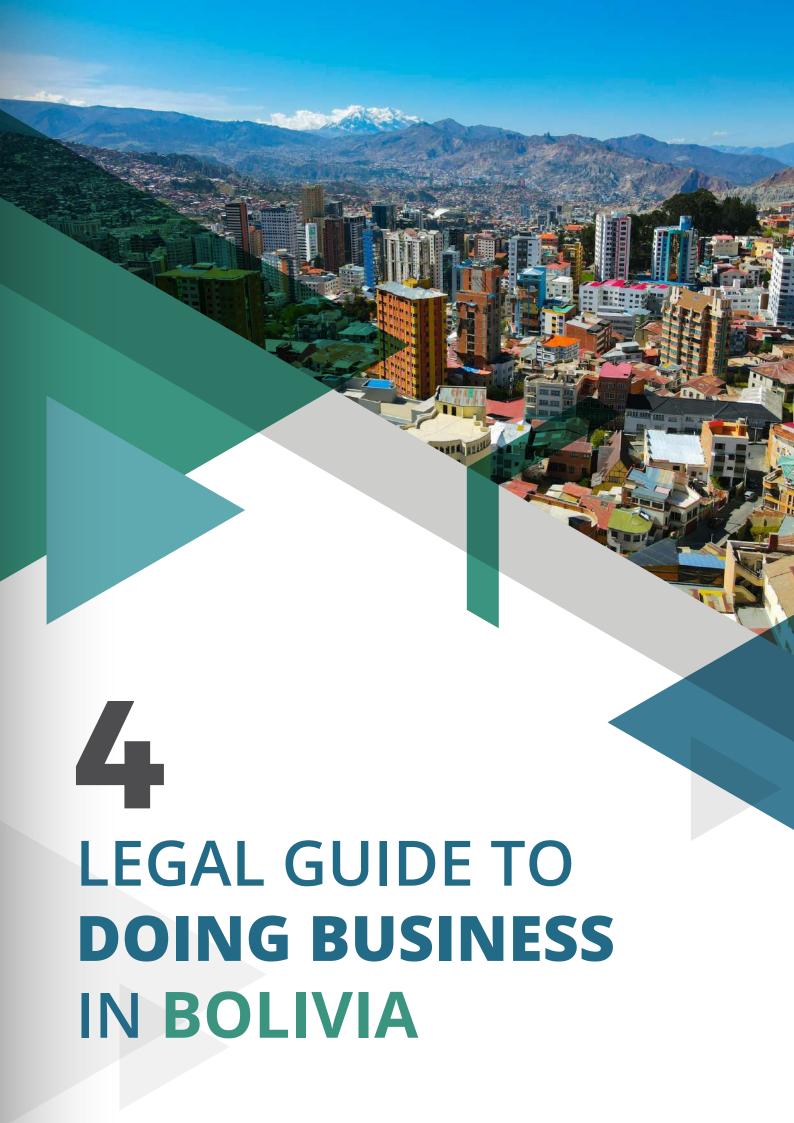
- Skills in Demand Visa (Subclass 482): Temporary visa which allows employers to sponsor suitably skilled overseas workers for up to 4 years.
- Employer Nomination Scheme (Subclass 186): Permanent residency for skilled workers sponsored by an Australian employer.

Regional Migration

- Skilled Employer Sponsored Regional (Provisional) Visa (Subclass 494): Replaces the previous RSMS, encouraging skilled migration to regional areas.

Recent Policy Changes

- Introduction of the Skills in Demand visa in 2024, replacing the TSS visa, with three streams: Specialist Skills, Core Skills, and Essential Skills.
- Increased focus on regional migration, with 33,000 regional visa allocations for 2024-25.
- Streamlined pathways to permanent residency, including a two-year work experience pathway for certain visa holders.



Lazo de la Vega Abogados S. C.



Lazo de la Vega Abogados is a boutique firm dedicated to resolving civil and commercial disputes, with high specialization in domestic and international arbitration, commercial and investment law, energy, construction and infrastructure, finance, procurement, and compliance.

It provides practical, tailor-made solutions precisely aimed at protecting the needs and interests of clients, within a framework of absolute respect for the law, offering legal advice to industrial and commercial companies, both national and foreign, demonstrating the extensive experience of our professionals.

The academic and professional development of our team, as well as the recognition from clients, colleagues, and academics, positions us at the forefront of the legal market with the highest standard of quality in the provision of legal services in Bolivia.



How to do Business in **BOLIVIA?**



In general terms, the national regulation (which is not federal or autonomous) maintains the traditional distinction between foreign traders (whether individuals or legal entities) who engage in commercial acts on a permanent basis and those who perform only isolated acts.

In this sense, foreign traders who conduct continuous commercial activities in Bolivia may choose between two options. The first is through the establishment of a commercial company with Bolivian nationality.

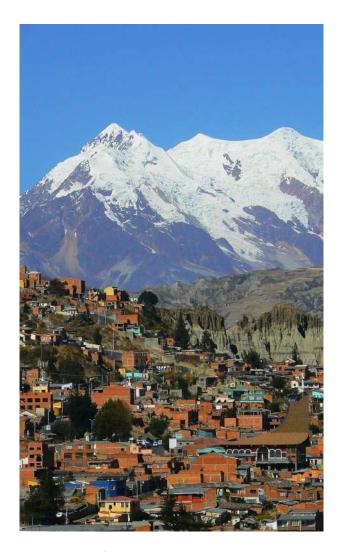
The second option is through the creation of a branch or agency in Bolivia, which differs from the former in that the branch or agency is linked to a parent entity located outside the national territory. Thus, its legal personality is connected to the parent entity, with the requirement of maintaining separate and consolidated accounting.

In both cases, registration with the Plurinational Service of Commercial Registration (SEPREC) is required. Additionally, it is necessary to obtain a municipal operating license and tax registration. Depending on the business sector, a specific administrative license or permit may also be required, whether regulatory, environmental, or otherwise.

Traders who engage in permanent commercial activities and wish to establish themselves in Bolivia can choose from one of the corporate types described in the Commercial Code:

- a) Limited Liability Company (Sociedad de Responsabilidad Limitada SRL): a commercial company where partners are not personally liable for the company's obligations, only up to the amount of their capital contribution. At least two partners and a maximum of 25 are required.
- b) Corporation (Sociedad Anónima SA): the share capital is divided into shares, and shareholders are not personally liable for the company's obligations, only up to the amount of their shareholding. At least three shareholders are required, and there is no maximum limit on the number of shareholders.
- c) Limited Partnership (Sociedad en Comandita Simple): characterized by having two types of partners. The managing partners contribute their labor and are jointly and unlimitedly liable for the company's obligations; the limited partners are only liable up to the amount of their capital contribution. At least two partners required.

- d) Partnership Limited by Shares (Sociedad en Comandita por Acciones): under the same scheme as the previous one, it differs by allowing the contributions of limited partners to be represented by shares, following the regulatory framework of corporations (SAs). It must be composed of at least two partners.
- e) General Partnership (Sociedad Colectiva): imposes joint and unlimited liability on all partners for the obligations of the partnership. Its management can be entrusted individually or collectively. This does not affect liability, as non-managing partners have the power to supervise the management of the partnership at any time. It must be composed of at least two partners.
- f) Mixed Economy Company (Sociedad de Economía Mixta-SEM): created by supreme decree and registered in the Commercial Registry. These are private legal entities with state participation. The state's shareholding may vary according to the law or decree that establishes them. Their management is entrusted to a board of directors, composed of representatives of the state and private shareholders, subject to the control and supervision of the former.



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

- a) Sole Proprietorship: established by a single natural person. This person has unlimited responsibility for all obligations and liabilities arising from the economic activity of the business.
- b) Accidental Association: formed through a temporary written agreement between the parties, which creates specific rights and obligations. It does not generate legal personality or constitute a company. Therefore, there are no joint fiscal or accounting obligations. Profits and losses are assumed according to the contract. Liability towards third parties is joint and unlimited.
- c) Joint Venture (shared risk contract): a temporary union of companies or individuals, formalized through a public document and registered with the Commercial Registry. This formal and solemn contract is required for certain regulated activities such as gas and oil. It does not create its own legal personality but does have its own management, which leads to liability limited to the contributions of the parties.

On the other hand, foreign entrepreneurs can carry out commercial activities based on unnamed commercial contracts such as business collaboration agreements, supply, distribution, or <u>franchise contracts</u>.

The customs regime is regulated by the General Customs Law and its regulations, as well as by international agreements the country has signed in the field of trade. The main types of customs regimes include import for consumption, definitive export, re-export, customs transit, and temporary admission. The Bolivian customs regime provides for the existence of free zones and customs warehouses, where goods can be stored without paying customs duties until they are destined for consumption or export.

TAX REGIME

The tax system is primarily regulated by the Tax Code, along with 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 provide. The Bolivian tax system is composed of two regimes: the general regime and the special regime.

According to the law, the general regime includes all natural and legal persons engaged in economic activities, except for those activities that belong to the special regime.

Within the general regime, taxpayers are classified as PRICOS (Main Taxpayers), GRACOS (Large Taxpayers), and RESTO (Other Taxpayers).

The classification is carried out by the tax administration (SIN) based on Board Normative Resolutions (RND). To categorize a company into one of these regimes, the accumulated information from the following parameters is taken into account: (i) Determined tax; (ii) Tax paid (cash and securities); (iii) Total sales; (iv) Total purchases; (v) Purchases (destined for export or domestic market); (vi) Value of exports and sales (exporters requesting tax refunds); (vii) Amount of remittances abroad; (viii) Expenses supported by invoices (taxpayers exempt from the Corporate Income Tax – IUE).

The categorization of taxpayers into one of the regimes implies a greater number of obligations towards the tax administration, as is the case for taxpayers classified as PRICO or GRACO, who must comply with the registration, preparation, and submission of information from the VAT purchase and sales ledger, financial statements with an external audit report, complementary tax information, and others, in the manner, means, and deadlines established by the tax administration.

Now then, taxpayers classified under this regime include all natural and legal persons, both public and private, including sole proprietorships and others, who carry out economic activities such as: (i) habitual sale of movable goods (e.g., appliances, clothing, cement, vehicles, alcoholic beverages, and others); (ii) rental of movable and immovable property (e.g., tableware, costumes, vehicles, houses, apartments, and others); (iii) general services (e.g., restaurants, karaoke bars, doctors, accountants, and others); (iv) definitive imports.

The special regime consists of taxpayers registered under Special Regimes, who do not pay taxes and do not issue invoices. These include:

- Simplified Tax Regime (RTS): Retail merchants, small vendors, and artisans.



- Integrated Tax System (STI): urban public transportation of people or cargo and interprovincial public transportation of people or cargo.
- Unified Agricultural Regime (RAU): natural persons, cooperatives, or undivided estates that carry out agricultural and livestock activities on a permanent or partial basis, grouped producers in small producer organizations.

Now, any individual or collective person not regulated by the special regime belongs to the general regime. They are obligated to issue invoices and comply with tax obligations.

Companies operating in Bolivia must register with the National Tax Service (SIN), 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 transactions.

The main taxes are as follows:

- Corporate Income Tax (IUE): a national-level tax applied on the profits resulting from financial statements at the end of each fiscal year based on the source principle. The source is not determined by the nationality of the parties, the domicile or residence of the holder, nor the place or signing of the contract. The rate is 25% for Bolivian companies, with the respective adjustments.





- Tax on profits foreign beneficiary (IUE-BE). Bolivian regulations establish that those who pay dividends from companies incorporated within the national territory to foreign beneficiaries have the tax obligation to withhold an effective rate of 12.5% of the amount remitted, corresponding to the IUE-BE, as withholding agents, who must subsequently remit the corresponding payment to the National Tax Service.
- Value Added Tax (VAT) is a national tax applied to the habitual sale of movable goods located or placed within the national territory, general services and work contracts, definitive imports, rental of movable or immovable property, and financial leasing of movable or immovable goods. The general rate is 13%, taxing the total income earned by the taxpayer. Exemptions exist for the of national and imported books, sale international land cargo transport, and mining cooperatives for the sale of minerals in the initial commercialization phase. The tax payment is monthly.





- Transaction Tax (IT): paid nationally for conducting operations of commerce, industry, profession, trade, rental of goods, works and services, or any other activity (whether for profit or not), regardless of the nature of the provider, including gratuitous acts that involve the transfer of ownership of movable goods, real estate, and rights. It has a rate of 3%, applied on the gross income earned during the fiscal period.
- Financial Transaction Tax (ITF) on bank transactions in U.S. dollars, with a rate of 0.30%. The tax payment is monthly.
- Premiums, bonuses; ii) Per diem according to scale; iii) Rental or sublease of movable goods, rights, concessions, and real estate; iv) Interest and returns on capital placements; v) Fees of trustees and directors; vi) Antichresis agreements, and finally any other habitual income not subject to the IUE.



Complementary Regime to the Value Added Tax (RC-IVA): taxes personal income at a rate of 13% on salaries and any other type of remuneration received through personal services. Additionally, individuals earning below 3 national minimum wages are exempt from this tax. Therefore, the following items are considered "personal income": i) wages, salaries, premiums, bonuses; ii) per diems according to scale; iii) rental or sublease of movable goods, rights, concessions, and real estate; iv) interest and returns on capital investments; v) fees of trustees and directors; vi) antichresis agreements; and finally, any other habitual income not subject to the IUE.

The tax regime for foreigners in Bolivia depends on the foreigner's immigration status and the type of income they earn in the country. Foreigners who reside in Bolivia and generate income are subject to the same tax obligations as Bolivian citizens. It is important to note that Bolivia has double taxation agreements with various countries. Likewise, as part of its foreign investment promotion system, Bolivia offers tax benefits, such as tax exemptions for a limited period for certain sectors or regions.

EMPLOYMENT **REGIME**



The General Labor Law, its complementary laws, and regulations constitute the normative basis. Agricultural workers, public officials and employees, members of the Armed Forces and the National Police, and teachers in rural and urban areas are excluded, as they are governed by specific regulations.

The working day in Bolivia is 8 hours daily and 48 hours weekly, and 40 hours for women. However, there are exceptions in some sectors where workers may work up to 12 hours daily, with a maximum of 60 hours weekly. All workers in Bolivia must be affiliated with a Social Security Fund (short-term social security) and the Comprehensive Pension System (SIP) (long-term social security). Workers are also entitled to one paid day off per week and 15 days of paid vacation per year after one continuous year of employment.

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 (approximately 323 US dollars).

Additionally, workers have the right to compensation called "desahucio" for unjustified dismissal, equivalent to three months' salary, if the worker accepts the termination, as labor stability exists except in cases of justified dismissal. There is also compensation for years of service, corresponding to one month's salary per year worked. Workers' rights to unionize and to collectively bargain with employers for a collective labor agreement are recognized. Furthermore, there are regulations governing strikes and the resolution of labor conflicts.

Except for fixed-term contracts, which must be in writing and cannot exceed 1 year in duration, employment contracts can be verbal, with the burden of proof resting on the employer. In Bolivia, there are different types of employment contracts, with the most common being:

- 1. Indefinite-term contract: Establishes a permanent employment relationship between the employer and the employee, without a predetermined end date.
- 2. Fixed-term contract: The contract must specify the start and end dates of the employment relationship, which cannot exceed 2 years.
- 3. Casual contract: Cannot exceed 90 days.
- 4. Contract for a specific work or service: Must specify the work or service to be performed, its duration, and payment conditions.
- 5. Apprenticeship contract: Must specify the training period, which can range from 6 months up to a maximum of 2 years, with or without compensation.

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



- 1. Worker's salary: Basic payment given to the worker for their services, which varies depending on the type of work and the worker's experience.
- 2. Social security contributions: Employer's obligation to contribute to social security in Bolivia, equivalent to 15.71% of the worker's salary. This percentage is divided into 10% for the pension fund and 5.71% for health insurance.
- 3. Occupational risk insurance contributions: The employer is also required to contribute to occupational risk insurance, which amounts to 2% of the worker's salary.
- 4. Aguinaldo (13th salary): Benefit granted to the worker equivalent to 12.5% of the worker's annual salary, i.e., an additional monthly salary per year.
- 5. Vacation: The worker is entitled to 15 working days of vacation per completed year of work; 20 days between the fifth and tenth year of continuous work; and 30 days from the tenth year onward. Vacation days cannot be transferred between employers and cannot be accumulated for more than two years.
- 6. Double aguinaldo (double 13th salary): An additional extraordinary benefit equivalent to an extra monthly salary per year, paid in two installments—one in June and one in December. This benefit is granted if the country's economy grows more than 4.5% in a year. The last payment of this benefit was in 2018.
- 7. Supplemental health insurance: Some companies may provide supplemental health insurance to the worker, covering medical or life expenses beyond those covered by the social security health insurance.
- Seniority bonus: This bonus consists of additional remuneration to the worker's basic salary, based on the length of service with the employer.

IMMIGRATION

REGIME



In Bolivia, migration statuses refer to the different categories of migrants who can enter and stay in the country. The main migration statuses in Bolivia are as follows:

Permanent resident: foreigners seeking to reside permanently in Bolivia.

Temporary resident: allows foreigners to reside in Bolivia for a limited period, which can be renewed for three to five years.

Visitor: foreigners who enter Bolivia for the purpose of tourism, sports, cultural activities, or business for a limited period.

Migrant worker: foreigners who enter Bolivia under an employment contract.

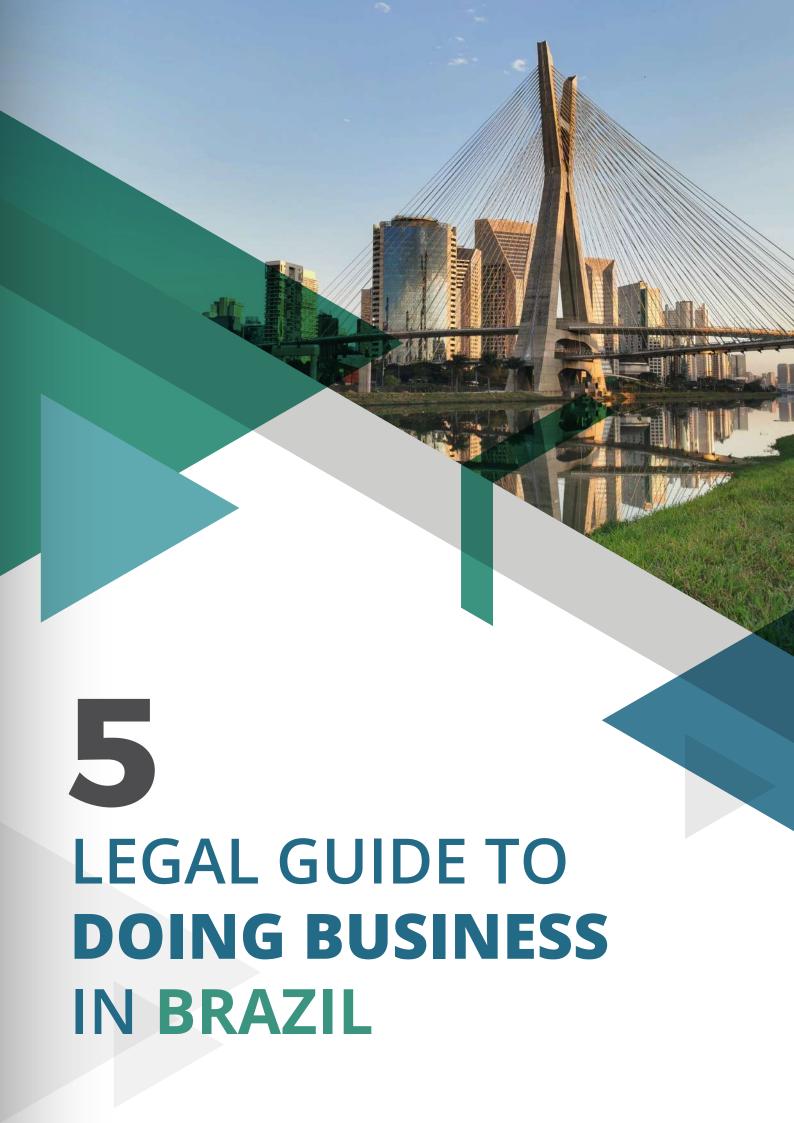
Refugee: people who flee their country of origin due to persecution based on race, religion, nationality, political opinion, or membership in a social group.

People entering Bolivia from MERCOSUR member countries (Argentina, Brazil, Paraguay, and Uruguay) can do so freely and without a visa under the Agreement on Residence for Nationals of MERCOSUR Member States. They obtain the right to enter, stay, work, and study, provided they meet requirements such as having a valid passport and no criminal record.

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

To work in Bolivia, foreigners must obtain a migration status of either "migrant worker" or "temporary worker," as applicable. To do so, they must submit certain documents, such as a work contract, job offer, criminal background certificate, among others. The Bolivian company hiring the foreign worker must also demonstrate that there are no Bolivian workers available to perform the job.

In Bolivia, an Andean migrant worker is one 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, provided they meet certain requirements and procedures established by the migration and labor authorities.



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How to do Business in BRAZIL?



Limited Liability Company (Sociedade Limitada)

- It is governed by the Civil Code, Articles 1,052 and following, and by the Company's Articles of Association, with supplementary application of the rules relating to simple companies or the Companies Law, as provided in the Articles of Association;
- It can be a sole proprietorship;
- The share capital must be proportional to the commercial activity;
- The liability of the shareholders is limited to the value of the share capital, provided that it is fully paid-up;
- The partners may enter into a Shareholders' Agreement, which typically governs the company's organizational structure, establishes qualified quorums for resolving sensitive matters, and sets rules for the transfer of shares;
- Managed by one or more administrators, according to the terms of the Articles of Association;
- Resolutions are taken at the Partners' Council/Meeting, observing the deliberative quorums established by law or in the Articles of Association/Shareholders' Agreement;
- At least once a year, by April, the Shareholders' Meeting will examine, discuss, and deliberate on the Management Report, the management accounts, and the financial statements;
- Non-proportional distribution of profits among shareholders is possible, provided it is foreseen in the Association's Bylaws;
- It is possible to exclude a member from the company for committing an act of undeniable severity, based on just cause, provided this scenario is stipulated in the Articles of Association;
- It is recommended that the Articles of Association and/or the Shareholders' Agreement establish the method for calculating a shareholder's equity in cases of withdrawal rights, supervening incapacity, or succession;
- Accounting must comply with accounting legislation but is less complex compared to a Corporation;
- A less costly type of company compared to a corporation, since, as a rule, its organizational structure is more streamlined, accounting is less complex, and no legal publication is required;
- Corporate transactions such as spin-offs, incorporations, and mergers are permitted; subject to the Judicial Recovery and Bankruptcy Law.



Corporation

- Governed by Law 6,404 of December 15, 1976 (Corporations Law), and by the Articles of Association;
- It may be a wholly-owned subsidiary of another commercial company;
- The share capital can be divided into common and preferred shares with some rights limited, such as voting rights, but with other advantages and preferences, for example, preference in dividend distribution. The share capital must also be proportional to the company's commercial activity;
- It can be a publicly held company, meaning its shares are listed and traded on a stock exchange or over-the-counter market, or a privately held company;
- Shareholders' liability is limited to the issue price of their shares;
- Shareholders may enter into a Shareholders' Agreement, which generally governs the company's organizational structure, establishes qualified quorums for deliberating on sensitive matters, and sets rules for the transfer of shares;
- Managed by a Board of Directors, with at least two directors serving a maximum renewable term of three years, responsible for the company's daily activities; there may also be a Supervisory Board responsible for the long-term strategic vision, overall management of the company's business, implementation of corporate governance, and monitoring of risks and potential issues, with the objective of generating value for shareholders; there may also be a Fiscal Council, a supervisory and advisory body particularly concerning management reports, accountability, and financial statements;
- Resolutions are passed at Ordinary and Extraordinary Shareholders' Meetings, observing the deliberative quorums established by law or in the Articles of Association/Shareholders' Agreement;
- At least once a year, before April, the Ordinary General Shareholders' Meeting will examine, discuss, and deliberate on the Management Report, management accounts, and financial statements;
- Mandatory minimum dividend distribution is required, but the General Meeting may decide to distribute a dividend lower than the mandatory minimum or retain profits, provided there is no opposition from the shareholders;
- It is advisable to establish in the Shareholders' Agreement how assets should be calculated in cases of withdrawal rights, supervening incapacity, or succession of a shareholder;
- Accounting must comply with accounting legislation, which is more complex compared to a Limited Liability Company;
- A more expensive type of company compared to a Limited Liability Company, since, as a rule, its organizational structure is broader, accounting is more complex, and it is subject to legal publications;
- Possible debt issuance, for example through bonds and commercial papers;
- Corporate transactions such as spin-offs, incorporations, and mergers are permitted; subject to the Judicial Recovery and Bankruptcy Law.



TAX REGIME

The purpose of this material is to provide general legal guidance and foundational information 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 represent the basic legal foundations of the aforementioned areas, so an individual analysis of each potential transaction remains essential.

1. BASIC CONCEPTS ABOUT THE BRAZILIAN TAX SYSTEM

The Brazilian tax system is regulated by the Federal Constitution of Brazil, the National Tax Code, Complementary Laws, Ordinary Laws, Senate Resolutions, State Laws, and Municipal Laws.

The Federal Constitution establishes tax jurisdiction for the Union, the States, and the Municipalities, each responsible for taxing different economic transactions within their respective areas and jurisdictions.

To provide an overview of the subject, the main taxes currently imposed in Brazil will be outlined below:

a) Income Tax – It is a federal tax, established and collected by the Union, through which income is taxed, whether of individuals or legal entities.

In addition to this, income can be taxed under two taxation regimes, namely: (a) presumed profit; and (b) actual profit.

- B) Social Contribution on Net Profit The Social Contribution on Net Profit (CSLL) is a Brazilian federal tax levied on the net profit of the base period. Due to its characteristics, it is only required from legal entities, and its revenue is used by the Federal Government to finance social security. The general rate is 9%, although it can be 15% for financial institutions and related entities. As a general rule, it follows much of the legislation applicable to income tax.
- C) PIS/COFINS PIS stands for Social Integration Program, and COFINS stands for Contribution for the Financing of Social Security. These are federal taxes levied on billing under the cumulative calculation regime or on revenues of any nature under the non-cumulative calculation regime. Under the non-cumulative regime, the legislation allows for the utilization of tax credits.



- D) Tax on Industrialized Products IPI: This is a federal, non-cumulative, selective tax levied on the output of industrialized products from national industrial establishments and on the importation of certain foreign products. Its rates vary for each product, as set forth in the current Tax Incidence Table on Industrialized Products TIPI. Basic IPI credits can be utilized on purchases of raw materials, intermediate products, and packaging materials.
- E) Import Tax II: This is a federal tax of an extrafiscal nature imposed on the entry of foreign products into the national territory. As a general rule, its rates are specific and follow the classifications listed in the MERCOSUR Common Nomenclature NCM and the Common External Tariff TEC rules. When the rate is ad valorem, its calculation basis must observe the normal price that the product, or its equivalent, would reach at the time of importation in a sale under free competition conditions for delivery at the port or entry point of the product into the country.
- F) ICMS This is a state tax on the circulation of goods. In short, ICMS is the tax on the value of the sale of goods and is therefore the most relevant tax on a large part of commerce. Besides goods circulation, ICMS also taxes some exceptional services such as interstate and intermunicipal transportation and communication services. Its average market rate is 18%, rising up to a maximum of 30%, with some exceptions.
- G) Tax on Services of Any Nature ISS: This is a municipal tax levied on the provision of services by self-employed professionals or legal entities, as provided by Complementary Law No. 116/2016. Its rates vary by municipality, respecting the minimum and maximum rates established by law.

Note: In December 2023, the Tax Reform on Goods and Services was definitively approved. The implementation of the Dual VAT, composed of the Contribution on Goods and Services – CBS and the Tax on Goods and Services – IBS, still depends on infraconstitutional regulations. Over time, the Dual VAT will replace the IPI, PIS, COFINS, ICMS, and ISS. For more information, see our e-book on the Tax Reform.



EMPLOYMENT REGIME



WORK CONTRACTS - TYPES

Indefinite-term contract

- Principle of continuity in labor relations;
- Specific effects related to suspension and interruption of the contract, job stability, and severance pay.

Fixed-term contract

- Existence of a pre-established time limit for termination; 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), unless a clause guarantees the reciprocal right to terminate the employment contract.

Intermittent contract

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

SALARY AND REMUNERATION

REMUNERATION = SALARY + BENEFITS ACQUIRED IN THE CONTRACT

Characteristics

- Irreducibility: salary cannot be reduced, except by provision in an agreement or collective bargaining agreement
- Harmful unalterability form and method of payment
- Exempt from attachment, except for specific exceptions
- Intangibility
- Prohibition of deductions by the employer, except when resulting from advances, legal provisions, agreements, or collective bargaining agreements
- Non-waivability (Article 9 CLT)

Forms of Salary Adjustment in Hiring

- By time
- By production
- By task unit of time and output

Forms of Salary Payment

- In cash
- By check or currency
- In kind (benefits) limited to 70% (Art. 82 CLT)

Salary payments must not be stipulated for a period longer than 1 (one) month, except with regard to commissions, percentages, and bonuses.

CONSTITUTIONAL GUARANTEES

- Employment relationship protected against arbitrary or unfair dismissal, under the terms of a complementary law, which will provide for compensatory indemnity, among other rights.
- Unemployment insurance in case of involuntary unemployment. Severance Indemnity Fund (FGTS).
- Minimum wage established by law, unified at the national level.
- Irreducibility of salary, except as provided in agreements or collective bargaining agreements. Salary guarantee, never below the minimum wage, for those receiving variable remuneration. Thirteenth salary based on total compensation or withdrawal amount.
- Payment for night work higher than for daytime work.
- Protection of salary according to the law, with willful withholding constituting a crime. Participation in profits or results, not related to remuneration.
- Family allowance paid on behalf of the worker's dependent with low income, as provided by law.
- Normal working hours shall not exceed eight hours daily and forty-four hours weekly, with the option to compensate hours and reduce hours through agreements or collective bargaining.
- Six-hour shifts for work performed in uninterrupted shifts, except when collective bargaining states otherwise. Paid weekly rest, preferably on Sundays.
- Remuneration for overtime at least fifty percent higher than normal. Paid annual vacation at least one-third higher than normal salary.
- Maternity leave, without prejudice to employment and salary, lasting one hundred twenty days. Paternity leave, under the terms established by law.
- Notice period proportional to length of service, at least thirty days, as provided by law. Additional remuneration for strenuous, unhealthy, or hazardous activities, as provided by law. Retirement.
- Recognition of collective agreements and collective labor agreements.
- Work accident insurance paid by the employer, without excluding indemnity obligations when the employer acts with intent or negligence.
- Legal action regarding claims arising from labor relations with a prescription period of five years for urban and rural workers, up to a limit of two years after termination of the employment contract.



IMMIGRATION **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 nationals in Brazil, which are overseen by the "General Coordination of Immigration of the Ministry of Labor." According to Law 13,445/17 and Decree 9,199/17, it is illegal for an employer to hire an employee without authorization from the Brazilian "Ministry of Justice." Brazilian workers have priority for employment within the national territory; therefore, companies must justify the hiring of a foreign employee. Foreigners who have resided in the country for more than 10 years and Portuguese citizens have the same status as Brazilian workers.

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

- RN1 and RN2 VISA

In this case, the worker must prove their academic qualifications and work experience to justify their employment. 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 can apply for a "family reunification" visa and, if authorized, will also have work authorization allowing them to work independently or for any company without restrictions. Children under 21 years old are considered dependents and can also be included in the process.

- RN3 VISA

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

- RN4 VISA

• The "RN4 Visa" is intended for skilled immigrants without employment ties who wish to transfer technology to the Brazilian state, based on a technical cooperation agreement made between the Brazilian government and a foreign company or country.

- RN5 VISA

• The "RN5 Visa" is designed for maritime workers without employment ties in Brazil who work on ships and cruise liners along the Brazilian coast.

- TBJ or Worker

• Under this migration category, foreigners entering the country to perform work activities must have a work contract approved by the Administrative Authority.

- RN11 VISA

• The "RN11 Visa" is intended for immigrant administrators, directors, and managers with representation powers of a group or economic conglomerate that makes external investments in companies established in the country, with the potential to generate jobs and income.

- RN13 VISA

• This visa is for immigrants who wish to invest in companies in Brazil with their own and foreign-origin resources, in a project with potential to generate employment and income in the country. Investments equal to or greater than R\$ 500,000.00 must be proven through the preparation of an Investment and Business Plan.

- RN19 VISA

• The "RN19 Visa" is intended for employees of foreign companies (not linked to Brazilian companies) who come to Brazil for professional training in Brazilian companies belonging to the same economic group as the foreign company.

- RN20 VISA

• The "RN20 Visa" is aimed at scientists, researchers, and professors who wish to carry out a research project in the area of research programs or academic extension in Brazil.





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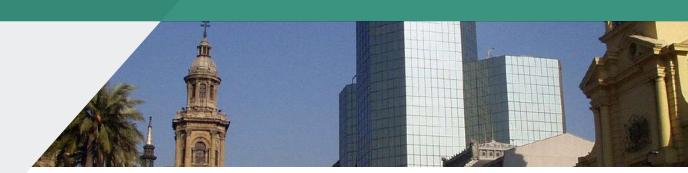
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How to do Business in CHILE?



Chile is a country with significant flexibility for doing business. Except for certain specifically regulated activities—such as banking services, insurance companies, and general fund administrators, among others—individuals are generally free to choose the legal structure that best suits their needs. The most commonly used business structures are:

- Corporations ("S.A."): These are capital-based companies that can be public, special, or closely held. They are characterized by pooling a common fund, which requires a minimum of two shareholders. Management is handled by a Board of Directors, which must have at least three members in the case of closely held corporations and at least five in public corporations. Share capital is divided into equal-value shares, unless divided into different series (shares within the same series must have equal value). Shares can be freely transferable, although shareholders may agree to impose transfer restrictions. Initial capital must be fully paid within three years from the date of incorporation. Shareholders' liability is limited to the amount they agreed to contribute for their shares.
- Joint Stock Companies ("SpA"): Also capital-based entities, these are the most flexible type of company in terms of regulation. They can be validly formed and operate with only one shareholder (either an individual or a legal entity). Management is determined by the shareholders, who may establish in the bylaws whether the company will be managed by a Board of Directors, one or more administrators, a General Manager, or another structure. As with corporations, shares can be freely transferable, unless restrictions are established in the bylaws. The initial capital must be paid within the timeframe specified in the bylaws; if no timeframe is provided, the default is five years. Shareholders' liability is limited to the amount of their contributions.
- Limited Liability Companies ("Ltda."): These are person-based companies that require a minimum of two and a maximum of fifty partners. The company name must include the name of one or more partners or reference the company's purpose. Partners hold ownership based on their percentage of equity interests, which can only be transferred with the unanimous consent of all partners. Similarly, any amendment to the bylaws requires unanimous approval. Partners' liability is limited to their agreed contributions to the company.



Agencies in Chile are not autonomous legal entities but rather branches of a foreign legal entity or parent company. To establish one, certain corporate documents of the foreign company—translated into Spanish if not already in that language and duly apostilled—must be registered with a local Notary Public, along with a declaration by the agent or representative establishing the agency. The foreign entity is fully liable for the activities and business conducted by the agency, and this liability is not limited to the assets located in Chile.



It is worth noting that, in order to promote and attract all types of capital and investment, Chile enacted Law No. 20.848, which establishes the framework for foreign direct investment in the country. This law also created a Foreign Investment Promotion Agency. Under this framework, foreign investors who make a foreign direct investment—defined as the transfer to Chile of foreign capital or assets owned or controlled by a foreign investor, in an amount equal to or greater than USD 5,000,000 or its equivalent in other currencies—are entitled to the rights granted by the law.

The investment may be made through freely convertible foreign currency, physical goods in any form or condition, reinvestment of profits, capitalization of loans, capitalizable technology in its various forms, or loans associated with the foreign investment coming from related companies.



TAX REGIME

The main taxes in Chile are:

Income Tax: In Chile, the concept of taxable income is broad and includes all types of profits or gains, as well as any increase in wealth generated during the fiscal year. As a general rule, taxpayers who are domiciled or resident in Chile are subject to taxes on income from any source. Non-domiciled and non-resident individuals are only taxed on Chilean-source income. As an exception, foreigners who establish domicile or residence in Chile are only subject to taxation on their Chilean-source income for the first three years (this period may be extended by the Regional Director in special cases).

Category Taxes:

- First Category Tax: This is the "corporate" tax applied to income earned by companies from industry, commerce, mining, real estate, and other capital-based activities. The current rate is 25%.
- Second Category Single Tax: This is a monthly, progressive tax applied to income derived from personal services provided by dependent workers (employees).

- Final Taxes:

- Global Complementary Tax: This is a personal, global, progressive, and complementary tax that is calculated and paid annually on taxable income determined under the rules of the two income tax categories. The current maximum marginal rate is 40%.
- Additional Tax: This is a withholding tax applied to Chilean-source income earned by individuals or entities without domicile or residence in Chile. The general rate is 35%, although reduced rates and certain exemptions may apply.
- Value Added Tax (VAT): This is an indirect tax levied on the sale of movable goods and services, with a general rate of 19%, calculated based on the transaction price.
- Municipal Licenses (Patentes Municipales): Engaging in commercial or industrial activity is subject to an annual municipal tax in favor of the municipality where the activity is carried out. The tax is calculated by applying a rate to the net equity (capital propio) of the company conducting the activity. The applicable rate is set by each municipality and ranges from 0.25% to 0.5%, with a maximum payment cap of 8,000 UTM (approximately USD 615,000).
- Double Taxation Treaties: Chile has entered into tax treaties with various countries, based on the OECD model, which provide more favorable tax treatment for foreign investment from those countries. The full list of treaties currently in force can be found at the following link: https://www.sii.cl/normativa_legislacion/convenios_internacionales.html



EMPLOYMENT **REGIME**



In Chile, the individual employment contract is an agreement whereby the employer and the employee mutually bind themselves, with the latter agreeing to provide personal services under the direction and subordination of the former, who in turn agrees to pay a specified remuneration for these services.

Any provision of services under the conditions described in the preceding article creates a presumption of the existence of an employment contract.

Hiring the services of individuals over the age of 18 is permitted without restriction. As an exception, minors over the age of 15 may work under certain conditions.

- Contract Provisions: An employment contract must include, at a minimum, the following terms: the
 employee's position and job description, payment conditions, duration and distribution of the workday,
 workplace location, and the duration of the contract. Contracts may take different forms, such as a
 Fixed-Term Contract, Indefinite-Term Contract, Contract for a Specific Project or Task, or Telework
 Agreement.
- Foreign Workers: Current regulations stipulate that at least 85% of the workers serving the same employer
 must be Chilean nationals. This requirement does not apply to employers with 25 or fewer employees. For
 purposes of this calculation, foreigners will be considered Chilean if they have a Chilean spouse or civil
 partner, Chilean children, are widowed from a Chilean spouse, or have resided in Chile for more than five
 years (excluding occasional absences).
- Working Hours and Vacation: The standard weekly working time is currently limited to a maximum of 44 hours, and is in the process of being reduced to 40 hours. This time must be distributed over no fewer than five and no more than six consecutive days. The daily working time may not exceed 10 hours. Employees with more than one year of service are entitled to 15 working days of fully paid annual vacation, which cannot be compensated in cash. Employees working in Region XII (Magallanes and Chilean Antarctica), Region XI (Aysén), and the Province of Palena are entitled to 20 working days of annual vacation.
- Maternity and Parental Leave: Female employees are entitled to 6 weeks of prenatal leave and 12 weeks of postnatal leave with full pay. In addition, there is parental postnatal leave that may be used by either the mother or the father, subject to legal requirements. This payment is made by and on behalf of the Social Security system, not the employer. Furthermore, women cannot be dismissed during pregnancy and for one year following the end of postnatal leave.l, excepto si se cuenta con la autorización previa de un tribunal laboral.



- Labor Unions: The Labor Code recognizes the autonomy of labor unions and the right of workers to form unions and engage in collective bargaining. The main purpose of unions is to represent workers in exercising their rights, promote integration between employers and workers, monitor compliance with labor and social security laws, support their members, and promote education and workplace safety. Union membership is voluntary, and according to the law, more than one union may exist within a single company.
- Social Security: Employers are responsible for withholding and paying their workers' social contributions, which include:
 - 7% for health insurance
 - 10% plus a management fee (depending on the chosen AFP) for pension contributions
 - 0.6% for unemployment insurance



IMMIGRATION

REGIME



On April 11, 2021, the new Migration and Foreigners Law was enacted, establishing the duties and obligations of migrants arriving in Chile, and promoting safe, regular, and responsible migration. The law defines various migration categories available to foreigners, including:

- Temporary Stay Permit;
- Temporary Residence Permit;
- Permanent Residence Permit.

No prior authorization or visa is required for entry and stay in Chile for those holding a Temporary Stay Permit. However, for reasons of national interest or international reciprocity, prior authorization or a visa issued by a Chilean consulate abroad may be required for nationals of certain countries.





LEGAL GUIDE TO DOING BUSINESS IN CHINA

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How to do Business in CHINA?



Choosing a Corporate Structure

When establishing a business in China, foreign investors have several entity types to choose from, each with unique characteristics, setup requirements, and operational scopes. The main options include Representative Office (RO), Wholly Foreign-Owned Enterprise (WFOE), Foreign Invested Commercial Enterprise (FICE), Joint Venture (JV), and Foreign Invested Partnership (FIP).

A Representative Office is the easiest to set up but is limited to non-profit activities such as market research and liaison. It cannot engage in direct business operations or hire local staff directly. While no registered capital is required, an RO takes at least two months to establish and is subject to taxation based on its expenses.

The Wholly Foreign-Owned Enterprise is a popular choice for foreign investors seeking full control over their operations in China. As a limited liability corporation, a WFOE can make profits, issue invoices, and directly employ local staff. It offers better autonomy and intellectual property protection compared to a Joint Venture. The setup process is more complex, taking two to nine months, and while there's no minimum capital requirement, the amount should be based on operational needs.

A Foreign Invested Commercial Enterprise, which can be set up as either a WFOE or JV, is ideal for retail, franchising, or distribution operations. It's relatively inexpensive to establish and takes four to six months to set up.

Joint Ventures are formed by foreign investors partnering with Chinese parties. They're often chosen when investing in restricted industries or to leverage a Chinese partner's local market knowledge and networks. The new Foreign Investment Law (FIL) has brought changes to JV structures, requiring existing JVs to adjust their governing structures by 2025.

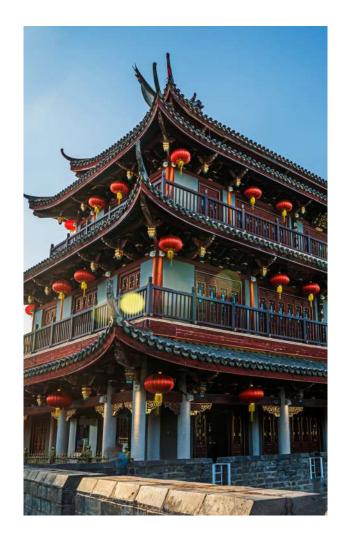


Key Positions and Governance

For WFOEs and JVs, key positions include shareholders, executive director or board of directors, supervisor(s), general manager, chief financial officer, and legal representative. The 2023 Company Law, effective July 1, 2024, brings changes to corporate governance, including more flexibility in allocating powers among shareholders' meetings, boards of directors, and executives.

Foreign Investment Law and Its Impact

The Foreign Investment Law, implemented on January 1, 2020, has become the guiding document for foreign investment in China. It requires foreign-invested enterprises established before 2020 to adjust their structure and governance by January 1, 2025, to align with the Company Law.





TAX REGIME

Taxation

Understanding China's tax system is crucial for foreign investors. The main taxes affecting businesses include Corporate Income Tax (CIT), Value-Added Tax (VAT), Individual Income Tax (IIT), and Withholding Tax.

The standard Corporate Income Tax rate is 25% for both resident and non-resident enterprises with income-generating establishments in China. CIT is typically paid quarterly with annual settlements.

Value-Added Tax rates vary from 6% to 13% for general taxpayers, while small-scale taxpayers are subject to a 3% rate. VAT is a major indirect tax in China, with taxpayers categorized based on their annual taxable sales.

Individual Income Tax applies progressive rates from 3% to 45% on comprehensive income. The IIT system distinguishes between resident and non-resident taxpayers based on their duration of stay in China.

Withholding Tax, typically at a reduced rate of 10%, is levied on income of foreign enterprises without physical establishments in China but providing services to China-based businesses.



EMPLOYMENT REGIME



Labor Laws and Employment

China's labor laws provide strong protection for workers. Key legislation includes the Labor Law (1995), Labor Contract Law (2008), Social Security Law, and Labor Dispute Mediation and Arbitration Law.

When hiring employees, companies have options including direct hiring, labor dispatch, and services outsourcing. Hiring foreign employees requires meeting specific criteria and obtaining proper visas and work permits.

Terminating employees in China can be challenging due to strong worker protections. Limited grounds exist for unilateral termination, with different rules applying during probation periods.

Wages and salaries in China are subject to minimum wage regulations, which vary by region. Standard work hours are 8 hours per day and 40 hours per week. Overtime pay rates differ based on the work hour system adopted. Foreign employees may be eligible for preferential Individual Income Tax treatment on fringe benefits until December 31, 2023.

This guide provides a comprehensive overview of key considerations for foreign investors looking to establish and operate a business in China. It covers essential aspects of corporate structures, governance, taxation, and employment regulations. As China's legal and business environment continues to evolve, foreign investors are advised to stay informed about the latest developments and seek professional assistance when navigating the complexities of doing business in China.





ZURCHER, ODIO & RAVEN ABOGADOS



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How to do Business in COSTA RICA?



I. 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.
- 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.



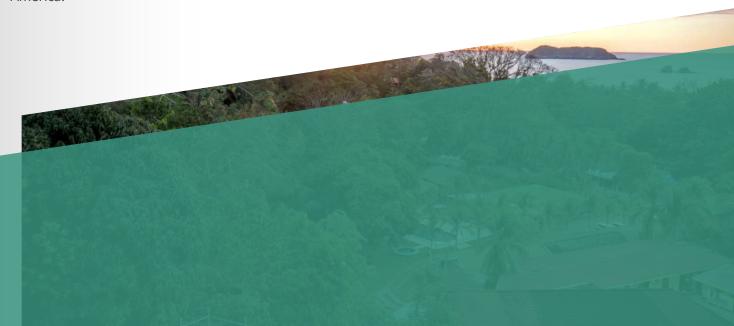
Incorporation of Companies: The incorporation of a company in Costa Rica must be carried out in front of a Notary Public, who will detail the bylaws of the company in a public deed, including: corporate name, amount and distribution of the capital stock, exact address of the corporate domicile, complete 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..



- Resident Agent: The recently approved Legislative Bill No. 22.567, published on December 3, 2024, in the official newspaper La Gaceta, eliminates the requirement for a Resident Agent in commercial entities. Currently, this role is mandatory when none of the company's administrators reside in Costa Rica, as the Resident Agent is responsible for receiving judicial and administrative notifications on behalf of the company. In its place, the law establishes the obligation to register an official email address to receive such notifications. The National Registry will have until June 3, 2025, to implement a mechanism for registering email addresses. Existing commercial entities will have an additional year to register their official email, while newly incorporated entities after this date must include their email address in their incorporation deed. This reform aims to modernize the judicial system, streamline processes, and ensure that notifications are secure, effective, and compliant with due process.

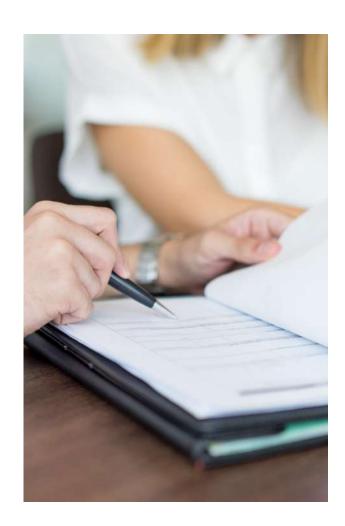
Company's obligations:

I. Payment of the Corporate 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.

C) Education and Culture Stamp: This tax applies to all entities registered with the National Registry, regardless of whether they engage in profit-generating activities. The amount to be paid is determined based on the entity's net capital and can range from ¢5,000.00 to ¢18,000.00 colones (approximately 10.00 to 33.00 USD). The payment is made on an annual basis. Alternatively, this obligation may be settled at the time of the entity's registration or during the registration of any recordable act. In such cases, the annual obligation is extinguished immediately upon payment.

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 Permit: 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 LicenseDocument 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.

hace normalmente a final del año, aunque legalmente el patrono puede hacerlo luego de concluido su ejercicio fis y se determine la utilidad que obtuvo.

Asimismo, la ley contempla un régimen algo más complicado para el pago de las prestaciones sociales. Hay un prir esquema o el denominado viejo, por el cual el patrono va calculando y acreditando en su contabilidad, más pagando, 15 días por cada 3 meses con el último salario del período trimestral. Lo cual da un total de 60 días por

TAX RELATIONSHIPS

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

- Real State 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 ¢145,000,000.00 colones, or approximately \$285,000.00 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 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 Ta:x 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 ¢922,000.00 monthly or approximately \$1,845.00 dollars, legal currency of the United States of America -, are exempt from the payment of the present tax; on its excess and up to ¢1,352,000.00 per month or around \$2,700.00 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 ¢4,745,000.00 per month or about \$9,480.00 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.





EMPLOYMENT REGIME

III. 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
- iii. Ordinary mixed shift: It is a workday that combines the shift.





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 ¢11,953,65 (or about \$23.00 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 ¢12,998.72 (or about \$25.00 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 ¢13,448,72 (or about \$27.00 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 ¢15,613.91 (or about \$31.00 dollars, legal currency of the United States of America).



- 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 InsuranceThis 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.

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.





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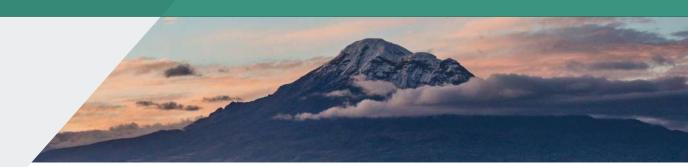
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How to conduct Business in **ECUADOR?**



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 could be incorporated by unilateral act by a single shareholder/member. 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 or Private Document 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 could be incorporated by unilateral act by a single shareholder. shareholder (partner). The maximum number of shareholders (partners) is fifteen. This type of company is incorporated through a public deed executed before a Notary Publicor Private Document 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.



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 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.





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, 15% 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 is 5%. Starting in April 2025, the rate will be 2.50% for payments of some imported products.

- 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, United Kingdom, 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



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.

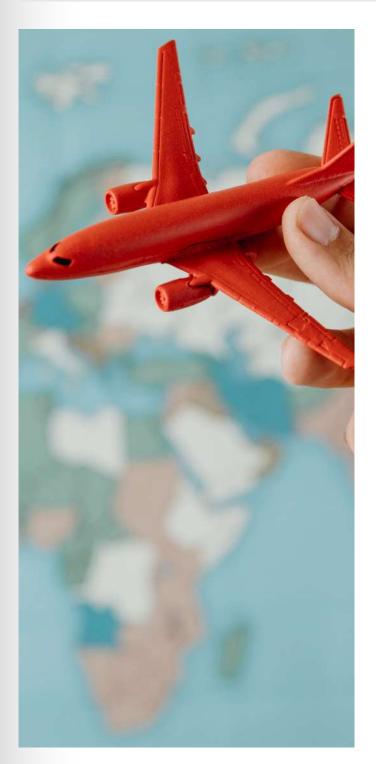
According to the Labor Code, foreign employees have the same rights and obligation as local employees; the only additional condition is that foreigners need to have a visa that allows them to perform work activities in Ecuador. Furthermore, the Labor Ministry every year defines the minimum wage to be paid to employees. For the year 2024, the minimum wage is USD \$460. 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	Monto	
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 March 15th 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\$ 460 for year 2024) The period is calculated as follows: - From March 1st to the last day of February 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	

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 established in the law, or by mutual agreement of the parties (resignation), the termination without causes could be considered untimely dismissal. 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.horas semanales. En los casos donde sobrepase las 3 horas a partir de las 7:00pm será considerada una jornada nocturna.

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.
- 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\$1.410,00)



- 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 \$1.410,00)



- 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\$47.000,00. 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 \$46.000 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).





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How to do Business in **SPAIN?**



1. CORPORATE STRUCTURE

Depending on their profile and specific needs, foreign investors have several options available for doing business in Spain. As an alternative to operating as a sole trader, a foreign investor may choose to set up a business through one of the main types of Spanish companies: the Sociedad Anónima (Public Limited Company), the Sociedad Limitada (Private Limited Company), as well as partnerships such as the Sociedad Colectiva (General Partnership) and the Sociedad Comanditaria (Limited Partnership).

In the following sections, we will focus on those forms which, due to their advantages and characteristics, may be of greatest interest to foreign investors:

- [a] the Sociedad Limitada (SL),
- [b] the Sociedad Anónima (SA),
- [c] Cooperatives, and
- [d] the Emprendedor de Responsabilidad Limitada (ERL) or Limited Liability Entrepreneur.

In addition, in other scenarios, foreign investors may also find it beneficial to:

- [e] acquire equity stakes or shares in already existing Spanish companies,
- [f] form a joint venture with one or more established businesses, or
- [g] establish a branch office. These options will also be addressed below.

A) Incorporating a Sociedad Limitada (SL)

Among the types of companies regulated by the Spanish Companies Act (Ley de Sociedades de Capital), the Sociedad Limitada (SL) is by far the most common legal structure used to operate a business in Spain. According to Statista, of all active companies in Spain as of 2022, a total of 1,161,848 were structured as Sociedades Limitadas, while only 58,860 were Sociedades Anónimas. The other two types of companies mentioned above (general and limited partnerships) accounted for less than 1% of all active companies in Spain.



Data from the Spanish National Statistics Institute (INE) confirms this trend: in 2022, only 433 companies were incorporated as Sociedades Anónimas, and just 18 as general or limited partnerships, compared to 98,616 new Sociedades Limitadas

It is a legal entity with a separate identity from that of its shareholders. Its main feature is that shareholders are not personally liable for the company's debts with their own personal assets; rather, their liability is limited to the capital they have contributed.

Its share capital is divided into equity interests ("participaciones sociales"). In an effort to reduce incorporation costs and encourage business creation, the former minimum capital requirement of €3,000 has recently been eliminated. As a result, a Sociedad Limitada (SL) can now be formed with a share capital of just €1, although certain specific safeguards have been implemented to mitigate the risks associated with this lower capital threshold. Regardless of the amount, the share capital must be fully subscribed and paid in.

SLs are closely held companies, which is reflected in the legal restrictions on the transfer of shares. Unless otherwise provided for in the company's bylaws, the law imposes limitations on the entry of new shareholders, such as preemptive acquisition or subscription rights in favor of existing shareholders.

The incorporation of an SL requires formal steps, namely the execution of a public deed of incorporation by the shareholders, which typically includes:

- (i) the identity of the shareholders,
- (ii) the amount contributed by each and the corresponding allocation of shares,
- (iii) the company's bylaws,
- (iv) the identity of the individuals who will manage the company, and
- (v) a negative name certificate issued by the Central Commercial Registry confirming the company name is available.

To streamline incorporation, Law 14/2013 of September 27, on Support for Entrepreneurs and Their Internationalization (the "Entrepreneurs Law") introduced an electronic incorporation procedure for SLs, with or without standardized bylaws. More recently, the "Crea y Crece" Law, mentioned earlier, has further promoted this system by significantly reducing the time and cost of incorporation.



B) Constitución de una Sociedad Anónima ("SA")

Junto con la SL, la Sociedad Anónima también se configura como una de las tipologías de sociedades más empleadas para hacer negocios en España.

En este caso se trata de una sociedad cuyo capital está dividido en acciones y, al igual que las S.L., su capital se integra por las aportaciones de todos los socios, quienes no responderán personalmente de las deudas sociales.

Tiene muchas similitudes con la S.L., como la personalidad jurídica propia, por lo que la SA se puede identificar, a efectos de una explicación más didáctica, por las diferencias entre ésta y la sociedad limitada.

Resaltaremos cuatro diferencias, quizá las más relevantes: En primer lugar, difiere por ser una sociedad abierta en la que el régimen legal no establece restricciones a la entrada de nuevos socios, haciendo libre la transmisión y adquisición de sus acciones; en segundo lugar, por su cifra mínima de capital social, que es de 60.000 euros, teniendo que desembolsarse únicamente, como mínimo, una cuarta parte (25%) del valor nominal de cada acción en el momento de la escritura de constitución o en el aumento de capital; en tercer lugar, el cargo del órgano de administración no puede detentarse de manera indefinida, sino por un plazo máximo de seis años, pudiendo reelegirse por periodos de igual plazo y, en ultimo lugar, porque las sociedades anónimas tienen acceso al mercado de capitales.



C) Cooperativas

El desarrollo de negocio en España podría asimismo realizarse a través de la cooperativa. Ésta se define como una sociedad constituida por personas que se asocian, en régimen de libre adhesión y baja voluntaria, para la realización de actividades empresariales, encaminadas a satisfacer sus necesidades y aspiraciones económicas y sociales, con estructura y funcionamiento democrático. Es decir, el desempeño de la sociedad está orientado, a la satisfacción de las necesidades individuales y comunes de cada uno de sus miembros.

Las sociedades cooperativas en España están reguladas por la Ley 27/1999 de Cooperativas y se pueden constituir en cualquier ámbito de actividad económica, desde la producción y comercialización de bienes y servicios hasta la promoción de actividades culturales, educativas o de ocio.

Entre las características de las sociedades cooperativas en España se encuentran la limitación de la responsabilidad de los socios al capital aportado, el principio de un voto por socio en las decisiones de la cooperativa, la distribución de los excedentes económicos en función de la actividad desarrollada por los socios en la cooperativa y la promoción de la formación y educación de los socios para el mejor desarrollo de la empresa cooperativa.

Para su formalización requiere escritura pública de constitución y su denominación deberá ir

D) Limited Liability Entrepreneur ("ERL")

If, despite the reduced costs of incorporating a commercial company, an investor chooses to operate their business without using a corporate vehicle, they would have to do so as a sole proprietor, commonly referred to in Spain as an "autónomo."

This is the simplest form of doing business, requiring the fewest formalities and procedures, as it does not involve acquiring legal personality (registration with the Commercial Registry is optional). However, the defining characteristic of the sole proprietor is unlimited liability. This means the entrepreneur is personally liable for all business obligations with all of their present and future assets if they are unable to meet their financial obligations at any given time.

Furthermore, if the entrepreneur is married, the marital community property—if any—acquired with income derived from the business may also be held liable for business debts.

That is why, when choosing this route, the figure of the Limited Liability Entrepreneur (ERL) becomes particularly relevant. This is an exception to the general rule governing sole proprietors, offering them protection in certain cases against payment obligations. It allows an individual entrepreneur to limit their liability for debts arising from their business or professional activity by acquiring the status of a "Limited Liability Entrepreneur."

However, this exception does not entail a full limitation of liability. Instead, it specifically excludes from the entrepreneur's liability:

- 1. Their primary residence, provided its value does not exceed approximately €300,000, and
- 2. Productive equipment assets used in the business, provided the total aggregate turnover for the past two fiscal years does not exceed a certain threshold.

To benefit from this limited liability protection, the individual must formally acquire the status of Limited Liability Entrepreneur by recording it on the page corresponding to their business in the Commercial Registry of their domicile, by means of a notarial declaration. In addition, for the liability limitation to apply, the exemption of the primary residence and productive assets must also be registered in the Property Registry and the Moveable Property Registry, respectively.

The Limited Liability Entrepreneur (ERL) must identify themselves as such by including the abbreviation "ERL" in all of their documentation, or by referencing their registration details.

However, this exception does not entail a complete limitation of liability. Rather, it excludes from liability:

- 1. Their primary residence, provided its value does not exceed €300,000, and
- 2. Productive equipment assets used in the business, provided that the aggregate turnover of the last two fiscal years does not exceed a certain threshold.

In order to benefit from this liability exemption, the status of Limited Liability Entrepreneur must be formally acquired by recording it on the page corresponding to the individual entrepreneur in the Commercial Registry of their place of domicile, through a declaration made by notarial deed. Furthermore, for the limitation of liability to be enforceable, the exclusion of the primary residence and productive assets must be registered with the Land Registry and the Registry of Moveable Property, respectively.

E) Acquisition of Shares or Equity Interests

As an alternative to incorporating a new company, the foreign investor may consider acquiring equity interests (in the case of an SL) or shares (in the case of an SA) of an existing company.

In addition to the closed nature of SLs or the open nature of SAs, the legal formalities required to execute such a transfer must also be taken into account. Specifically, the transfer of equity interests in an SL requires the involvement of a public notary and must be formalized by a public deed. In the case of an SA, notarial intervention is required when mandated by Spanish law, the corporate bylaws, or when agreed by the parties.

The sale of equity interests (SL) or shares (SA), regardless of whether all or only part are transferred, is subject to but exempt from the Transfer Tax (Impuesto sobre Transmisiones Patrimoniales - ITP).

F) Creation of a Joint Venture

As mentioned in the introduction, a foreign investor may also choose to partner with one or more already-established entrepreneurs in Spain to do business in the country. The idea is to collaborate commercially (on a short-, medium-, or long-term basis), while also sharing resources, risks, synergies, and expertise. This approach can also facilitate market entry with the support of the local partner.

Note that Spanish law does not expressly regulate this structure, making it an atypical contract governed by the principle of contractual freedom as laid out in Article 1255 of the Spanish Civil Code.

In practice, there are two types of joint ventures:

A contractual joint venture (unincorporated joint venture), in which the collaboration is governed by a detailed agreement; and

An incorporated joint venture, created through a company with a corporate structure.

The latter can take several forms:

- Incorporation using one of the four main corporate types discussed previously, most commonly as Limited Liability Companies (SLs) or Public Limited Companies (SAs).
- Formation of a Temporary Business Union (Unión Temporal de Empresas UTE). A UTE lacks legal personality and is created through a public deed signed by the member companies. It represents an agreement between two or more companies that share a common interest to jointly carry out a project or provide a service, forming a temporary vehicle for the duration of that project or service. The corporate purpose of the UTE does not have to match that of its members. Its duration must match the timeline of the project or service and cannot exceed 25 years. As it lacks legal personality, its members are jointly and severally liable for its acts and obligations.
- Formation of an Economic Interest Grouping (Agrupación de Interés Económico AIE). This structure allows for any auxiliary activity related to those of its members, even if it is not identical. Like the UTE, the members of an AIE are personally liable for its debts.

G) Establishment of a Branch Office

While a foreign investor may consider establishing a subsidiary—that is, a commercial company incorporated under Spanish law and wholly or partially owned by a foreign legal entity—another option is to conduct business in Spain through a branch office.

Unlike a subsidiary, a branch does not have its own legal personality, but rather depends on the foreign parent company, operating under its direction and control. As such, the foreign parent company bears ultimate responsibility for all of the branch's operations. Although it does not have its own governing bodies, the branch must appoint 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 maintain its own accounting records, which must be filed with the Mercantile Registry. However, Royal Decree 1784/1996, which approves the Regulations of the Mercantile Registry, provides for two distinct scenarios:

- 1. In the first scenario, where the foreign parent company is required to file annual accounts in its country of residence, if those accounts have already been filed with the foreign company's registry, the Spanish Registrar's review will be limited to verifying that fact.
- 2. In the second scenario, where the foreign parent company is either not required to prepare annual accounts or does so in a manner not equivalent to Spanish regulations, the parent company must prepare financial statements relating to the activity of the branch and file them with the Mercantile Registry where the branch is registered.

Despite these differences, it should be noted that the formal procedures and costs involved in establishing a branch are, in practice, very similar to those of incorporating a subsidiary.



FORMAL MATTERS OF INTEREST FOR FOREIGN INVESTORS:

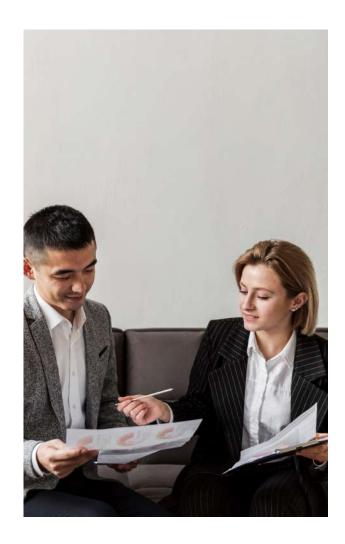
Foreigner Identification Number (N.I.E.)

The NIE is a personal, unique, and exclusive number that all foreigners must obtain for identification purposes when engaging in economic, professional, or social activities related to Spain (Article 209 of Royal Decree 557/2011 of April 20, which approves the Regulations of Organic Law 4/2000 on the rights and freedoms of foreigners in Spain and their social integration). Therefore, all foreigners wishing to conduct business in Spain must apply for and obtain an NIE, even if they do not reside or plan to reside in the country.

This requirement applies to all foreigners who will be shareholders and/or directors of a Spanish company, including those who will be partners of branches or permanent establishments in Spain of a foreign company.

The process of obtaining the NIE depends on the location of the investor: either in Spain, by visiting one of the immigration offices (Oficinas de Extranjería), or abroad, through the Spanish consulate corresponding to the investor's place of residence. The application requires a prior appointment and must be accompanied by payment of the corresponding fee, along with the required documentation (completed Ex-15 form, a copy of the passport, and supporting documentation related to the economic operation or activity the foreigner intends to undertake).

It is worth noting that recent improvements have been made to the NIE application process in Spain when the request is related to foreign investment in start-ups. These changes simplify the requirements and allow for electronic application and issuance of the NIE (Article 9 of Law 28/2022 of December 21, on the promotion of the ecosystem for emerging companies).





TAX REGIME

Introduction to the Tax Regime

1.1. The Spanish Tax System

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

The taxes that make up this tax system include: taxes (direct and indirect), fees, and special contributions. Regarding fees and special contributions, these are quantitatively lower than taxes and are required in exchange for the provision of services or for obtaining benefits as a result of carrying out public works or services.

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

Additionally, 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 Navarra), which have the power to issue tax regulations and collect their own taxes, while maintaining a structure and rates similar to those of the common territory.

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

2.1. Direct Taxation

2.1.1. Personal Income Tax (IRPF)

Nature: A tax that levies the worldwide income earned by the taxpayer.

Tax rate: Income is taxed progressively depending on the type of income.

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



IRPF 2023 brackets 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%
299.999	47%

These rates are the sum of the state and regional rates applicable to non-resident taxpayers in Spain. The rates applicable to residents in Spain vary depending on the scale approved by each autonomous community where the declaration must be filed.

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

IRPF 2023 brackets 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%

Residencia fiscal en España:

- If a person is considered a tax resident in Spain, they are subject to taxation on their worldwide income, which means they must declare and pay taxes on all sources of income, both within and outside the country.
- This regime is governed by the Personal Income Tax (IRPF), which has as its tax base the total income earned during the calendar year.

A natural person is considered a resident in Spanish territory when any of the following circumstances apply:

- They remain in Spanish territory for more than 183 days during the calendar year. To determine this period of stay in Spanish territory, sporadic absences will be counted unless the taxpayer proves tax residency in another country. In the case of countries or territories classified as non-cooperative jurisdictions, the tax authorities may require proof that the individual stayed there for 183 days during the calendar year.
- Their main center or base of economic activities or interests is located in Spain, either directly or indirectly.
- Special regime for workers assigned to Spain:
- Known as the "impatriate regime," it applies to workers assigned to Spain as a result of an employment contract, teleworking, engaging in entrepreneurial activity, or as administrators of qualified emerging companies (startups) or highly qualified professionals providing services to these companies, provided the following conditions are met:
- a) They have not been residents in Spain during the five tax periods prior to the one in which their assignment to Spanish territory takes place.
- b) The assignment to Spanish territory occurs either in the first year of application of the regime or in the previous year, as a result of any of the following circumstances:

As a consequence of an employment contract or the acquisition of the position of administrator of an entity.

As a consequence of carrying out an economic activity in Spain classified as entrepreneurial activity.



The spouse of the taxpayer and their children under twenty-five years old—or regardless of age in case of disability—or, if there is no marital relationship, their parent, may also opt for this regime, provided that certain conditions are met.

This regime applies to the year of assignment to Spain and the following five years, applying the following rates:



Taxable base 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 five years prior to their relocation to Spain.

2.1.2. Corporate Income Tax (IS)

Nature: a direct tax that levies the worldwide income of companies resident in Spain.

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

Corporate Income Tax in Spain establishes different tax rates depending on the characteristics of the companies and the activities they carry out.

General rate of 25%:

This is the default tax rate applied to most companies on their net profits. In other words, if a company does not meet any of the special conditions outlined below, it will be taxed at 25%.

Newly created companies may benefit from a reduced tax rate of 15% during their first two tax periods if they meet certain requirements.

From 2023 onwards, companies with net turnover below €1 million in the previous tax period may benefit from a reduced tax rate of 23%.

Residence: Companies constituted under Spanish law are considered residents in Spain if their registered office is located in Spanish territory or if their effective place of management is in Spain.

Dividends and capital gains: These are taxed under the general regime, except when the exemption to avoid double taxation applies, which exempts 95% of dividends, so that only 5% is taxed.

The exemption requires a minimum participation of 5% in the share capital, which must be maintained uninterruptedly throughout the year. In the case of foreign entities, the participated company must have paid tax on its profits at a rate similar to Corporate Income Tax with a minimum rate of 10%, or be resident in a jurisdiction with a Double Taxation Avoidance Agreement with Spain.

This exemption generally applies to tax periods starting from January 1, 2021, covering 95% of dividends or profit shares received from entities, with 5% being treated as management expenses related to such shares.



Compensation of Negative Tax Bases (NOLs):

Accumulated losses from previous fiscal years may be offset without a time limit, subject to a general limit of 70%, except for certain exceptions. In any case, up to €1 million can be offset in each fiscal year.

These limits aim to prevent the abusive use of negative tax bases for the purpose of tax reduction, ensuring fairness and integrity of the tax system.

Regulations on Related-Party Transactions, under OECD Principles:

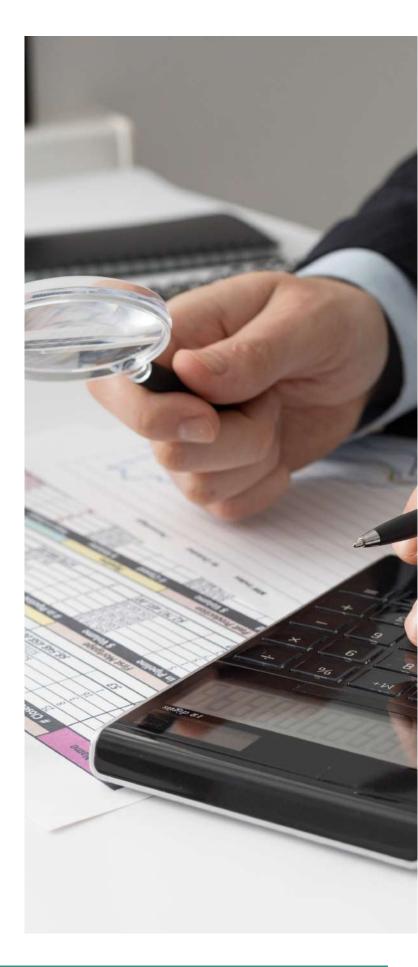
They are taxed under the general regime, except when the exemption to avoid double taxation applies, which exempts 95% of dividends, so only 5% is taxed.

Transactions carried out between related persons or entities must be valued at market value, which is the price that would have been agreed upon by independent persons or entities under conditions respecting the arm's length principle.

Examples of related parties include, among others: an entity and its partners, its directors or administrators, persons related by family ties to the above, another entity in the same group, another entity in which there is at least 25% participation, etc.

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

Therefore, the regulation explicitly defines what is considered related parties or entities, and it is important to bear this in mind to know when this obligation to value at market applies.



Deductions for Investment in Certain Activities:

- Research, Development, and Innovation (R&D&i): A deduction of 25% (42% in certain cases) is established on the expenses of the period and 8% on investments in fixed and intangible assets related to research and development activities. Regarding investment in technological innovation, a deduction of 12% is established on certain expenses related to the development of such activity.
- Production and Exhibition of Live Performing Arts and Musical Shows: A deduction of 20% is established on the direct artistic, technical, and promotional costs necessary for the production.
- Audiovisual Productions: Investments in Spanish cinematographic and audiovisual productions entitle the producer to a tax deduction of 25% on the first one million euros of the deduction base and 20% on amounts exceeding that, with a maximum of 3 million euros per production.





2 Indirect Taxation

2.2.1 Value Added Tax (VAT)

Nature: VAT is an indirect tax that applies to the provision of services and the consumption of goods. It is a neutral tax for businesses, acting only as collectors of the tax, with the final consumer being the taxpayer. It applies only within the peninsular territory.

The territorial scope of the tax in Spain covers the peninsula and the Balearic Islands. In the Canary Islands, the Canary Islands General Indirect Tax (IGIC) applies, which is very similar to VAT, and in Ceuta and Melilla, the Production, Services and Import Tax applies.

Tax rates: The general VAT rate is 21%. The current reduced rates are 10%, 5%, 4%, and 0%.

Exemptions: Exempt operations include:



- 1. Domestic transactions (exemption is limited): you cannot deduct the VAT incurred on purchases related to these exempt transactions:
- Healthcare services. Educational activities. Social assistance.
- Cultural activities. Sports practice.
- Financial and insurance operations. Real estate exemptions.
- 2. Domestic transactions (exemption is full): you can deduct the VAT incurred on purchases related to these transactions.
- 3. Exports: delivery of goods transported outside the European Union.
- 4. Intra-community supply of goods: delivery of goods to a business customer with transportation to another Member State.

Transactions not subject to VAT:

Transfers of goods between individuals and companies that are not subject to VAT will be taxed under the Transfer Tax on Onerous Transactions (TPO). This tax is non-recoverable and is levied at rates that vary by autonomous community, ranging between 1% and 11%.

On the other hand, there are other types of transactions not subject to VAT:

- Services provided within an administrative or employment relationship: This refers to any work carried out by employees within a company. The salary paid to employees does not include VAT.
- 2. Operations carried out by non-commercial Public Administrations: These are services provided by the government, such as waste collection, financed through taxes and therefore not subject to VAT.

- 3. Free products and services for promotional purposes: These are samples or promotional gifts, such as perfume samples in magazines, which have no commercial value and are not subject to VAT.
- 4. Certain self-consumption operations: This includes the consumption of goods and services within the same company for internal use. For example, when a company gives products as gifts to its clients, no VAT is involved.
- 5. Transfer of an independent economic unit of a business: When a company sells a part of its business, such as a factory, no VAT is involved, provided that the sold elements can operate independently.
- 6. Certain administrative concessions and authorizations: Administrative concessions, such as the operation of public infrastructure, are not subject to VAT, except in certain cases like the lease of real estate at airports.
- 7. Services provided to worker cooperatives: Services provided by members in worker cooperatives and activities performed by one cooperative for another are exempt from VAT.



EMPLOYMENT **REGIME**



In Spain, the provision of personal, subordinate, and remunerated services gives rise to the existence of an employment contract, which may be either temporary or permanent, and either full-time or part-time. Hiring personnel does not require significant prior conditions, except for being of legal age, which in Spain is acquired at 18 years old. Minors between the ages of 16 and 18 require parental consent to work, as well as approval from the Ministry of Labour.

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

Workers have various rights, including:

- The minimum interprofessional wage: €16,576 per year (€1,184 x 14 payments), for a 40-hour workweek.
- A maximum working schedule of eight hours per day or forty hours per week.
- A mandatory weekly rest period of one and a half days.
- 14 public holidays.
- Annual vacation of 30 calendar days for each full year of service.
- Severance compensation in the event of dismissal if declared unfair.

Companies providing services in Spain must comply with the applicable labor compliance policies, depending on the size of their workforce. Failure to do so may result in sanctions imposed by the competent labor authority.

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

Concept	Empleoyer	Employee
Remuneration	100%	
Social Security	Employer: 30 - 35% Employee:: 6,48%	6,35%
Vacacion	30 Calendar days	
Bonuses	12 Payments + 2 extra pay periods	
Seniority	Collective bargaining	
IRPF	Application	Progressive based on income, up to a maximum

Self-Employed Workers

In Spain, services may also be provided by individuals commonly known as autónomos, i.e., "natural persons who habitually, personally, directly, on their own account, and outside the scope of direction and organization of another person, carry out an economic or professional activity for profit, whether or not they employ others."

The conditions applicable to this group are established in the service provision contract signed with the company.

Self-employed individuals contribute to Social Security based on their actual income, which determines the contribution base to which the applicable contribution rate is applied—generally 30%.

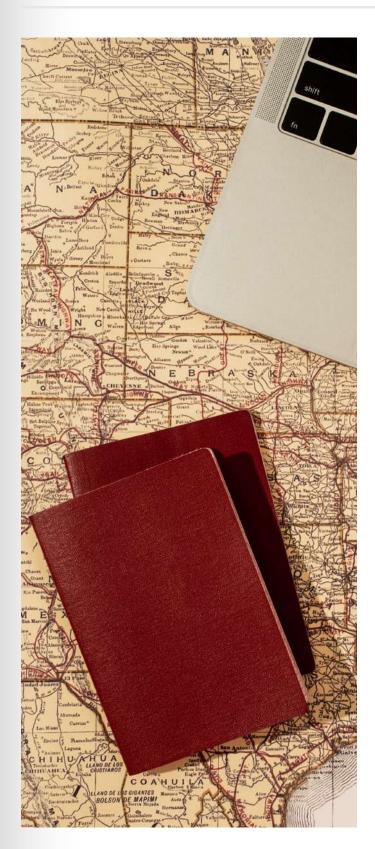
The contribution bases range from €751.63/month to €4,495.50/month, depending on the individual's actual net earnings.

Self-employed workers receive payment for their services by issuing an invoice, which is subject to Personal Income Tax (IRPF) under the applicable tax regulations in force at any given time.



LEGAL

IMMIGRATION REGIME



NEW IMMIGRATION REGULATIONS IN SPAIN

- 1. Objectives of the New Immigration Regulations
 The recent reform of the Immigration Regulation aims
- Reduce bureaucracy and streamline procedures.
- Provide greater legal certainty.
- Facilitate the protection of both workers and employers.
- Expand legal pathways for obtaining residency.
- Align national regulations with the European Union's migration policy.

2. Entry and Exit Regime

2.1. Terminology Update

- The term "border post" (puesto fronterizo) has been replaced with "border crossing point" (paso fronterizo).

2.2. Types of Visas

Visas are regulated under Title II (Articles 25 to 47) and are classified as follows:

- Short-stay visa
- Long-stay visa
- Residence visa
- Airport transit visa
- Extraordinary visa
- Job-seeker visa: Designed for individuals with training in high-demand sectors and for descendants of Spanish nationals by origin.

2.3. Visa Procedure

- The consular office will assess the general requirements.
- The competent immigration office will evaluate the specific requirements.
- Maximum issuance period: 1 month after a favorable resolution.

3. Roots and Regularization

3.1. New Types of "Arraigo" (Rooting/Integration Permits)

The required period is reduced from 3 to 2 years (except for family "arraigo"). New categories are introduced:

- Social arraigo: Based on family ties and economic means.
- Training-based arraigo: For individuals undergoing training, allowing them to work up to 30 hours per week.
- Labor-based arraigo: For individuals who have worked in Spain during the last two years, with more flexible employment requirements.
- Family arraigo: For parents of Spanish minors or relatives of Spanish citizens.
- Second-chance arraigo: For individuals who have lost their residence permit within the last two years and seek to regularize their status.

4. Residence and Work Permits

4.1. Types of Residence Permits

- Temporary residence and self-employment.
- Temporary residence exempt from work authorization.
- Non-lucrative temporary residence.
- Residence for seasonal activities.

4.2. Improvements for Workers

- Residence permits are extended (1 year + 4-year renewal).
- The residence permit is directly linked to the work permit.
- The integration report requirement for social "arraigo" is eliminated if family ties can be demonstrated.

5. Family Reunification

- Reunification of family members of residents and Spanish citizens is improved.
- The age limit for regrouped children is increased to 26 years.
- Included family members:
 - Spouses and unmarried partners (no need for formal marriage or registration).
 - Dependent children and parents.
 - Parents of Spanish children.
 - Caregivers of Spanish citizens.
 - Extended family members.
 - Relatives of victims of gender violence, trafficking, or sexual violence.



6. Protection of Vulnerable Groups

- Special residence permits are granted to victims of gender-based violence and human trafficking.
- Faster and more digitalized procedures are established for document processing.

7. International Mobility and Voluntary Return

- Family members of long-term residents in other EU countries may apply for residence in Spain without needing a visa.
- Long-term residence can be recovered if the return to Spain occurs within less than two years.

8. Guarantees for Minors and Families

- In cases of repatriation, minors will be accompanied by specialized personnel.
- If a judicial procedure is involved, repatriation will require judicial authorization.
- The suitability report for family reunification is maintained to ensure adequate living conditions.

9. Residence by Investment (Golden Visa)

Law 14/2013 of September 27 on support for entrepreneurs and their internationalization has recently been amended, repealing Articles 63, 64, 65, 66, and 67, which had established the conditions for applying for a Residence Authorization for foreigners making significant investments in Spain.

The referenced Royal Decree includes several transitional provisions, one of which states that applications submitted before the decree's entry into force may still be eligible to receive the visa or residence authorization.

Likewise, any visas or authorizations valid as of the date the transitional provision takes effect will remain in force.

10. Law of Democratic Memory / Spanish Nationality

On October 21, 2022, the Law of Democratic Memory came into force, granting the right to Spanish nationality to foreigners—children or grandchildren of Spaniards born in Spain. Applications must be submitted before October 2025 and may be filed either at the Spanish Consulates in the applicants' countries of residence or at the corresponding Civil Registry if residing in Spain.





RC LAW



RC Law is a boutique law firm specializing in transactions, with offices in New York (NY), Miami (FL), Houston (TX), Madrid (Spain), and a presence in Raleigh (NC). Our team is multicultural and admitted to practice in jurisdictions across both the United States (common law) and internationally (civil law), and we are capable of working in multiple languages, including English, Spanish, Portuguese, French, Italian, and Catalan. This diversity and experience make our team exceptionally well-equipped to navigate different legal systems skillfully, providing our clients with effective representation.

The team is particularly strong in corporate transactions (including M&A, venture capital, and joint ventures) and financial operations. Chambers & Partners has recognized us as one of Florida's leading firms in the category of "Corporate, M&A, and Private Equity" in both 2023 and 2024. In addition to our transactional expertise, we advise on specialties such as labor, commercial, tax, real estate, and emerging technology law, among others.



How to do Business in UNITED STATES?



Considerations on Corporate Law in the United States

I. Corporate Law in the United States

In the U.S., corporate law is governed by state law, not federal law. These legal frameworks are generally used to "fill gaps," applying when a company's corporate documents do not address specific issues. The most common legal forms are:

- Corporation (abbreviated as "CORP" or "INC");
- Limited Liability Company ("LLC"); and
- Partnership.

Generally, the process of incorporating a company can be done online, without the need for a notary public or powers of attorney. Depending on the jurisdiction, this process usually takes between 24 and 48 hours. There are typically no minimum capital requirements, and directors, members, and officers do not need to be U.S. citizens or residents. All companies are required to obtain an Employer Identification Number (EIN) from the Internal Revenue Service (IRS) for tax purposes.

Corporations and LLCs must file an annual report with the Secretary of State to maintain active status.

II. Corporations, LLCs, and Partnerships

The process of incorporating a corporation includes filing a Certificate of Incorporation with the relevant Secretary of State and drafting the Bylaws, which do not need to be filed. A corporation is initially formed as a shell company by an incorporator, and subsequently, the shareholders ratify the incorporator's actions.

The capital specified in the Certificate of Incorporation refers to the "authorized capital", not the "subscribed capital." The governing bodies are the Board of Directors (composed exclusively of natural persons), which oversees the company's direction and strategy, and the officers, who manage the company's daily operations. It is common practice to obtain Directors and Officers (D&O) liability insurance.



Corporations are taxed separately from their shareholders, and the taxpayer is the company itself (unless it is an S-Corp, which allows for pass-through taxation). Therefore, a corporation is subject to double taxation, as its profits are taxed at the corporate level and again at the individual level when distributed as dividends to shareholders.

The formation process of a limited liability company (LLC) includes filing the Certificate of Formation with the Secretary of State and drafting an Operating Agreement, which does not need to be filed. An LLC can be managed by its members ("member-managed LLC"), by designated managers ("manager-managed LLC"), and, potentially, by officers.

LLCs benefit from pass-through taxation, unless they elect to be taxed as a corporation. As a general rule, the company's profits and losses pass directly to its members, thus avoiding corporate-level taxation.

A partnership is formed when two or more persons carry on a business as co-owners with a view to profit. No specific intent is required to form a partnership, and formalities are generally not necessary. Each partner has management authority, unless it is a limited partnership, which must have at least one general partner and one limited partner. Like LLCs, partnerships also enjoy pass-through taxation.

III. State of Incorporation

The state of incorporation primarily affects the applicable corporate law and state tax regime. Federal corporate income tax is imposed regardless of the state of incorporation. However, state income tax depends on the company's "nexus" or substantial connection with a specific state, which may or may not include the state of incorporation. In some jurisdictions, municipal taxes may also apply.

Delaware is a favorable option for several reasons: its corporate laws are flexible and sophisticated, it has specialized courts for corporate matters, and it offers efficient document processing. Delaware also facilitates the implementation of corporate reorganizations. However, if a company primarily operates in a specific state, it is usually recommended to incorporate in that state to simplify compliance with local laws and tax requirements. By contrast, Delaware is often more suitable for holding companies or those seeking a complex corporate structure.





The U.S. federal tax code and regulations, along with state and local taxes, are highly complex. Inadequate preparation can lead to unnecessary risks, higher-than-expected tax liabilities, and jeopardize the success of operations.

I. Levels of Taxation

U.S. tax residents are subject to federal income tax on their worldwide income. Non-residents generally only pay taxes on income that is effectively connected to a trade or business in the United States. In addition to federal taxes, non-residents may also face state and local income taxes on U.S.-sourced business income. The type and amount of tax vary significantly from state to state and among local jurisdictions.

II. Choice of Entity Type

Each way of structuring an investment carries its own U.S. tax implications and compliance requirements. Foreign investors often choose to establish a subsidiary to isolate U.S. operations, commonly structured as either an LLC or a corporation. Both types of entities are subject to tax on their annual profits.

Generally, corporations file their own tax returns (though they may sometimes elect pass-through taxation). Then, shareholders are taxed personally on the dividends they receive. As a result, corporations are subject to what is often referred to as double taxation.

By contrast, LLCs are typically pass-through entities for tax purposes (though they may elect to be taxed as corporations). They do not pay income tax at the entity level; instead, their income is reported on the individual tax returns of their members.

These different tax treatments can have significant implications, particularly for companies that incur losses. A corporation with a loss in a given year can generally carry it forward to offset profits in future tax years. On the other hand, a loss from an LLC can often be used to offset its members' other income in the same tax year.

III. Employment-Related Taxes

Employment taxes consist of various types of levies that employers must withhold from employee wages and/or pay themselves. The main employment-related taxes include:

(i) Social Security Tax

Social Security is funded through a specific tax applied to employees' wages to support federal programs that provide benefits to retirees, individuals with disabilities, and surviving spouses and children of deceased workers.

(ii) Federal Unemployment Tax

The Federal Unemployment Tax Act (FUTA) authorizes the Internal Revenue Service (IRS) to collect a federal tax to fund state workforce agencies. The FUTA tax rate is 6.0 percent on taxable wages. The taxable wage base is the first \$7,000 paid in wages to each employee during a calendar year. State law determines the individual state unemployment tax rates.

IV. Credits and Incentives

The intricate network of federal, state, and local taxes in the U.S. can be challenging, but incentives are available for foreign investors. These generally apply to capital investments, research and development, and job creation. They include benefits such as tax credits, deductions, direct grants, low-interest loans, and other forms of support.



EMPLOYMENT **REGIME**



I. Hiring Employees

The hiring of employees in the United States is governed by a combination of federal, state, and local laws. However, the following principle applies nationwide:

Most employees in the U.S. are "at-will" employees, which means that (i) an employee may leave their job at any time without notice, for any reason (or no reason at all), and (ii) an employer may terminate an employment relationship without notice, and for any reason (with or without cause), as long as the reason is not discriminatory.

II. W-2 Employees vs. 1099 Contractors

When hiring personnel for a company, there are different options for employing talent. The two most common types of employment arrangements to consider are W-2 employees and 1099 independent contractors.

When evaluating the difference between W-2 employees and 1099 contractors, the Department of Labor (DOL) and the Internal Revenue Service (IRS) consider the following factors:

- 1. What degree of control does the employer exercise over the worker?
- 2. Are the business aspects of the worker's job controlled by the employer?
- 3. How is the relationship between the worker and the employer structured?

Note: Misclassification can lead to serious legal and financial consequences for the employer. For example, company directors could be held liable for back taxes, as well as substantial penalties and interest.

III. Minimum Wage

The Fair Labor Standards Act (FLSA) establishes the federal minimum wage and rules for overtime pay. U.S. states and collective bargaining agreements may impose stricter requirements.

Some employees are exempt from the FLSA, but most are classified as non-exempt. An exempt employee is not entitled to overtime pay, provided that the employee:

- Is paid at least \$684 per week / \$35,568 per year.
- Is paid on a salary basis: exempt employees cannot be paid hourly. If an employee is paid hourly, they are automatically considered non-exempt, regardless of their salary level or job duties.
- Performs exempt job duties, typically in a "white collar" role.

Overtime must be paid once a non-exempt employee works more than 40 hours in a given workweek.

If a non-exempt employee is not properly compensated for overtime, back pay may be calculated for up to two years. The burden of proof lies with the employer to demonstrate the actual hours worked by the non-exempt employee.

IV. Labor Unions

In 1983, 20.1% of the U.S. workforce belonged to a union. That trend has shifted, and union membership has steadily declined. By 2023, only 11.2% of salaried and hourly employees were union members.

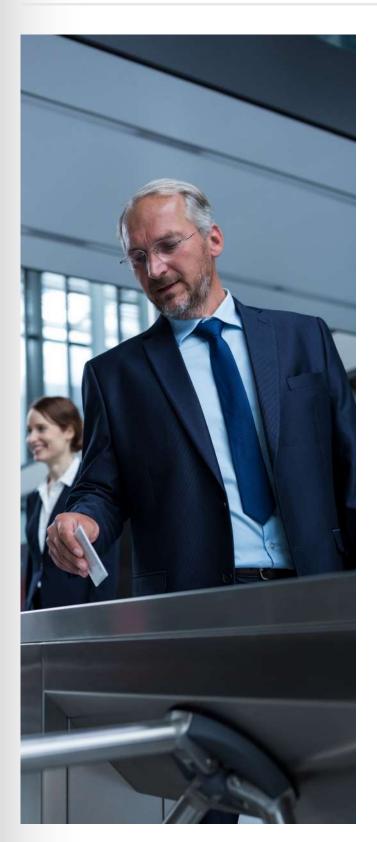
Employers must respect employees' rights to join labor unions and engage in collective bargaining. It is illegal to threaten employees with termination for supporting a union, as well as to promise wage increases or benefits to employees in exchange for voting against unionization.

27 states have enacted "right-to-work" laws, which prohibit union security agreements. In these states, each employee has the individual right to decide whether or not to join a union and pay dues, even if all employees are covered by the collective bargaining agreement negotiated by the union.



LEGAL

IMMIGRATION REGIME



I. U.S. Immigration Law

A visa allows a foreign national to travel to the U.S. and request permission to enter the country. Holding a visa does not guarantee entry into the U.S., as Customs and Border Protection (CBP) officers may grant or deny admission at their discretion.

II. Visa Categories

- Nonimmigrant visas are for temporary stays (e.g., tourism, study, temporary work, or business visits),
- Immigrant visas are for permanent residence in the U.S. (e.g., through family sponsorship, employment, asylum/refugee status, or the diversity lottery).

Some visas, such as the H-1B or L-1, allow for dual intent, meaning holders can work temporarily in the U.S. while also applying for permanent residence.

There are annual limits on the number of permanent immigrants to the U.S. from any single country. For example, no nationality may exceed 7% of the total number of immigrant visas in a single fiscal year.

III. Common Business Immigration Pathways

A. Investment-Based Immigration

- **E-2 Visa:** This nonimmigrant visa requires an investment of at least \$100,000 and allows the holder to work in the U.S. only in the business they own. It is available to nationals of countries that have a treaty with the United States. The visa is typically granted for five years.

- **EB-5 Visa:** This immigrant visa requires an investment of more than \$1 million (or \$500,000 if the business is located in a rural or high-unemployment area) and the creation of at least 10 full-time, permanent jobs for U.S. workers.

B. Employment-Based Immigration

Approximately 140,000 immigrant visas are available each year for permanent workers. There are five categories of employment-based immigrant visas (EB-1, EB-2, EB-3, EB-4, and EB-5).

These visas are generally available to foreign nationals with extraordinary abilities, outstanding professors or researchers, and certain executives or managers of multinational companies. In most cases, a job offer from a U.S. employer (the "Sponsor") is required.

In some cases, before the Sponsor can submit an immigration petition, known as a "PERM", to U.S. Citizenship and Immigration Services (USCIS), it must first obtain labor certification from the U.S. Department of Labor (DOL) verifying that:

- There are not enough U.S. workers who are available, qualified, and willing to fill the position at the prevailing wage; and
- Hiring a foreign worker will not negatively affect the wages and working conditions of similarly employed U.S. workers.

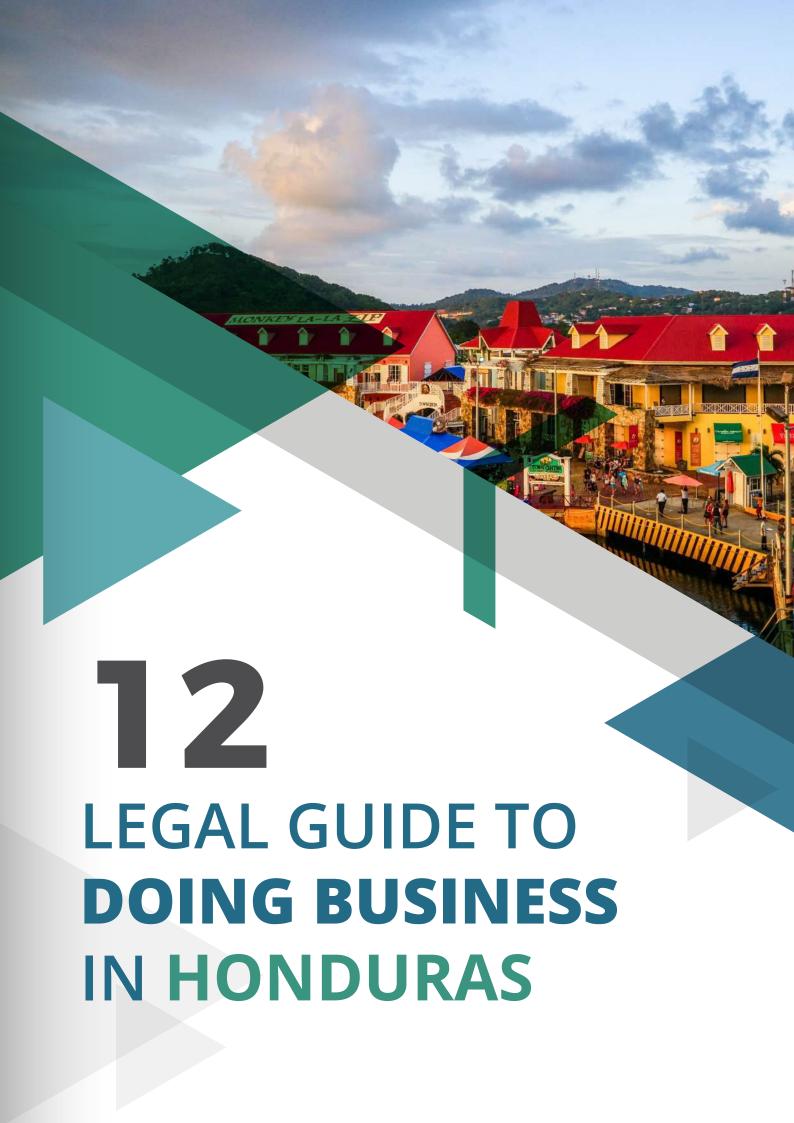
A waiver of the job offer and labor certification may be requested if the case qualifies under the "National Interest Waiver" (NIW). In such cases, the foreign national may self-petition without the need for a Sponsor.

- L-1 Visa: This nonimmigrant, dual-intent visa is for intra-company transfers of executives or managers. It allows a company to bring a foreign executive or manager employed by an affiliated entity to the U.S. It also permits a foreign company to expand to the U.S. by sending an executive or manager to establish a U.S. office. An L-1 visa can be extended up to seven years. To qualify, the applicant must have worked for the affiliated foreign company for at least one year within the last three years.
- H-1B Visa: This nonimmigrant, dual-intent visa is for specialty occupations. The employee must have at least a bachelor's degree (or equivalent) in a specific field and work in a role that requires at least a bachelor's degree. The visa can be extended up to six years. An annual cap limits the number of H-1B visas available. This visa cannot be used for self-employment.

C. Skilled Immigration

- **O-1 Visa:** This nonimmigrant, dual-intent visa is for individuals who can document extraordinary ability in their field. It is valid for an initial period of up to three years, and may be renewed indefinitely in one-year increments.





ADV LAW FIRM



ADV Law Firm is a Honduran law firm founded in 2007 by Attorneys Cristian R. Stefan and German Salgado, with its main office located in Tegucigalpa, M.D.C., Honduras, and regional offices in the cities of San Pedro Sula, Comayagua, and La Ceiba. Our work and professionalism are recognized by our clients, particularly multinational corporations, banking institutions, as well as individuals and legal entities who have entrusted their business for many years to our experienced lawyers and associates.

The firm specializes in matters related to Banking Law, Corporate Transactions, Labor Affairs, Telecommunications, International Financial Operations, Litigation, Intellectual Property, and Notarial Services.

Learn more about ADV Law Firm at: https://advlaw.hn/.



How to do Business in **HONDURAS?**



Business operations in Honduras are legally governed by the Constitution of the Republic, the Code of Commerce and various special laws that have been created specifically for the various industries, sectors or areas of economic activity, such as: Tourism Incentives Law, Investment Law, ZOLITUR and the Free Zone laws.

The establishment of a national person as a business entity in Honduras can be done in two ways:

- a) By means of the declaration of Individual Merchant, or
- b) By means of the Incorporation of a Mercantile Company.

Foreign individuals and/or legal entities may carry out their economic activities in the Republic of Honduras in the following ways:

- a) Maintaining its status as a foreign company (more common when it wishes to carry out isolated operations or businesses);
- b) Through the authorization of a branch, which allows the foreign company to obtain its authorization to exercise commercial acts in the Republic of Honduras, on a permanent basis, always maintaining a direct relationship with its parent company.
- c) Through the incorporation of a Honduran corporation, which allows it to maintain permanent operations under a structure isolated or separate from its parent company.

Honduran legislation currently allows the incorporation of the following types of corporations:

- Corporation (either sole proprietorship or with two or more partners);
- Limited Liability Company (whether sole proprietorship or with two or more partners);
- General Partnership or;
- Limited Partnership



The requirements for each of these companies are as follows:

- Complete the list of information provided by the ALL firm.
- Contribution of a capital stock that varies between \$250 to \$1,100, depending on the type of company to be incorporated.
- As well as copy of the incorporation documents when the partners are individuals or legal entities and copies of the passports for foreigners or the national identification document for national individuals.

In order to exercise their commercial activity, merchants operating in the Republic of Honduras must obtain:

- 1. Its registration in the corresponding Commercial Registry.
- 2. Its national tax registration and online service adhesion agreement.
- 3. Its operating permit granted by the municipality of the jurisdiction where its operation is located.
- 4. And in special cases for specific sectors or industries, specific environmental licenses and registrations or permits for specialized establishments may be required.





The Honduran tax system is mainly based on Sales Tax, Income Tax, Net Assets Tax and Solidarity Contribution. Corporations incorporated in Honduras are subject to an income tax of 25% calculated on the taxable base, constituted by the gross income minus the deductions allowed by law; additionally, corporations except those included in certain special tax regimes will pay in addition to the income tax a solidarity contribution of 5% that is applied on the excess of the net taxable income exceeding one million lempiras. Persons domiciled in Honduras will be taxed at a rate of 1% on the value of their net assets less the deductions allowed by law.

Honduras maintains a general sales tax rate equivalent to VAT of 15% on the value of the taxable base of imports or the sale of goods and services subject to it, which must be paid within the first 10 days of the month following the withholding to the FISCO.

As part of its strategy to attract foreign investment, Honduras maintains different special regimes for the productive sectors, the main ones being the following: Free Trade Zone (ZOLI) oriented to companies engaged in exports and through which they are exempted from the payment of internal consumption tariff taxes and other taxes that may be levied on the goods in the Free Trade Zone.

Temporary Importation Regime (RIT)

The purpose of this regime is to encourage exports in the case of companies that do not benefit from any other law.

Among the benefits of this regime are the suspension of customs duties and other import taxes related to raw materials and samples. Also, the payment of income tax related to profits from the export of goods to non-Central American countries is exempted.

Tourism Incentive Law (LIT)

As a measure to encourage investment in the tourism sector, Honduras approved the Tourism Incentives Law, which grants companies included in this category the benefit of exemption from income tax, net assets and solidarity contribution for a period of 15 years; exemption from sales tax on local goods and services related to the investment being made; benefits in the importation of machinery and all equipment necessary for the development of the project, as well as exemption from import customs duties for a period of up to 10 years.

EMPLOYMENT **REGIME**

In Honduras, the rendering of personal services to another person under a continuous dependency or subordination and for remuneration is considered a relationship under the individual employment contract. There are three types of employment contracts in Honduras.

- Contract of employment for a definite term
- Contract of employment for an indefinite term;
- Contract for specific work and services.

The probationary period of the labor contract is 60 calendar days.

Workers in Honduras maintain the following benefits or rights by law: 1. Right to a minimum salary of L.12,140.69, 2. Access to social security, 6. Creation of a labor reserve fund constituted by the employer.

The income of workers is subject to income tax. In this case, withholding will be applied for those individuals who have received income in a fiscal period for an amount higher than L.180,000.00. The applicable rate will depend on a progressive scale, for which rates from 15% to 25% may be applied.



LEGAL

IMMIGRATION REGIME



Foreign nationals interested in entering the Republic of Honduras for the purpose of engaging in economic activities, whether temporarily or permanently, must apply for residency and/or a visa through the General Directorate of Migration and Foreign Affairs.

The different immigration categories for foreign migrants interested in carrying out economic activities in the country, as outlined in Decree No. 208-2003, are as follows:

A. Rentiers: This immigration status may be granted to foreign nationals who receive permanent, lawful, and stable income generated either abroad or within the national territory, in amounts no less than \$2,500 per month.

B. Pensioners: This status may be granted to foreign nationals residing in the country who receive a minimum income of \$1,500 from a foreign source.

C. Investors: This status may be granted to foreign nationals who invest their capital in any branch of lawful economic activity in Honduras.

D. Special Stay Permit: The General Directorate of Migration and Foreign Affairs may grant special stay permits for up to a maximum of 5 years to foreign nationals who apply with justified cause. These include: migrant workers, foreigners engaged in commercial or public performance foreigners employed on a temporary basis by companies, international organizations, government institutions; scientists, professionals and/or specialized technical personnel hired by individuals or legal entities in the country; businesspeople, and executive staff of national or foreign commercial companies authorized to conduct business in the country, among others.

E. Immigrated Residents: This immigration category is granted to foreign nationals who have resided in the country continuously for a period of 5 years or more.

In Honduras, the hiring of foreign nationals by domestic companies is permitted through the execution of a written employment contract. These contracts must be registered with the Ministry of Labor and Social Security. However, employers are prohibited from hiring more than 10% of their workforce as foreign employees and from allocating more than 15% of the total payroll to salaries for such foreign workers.





LEGAL GUIDE TO DOING BUSINESS IN INDIA

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How to do Business in INDIA?



India has one of the fastest-growing economies in the world. It offers business-friendly regulations, making it an attractive location to establish a company. In recent years, India has made it easier for foreign entities to engage in its economy, opening up various opportunities and offering several programs. A foreign corporation can choose from a variety of business structures when setting up a company in India.

Legal Presence in India: Incorporated and Unincorporated Entities

 Incorporated Entities: The most preferred way for foreigners to conduct business in India is through a company incorporated under the Companies Act, 2013, or via a Limited Liability Partnership (LLP) registered under the Limited Liability Partnership Act, 2008.

1. Private Limited Company:

The quickest way to set up a business in India is by registering as a Private Limited Company. A Private Company must have at least two shareholders and can have a maximum of fifty shareholders.

2. Public Limited Company:

A Public Company must have at least seven shareholders. There is no upper limit on the number of shareholders in a public company.

Note: A joint venture or a wholly owned subsidiary would typically be structured as either a Private Limited Company or a Public Limited Company.

3. Limited Liability Partnership (LLP):

Another available option is a Limited Liability Partnership. In India, a foreign corporation may establish an LLP, which is governed by the Limited Liability Partnership Act, 2008. Incorporating an LLP requires a minimum of two partners, but there is no maximum limit on the number of partners.



- Unincorporated Entities: A foreign corporation may also opt for an unincorporated form of entity. For such entities, prior approval from the Reserve Bank of India (RBI) is required, and they are not permitted to undertake any activity in India that is not specifically authorized by the RBI.

1. Project Office:

A foreign company may establish a Project Office in India to execute specific projects awarded by the Indian government or Indian companies. Once the project is completed, the Project Office can be closed.

2. Branch Office:

Foreign corporations may open Branch Offices to conduct business in India. This structure is most commonly used by banks.

3. Liaison Office:

A foreign company has the option to establish a Liaison Office (also known as a Representative Office) for undertaking liaison activities in India. All expenses of the Liaison Office must be borne by the foreign company. A Liaison Office is only permitted to carry out liaison activities in India—i.e., it may act as a communication channel between the Head Office (located abroad) and parties in India. It is not authorized to conduct commercial activities, generate income/profits, issue invoices, or collect funds on behalf of the parent company in India.





Taxes in India are primarily levied by the Central Government and State Governments. Some local authorities, such as municipalities and local bodies, also impose certain minor taxes. There are two types of taxes in India: Direct Taxes and Indirect Taxes.

INDIRECT TAX

Goods and Services Tax ["GST"]

The Goods and Services Tax (GST) is an indirect tax levied on the consumption of goods and services. It is a destination-based consumption tax governed by the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, and the relevant rules.

Tax rates for goods and services under the GST regime are determined based on Harmonized System of Nomenclature (HSN) codes. There are four tax slabs: 5%, 12%, 18%, or 28%. Goods and services with higher HSN codes attract higher tax rates, while those with lower HSN codes are subject to lower rates.

- CGST, SGST, and IGST are applied at uniform rates mutually agreed upon by the Centre and the States under the supervision of the GST Council (GSTC).
- IGST is applicable on all interstate transfers of goods and services, as well as on imports and exports.
- All goods and services are covered under GST, with the exception of alcohol for human consumption and certain specified petroleum products.

MANDATORY REGISTRATION

Mandatory registration applies to businesses supplying goods with an annual turnover exceeding INR 4 million. For businesses located in special category states (Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh, and Uttarakhand), the threshold is INR 2 million for goods and INR 1 million for services.

Regardless of turnover, GST mandatory registration also applies to:

- Casual taxable persons: Individuals or entities that do not have a fixed place of business but occasionally undertake transactions involving the supply of goods or services.
- Non-resident taxable persons: A foreign business entity must register under the CGST Act and file monthly GST returns using Form GSTR-5;

CUSTOMS LAW

Customs law/import and export duty is an indirect tax levied on all goods and products imported into India, and on certain goods exported from India. Customs duty in India is governed by the Customs Act of 1962 and the Customs Tariff Act of 1975.

The most common type of customs duty in India is known as the Basic Customs Duty (BCD). It is applied to all imported goods (on an ad valorem basis) and varies depending on the country of origin and the types of goods imported. In addition to BCD, other charges may also apply, including the Additional Countervailing Duty and the Social Welfare Surcharge.

India has signed several Free Trade Agreements (FTAs) and Preferential Trade Agreements (PTAs) to promote trade with other countries by reducing tariffs and providing access to new markets. These agreements have helped position India as a more attractive business destination for both exporters and importers.

DIRECT TAX – INCOME TAX

Income tax is levied on the net profits earned from business activities. It is imposed at rates prescribed under the Income Tax Act, 1961, subject to annual amendments in tax rates by the Income Tax Department. A resident company in India is taxed on its global income.

In contrast, a company that is not resident in India (foreign company) is taxed in India only on income that accrues or arises in India, or is deemed to accrue or arise to a foreign company from a source within India (such as interest, royalties, or fees for technical services), or that arises to a non-resident with significant economic presence in India.



INCOME TAX IMPLICATIONS FOR COMPANIES

SPECIFIC TAX RATE FEATURES	TAX RATE
Domestic companies with a turnover of up to Rs. 4 billion (applicable to wholly owned subsidiaries/joint ventures of a foreign company)	25%
National companies with a turnover exceeding Rs. 4 billion, wholly owned by a foreign company.	30%
Non-resident/foreign company	40%
All partnership firms and LLPs.	30%

Note: Surcharge rates vary from 7% to 12% for national companies and from 2% to 5% for foreign companies; the education surcharge rate is fixed at 4% for all entities.



EMPLOYMENT REGIME



There are numerous labor laws in India that regulate almost every aspect of employment, including payment of wages, minimum wages, fair compensation, bonuses, gratuities, contributions to provident funds and pension schemes, working conditions, health and insurance, accident benefits, and the prevention and prohibition of sexual harassment in the workplace.

The Employees' Provident Funds and Miscellaneous Provisions Act, the Employees' State Insurance Act, the Payment of Wages Act, the Minimum Wages Act, the Equal Remuneration Act, the Maternity Benefits Act, and other laws have been enacted by the Central (Federal) Government. Additionally, state governments generally have their own labor ministry that operates through their labor department, which typically functions at the district (local) level to ensure compliance with state labor laws (such as the State Shops and Establishments Act and the Labor Welfare Fund Act). The various labor laws enacted by the central and state governments can be broadly categorized as follows:

A. Laws related to industrial relations:

- 1. Industrial Disputes Act, 1947
- 2. Trade Unions Act, 1926
- 3. Industrial Employment (Standing Orders) Act, 1946

The Industrial Disputes Act of 1947 established a method to resolve disputes between employers and employees. The purpose of the Act was to set up mechanisms and procedures for the investigation of industrial disputes through conciliation, arbitration, and adjudication, as well as to safeguard industrial peace and harmony. These procedures and mechanisms are outlined in the statute. These processes assist in dispute resolution by investigating the issue, and the available procedures are used to carry out the process successfully.

The Industrial Disputes Act of 1947, along with the Trade Unions Act of 1926 and the Industrial Employment (Standing Orders) Act of 1946, broaden the definition of 'worker' and provide for the recognition of trade unions and negotiating councils.

B. Laws related to wages:

- 1. Minimum Wages Act, 1948
- 2. Payment of Wages Act, 1936
- 3. Payment of Bonus Act, 1965
- 4. Equal Remuneration Act, 1976

The Payment of Wages Act, 1936, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, and the Equal Remuneration Act, 1976 ensure the timely payment of wages, prohibit gender discrimination in wages and employment, and empower the central government to fix a national minimum wage.

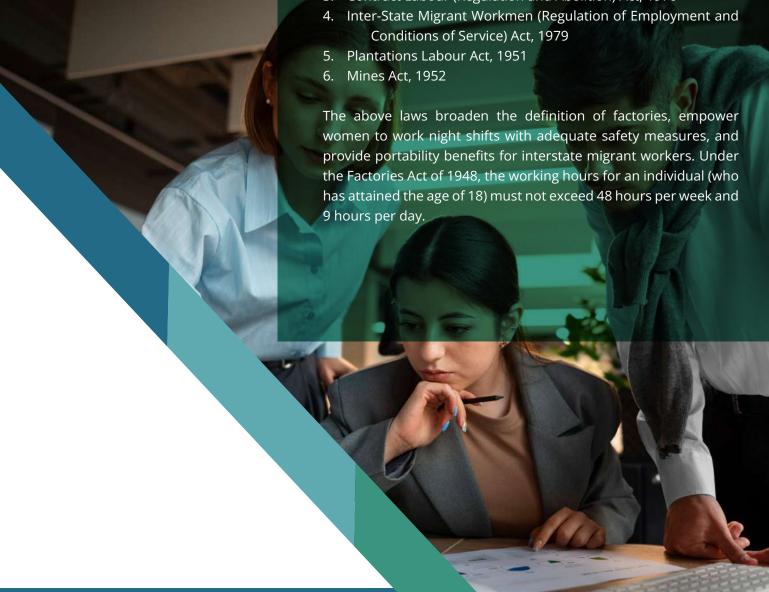
C. Laws related to social security:

- 1. Employees' Provident Funds and Miscellaneous Provisions Act, 1952
- 2. Employees' State Insurance Act, 1948
- 3. Labor Welfare Fund Act (of the respective states)
- 4. Payment of Gratuity Act, 1972
- 5. Employees' Compensation Act, 1923

These laws extend social security benefits to workers in both the organized and unorganized sectors. They aim to universalize minimum wages, social security, health security, gender equality in remuneration, and facilitate the lives of interstate migrant workers by consolidating and simplifying the complex network of existing labor laws in India.

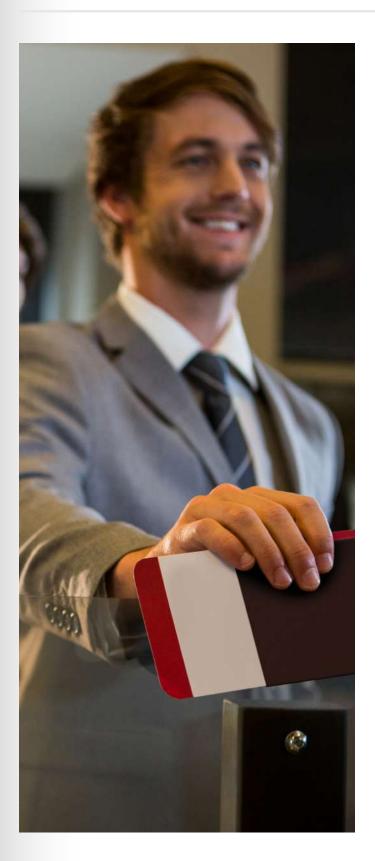
D. Laws related to working hours, conditions of service, and employment:

- 1. Factories Act, 1948
- 2. Shops and Commercial Establishments Act (of the respective states)
- 3. Contract Labour (Regulation and Abolition) Act, 1970



LEGAL

IMMIGRATION REGIME



Immigration Law

Foreign nationals entering India for various activities, whether temporarily or permanently, are subject to several immigration processes and visa requirements. The most commonly used visa types by foreign nationals engaged in the business sector are the following (please note that there are several other visa categories that may also apply. This list is not exhaustive):

1. Business Visa

- a. The following categories of individuals are eligible for a Business Visa:
- i. Foreign nationals who wish to visit India to establish an industrial/commercial enterprise.
- ii. Foreign nationals coming to India for technical meetings/discussions, attending Board of Directors or general meetings, or providing support for business services.
- iii. Foreign nationals visiting India for purposes such as sales, training in multinational corporations, academic activities, participation in cultural events, and business transactions.
- b. Business visas are granted with a validity of 10 years and with the possibility of multiple entries for nationals of the United States of America, Canada, Japan, and the United Kingdom.
- c. Respecto a todos los demás países, se puede otorgar un Visado de Negocios con entradas múltiples por un período de hasta 5 años. Se prescribirá una estancia máxima de seis (6) meses para cada visita
- d. For all other countries, a Business Visa with multiple entries may be granted for a period of up to 5 years. A maximum stay of six (6) months per visit will be prescribed.

2. Employment Visa [E Visa]:

a. This visa category applies to skilled and qualified foreign nationals executing projects or contracts in India and earning a salary above approximately USD 25,000 (this threshold does not apply to certain categories of individuals). Foreign artists, foreign sportspersons, and specialized foreign chefs are also included in this category.

b. Eligibility Criteria:

- i. The applicant intends to visit India to work for an entity registered in India.
- ii. The applicant is a highly skilled and qualified professional hired by a company under a contract.
- iii. The applicant occupies a position that the employer was unable to fill with a qualified Indian employee.
- c. A foreigner intending to come to India for honorary (unpaid) work with NGOs registered in India may be granted an Employment Visa with a special endorsement on their E Visa: "TO WORK WITH THE NGO (Name of the NGO and place of work)."
- d. A change of employer during the validity of the employment visa is not permitted within India, except under specific circumstances and subject to the fulfillment of prescribed conditions.
- e. An Employment Visa can be extended annually in India for a period of up to five years from the initial date of issue.

3. Project Visa:

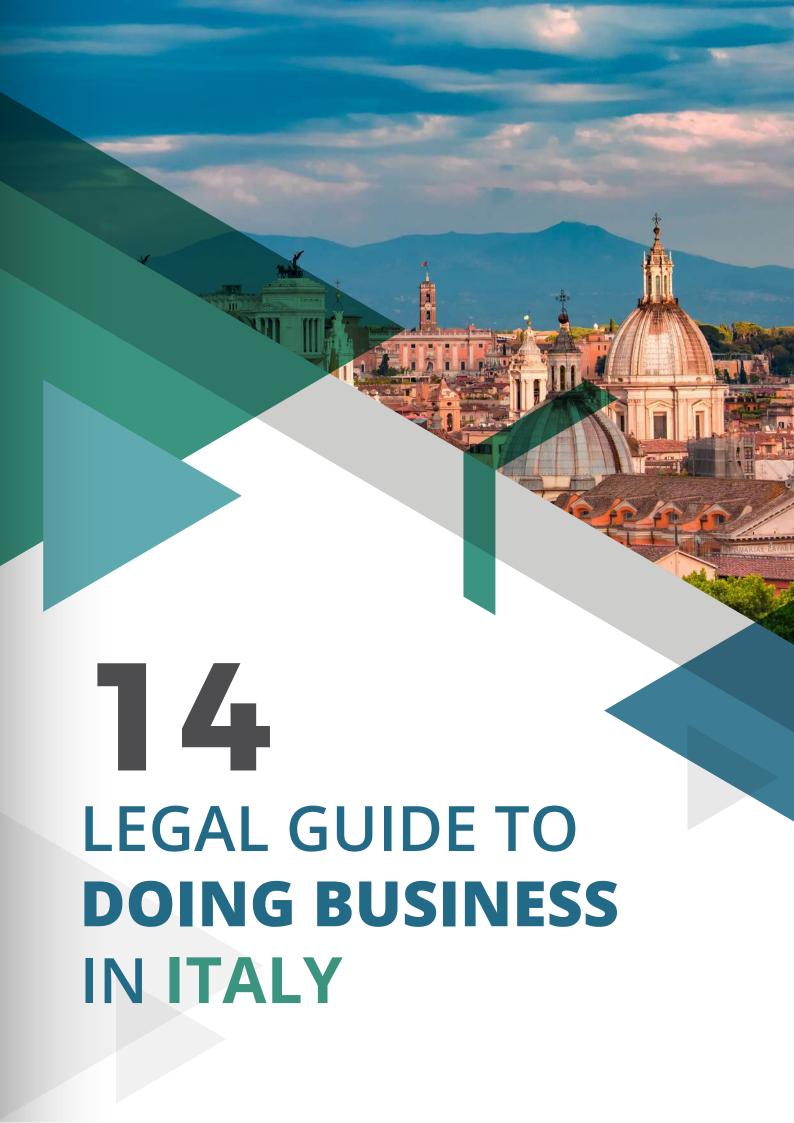
This type of visa is generally granted to highly skilled foreign nationals coming to India for the execution of projects in the Power or Steel sectors only. It is contractual in nature. The duration of this visa at the time of issuance is for a period of one year/the actual duration of the project/contract, with the possibility of multiple entries. The visa may be extended for an additional year by the respective State Government/UT Administration. Any further extension must be approved by the Ministry of Home Affairs.

4. Entry Visa (X Visa):

These visas are issued to family members accompanying individuals coming to India for business or employment. However, this visa is granted only to legally married spouses and dependents. Spouses or dependents of working individuals must obtain separate work permits to be employed in India. Family members planning to reside with a working expatriate must register separately with the local registration office. The X Visa may also be extended up to the validity of the expatriate's employment visa.

REGISTRATION:

Foreign nationals entering the Republic of India must register with the Foreigners Regional Registration Officer (FRRO) within 14 days of arrival in India, if their visas are valid for more than 180 days. This registration must be renewed periodically during their period of service in India.



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How to do Business in ITALY?



Undoubtedly, there are various ways to conduct business in Italy.

Over the years, several reforms have been introduced to streamline and simplify the procedures required to establish and manage a business in Italy (for example, by reducing the minimum capital requirements and paid-in capital, and by speeding up registration procedures). A business can operate either as a sole proprietorship or as a company. Both entities are governed by the Italian Civil Code. An individual may carry out a business activity either personally or by establishing a new company or acquiring shares in an existing one.

First, one may 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 parent company is liable for its operations. However, the branch is subject to taxation in the foreign country where the economic activity is conducted.

Incorporating an Italian company is the most effective way to establish a business in Italy. Italy offers a wide range of legal forms for setting up businesses, depending on the company's organizational model, business goals, amount of committed capital, scope of liability, and tax and accounting implications.

1, Types of Companies:

Under Italian law, companies are basically divided into two main categories:

- Partnerships ("Società di persone"), which are characterized by the unlimited liability of the partners for the obligations of the company; and
- Corporations ("Società di capitali"), which are limited liability companies where the shareholders' liability is limited to their capital contributions, or the unpaid amount thereof, to the company.



2. Corporations (Società di Capitali):

There are three types of corporations under Italian law:

- Società per Azioni (S.p.A.) joint-stock company or corporation limited by shares;
- Società a Responsabilità Limitata (S.r.l.) limited liability company; and
- Società in Accomandita per Azioni (S.a.p.a.) partnership limited by shares.

In general, the S.p.A. is considered a suitable vehicle for carrying out substantial business activities and is typically characterized by a large number of shareholders and a formal corporate governance structure. On the other hand, the S.r.l. is more appropriate for smaller businesses, as it features a highly flexible corporate structure with direct involvement of the shareholders. These are merely practical guidelines, as an S.r.l. can also be used for large-scale operations depending on the circumstances.

Both the S.p.A. and S.r.l. can be incorporated with a sole shareholder (either a natural or legal person). However, in such cases, the sole shareholder status must be disclosed in the company's documents, letterheads, and papers; the entire share capital must be fully paid at the time of incorporation; and the sole shareholder still benefits from limited liability.

3. Partnerships (Società di Persone):

A partnership is characterized by the personal commitment of each individual partner as an integral part of the business. The individual partners are personally liable for the obligations of the partnership (including with their personal assets), and each partner acts on behalf of the entire firm. The liability of the individual partners is generally unlimited.

The main types of partnerships are:



4. Innovative Start-ups:

In addition to traditional business models, it is possible to establish an innovative start-up, which refers to a new type of company with a high technological content — a key element of Italy's industrial policy. In fact, Italian legislation has introduced specific measures to support the creation and growth of businesses in one of the forms of corporations described above.

The status of an innovative start-up allows the company to benefit from advantages in corporate, tax, and social security matters, and to raise equity capital through crowdfunding.

As an alternative to the options mentioned above, a foreign company may also acquire an existing business or asset. A business acquisition occurs when a set of assets (both tangible and intangible, such as movable and immovable property, equipment, trademarks, patents, etc.) that are functionally related and capable of being used for business purposes are transferred. A business purchase is typically a one-time transaction and must be executed by a public deed or a private agreement certified by a notary.







Tax Regime

From a tax perspective, business activities in Italy can primarily be conducted through either a branch/permanent establishment or a corporation (S.p.A. or S.r.l.).

From a legal standpoint, it is important to note that companies are directly liable for their own obligations, whereas parent companies inherit all legal obligations and duties of their branches—branches themselves are not independently liable.

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

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

Branches must be registered with the VAT and income tax authorities and are required to maintain specific records and accounting books in compliance with applicable tax and VAT regulations.

The two most common types of companies in Italy are the S.p.A. (joint-stock company or corporation limited by shares) and the S.r.I. (limited liability company).

Profits earned by a company, if distributed to shareholders, may be subject to withholding tax on dividends, where applicable. In contrast, the remittance of profits abroad by a branch is not subject to any withholding tax.

Limited liability companies and branches of foreign companies conducting business in Italy are generally subject to the same tax burdens. Both resident companies and non-resident branches are subject to the following corporate taxes:

- Italian Corporate Income Tax ("IRES" Imposta sul Reddito delle Società) set at a rate of 24%;
- Italian Regional Tax on Productive Activities ("IRAP" Imposta Regionale sulle Attività Produttive), set at a specific rate for financial services, which varies depending on the region where the company or branch has its registered office (for example, in Lombardy the rate is set at 3.9%).

Companies and branches are also subject to the same tax compliance requirements. Specifically, an Italian S.p.A. or a branch must maintain the following accounting books:

- General ledger, where all transactions must be recorded;
- VAT registers, where all issued and received invoices must be recorded;
- Fixed assets register, where all tangible assets and related depreciation must be recorded;
- Inventory book, detailing the company's assets and liabilities.

Companies and branches are subject to transfer pricing regulations regarding transactions with other foreign entities belonging to the same corporate group.

Additionally, an Italian S.p.A. or branch must prepare and electronically file the following tax returns with the Italian tax authorities:

- Corporate income tax return (IRES);
- Regional income tax return (IRAP);
- Withholding tax return;
- VAT return.

The corporate income tax return, regional income tax return, and withholding tax return must be filed electronically no later than 11 months after the end of the fiscal year. In contrast, the VAT return must be submitted by April 30 of the following calendar year.



EMPLOYMENT **REGIME**



Italian labor law is primarily governed by the following sources: provisions of the Italian Civil Code, provisions of special Italian laws, and collective labor agreements.

- 1. Provisions of the Italian Civil Code
- The employer's authority to unilaterally modify job duties and workplace location;
- Protection of employees' rights in the event of a transfer of business or part of it;
- Non-compete agreements after the termination of a standard employment relationship;
- Distinctions between employed and self-employed work.
- 2. Provisions of Special Italian Laws
- This body of rules mainly regulates:
- Remedies in cases of unlawful dismissal;
- Anti-discrimination provisions;
- Maternity and paternity leave entitlements;
- Remote work and whistleblowing policies;
- Trade union rights and entitlements;
- Remote monitoring of employees.
- 3. Provisions of Collective Labor Agreements

This set of rules primarily governs the following matters:

- · Cost-saving variable compensation;
- Employee benefits plan.



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How to do Bussines in MEXICO?



INTRODUCTION

According to the World Bank's latest report, Mexico ranks 60th out of 190 in the global ranking measuring the ease of doing business.

Its geographical location offers a significant competitive advantage in terms of reduced logistics costs. Moreover, it is part of one of the world's most important economic blocs as a member of the USMCA (United States-Mexico-Canada Agreement).

NEARSHORING AND INVESTMENT OPPORTUNITIES:

This phenomenon presents opportunities for establishing new businesses in Mexico. However, recent reforms to the legal framework, as well as external political phenomena, require continuous support during the establishment process in the country.

I. CORPORATE STRUCTURES MOST COMMONLY USED IN MEXICO

The most commonly used corporate structures for entering the Mexican market are Sociedades Anónimas (Corporations) and Sociedades Anónima Promotoras de Inversión (Investment Promotion Corporations), which are described below:

1. The Sociedad Anónima (Corporation) is a type of company in which shareholders are only obligated to pay for their shares. Shares represent their capital within the company and grant their holders rights and obligations.

The rights granted can be mainly divided into corporate and economic rights. Corporate rights, on the one hand, allow participation in the company's decisions. Economic rights, on the other hand, allow participation in the economic benefit generated by the company, usually proportional to the shareholding in the company's capital stock.



2. The Sociedad Anónima Promotora de Inversión (Investment Promotion Corporation) follows the rules of the Sociedad Anónima (Corporation); however, its primary regulation is found in the Securities Market Law, with the General Law of Commercial Companies applying secondarily to the extent applicable to the Sociedad Anónima.

The main objective of this type of company is to attract investment in a non-stock market environment. Through its regulation, it allows for the design of different types and series of shares with diverse rights and obligations for each specific case, facilitating investment attraction through capital increases.

Formalities for Incorporation:

The main formality is that they are formalized before a Public Notary (Fedatario Público - Notary Public or Licensed Broker) and registered in the Public Registry of Property and Commerce (Registro Público de la Propiedad y del Comercio), so their incorporation and readiness to operate can vary between 20 and 40 business days.

Benefits:

- Protects shareholders against legal contingencies.
- Separates the company's assets from those of the shareholders.

Basic Requirements:

- Contribute capital stock (There is no minimum).
- Appoint company directors.
 - the Foreign Investment Law).

Have at least two partners (They can be of any nationality, except for activities reserved, according to

II. Opening of Branches of Foreign Companies

A company branch is an office in a location different from the main office, where business is conducted. It consists of a small division with company resources to expand business opportunities in a new market, whether nationally or internationally.

To open a branch of a foreign company in Mexico, it is necessary to obtain authorization from the Ministry of Economy (Secretaría de Economía) to establish foreign legal entities in Mexico.

It must also register with the Federal Taxpayers Registry (Registro Federal de Contribuyentes) to comply with the applicable tax obligations.

The main elements to consider regarding a branch of a foreign company are the following:

- A foreign branch is another location of your company that operates completely in another country.
- It is considered the same legal entity as the foreign company.

The benefits that opening a branch as a foreign company can offer are mainly the following:

- There is a simpler tax process.
- It minimizes the procedures to operate in Mexico.

The authorization process to carry out economic activities in Mexico takes approximately 15 business days, in addition to the procedures before the Mexican authorities, so the estimated time to open a branch of a foreign company is 20 to 30 business days, depending on the workload of the corresponding authorities.







II. MAIN TAXES RELATED TO BUSINESS ACTIVITY

In Mexico, all companies have the obligation to pay different types of taxes depending on aspects such as economic activity, place of residence, among others. However, the main ones are the Income Tax (ISR), Value Added Tax (IVA), and Special Tax on Production and Services (IEPS), which have the following characteristics:

1. INCOME TAX (ISR):

Direct tax calculated on income considered as profits obtained during a fiscal year from various business activities.

This tax must be paid annually and provisionally on a monthly basis to the Tax Administration Service (Servicio de Administración Tributaria).

The tax rate is 30% on the profit from the activity that increases the taxpayer's assets.

2. VALUE ADDED TAX (IVA):

Indirect tax levied on the value of a product or service. Those who must pay it are those who transfer goods, provide independent services, grant the temporary use or enjoyment of goods, import goods or services, among others. This tax is transferred to the taxpayer or consumer of the good or service and must be paid no later than the 17th of the month following the month to which the tax corresponds. However, different particularities that may arise depending on the tax regime to which the company belongs must be considered. For this tax, there are two types of applicable rates, the general rate of 16% and the rate of 0% that applies to certain activities.

3. SPECIAL TAX ON PRODUCTION 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 should be applied. This tax is adjusted from time to time due to inflation and other aspects that are taken into account for its calculation, for example:

- Regarding foods containing calories with a density of 275 kilocalories or more, 8% must be paid for every 100 grams.
- On alcoholic beverages, it is calculated depending on the degree of alcohol they contain, it can range from 26.5% to 53% of IEPS.
- Regarding gasoline, the brand is taken into consideration, since the Magna brand pays an IEPS of 5.4917 pesos per liter, while the Premium brand pays 4.6375 pesos per liter and Diesel pays 6.0354 pesos per liter.
- Flavored beverages must pay 1.39 pesos per liter.

COUNTRIES WITH WHICH MEXICO HAS AGREEMENTS TO AVOID DOUBLE TAXATION

In Mexico, there are several agreements to avoid international double taxation. These agreements aim to harmonize two tax systems, trying to limit in various ways the power to tax certain categories of income to one of the contracting States.

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



EMPLOYMENT REGIME



III. COMPANY COSTS DERIVED FROM HIRING WORKERS:

LABOR RIGHTS AND OBLIGATIONS IN MEXICO

In Mexico, labor is governed by certain labor rights and obligations, which generally apply to all employers and patrons. The main obligations for employers are the following:

- 1. Provide all the necessary work tools to employees to develop their functions.
- 2. Provide training to improve employees' skills.
- 3. Establish internal work rules to regulate the specific conditions for developing the work.
- 4. Grant mandatory benefits, such as vacations (12 days for the first year, then 2 days for each year until reaching 20 days of vacation, then 2 days of vacation for every 5 years of service), vacation bonus (25% on the number of vacation days to be enjoyed), 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 corresponding to the termination or rescission of the employment relationship.
- 6. The company must provide social security to all employees.

On the other hand, workers have the following obligations:

- Perform the subordinate work, under the direction and command of the employer during the time that their working day lasts.
- 2. Perform the work with appropriate intensity, care and diligence and in the manner, time and place agreed.
- 3. Observe and comply with the provisions contained in the regulations and the official Mexican standards on safety, health and the environment at work.

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 wage in Mexico, which consists of \$278.8 pesos daily in almost the entire country, except in the Northern Border Free Zone, which includes border municipalities with the United States, in which the daily minimum wage is 419.88 pesos.

Based on the foregoing, based on the minimum wage that prevails in most of the country, the following is true:

Monthly salary: New daily minimum wage: \$278.80Monthly salary = $$278.80 \times 30 = $8,364.00$

Withholdings ISR: - \$555.16 (estimated with the new tax base)

IMSS: - \$208.40

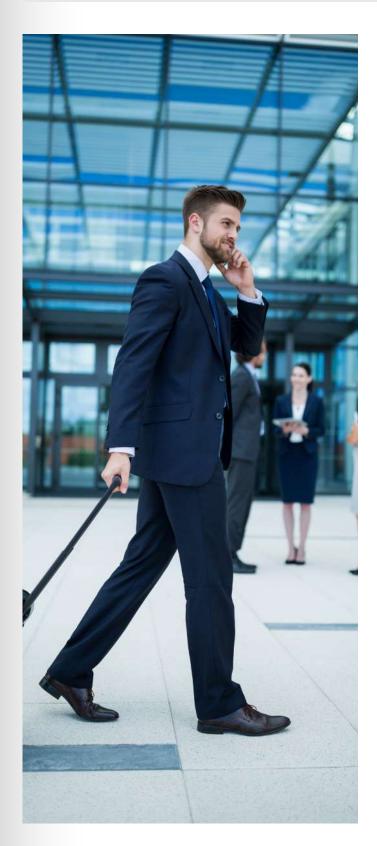
Net payroll to be paid to the worker: \$7,600.44

Additional employer taxes (ISN, COP, RCV, INFONAVIT): + \$2,534.00

Total cost to the employer: \$10,898.00



LEGAL IMMIGRATION REGIME



The Migration Law and its Regulations contemplate different ways of entering the country, that is, having a visa to stay within the Mexican territory and which will depend on the reason why you want to enter the country. In that sense, the most used visa modes for foreigners dedicated to the business and labor sector are the following:

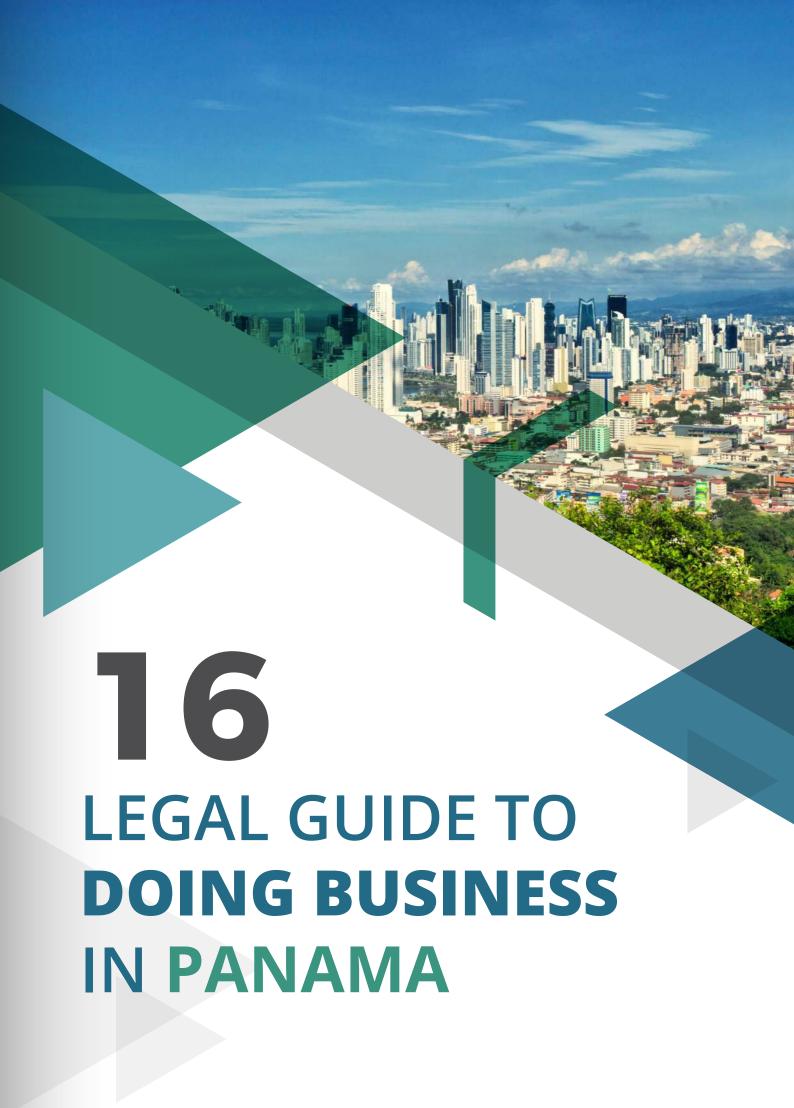
Types of visa:

Visitor:

- With permission to carry out paid activities: This type of visa allows the interested foreign person to request their entry into the country in order to carry out paid activities, as long as their intention is to remain for an uninterrupted time not exceeding one hundred and eighty days, counted from the date of entry.
- **Temporary residence** is the type of visa that authorizes any foreigner to enter the national territory, in order to stay for a time not exceeding four years, where one of the following assumptions must be met:
 - By job offer: it is the most used means of entry into the country and through which the foreigner may remain for the time determined by current laws, having a remuneration through a job offer from an authority or work center in particular.
 - Due to economic solvency: It is the conduit by which the foreign person enters Mexico, demonstrating that they have sufficient capital to cover the amount of accommodation and maintenance expenses during their stay in national territory.

- For being an investor: It is the way in which you can enter Mexico by proving participation in the capital stock in Mexican companies or having movable property or assets where the purpose is to be used in economic or business sectors, this as long as the estimation of the investment is greater than the administrative provisions determined by the authorities.
- Finally, within this assumption, it may be accredited that it develops economic or business activities within the national territory, which may be proven with invoices, receipts, business plans, contracts, etc.





ILH LAW INTERNATIONAL LEGAL HUB



ILH – International Legal Hub, a legal, accounting, and fiduciary group with over 15 years of corporate experience, is headquartered in Panama and has correspondents worldwide. ILH offers Panamanian and international legal and accounting solutions for the benefit of its clients.

At ILH Law, you will find a team of more than 40 dynamic professionals whose philosophy is centered on service and promptness. Lawyers, accountants, business and financial advisors provide the tools necessary for functional and centralized operations at competitive rates.

Our key services focus on asset, estate, and family protection.

Learn more about ILH Law at: https://ilhlaw.com/



How to do Business in PANAMA?



Why Invest in Panama?

If you're looking for a place with vast opportunities for economic growth and a high quality of life, Panama is the perfect choice. This beautiful Central American country offers a wide range of benefits for those looking to migrate or invest. We invite you to explore the advantages and opportunities that make Panama an ideal destination to secure your financial and personal future.

Panama has demonstrated strong economic and political stability over the years. Its economy is in constant growth, driven by a thriving services sector, trade, and tourism, all of which create a favorable environment for business and investment. Additionally, its stable and democratic political system offers security and confidence for investors.

One of the greatest advantages of investing in Panama is its attractive tax platform. The country offers a favorable tax regime with exemptions for foreign companies involved in certain commercial activities. Moreover, the use of the U.S. dollar as its official currency provides stability and facilitates international transactions.

Among Panama's many attractions is the Colón Free Zone, one of the largest free trade zones in the world. It represents an excellent opportunity for investors, offering a wide variety of products at competitive prices and serving as a key logistics hub in the region. Investing in the Colón Free Zone gives you access to global markets and the benefit of world-class transportation infrastructure.

Panama offers several incentive programs to attract investors and migrants, such as the Foreign Investor Program, which provides the opportunity to obtain permanent residency through investment in the country. It also encourages the establishment and operation of multinational companies providing services related to manufacturing. There are many more programs designed to meet the needs of different types of investors.



The Isthmus stands out for its top-tier infrastructure, including the Panama Canal—one of the most important engineering landmarks in the world. In addition, the country boasts modern airports, highways, telecommunications, and reliable public services. This solid infrastructure facilitates trade and connectivity, driving economic and business growth.

Furthermore, Panama offers an exceptional quality of life for those who choose to settle here. The country features a pleasant tropical climate, beautiful beaches, lush mountains, and unique biodiversity. This is complemented by internationally recognized gastronomy in a cosmopolitan city filled with a wide variety of shops and entertainment options.

At ILH Law, we are ready to advise and assist you in finding the best legal and strategic formula tailored to your needs and interests for investing in and migrating to this great country.

Our team of expert professionals across different areas of law and business will be pleased to assist you.

Panamanian Corporations (Sociedades Anónimas) Panama is compliant and remains up to date

Panama has been under the scrutiny of the Global Forum of the Organisation for Economic Co-operation and Development (OECD), the G-20, the International Monetary Fund (IMF), the Financial Action Task Force (FATF), the European Union, and other international organizations. These efforts aim to ensure that Panama adopts new legal and practical challenges regarding compliance, transparency, and due diligence processes, including tax information exchange.

Since the release of the so-called "Panama Papers" in April 2016, Panama has undergone intense scrutiny by various institutions. As a result, Panama has successfully passed all assigned evaluations with high marks, following comprehensive and detailed audits.

Today, Panama has implemented a practical and effective system to provide competent authorities with the necessary information to combat financial crimes. This includes a Central Registry of Ultimate Beneficial Owners, mandatory accounting record-keeping and supporting documentation requirements, a legal framework for tax information exchange, and BEPS legislation (Base Erosion and Profit Shifting) to neutralize the harmful effects of tax treaties and combat base erosion and profit shifting.

Currently, Panama ranks among the jurisdictions most rigorously subject to crime prevention measures, all without compromising its well-established and clean corporate structure. The formation and management of Panamanian corporations remain fully in force, guided and overseen by the country's legal profession.



The attributes that have positioned Panama since 1927 as one of the world's preferred jurisdictions for corporate solutions remain valid today:

Panamanian corporations (Sociedades Anónimas) may engage in any lawful business activity in any country and conduct transactions in the currency of their choice. They continue to be exempt from taxes on any commercial activities or transactions conducted outside of Panama. Domestic taxes are low, and there are fiscal incentives for activities carried out within or from Panama. Shares may be issued as registered or immobilized bearer shares, at the shareholder's discretion. There is no requirement for paid-in capital to create or manage a company, and there are no minimum or maximum capital requirements.

In addition:

- Shareholders, directors, and officers may be either natural or legal persons.
- Any changes to directors or officers can be recorded in the Panama Public Registry in a straightforward and user-friendly process.
- Directors may grant general or special powers of attorney.
- Directors and officers are not required to be shareholders.
- Shareholders, directors, and officers can be of any nationality and reside in any country.
- Shareholders' and directors' meetings may be held in any country and may be conducted via proxy or by any electronic means, such as telephone, mobile phone, email, social media, etc.

There is no obligation to file income tax returns, annual reports, or financial statements with authorities, except for a simple copy of the company's Statement of Financial Position (Balance Sheet), stamped by a Certified Public Accountant, along with supporting accounting records, which must be kept in the files of the Resident Agent.

There is no requirement to hold annual general meetings of shareholders or directors.

Panamanian Corporations Remain Functional

In Panama, there is still a wide availability of company names for incorporation. The terms "Corporation," "Incorporated," "Société Anonyme," or "Sociedad Anónima," or their abbreviations "Corp.," "Inc.," or "S.A.",





Expedited, with a maximum of 4 days; the Panama Public Registry is equipped with a modern and sophisticated computer system that increases speed and efficiency in processing documents. Reserve companies remain available; the registration of vessels and yachts, mortgages, and ship charters continues to be offered as a valuable complement. Company books, accounting records, and minutes may be kept anywhere the directors choose, with a copy maintained at the official Resident Agent's office. The Resident Agent will keep a unique register of the company's ultimate beneficial owners, which will be shared with competent government authorities and disclosed in the event of criminal investigations. The company's registered office can be located at the Resident Agent's premises; the company seal is optional. Apostille is the usual method for document legalization, though consular legalization is also available for some countries. Incorporation and maintenance fees are reasonable. Companies from other jurisdictions may re-domicile to Panama and vice versa.

Panama as a Preferred Alternative for International Transactions

Panama continues to be selected for offshore solutions such as holding bank accounts, fixed-term deposits, investment projects, and other financial or commercial instruments; owning shares in other companies or legal entities; owning apartments, houses, buildings, vessels, yachts, and any other movable or immovable assets or intellectual/intangible property; acting as an administrator or promoter of international commercial transactions; leasing vehicles, machinery, vessels (air and sea), and others internationally; serving as a suitable vehicle for granting or receiving loans, paying commissions, royalties, and other returns; marketing and promoting products and services; and serving as the Panama headquarters for multinational, management, and manufacturing companies.

Panama as a Business and Financial Center

Among many qualities and characteristics, Panama continues to boast an excellent law governing corporations and other types of entities. The law remains flexible; there are no taxes on international, banking, and securities transactions; there are no foreign exchange controls; political and economic stability are enviable; major international airlines provide excellent service; there are numerous golf courses meeting international standards; Panama offers outstanding accommodations in excellent hotels; there are first-rate communication systems; the workforce is skilled and multilingual; there are no taxes on capital gains, income, or other taxes for extraterritorial transactions; Panama is conveniently located near the most important Latin American markets; Panama is one of the region's most important financial centers, hosting numerous international banks; and it is one of the main gateways for investment and commercial financing to Latin America.

In addition to this array of features, Panama also shines with the Panama Canal, the Colón Free Zone and other free trade zones, its tourism, ports, and transportation and logistics services.

Key Sectors and Opportunities

Panama is a country with a diversified and constantly growing economy, featuring several sectors that offer investment and development opportunities. Some of the main sectors and opportunities in Panama include:

Panama Canal: As one of the world's main maritime transportation routes, the Panama Canal continues to be a key driver of Panama's economy. Opportunities related to logistics, port services, and commercial and tourism activities around the Canal are areas of interest.

Tourism: Panama offers a wide variety of tourist attractions, including paradisiacal beaches, tropical rainforests, remote islands, and a rich cultural history. Opportunities exist in the development of tourism infrastructure, ecotourism, adventure tourism, hospitality services, and gastronomy.

Financial Services and Banking: Panama City is an international financial center with a robust banking and financial services industry. Opportunities include banking services, wealth management, insurance, fintech, and financial consulting services.

Colón Free Zone: Located in the city of Colón, it is the largest free trade zone in the Americas and one of the most important in the world. It offers opportunities in international trade, distribution, storage, manufacturing, and logistics services.

Energy Sector: Panama is investing in renewable energy projects, such as hydroelectric plants and wind farms, to diversify its energy matrix and reduce dependence on fossil fuels. Opportunities include investment in renewable energy projects, energy efficiency consulting, and sustainable technologies.

Infrastructure and Construction: Panama's rapid economic growth has driven demand for modern infrastructure, including roads, bridges, ports, airports, housing, and real estate developments. Opportunities exist in construction, engineering, architecture, and related infrastructure services.

Technology and Telecommunications: The technology and telecommunications sector is growing in Panama, with opportunities in telecommunications services, software development, IT services, cybersecurity, and technological innovation in general.

Agriculture and Agribusiness: Although still a developing sector, Panama has fertile land and a favorable climate for agriculture. Opportunities include the production of coffee, tropical fruits, vegetables, and organic products, as well as agribusiness and the export of processed foods.

These are just some of the key sectors and investment opportunities in Panama. Political stability, investment in infrastructure, and its strategic position as a bridge between North and South America make Panama an attractive destination for business and investment.



INICIE SU NEGOCIO EN 7 PASOS

PASO 01

Incorporación de la sociedad. Pese a que se puede iniciar un negocio como persona natural, nuestra recomendación es que lo haga a través de una persona jurídica o sociedad. Dependiendo del tipo de operación que desee desarrollar, se puede optar por una sociedad anónima, colectiva o civil.

Inscripción en el Registro Único de Contribuyentes ante la Dirección General de Ingresos (DGI) y obtención del Número de Identificación Tributaria (NIT).

02

O3

Obtención de Aviso de Operación a través de la plataforma "PanamaEmprende".

Registro en el Municipio correspondiente, para el pago de los impuestos municipales.

PASO 04

O5

Inscripción en la Caja de Seguro Social (CSS) para la obtención de un registro patronal o número de empleador. Bajo este número se realizan y registran todas las transacciones y relaciones con la CSS.

Permiso sanitario de operación, si el negocio tiene que ver con alimentos y/o bebidas. Se trata de un permiso de operación que emite el Ministerio de Salud (MINSA). Cada empleado (y los dueños) deben obtener, además, un certificado médico y dental emitido por un hospital público y, además, el permiso que se emite luego de asistir a un curso sobre salud y seguridad.

PASO 06

07

Certificado de fumigación el cual expide el Municipio luego de presentar el recibo de la empresa que se contrate para fumigar el local cada cuatro meses.

TAX **REGIME**

International Characteristics of ILH

- The headquarters is in Panama, located in the heart of the American continent.
- Panama is connected by air to at least 40 countries and 100 destinations.
- The common currency has always been the US dollar, implemented due to the Panama Canal in 1904.
- Similar to Chile, Uruguay, and Costa Rica, it boasts the highest GDP per capita in Latin America.
- Panama's banking system has no technological connection with the tax authority.
- ILH holds its own licenses for the incorporation of companies, private interest foundations, trusts, and ship registries in Panama, BVI, Belize, Anguilla, Seychelles, Samoa, Marshall Islands, United States, Hong Kong, and other locations.
- ILH deploys support staff in international agencies or branches in Guatemala, Miami, Luxembourg, England, Paris, Geneva, Singapore, and New Zealand.

Offshore Corporations (And Limited Liability Entities for Their Owners) From Panama and Governed from Panama.

Primary Zero-Tax Jurisdictions

- Panama
- BVI
- Anguilla
- Seychelles
- Samoa
- Costa Rica
- Marshall Islands
- United States
- Washington DC
- Puerto Rico
- United Kingdom

Low-Tax Jurisdiction

- Barbados

Basic Characteristics of Offshore Companies

- 1. Quick incorporation and administration.
- 2. The client does not need to appear in the jurisdiction of incorporation.
- 3. They can carry out activities, hold properties and rights, and open accounts outside their place of incorporation.
- 4. Client collections (payments to ILH) are received in Panama for all jurisdictions.
- 5. Directors and officers can be "nominated" and located in Panama.
- 6. No requirement for periodic annual meetings.
- 7. No annual income tax filings are required.
- 8. No tax obligations, except for payment of an annual existence fee or license.
- 9. Compliance and due diligence rules must be followed, with understandable complexity.
- 10. New requirements are manageable: Unique Register of Ultimate Beneficiaries, Accounting Records/Supporting Documentation, and Economic Substance.

Primary Jurisdictions for Offshore Private Interest Foundations

- Panama
- New Hampshire
- Belize
- Anguilla
- Seychelles

Basic Characteristics of Private Interest Foundations

- Quick incorporation and administration.
- The client does not need to appear in the jurisdiction of incorporation.
- They can carry out activities, hold properties and rights, and open accounts in their place of creation.
- Client collections are received in Panama for all jurisdictions.
- Members of the Foundation Council and officers can be "nominated" in Panama.
- No requirement for periodic annual meetings.
- No annual income tax filings are required.
- No tax obligations, except for payment of an annual existence fee or license.
- Compliance and due diligence rules must be followed, with understandable complexity.

New requirements are manageable: Unique Register of Ultimate Beneficiaries, Accounting Records/Supporting Documentation.

Tax Regime for Private Interest Companies and Foundations

The explanation regarding Panama also applies to other jurisdictions.

In Panama's Tax Code, Article 694 states that only income generated within the territory of the Republic of Panama is subject to Income Tax.

Additionally, in Panama, there are numerous types of income considered exempt (Article 708 of Panama's Tax Code), even for entities with local activities, such as interest generated from fixed-term bank deposits, securities accounts, and exports under special regimes.

As long as these entities do not engage in taxable activities at their place of domicile, they are not required to pay taxes.

At the time of dissolution, it is not necessary to demonstrate that the entity has paid any specific tax, except for the annual fee or license.

Important Tax Matters to Consider

Panama is a signatory to the Agreement on Exchange of Information in Tax Matters, known as the Common Reporting Standard (CRS).

Additionally, Panama has signed the Competent Authority Agreement for the exchange of information.

Panama exchanges information with all countries, but only upon request (when required under international judicial assistance), including accounting records, financial statements, and ultimate beneficial owner data of private interest companies and foundations.

Panama also automatically exchanges information once a year with all signatory countries that have implemented this mechanism, through the General Directorate of Revenue (DGI), providing financial information (deposited balances and annual earnings) related to foreigners holding accounts in banks, securities firms, and insurance companies located in Panama. This also applies to other jurisdictions, except Puerto Rico.



Bank and Securities Accounts

It is common for clients to require their offshore entity to have a bank account.

At ILH, we assist clients with their preferred bank. We also facilitate the opening of securities accounts (investment portfolios) and cryptocurrency accounts.

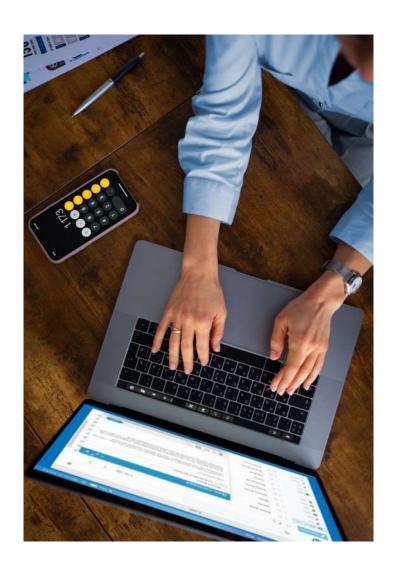
We can guide clients in opening a bank account for a corporation or private interest foundation.

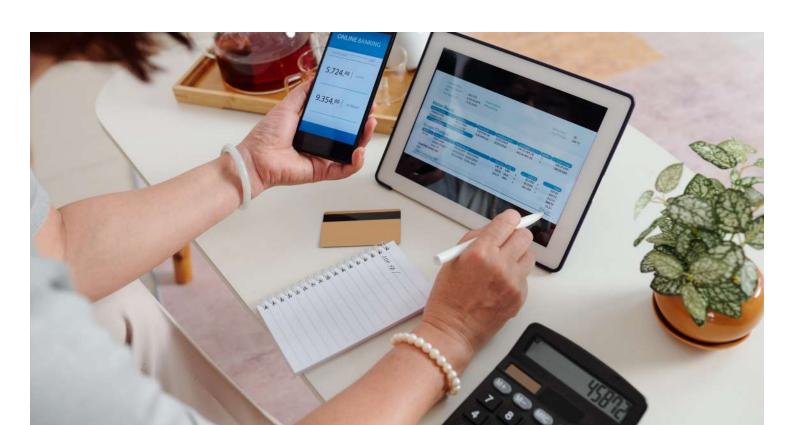
The banking centers ILH most frequently uses are: Panama, Puerto Rico, the Dominican Republic, Miami, and Saint Lucia.

Interesting features of Puerto Rico: It is not part of the FATCA treaty. It is also not part of the CRS treaty.

Additional ILH International Services

- Registration of trademarks, copyrights, and patents in Panama and any other jurisdiction worldwide.
- Registration of merchant vessels and yachts in Panama and any other flag of convenience jurisdiction.
- Specialized trust services for structured financing or family succession estates, from Panama, Belize, and other jurisdictions.





LEGAL IMMIGRATION REGIME





Migration Classifications

Permanent Resident

For economic reasons:

1. Macro-Enterprise Investor.

Foreigners who wish to invest in a company with a minimum share capital of B/. 160,000.00 per applicant, who will be shareholders and officers of the same company. This permit will be valid for a term of two (2) years. After this period, the applicant may apply for permanent residency. To include dependents, an additional investment of B/. 2,000.00 per dependent is required, which can be justified through a local bank reference.

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

A foreigner who invests a minimum amount of three hundred thousand balboas (B/. 300,000.00) in fixed-term deposit assets and demonstrates that the funds originate from abroad. This permit will be valid for a term of two (2) years. After this period, the applicant may apply for permanent residency. To include dependents, an additional investment of B/. 2,000.00 per dependent is required, which can be justified through a local bank reference.

Note: Invest the amount of five hundred thousand balboas (B/. 500,000.00) in fixed-term deposit assets and obtain permanent residency immediately.

3. Economic Solvency through Real Estate Investment.

A foreigner who invests a minimum amount of three hundred thousand balboas (B/. 300,000.00) in real estate and demonstrates that the funds originate from abroad. This permit will be valid for a term of two (2) years. After this period, the applicant may apply for permanent residency. To include dependents, an additional investment of B/. 2,000.00 per dependent is required, which can be justified through a local bank reference.

Economic Solvency through Mixed Investment (Fixed-Term Deposit and Real Estate).

4. Economic Solvency through Mixed Investment (Fixed-Term Deposit and Real Estate).

A foreigner who invests a minimum amount of three hundred thousand balboas (B/. 300,000.00) in real estate or fixed-term deposits, or a combination of both, and demonstrates that the funds originate from abroad. This permit will be valid for a term of two (2) years. After this period, the applicant may apply for permanent residency. To include dependents, an additional investment of B/. 2,000.00 per dependent is required, which can be justified through a local bank reference.

Special Policies

1. Retired Rentier.

A foreigner entering the national territory who can prove to receive a monthly income of eight hundred fifty balboas (B/. 850.00), exclusively from interest generated by fixed-term deposits in the National Bank of Panama or the Savings Bank, and whose accrued interest from this deposit is free of any encumbrances or guarantees, for a minimum period of five (5) years. Failure to comply with the terms established by Law 9 of June 24, 1987, and its regulations, will result in the loss of incentives and granted rights.

2. Pensioned Retiree.

A foreigner receiving a retirement or pension from a foreign government, international organization, or private company, who enters the national territory to reside there and has sufficient economic means to cover all living expenses for themselves and their dependents in the country. The monthly income or pension must not be less than one thousand balboas (B/. 1,000.00) and must be granted for life.

3. Forestry Investor.

A foreigner who, in a personal capacity, has invested a minimum amount of B/. 80,000.00 in reforestation or forestry plantation activities authorized by ANAM, with a minimum investment of five (5) hectares. This permit will be valid for a term of two (2) years. After this period, the applicant may apply for permanent residency. To include dependents, an additional investment of B/. 2,000.00 per dependent is required, which can be justified through a local bank reference.



4. Investor in Export Processing Zones.

A foreigner who proves to have invested a minimum amount of two hundred fifty thousand balboas (B/. 250,000.00) and demonstrates that the funds originate from abroad, in a duly authorized company acting as promoter and operator of an Export Processing Zone or in companies established within these areas, according to Law 25 of 1992.

5. Investor in Commercial Call Centers for Export.

A foreigner who invests in a company whose activity is to provide call center services for commercial use (Call Center) for export, according to Executive Decree 97 of 2002.

Demographic Reasons

1. Family Reunification as Spouse of a National.

A foreigner who has married a Panamanian national and lives with them in conditions of singularity, stability, and continuity. After two years of provisional residence, the foreigner may apply for permanent residency.

2. Family Reunification as Dependent of a Permanent Resident.

Foreign spouses, children under 18 years old, disabled family members, and dependent parents of a provisional 2-year resident, permanent resident, or national. Children over 18 years old and up to 25 years old may be included as dependents if they can prove they are studying regularly and remain financially dependent on the resident or national. The resident or national who demonstrates legal guardianship or custody of a minor may also apply to include them as a dependent. This permit will be granted provisionally for a term of 2 years, with the right to permanent residency.





3. Family Reunification as a Foreigner with Panamanian Children.

Foreigners who have one or more Panamanian children at least five (5) years old, due to the need to preserve family unity and guarantee the rights of the minor.

Special Laws

1. Treaty of Friendship, Commerce, and Navigation between the Republic of Panama and the Republic of Italy. Foreigners of Italian nationality who wish to establish indefinite residence in our country.

2. As a Professional Foreigner.

This permit may be applied for by professional foreigners, provided that the profession is not restricted by the Constitution of the Republic of Panama or by naturalization laws.

Notes: Must comply with the homologation or revalidation process before the corresponding national authorities; in this case, the University of Panama or the Technological University.

Temporary Resident:

1. Work-Related Reasons:

Foreigner hired by the National Government or Autonomous or Semi-autonomous entities. This permit will be granted for annual periods up to a total of six (6) years.

2. Foreigner Hired by Companies under Contract with the Government:

Foreigner providing a specific service within a company that has a contract with the State.

This permit will be granted for annual periods up to a total of six (6) years; requirements of 10% and 15%.



3. Foreigner Hired as an Executive in Companies of the Colón Free Zone.

Foreigner performing executive, trust, managerial, or specialized technical functions in companies authorized to operate in the Colón Free Zone, with a salary not less than B/.2,000.00. This permit will be granted for annual periods up to a total of six (6) years.

4. Foreigner Remunerated from Abroad without Diplomatic Status.

Foreigner working as hired personnel or intern for Embassies, Legations, Consulates, Delegations, representations of Foreign Governments, International Organizations on official missions accredited in the country, but not covered by diplomatic status under national laws or the International Conventions governing the matter. This permit will be granted for annual periods up to a total of six (6) years.

5. Foreign Personnel Hired by Private Companies within 10% of the Ordinary Staff.

Foreigner hired by private companies earning a salary not less than B/.850.00 monthly. This permit will be granted for annual periods up to a total of six (6) years.

6. Foreign Personnel Hired as Expert or Technician within 15% of the Ordinary Staff.

Foreigner hired by a company as an expert or technician, earning a salary not less than B/.850.00 monthly.

7.Personnel Hired as Correspondents for International Print, Radio, or Television Media, Remunerated Abroad.

Foreigner working in print, radio, or international television duly accredited by the authorities of their respective countries. This permit will be granted for annual periods up to a total of six (6) years.

8. Foreigner Hired by Companies under the Marrakech Agreement.

Foreigner hired by a company with fewer than ten (10) Panamanian workers, earning a salary not less than B/.1,000.00 monthly. This permit will be granted for annual periods up to a total of six (6) years.

As a Professional Athlete:

Foreigner participating in sports activities and competitions within the national territory.

9. As Employee of Aviation Companies Based in the Republic of Panama.

Article 3 of Executive Decree 449 of October 16, 2009, which adds Article 82-A to Executive Decree 320 of August 8, 2008, amended by Executive Decree 26 of March 2, 2009.

Investment Reasons:

1.Agricultural Investor.

Foreigner who personally has invested a minimum amount of B/.60,000.00 in the agricultural or aquaculture industry. These activities will be determined in sectors that the Ministry of Agricultural Development considers to be of national interest. The permit will be granted for biennial periods up to a total of six (6) years. To include dependents, an additional investment of B/.500.00 per dependent must be added, which can be justified through a local bank reference.

2. Forestry Investor.

EForeigner who, through a legal entity, has invested a minimum amount of B/.60,000.00 in reforestation or forest plantation activities or others determined by ANAM, with a minimum investment of three (3) hectares. This permit will be granted for biennial periods up to a total of six (6) years. To include dependents, an additional investment of B/.2,000.00 per dependent must be added, which can be justified through a local bank reference.

Special Policies:

1. Foreigner Hired by Cinematographic and Audiovisual Industry Companies.

This permit can be requested by foreigners who enter the country temporarily as trusted employees, producers, actors, technicians, or experts of foreign companies that comply with Law No. 36 of 2007.

2. Researcher of the City of Knowledge Foundation.

Foreigner entering the national territory as a researcher, professor, entrepreneur, technician, or student. This permit will be granted for periods established by its special laws up to a total of six (6) years. Unless the special law establishes a different term, it is renewable annually.

3. Teacher of the City of Knowledge Foundation.

Foreigner entering the national territory as a researcher, professor, entrepreneur, technician, or student. This permit will be granted for periods established by its special laws up to a total of six (6) years. Unless the special law establishes a different term, it is renewable annually.

4. Entrepreneur or Executive of the City of Knowledge Foundation.

Foreigner entering the national territory as a researcher, professor, entrepreneur, technician, or student. This permit will be granted for periods established by its special laws up to a total of six (6) years. Unless the special law establishes a different term, it is renewable annually.



5. Technician of the City of Knowledge Foundation.

Foreigner entering the national territory as a researcher, professor, entrepreneur, technician, or student. This permit will be granted for periods established by its special laws up to a total of six (6) years. Unless the special law establishes a different term, it is renewable annually.

6. Student of the City of Knowledge Foundation.

Foreigner entering the national territory as a researcher, professor, entrepreneur, technician, or student. This permit will be granted for periods established by its special laws up to a total of six (6) years. Unless the special law establishes a different term, it is renewable annually.

7. Employee hired in trusted positions, executives, experts, and/or technicians in commercial call center companies for export purposes ("Call Center").

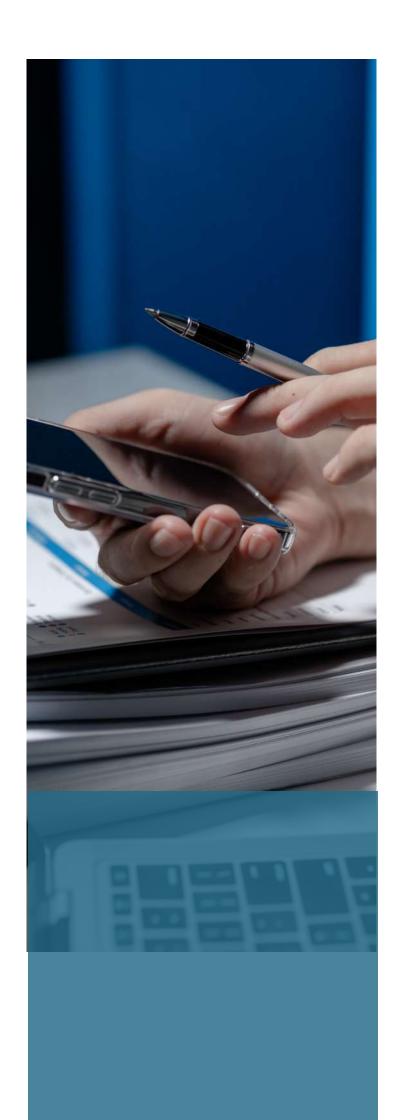
Foreigner providing services in call centers for commercial export purposes (Call Center). This permit will be granted for periods established by its special laws up to a total of six (6) years. Unless the special law establishes a different term, it is renewable annually.

8. Permit for personnel hired as executives of international companies whose functions take effect abroad.

Foreigner entering the national territory temporarily as an executive or representative at the managerial-operational level of foreign international companies with branch offices or representation in Panama, whose headquarters are abroad. This permit will be granted for periods established by its special laws up to a total of six (6) years. Unless the special law establishes a different term, it is renewable annually.

9. Worker hired by the headquarters of multinational companies.

Foreigner entering the national territory temporarily as an executive or representative at the managerial-operational level of foreign international companies with branch offices or representation in Panama, whose headquarters are abroad. This permit will be granted for periods established by its special laws up to a total of six (6) years. Unless the special law establishes a different term, it is renewable annually.



Reasons for Education

1. Temporary Permit for Educational Purposes.

Foreigner wishing to pursue full-time studies at public or private educational institutions, at basic, intermediate, higher, or specialized levels, recognized by the Ministry of Education. This permit will be granted for annual periods up to a total of six (6) years.

NOTE: If the applicant is a minor, the application must be submitted by the parents or the legal guardian, who must provide, in addition to the requirements established in this article, the minor's birth certificate and a copy of the personal identity card or valid migration card of the responsible person in the Republic of Panama.

Temporary Resident status as a participant in educational programs of nonprofit entities approved by the Ministry of Education.

This permit is valid for one year and may be extended up to a total of six (6) years.

Religious Reasons

1. As a Religious Servant of the Catholic and Orthodox Church.

Foreigners who are priests or other members of the clergy engaged in pastoral work and living a consecrated life. This permit will be valid for the duration of the mission, up to a total of six (6) years.

2. As a Lay Missionary Serving the Catholic and Orthodox Church.

Foreigners who are lay missionaries engaged in pastoral work. This permit will be granted for two-year periods up to a total of six (6) years. To be justified by local bank reference.

3. As a Student Training to Become a Religious Member of the Catholic and Orthodox Church.

Foreigners studying religious education for the Catholic and Orthodox Church. This permit will be granted for two-year periods up to a total of six (6) years.



4. As Authorities, Ministers, Rabbis, Pastors, Leaders, or Religious Members of Other Denominations or Religious Associations.

Foreigners belonging to churches, missions, or religious communities duly recognized by the Ministry of Government and Justice and registered with the Public Registry of Panama. This permit will be granted for two-year periods up to a total of six (6) years.

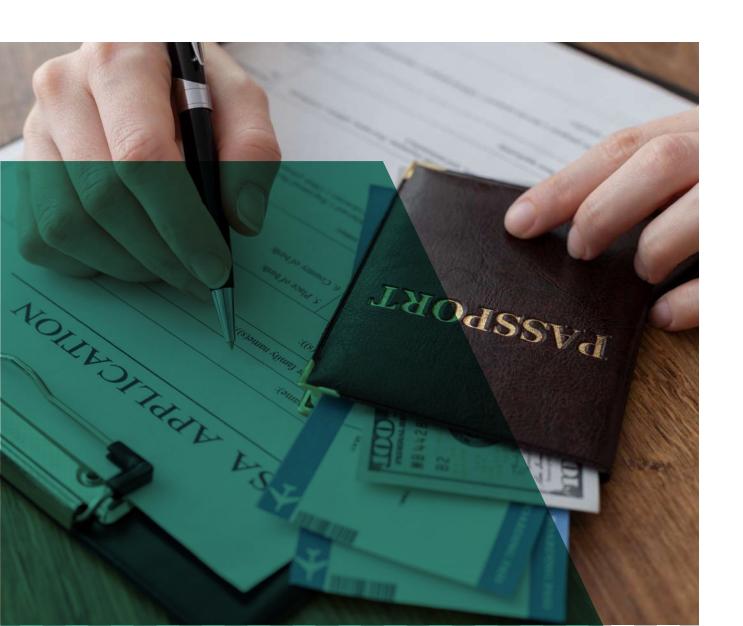
Family Reunification

Temporary Resident Permit for Family Reunification

Foreign spouses, children under 18 years old, and parents of the temporary resident. Children over 18 up to 25 years old, if they prove they are studying and economically dependent on their parents. This permit will be granted for annual periods up to a total of six (6) years.

Others

- 1. Requirements to Apply for Voluntary Return
- 2. Requirements for Vehicle Exemptions within the Special Projects Department
- 3. Control Sheet Dominican Republic Cuba Venezuela China India
- 4. Requirements and Application for Family Reunification (Venezuelans)
- 5. Requirements for Tourist Visa in Transit
- 6. Tourist Visa Application in Transit for Haitian Citizens



Innovation and Digitalization

Panama City Incorporates Municipal Payments with Cryptocurrencies in Historic Partnership.

Panama City has taken an innovative step toward adopting financial technologies by signing an agreement with a local bank to enable the voluntary payment of taxes and municipal services using crypto assets.

The announcement was made by Mayor Mayer Mizrachi, who confirmed that citizens will be able to use cryptocurrencies such as BTC, ETH, USDC, and USDT to fulfill their tax obligations.

The initiative had been anticipated days earlier by the mayor himself, who emphasized the importance of modernizing payment methods and bringing public administration closer to new technologies.

This partnership positions Panama as one of the first Latin American cities to incorporate cryptocurrencies as a voluntary payment method for public services, an event covered by both local and international media, marking a milestone in the country's digital transformation.





LEGAL GUIDE TO DOING BUSINESS IN PARAGUAY

M360



M360 is a leading consulting firm providing global services for foreign investment and support to national companies in legal advisory, accounting, human resources, administration, foreign trade, and immigration matters, with over 7 years of experience as a reference in these areas.

Our MISSION is to deliver POSITIVE EXPERIENCES to our clients that serve as the foundation for a lifelong relationship. Our VISION is that these experiences position them as the best service company for investment and business support in Paraguay.

M360 is ISO 9001 certified and ranked among the best companies to work for nationally according to the GPTW ranking.

Learn more about M360 at: https://m360.com.py/



How to do Business in PARAGUAY?

TYPES OF LEGAL ENTITIES IN PARAGUAY

According to Paraguayan law, the following legal entities exist for conducting business operations: general partnership, limited partnership (either simple or by shares), simplified joint-stock company, limited liability company, and public limited company.

SIMPLIFIED JOINT-STOCK COMPANY (EAS)

This legal entity was created by Law No. 6,480/2020, regulated by Decree No. 3,998/2020, and serves as an excellent tool for fostering investments in Paraguay.

The main characteristics and innovations of this type of company are:

- It may be incorporated by one or more natural or legal persons. As previously mentioned, it is the first business-type legal entity that allows for incorporation with a single shareholder.
- It may be established through a contract or a unilateral act formalized in:
 - o A public deed.
 - o A private instrument with a notarized signature certified by a notary public or a registrar from the office where the registration is carried out.
- If the incorporation document includes contributions of assets that require a public deed for their transfer, this formality must be fulfilled for the company's incorporation and registration.

The registration application must be submitted exclusively through the Unified System for Business Opening and Closing (SUACE).

The bylaws of Simplified Joint-Stock Companies (EAS), approved in accordance with the provisions of this Law, as well as any amendments to the bylaws and the company's liquidation, must be registered with the Ministry of Finance. Once the registration is formalized, the General Directorate of Public Registries will be notified.



LIMITED LIABILITY COMPANY (S.R.L.)

Characteristics:

- The liability of the partners is limited to the value of their contributions.
- The partners' contributions are represented by membership interests.
- It must have a minimum of two (2) and a maximum of twenty-five (25) partners.
- The law does not establish nationality requirements for partners; however, directors and statutory auditors must hold a temporary or permanent residence permit.
- The share capital is divided into equal-value membership interests, which cannot be represented by negotiable securities.
- The share capital must be fully subscribed upon the company's incorporation.
- Monetary contributions must be paid in at least 50% at the time of signing the public deed of incorporation and fully completed within two (2) years. This payment must be evidenced by depositing the contributions in the National Development Bank, and the funds may only be accessed once the company's registration process is completed with the Public Registry of Commerce.
- There is no minimum or maximum capital requirement.
- Membership interests cannot be transferred to third parties without the approval of partners representing 3/4 of the capital if the company has more than five (5) partners. If there are five (5) or fewer partners, unanimous consent is required. The transfer of membership interests must be executed through a public deed.
- The company cannot have banking, insurance, capitalization, or savings operations as its corporate purpose.

PUBLIC LIMITED COMPANY (S.A.)

Characteristics:

- Shareholders' participation is represented by registered shares.
- Shareholders are only liable for the obligations incurred by the company up to the amount of their respective contributions.
- The company must have at least two (2) shareholders.
- The law does not establish nationality requirements for shareholders; however, directors and statutory auditors must hold a temporary or permanent residence permit.
- The capital must be fully subscribed and issued in equal-value shares. There is no deadline for the full payment of the subscribed capital.
- Shares are registered, meaning that the company's bylaws must include the name, nationality, professional status, and domicile of the shareholders. Additionally, the name of the shareholder and the express mention of the nominative nature of the shares must be stated in both the shares and the provisional certificates.
- Shares may be transferred through a private contract or public deed. They may also be transferred by endorsement authenticated by a notary public. The transfer must be recorded in the company's registers, in the books designated for this purpose.

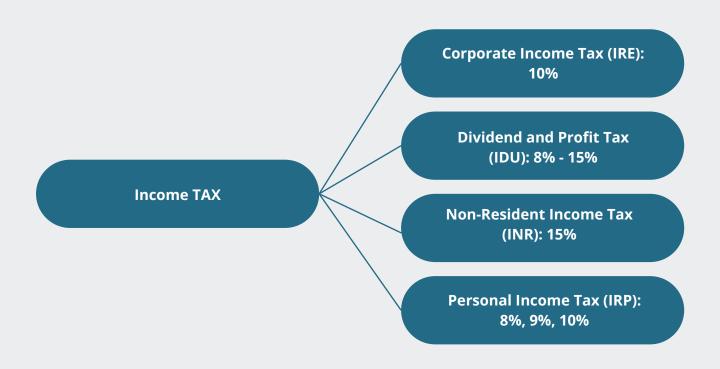
TAX REGIME

Since January 2020, a new tax system has been in effect, introducing the unification of taxes on commercial activities to facilitate the formalization of micro and small enterprises.

The Corporate Income Tax (IRE) replaces three separate taxes that were applied until 2019: The Income Tax on Commercial, Industrial, and Service Activities (IRACIS), The Income Tax on Agricultural Activities (IRAGRO) and the Income Tax on Small Taxpayers (IRPC).

The Personal Service Income Tax (IRSCP), which was in effect until 2019 for simple partnerships or individuals, has been replaced under the new system. Simple partnerships are now subject to the Corporate Income Tax (IRE). Individuals are now subject to the Personal Income Tax (IRP).

Thus, the tax system is restructured as follows:



CORPORATE INCOME TAX (IRE)

Unifies the Income Tax on Commercial, Industrial, and Service Activities (IRACIS) and the Income Tax on Agricultural Activities (IRAGRO), expands the tax base by broadening the concept of "Paraguayan source," and allows for the carryforward of tax losses for up to five (5) years.

DIVIDEND AND PROFIT TAX (IDU)

Profits, dividends, or returns made available to or paid to the owner, consortium members, partners, or shareholders by sole proprietorships, Public Limited Companies (PLCs), Limited Liability Companies (LLCs), Limited Partnerships, Capital and Industry Partnerships, Consortia, and other similar private entities with legal personality incorporated in the country, as well as permanent establishments of foreign entities, are subject to the Dividend and Profit Tax (IDU).

The IDU is calculated based on the net profits, dividends, or returns made available to or paid to the owner, consortium member, partner, or shareholder. Profits allocated to the legal reserve account, discretionary reserves, or capitalization are not subject to this tax, except in cases of capital redemption. The tax rate is 8% when the recipient of the dividends, profits, or returns is an individual or legal entity resident in Paraguay.

The tax rate is 15% when the recipient is an individual or legal entity not residing in Paraguay, including amounts received by a foreign parent company.

NON-RESIDENT INCOME TAX (INR)

This tax applies to Paraguayan-source income earned by individuals and legal entities not residing in Paraguay, derived from activities subject to the Corporate Income Tax (IRE) and Personal Income Tax (IRP).

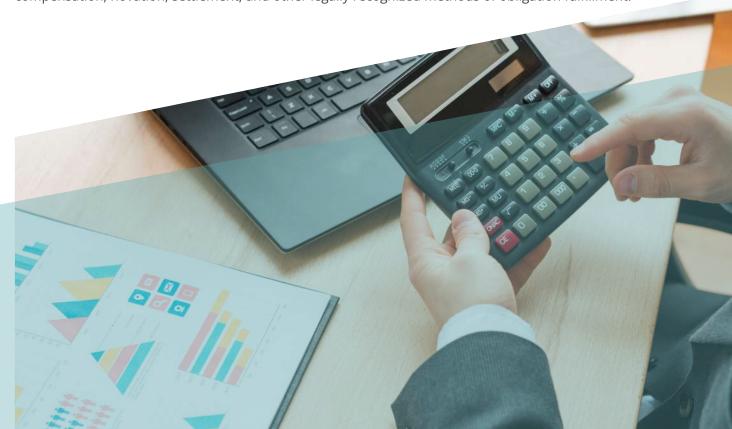
A 15% tax rate is applied to net income, with the taxable base depending on the activity performed by the liable taxpayers.

Taxpayers subject to INR include: Individuals, legal entities, and other entities residing, domiciled, or incorporated abroad that do not meet the conditions for residency and do not have a permanent establishment in Paraguay.

The tax obligation arises when they obtain taxable income, profits, or benefits, regardless of whether they operate through an attorney, agent, or representative in Paraguay.

Paraguayan-source income refers to income derived from activities carried out, assets located, or rights economically utilized in the country.

The tax obligation arises at the earliest of the following events: When the funds are made available; When the remittance is sent abroad; When payment is made. The concept of "funds made available" includes compensation, novation, settlement, and other legally recognized methods of obligation fulfillment.



PERSONAL INCOME TAX (IRP)

This tax applies to Paraguayan-source income earned by individuals. The following types of income are subject to taxation:

- Capital Income and Gains, excluding income already taxed under the Dividend and Profit Tax (IDU).
- Income derived from the provision of personal services, whether independently or as an employee.

The tax is calculated separately for each category of income, without the possibility of offsetting expenses or gains between them. For capital income and gains, the applicable tax rate is 8%. For income from personal services, a progressive tax rate applies, based on a scale of net income.

VALUE ADDED TAX (VAT)

This tax applies to the sale and importation of goods, as well as the provision of services within the national territory, including personal services provided by professionals and independent individuals. While the general tax rate is 10%, differential rates of 5% apply in the following cases: Rental of real estate exclusively for residential use, Sale of real estate, Interest, commissions, and surcharges on loans and financing; Sale and importation of goods registered as human-use medications with the Ministry of Public Health and Social Welfare; Sale of certain essential household goods, including rice, pasta, vegetable oil, yerba mate, milk, eggs, flour, and iodized salt; Sale and importation of agricultural, horticultural, and fruit products; Sale and importation of livestock products and their primary derivatives, provided they have not undergone any alteration or transformation except for necessary preservation processes.



EMPLOYMENT **REGIME**



Legal Framework:

Law 213/93 – Labor Code governs the relationship between dependent workers and their employers. The rights granted to workers under this Code cannot be waived, negotiated, or contractually limited, and any agreement to the contrary is considered null and void.

Labor Market and Employment Legislation

Wages in Paraguay can be freely determined through agreements between employers and workers, but they cannot be lower than the legally established minimum wage. This minimum wage is set by the Executive Branch, based on recommendations from the National Minimum Wage Council, which includes representatives from the government, employers, and workers.

Current Minimum Wage: Monthly minimum wage for unspecified general activities in the capital: Gs. 2,798,309. Daily minimum wage for unspecified general activities: Gs. 107,627.

Salary Payment Methods:

Wages may be paid based on:

- Time unit (monthly, biweekly, weekly, daily, or hourly).
- Work unit (per piece, task, or output-based).
- Commissions.

DURATION OF THE EMPLOYMENT CONTRACT

Employment contracts may be classified according to their duration as:

- Indefinite-term contracts.
- Fixed-term contracts, which cannot exceed one year for laborers and five years for employees.
- Contracts for a specific project or service.

The last two types are exceptions and may only be used when the temporary or accidental nature of the work or service justifies it.

JOB STABILITY

After completing the probationary period, the worker gains general stability. However, special stability is acquired after ten (10) continuous years of service.

TERMINATION OF THE EMPLOYMENT CONTRACT

Employment contracts may be terminated by mutual agreement, by the unilateral will of the employer (dismissal), or by the unilateral will of the worker (resignation).

Specific causes of termination include:

- a. Death of the worker, or physical or mental incapacity.
- b. Force majeure or unforeseen circumstances
- c. Expiration of the contract term or completion of the project.
- d. Employer's bankruptcy or judicial liquidation of the company.
- e. Total closure or permanent downsizing of operations.
- f. Justified resignation.
- g. Contract termination ordered by a competent authority.

PAID VACATION

All workers are entitled to paid vacation after one year of continuous employment with the same employer. The duration of the vacation period is determined by the worker's seniority in the company.

LEAVE ENTITLEMENTS

Employers are required to grant paid leave to workers in the following cases:

- a) Marriage leave 3 days.
- b) Bereavement leave 3 days (applies to the death of a spouse, child, parent, grandparent, or sibling).
- c) Annual leave for medical check-ups 2 days for Pap smear and mammogram screenings (Law No. 3803/2009).
- d) Paternity leave 14 days for fathers in cases of birth or adoption (non-waivable).

MATERNITY LEAVE







YEAR-END BONUS (AGUINALDO)

Employers are required to pay a mandatory annual bonus to workers before December 31. This bonus is equivalent to 1/12 of the total remuneration received throughout the year, covering all salary components. The aguinaldo is non-seizable and is considered a preferential credit in favor of the worker.

LABOR AUTHORITY

The Ministry of Labor, Employment, and Social Security serves as the Administrative Labor Authority in charge of enforcing labor laws. It oversees compliance through mediation, formalization, inspection, and supervision services. The Ministry has a regulatory role as a labor watchdog and a social-political function to safeguard workers' rights, promoting collaboration between employers and employees for compliance with collective agreements, labor laws, and regulations.

LABOR DISPUTE RESOLUTION

The Labor Directorate of the Ministry of Labor, Employment, and Social Security mediates and resolves both individual and collective labor disputes through administrative conciliation procedures.

LEGAL

IMMIGRATION REGIME



IMMIGRATION REGIME

Paraguay's immigration system is designed to regulate and control the entry of foreign nationals into the country. The process, requirements, validity, expiration, and other aspects related to obtaining a visa are outlined in the regulations. The admission, entry, stay, and departure of foreign nationals in Paraguay are specifically governed by Law 6984/22.

VISA CATEGORIES

Foreign nationals may be admitted into Paraguay under two main categories: transitory stay or residency. Residency is further classified as spontaneous or occasional, permanent, or temporary.

PERMANENT RESIDENCY

This is an authorization granted by the National Directorate of Migration (DNM) to a foreigner who intends to settle permanently in Paraguay, provided they meet the legal admission requirements and have completed a period of temporary residency.

- Validity: Indefinite, but the residency card must be renewed every 10 years.
- Paraguayan Identity Card (Cédula de Identidad): Must be renewed every 10 years.

PERMANENT RESIDENCY FOR FOREIGN FAMILY MEMBERS OF PARAGUAYAN NATIONALS

Under Law 6984/2022, the National Directorate of Migration may grant indefinite residency to foreign family members of Paraguayan nationals, provided they are covered under Article 48 of the law and meet the necessary legal conditions for admission.

Validity term of the ID card: Although permanent residency is granted, the ID card must be renewed every 10 (ten) years.

Beneficiaries: Through the repatriated compatriot, direct access to Permanent Residency is granted; their spouse, foreign children, and grandchildren up to eighteen years of age. Additionally, the spouse of the compatriot's child may also apply.

Special Procedure for Foreign Investors under the Unified System for Business Opening and Closing (SUACE)

This is a special permanent residency procedure under the conditions established in Law No. 6984/22 and its regulations, aimed at foreign nationals who enter Paraguayan territory as investors and choose to adhere to the Unified System for Business Opening and Closing (SUACE).

SUACE is a one-stop service composed of various public institutions, through which procedures for the opening, formalization, and/or closing of businesses (both physical and legal entities) are carried out. It serves as a centralized entry point for applications and state registrations, with the purpose of facilitating and streamlining the process of launching new business ventures by handling all necessary procedures in a single location.

VALIDITY PERIOD OF THE CARD: Permanent, with renewal required every ten (10) years.

Temporary Residency

It is the authorization granted by the National Immigration Directorate for a specified period to foreigners entering the country with the intention of settling to engage in lawful activities, under the conditions established by Law No. 6984/22 on Migrations and its regulations.

Validity term of the ID card: Up to 2 (two) years, renewable for an equal period. Temporary residency is a prerequisite for obtaining Permanent Residency, except for Uruguayan citizens who may opt directly for permanent residency and foreign investors applying through SUACE.

Benefits: • Obtain the "precarious resident" status while processing Temporary Residency with the National Immigration Directorate (this status allows exiting and re-entering the country, studying, and working for the duration of the residency). • Access to the Paraguayan Identity Card issued by the Department of Identifications of the National Police, valid for the same period as the Temporary Residency.



Spontaneous or Occasional Residency established by Law No. 6984/2022 on Migrations

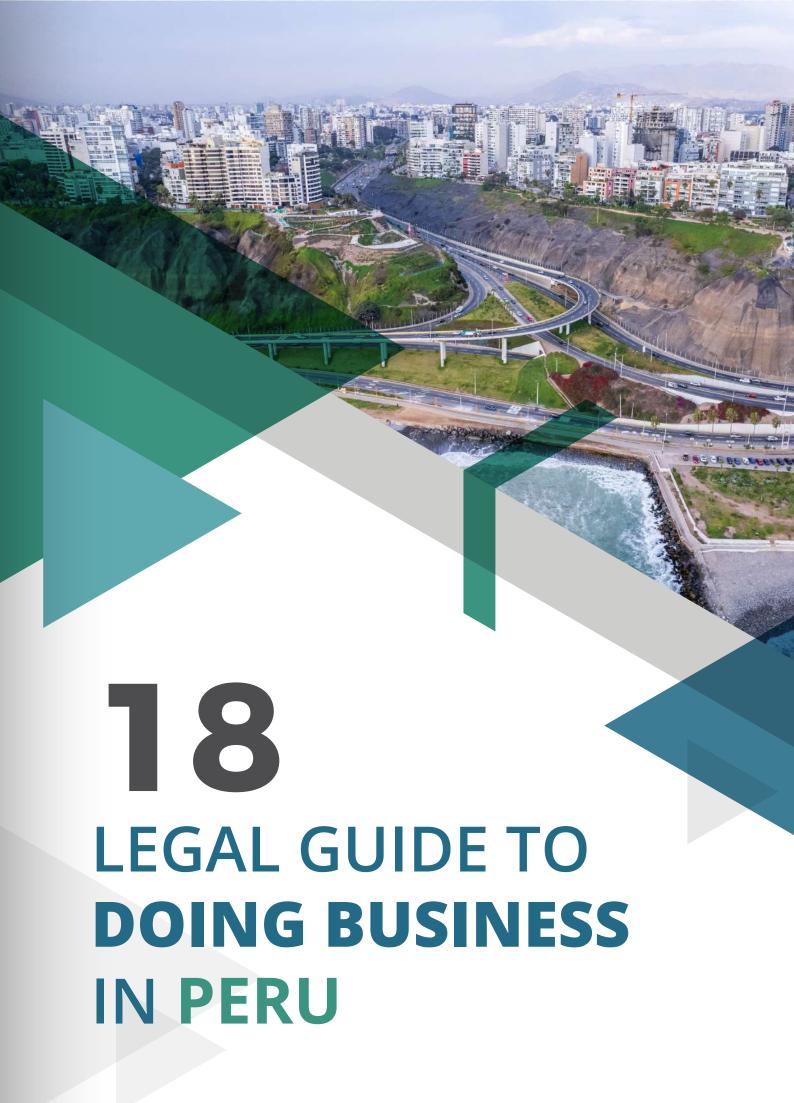
It is the authorization granted by the National Immigration Directorate to foreigners entering the country to engage in occasional lawful activities under the conditions established by Law No. 6984/22 and its regulations.

Validity period of the card: Up to 90 (ninety) days, extendable for an equal period within the same year.

Benefits:

- Authorization to carry out the lawful activity for which the residency was granted, within the allotted time frame.
- The following activities are considered valid lawful activities for Spontaneous or Occasional Residency: participants in public performances; guests of public or private entities due to their art and/or profession; foreigners undertaking internships; professionals; academics; technicians; researchers; scientists; journalists; athletes; businesspeople; directors; managers; and administrative staff of national or foreign companies transferred from abroad to fill specific positions.





TyTL Abogados Law Firm



Torres y Torres Lara Abogados Law Firm was founded in Lima in 1968 by its founder, Dr. Carlos Torres y Torres Lara.

For over five decades, we have built significant experience in the legal, economic, and administrative fields, placing it at the service of our clients—both individuals and legal entities—so they can carry out their activities across various sectors of goods and services production.

We currently have a team of 50 lawyers and more than 100 highly qualified professionals, dedicated to providing comprehensive, high-quality services tailored to meet the diverse needs of our clients.

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How to do Business in **PERU?**



In Peru, investors have various avenues to conduct business. The country's regulations recognize the freedom to adopt any corporate form they choose. The General Corporations Law governs the different types of business entities available, with the most commonly used corporate forms being:

- Corporations (Sociedades Anónimas), which are divided into three types: Ordinary (S.A.), Closed (S.A.C.), and Public (S.A.A.). These share general features such as limited liability, a minimum of two shareholders, no minimum initial capital requirement, capital represented by shares, profit distribution based on ownership, and governance through a General Shareholders' Meeting and management. The Ordinary Corporation has a maximum of 750 shareholders, the Closed Corporation a maximum of 20, while the Public Corporation has no maximum limit. Additionally, the Ordinary and Public Corporations must have a board of directors with at least three directors, while the Closed Corporation may operate without a board. Registration time ranges from 2 weeks to 45 days.
- Limited Liability Commercial Companies (Sociedades Comerciales de Responsabilidad Limitada) must have a minimum of 2 and a maximum of 20 partners. They feature limited liability and no requirement for minimum initial capital. Ownership is represented by equity participations rather than shares. Transfers of participations must be executed through a public deed and registered with the Public Registry. Partners have preemptive rights over the transfer of participations. There is no board of directors; the general manager is responsible for the administration and legal representation of the company, and a General Partners' Meeting is required.
- Cooperatives are autonomous associations of individuals who voluntarily unite to meet their economic, social, and cultural needs without a profit motive. These include Savings and Credit Cooperatives, User Cooperatives, and Worker Cooperatives. They share general characteristics such as a minimum of 11 members with no upper limit, limited liability for members, and the representation of contributions through certificates. Cooperatives do not distribute profits; instead, surplus income is returned to members based on their transactions or labor contributions.
- Branches are secondary establishments of foreign companies incorporated and domiciled abroad, established in Peru via a public deed registered in the Public Registry. Registration in the Public Registry takes approximately 20 to 30 days, after which registration with the Single Taxpayer Registry (RUC) before the tax authority must be completed.

Additionally, foreign entrepreneurs can engage with their Peruvian counterparts through business collaboration contracts (e.g., joint ventures, partnerships, franchises, distribution agreements, etc.). These contracts are generally subject to freedom of contract, and the most common include partnership contracts, franchise or trademark license agreements, distribution contracts, private concessions, and agency agreements.

TAX **REGIME**

In Peru, there are various taxes applicable to entrepreneurs and companies, with the main ones being as follows:

Corporate Income Tax: Legal entities, such as companies incorporated in Peru, are subject to income tax on both Peruvian-source and foreign-source income. The applicable tax treatment and rates depend on whether the individual or legal entity is domiciled or non-domiciled.

- Domiciled entities and individuals are taxed on their worldwide income. For individuals, the applicable rate is progressive, based on income brackets. For legal entities and individuals engaged in business activities, the rate is 29.5% on net income.
- Non-domiciled individuals and entities are taxed only on their Peruvian-source income, generally at a flat rate of 30% on the amounts paid.

General Sales Tax (IGV): This is equivalent to VAT and is applied to:

- The sale of movable goods in Peru
- The provision or use of services in Peru
- Construction contracts
- The first sale of real estate by builders
- The importation of goods
- The use of services within Peru

The applicable rate is 18%. It is important to note that, provided the legal requirements are met, IGV paid and recorded on payment vouchers for the acquisition of goods or use of services rendered by non-domiciled providers constitutes input tax credit against gross tax liability.

Selective Consumption Tax (ISC): This tax applies to certain luxury goods or products with a negative social impact that the State seeks to discourage, and is levied in addition to IGV. The rate ranges from 2% to 50%, depending on the type of good or service.

Main municipal taxes and fees include:

It is important to keep in mind that, in principle, all obligations exceeding S/ 2,000 or US\$500 must be paid using Authorized Payment Methods.

The Financial Transactions Tax (ITF) is applied at a rate of 0.005% on any credit or debit to bank accounts or any transaction carried out within the Peruvian financial system, with a few exceptions.

Finally, the Temporary Tax on Net Assets applies to taxpayers generating Third Category income (i.e., business income). This tax is levied on the value of the net assets of such legal entities as of December 31 of the previous year, at a rate of 0.4%.

Instruments to Avoid Double Taxation:

Peru has active tax treaties in force with Chile, Canada, Brazil, South Korea, Portugal, Switzerland, Mexico, and Japan, and is also subject to community regulations as a member of the Andean Community of Nations, which includes Peru, Colombia, Bolivia, and Ecuador.

The purpose of these instruments is to establish mechanisms for the allocation of tax jurisdiction, setting forth rules to determine which country has the authority to tax a given type of income. In most cases, these treaties aim to reduce or eliminate double taxation.



EMPLOYMENT REGIME



In Peru, the provision of personal, subordinate, and remunerated services gives rise to an indefinite-term employment contract. Hiring personnel does not require major prior conditions, except for being of legal age, which in Peru is reached at 18 years old. Minors between the ages of 14 and 17 require parental permission to work (except for prohibited activities), as well as approval from the Ministry of Labor and Employment Promotion.

There are various types of employment contracts, such as indefinite-term contracts, part-time employment contracts, and fixed-term contracts, which may only be entered into under exceptional circumstances. The legal probation period is three months, after which the employee is protected against arbitrary dismissal. In certain cases, the probation period may be extended—up to six months for qualified or trusted personnel, and up to twelve months for managerial staff.

Workers are entitled to a variety of rights, including a minimum wage of S/. 1,130, a standard workday of eight hours or forty-eight hours per week, a mandatory weekly rest of 24 hours, national holidays, 30 calendar days of annual paid vacation for each full year of service, severance pay for arbitrary dismissal, compensation for time of service (CTS), statutory bonuses, profit sharing, overtime pay, mandatory health insurance, mandatory life insurance, family allowance, pension benefits, sick leave, maternity leave, paternity leave, adoption leave, leave for serious illness or accidents of direct relatives, bereavement leave, as well as collective rights such as collective bargaining, unionization, and the right to strike.

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

Employer

- Salary: 100%
- ESSALUD (public health insurance): 9%
- Vacation: 8.33%
- Bonuses (Gratificaciones): 16.66%
- Compensation for Length of Service (CTS): 9.72%

Employee

- Income Tax: According to a progressive scale
- Pension Fund (AFP): Approximately 13%

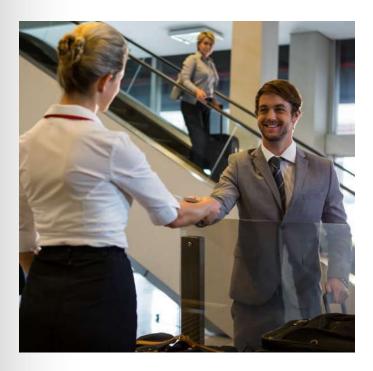
Concept	Employer	
Salary	100 %	
ESSALUD	9 %	
Holidays	8.33 %	
Bonuses	16.66 %	
Compensation for Length of Service (CTS):	9.72 %	
Income Tax:		According to a progressive scale
Pension Fund (AFP):		13 % (Approximately)

Notwithstanding the above, Peruvian legislation establishes a special regime for workers employed by micro and small enterprises, granting them entitlement to certain labor benefits that reduce labor costs by approximately 20% to 40%. This regime only applies to companies with annual sales of up to US\$206,000 (micro) and US\$2,334,666 (small), respectively.



LEGAL

IMMIGRATION REGIME





Foreign nationals entering Peru as tourists or for business purposes, with the intention of carrying out various activities either temporarily or permanently, may apply to the National Superintendency of Migration for different immigration categories or statuses. Each classification involves a distinct type of visa, depending on the activity to be undertaken, and governs the foreign national's stay or residence in the country.

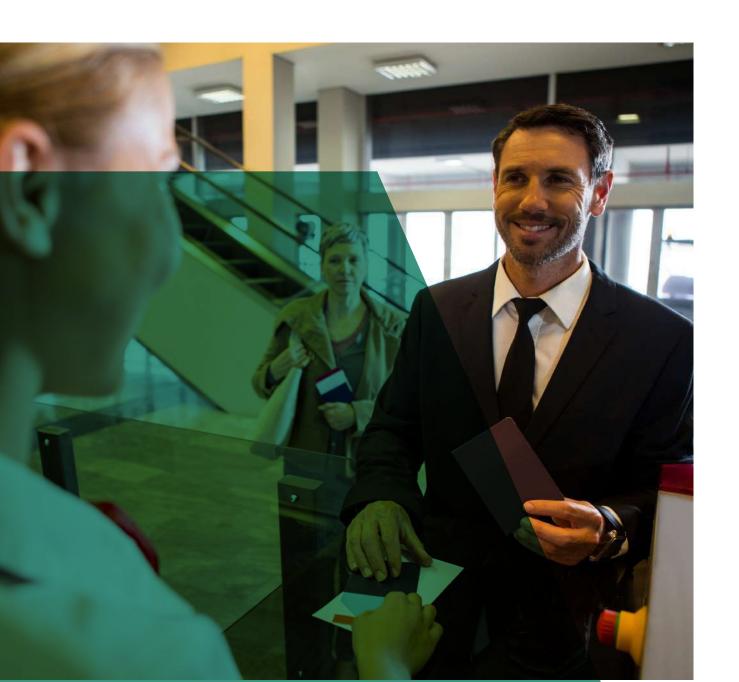
Below are the main immigration statuses provided under Legislative Decree No. 1350 for foreigners in Peru:

- TBD Designated: This immigration category allows foreign nationals to perform work activities in Peru involving a specific task or function that requires professional, commercial, or specialized technical knowledge, and who are sent by a foreign employer. The duration is 365 days.
- INV Investor: This immigration category allows foreign nationals to establish, develop, or manage one or more investments in accordance with Peruvian legislation. The minimum investment amount is S/. 500,000.00. The foreign national may only serve as the Manager or Director of their company.
- NEG Business: This immigration category allows foreign nationals without residency intent to engage in business-related, legal, contractual, specialized technical assistance, or similar activities. It is granted by the Ministry of Foreign Affairs through Peruvian Consulates in the applicant's country of origin. For some nationalities, visa exemptions may apply under visa waiver agreements signed by Peru.
- PMT Permanent: This immigration category allows foreign nationals to obtain permanent residency after three years of legal residence in Peru.

- TBJ Worker: Under this immigration category, foreign nationals entering the country to engage in employment activities must have an employment contract either approved by or registered with the Administrative Labor Authority. They may be granted either a temporary or resident visa and may remain in the country for the duration of the employment contract, in accordance with the special regulations governing the hiring of foreign workers.
- For individuals entering from Associated States or MERCOSUR Agreement member countries, the MERCOSUR Resident Visa allows them to work legally in Peru for up to two years, either as dependent or independent workers.

The visa application process takes approximately 60 business days.

Please note that for all visa or immigration status applications granted for one year, foreign nationals must obtain a criminal background certificate from their previous country of residence. This certificate must be duly apostilled and issued no more than 90 days prior to submission.





MDDP Michalik Dłuska Dziedzic i Partnerzy

MDDP Michalik Dłuska Dziedzic i Partnerzy has been Poland's most successful independent tax advisory firm since 2004.

Our team consists of nearly 200 tax advisors, legal counsels, and lawyers specializing in VAT, income tax, transfer pricing, international taxation, domestic taxation, tax and court proceedings, as well as customs and excise duties. We handle innovative and pioneering tax cases and projects in Poland. Our experts hold MBA, CIMA, ACCA, and CIA certifications.

We engage in matters we believe are important: we actively participate in consultations on legislative proposals and serve as experts for the European Commission, business organizations, and trade associations. Our experts are authors of several books and articles in professional publications. As lecturers, partners of student associations, and organizers of academic competitions, we are deeply committed to the education of young lawyers and economists.



How to do Business in **POLONIA?**



Key Strategies for Doing Business in Poland

What do you need to be aware of in terms of legal, tax and accounting when setting up and running a business in Poland?

Due to economic and business conditions, Poland is an attractive country for business, which attracts many foreign investors.

However, it is worth bearing in mind that setting up and running a business in Poland is quite a challenge. This is primarily a consequence of the large number of legal acts and the complexity of regulations that need to be taken into account when considering setting up and running a business in Poland.

In the publication Key Strategies for Doing Business in Poland, which was prepared by experts from the tax advisory firm MDDP, the international law firm Osborne Clarke and the accounting, HR and payroll outsourcing company MDDP Outourcing, we answer a number of questions in the legal, tax and accounting areas regarding setting up and running a business in Poland.

The honorary patronage of 'Key Strategies for Doing Business in Poland' was taken by the Polish Investment and Trade Agency (PAIH).

#MÁS >> https://www.mddp.pl/key-strategies-for-doing-business-in-poland-en/.

Corporate Law in Poland Setting up business

Foreigners can set up business in Poland in many ways. Running a business activity by foreign persons (natural persons without Polish citizenship or organizational units based outside Poland) depends mostly on the country of origin of the investor who intends to start doing business in Poland.

Foreign persons from Member States of the European Union, or the European Free Trade Association (EFTA) - party to the Agreement on the European Economic Area (Iceland, Liechtenstein, Norway, Switzerland) may take up and pursue economic activity in the territory of the Republic of Poland on the same principles as Polish citizens.

Foreigners from outside of European Economic Area must comply with a number of additional requirements such as having a permanent or temporary residence permit or a Pole's Card or take part in certain government programs



(e.g. Poland Business Harbour);

When starting a business in Poland, the entrepreneurs may choose from a registered individual entrepreneurship, or incorporating partnerships or companies, in particular:

- civil law partnership;
- registered partnership;
- partnership;
- limited partnership;
- limited joint-stock partnership;
- limited liability company;
- joint-stock company;
- simple joint-stock company;
- · branch office of foreign entrepreneur.

Moreover, foreign entrepreneurs may wish to open a representative office, which requires an entry in the register of representative offices of foreign entrepreneurs. In doing so, it should be borne in mind that representative offices may only carry out advertising and promotional activities.

In partnerships day to day business is conducted by the partners – owners of the business. On the other hand, in companies the business is conducted by the members of the management board.

Members of the management board are appointed by a resolution of the shareholders unless the company's articles of association provide otherwise. Only natural persons (individuals) may be appointed to the management board regardless of his/her nationality.

The sole appointment the foreigner to be the member of the management board does not entitle to reside on Polish territory. In order to stay legally, the foreigner must have a national visa, a Schengen visa from another country, hold visa-free travel (applies to Ukrainian citizens) or obtain a work permit.

Certain companies have a supervisory board that oversees the activities of the management board. This corporate body provides an additional protection against unlawful actions of the members of the management board. Shareholder's resolutions can be adopted at a shareholder's meeting, or without holding shareholder's meeting (if all shareholders agrees) or by means of distance communication, such as Skype or MS teams.

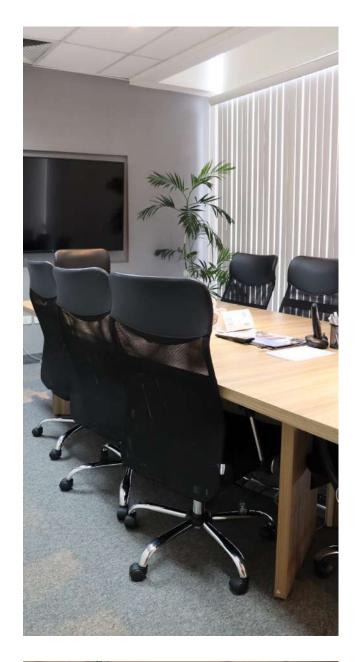
Moreover, natural person cannot be appointed to management board if they are convicted for the crimes specified in Article 18 § 2 of the Commercial Companies Code (i.e. crimes against the security of economic transactions or against the activities of state and local government institutions).

Note that, regardless of which of the above forms of business is most suitable for you, the registered seat has to be within territory of Poland.

Depending on the type of business selected, in order to conduct the business activity, the entrepreneurs must:

- Draft in a presence of notary or by filling electronic application (only if you have PESEL number) an articles of association or statute;
- Register the company in the National Court Register or Central Register and Information on Economic Activity;
- Open a bank account for the business;
- Register the employees in the Social Security Office (ZUS);
- Open books of accounts and commence statutory reporting activities, such as uniform control file (JPK);
- Pay up share capital (only in companies) or to make contribution (only in partnerships);
- Fill an application to Register of the Ultimate Beneficial Owner;
- Establish necessary corporate bodies, e.g. management board in limited liability company or supervisory board in joint stock company.

In practice, the registration of a business takes a few weeks and comes to filing in forms with the competent authorities. Due to the level of complexity of the required forms, entrepreneurs often rely on the advise of the legal advisors, who assist them in selecting the best possible solutions for the newly-established business.







Tax system in Poland Overview

Tax administration in Poland is in the hands of two kinds of authorities:

- governmental ones (corporate income tax, personal income tax, VAT, customs, excise duty)
- local governmental ones (ex.: real estate tax, civil transactions tax, tax on means of transport).

The tax authorities also include: (i) the Head of National Revenue Administration whose competences include matters related to tax avoidance, including advance safeguarding tax rulings, and the conclusion of advance pricing agreements, (ii) the Director of the National Rev-enue Information System responsible for issuing individ-ual advance tax rulings, and (iii) the Minister of Finance responsible for issuing general advance tax rulings.

Special tax offices

In Poland there are 20 special tax offices dedicated to spe¬cific entities. 19 of these support such taxpayers as:

- entities (including foreign enterprises) with an annual income between EUR 3 milion and EUR 50 million in the previous year;
- · branches and rep offices of the foreign entities;
- universities, independent public health care institu-tions, cooperative banks or local governments units.

Special tax office for the largest taxpayers

Additionally, there is also a special tax office in Warsaw (First Masovian Tax Office in Warsaw) for:

- the largest entities with an annual income of at least EUR 50 million in the previous year, or
- entities operating as, for example, capital tax groups, banks or insurance companies.

Relations with the tax authorities

All the correspondence shall be delivered (both to an entity and to the authorities) either personally, electroni¬cally or via the Polish Post. As a rule, correspondence with offices and courts is conducted via an electronic platform. To meet a deadline given for any activity (i.e. submitting an application, lodging an appeal etc.) it is required that the documents are either delivered within this deadline to the given authority personally or sent via the Polish Post Office. The deadline shall also be considered to have been met, if prior to its lapse, the letter is sent to the post office of the operator providing universal postal service in another EU Member State.

Any documents send via courier shall be sent sufficient¬ly early to be delivered to the tax authorities within a deadline.

All correspondence, contacts, applications, appeals, com-plaints must be prepared in Polish. As a consequence all the documents submitted to the tax authorities in foreign language should be accompanied by their translation.

Tax proceedings in Poland

The tax amount shall be determined either in the tax return submitted by a taxpayer or in a decision issued by the tax authority. The terms of payment are given in the law.

A taxpayer that is dissatisfied with the first instance deci¬sion may submit an appeal to the second instance. As a rule, an appeal shall suspend execution of a deci¬sion, but it shall not stop charging penalty interest on tax arrears.

The final decision issued by the second instance author—ity which is unfavourable for an entity may be subject to a complaint to the District Administrative and sub—sequentely to Supreme Court. The proceedings before administrative courts are also governed by a dual instance system.

Advance tax rulings

There are two types of advance tax rulings in the Polish tax system. General advance tax rulings – addressed to all taxpayers – are issued by the Minister of Finance.

Individual advance tax rulings are issued by the Director of National Revenue Information System.

An application to obtain an individual advance tax rul-ing might be submitted both by any entity that requires information about the tax consequences of its activities (at present and in the future) and shareholders, potential investors or a foreign entity that intend to open a repre-sentative office in Poland.



An individual advance tax ruling may relate both to past and future transactions, however, the scope of safeguard-ing granted by obtaining a ruling differs in each of the above-mentioned situation.

Should the ruling refer to future transaction (i.e. tax implinations of the transaction take place after the ruling is delivared), the taxpayer shall benefit from full safeguarding, i.e. it shall not be obliged to pay any tax arrears. Should the ruling relate to a past transaction, tax arrears must be paid.

An unfavourable individual advance tax ruling might be challenged to the District Administrative Court and subse-quently to the Supreme Court.

The application for tax binding ruling shall be subject to fee of 40 PLN per question.

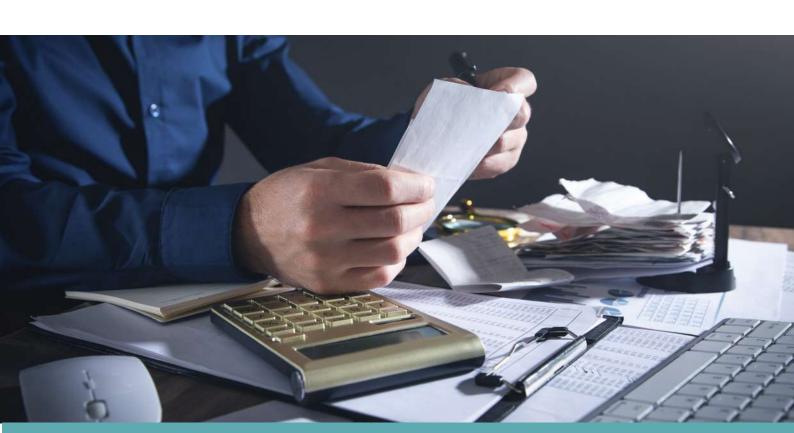
GAAR advance tax rulings

The general anti-avoidance clause (GAAR) is effective in Poland. Pursuant to the provisions thereof, any transaction performed primarily in order to achieve a tax advantage, in defiance in given circumstances of the object and pur¬pose of a tax act, shall not result in a tax advantage if the manner of taxpayer's acting was artificial.

Taxpayers that want to protect itself against the possibilinty of general anti-avoidance clause being applied against it may apply for the so-called advance (safeguarding) tax ruling. The refusal to issue it and the safeguarding tax rulning may be appealed against to the administrative courts.

Tax cooperation agreement

A taxpayer may sign an investment agreement with the tax authority. The agreement is to ensure tax security for the taxpayer implementing a new investment in the territory of Poland (defines the tax consequences of the investment).



Signing a tax return by a proxy

Tax returns may signed by taxpayers (tax remitters) as well as by theirs proxies. By granting the power of attorney the taxpayer is exempted from signing the tax return.

A power of attorney to sign tax returns must be granted by each individual that would be responsible for signing the given tax return.

The power of attorney should be sent to a relevant tax office and should be granted separately for each kind of a tax return.

On-line tax returns

Most tax returns must be obligatorily filed online. Electronic filing requires possession of electronic signa¬ture (officially acceptable in the EU).

Tax returns are submitted via a special online system. It is possible to submit a tax return by a proxy. For this purpose, it is necessary to register in the online system a power of attorney authorizing to represent the taxpayer (UPL-1 form).

Accounting system in Poland Who needs to keep accounting records in Poland?

Commercial companies (partnerships and joint-stock companies, including companies in organization e.g., lim¬ited liability company, limited partnership, public limited company) and individuals and private partnerships (if their turnover for the previous year amounted EUR 2 mil-lion). From 2025 the limit increases to €2.5 million.

Organizational units operating under banking law, reg-ulations on trading in securities, regulations on provision of crowdfunding services for economic undertakings, reg-ulations on investment funds and management of alter-native investment funds, regulations on insurance and reinsurance activities, regulations on cooperative saving and credit unions or regulations on the organization and functioning of pension funds, regardless of the amount of revenue.



Branch offices and representative offices of foreign entrepreneurs.

Other entities, not specified above, if they receive donantions or subsidies from the state budget, budgets of local governments or special funds for the realization of their assigned tasks – from the beginning of the financial year in which such donations or subsidies were granted to them.

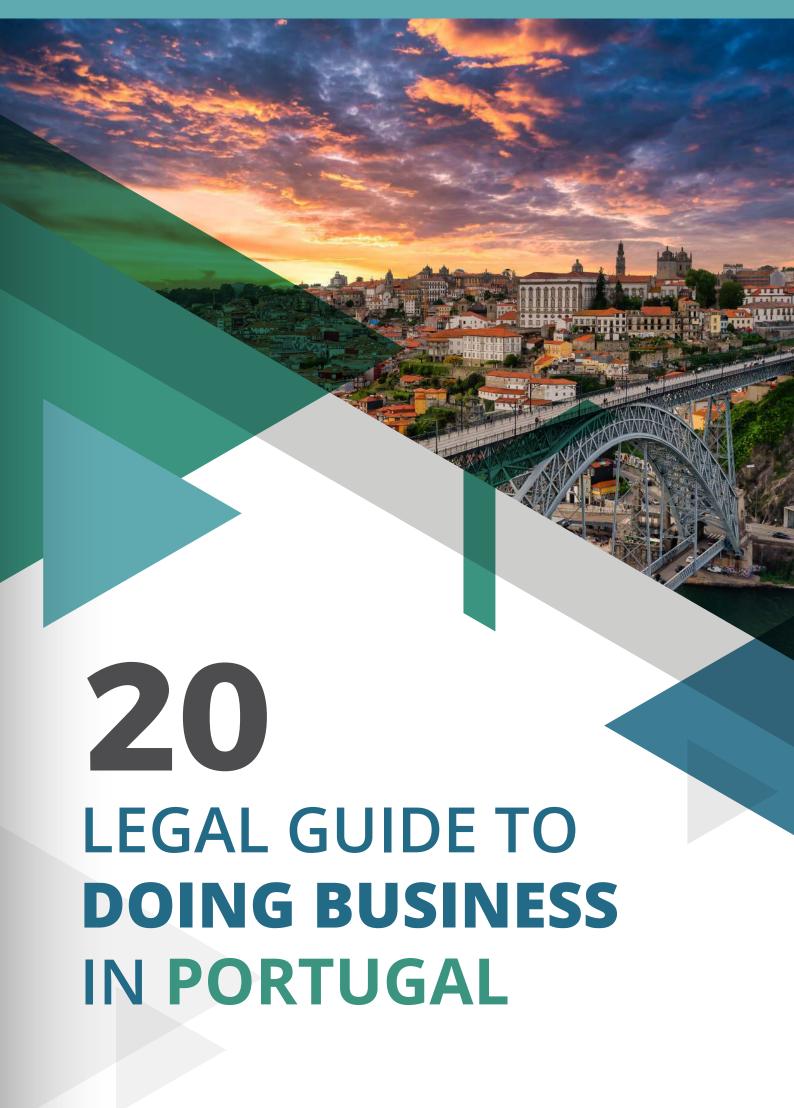
General information on keeping accounting records in Poland

The books must be kept in accordance with the conditions set in the Accounting Law. If a company does not meet all the conditions, it may decide to keep its books in accordance with the contents of IFRS. In addition, entities that are part of a group in which the parent company prepares consolidated financial statements in accordance with IAS, branches of a foreign entrepreneur, if the entrepreneur prepares financial statements in accordance with IAS.

In practice, the accounts are kept only with the use of computer software that allows obtaining clear informa-tion with regard to entries made in the accounts through printing or storing it on IT data carriers.







CRS Advogados



Cruz, Roque, Semião – Sociedade de Advogados, RL is a professional law firm established by attorneys with extensive experience and the goal of providing clients with a distinctive service based on the concept of a trusted legal advisor.

Our team consists of nearly 200 tax advisors, legal consultants, and attorneys.

Its added value lies in its lawyers, backed by a strong and diversified legal structure. The firm's focus is on contracting and litigation, with a strong emphasis on business law.

CRS also offers comprehensive legal advice to its clients, whether individuals or legal entities — particularly SMEs, multinational corporations, foundations, associations, or business groups — thereby covering all areas of law.

With the aim of delivering the highest quality service, CRS has developed management and information procedures with a strong technological component, ensuring a close and agile relationship with our clients.

Learn more about CRS ADVOGADOS at: https://crs-advogados.com/es/



How to do Business in **PORTUGAL?**



Introduction

Portugal offers security and quality of life. It experiences little social unrest and is an inclusive and open society, with low levels of racism, religious tensions, and sexual prejudice. For example, according to the Global Peace Index 2023 by the Institute for Economics & Peace, Portugal ranks 7th among the most peaceful countries in the world and 4th among European countries. Portugal also ranks 9th globally in terms of Social Safety and Security.

I. Direct Investment Incentives

Portugal offers both national and foreign investors access to several investment incentive programs. These incentives may take the form of financial support (refundable or non-refundable), tax benefits, and co-financing. Key investment programs available in Portugal include:

- Incentives granted under the Portugal 2030 program (EU partnership agreement);
- Incentives under the Recovery and Resilience Plan (PRR), for the period 2021–2026;
- Tax incentives provided under the Investment Tax Code.

Portugal has also implemented a system to monitor, facilitate, and reduce bureaucracy for the implementation of projects considered of Potential National Interest (PIN).

II. Types of Investment Vehicles

Investors wishing to carry out economic activities in Portugal may choose from various corporate or contractual structures. When the intention is to operate directly and on a long-term basis, it is most common to establish either a branch or a commercial company.

a) Branches

Branches are extensions of the parent companies that establish them and, as such, do not have their own legal personality or separate assets. To open a branch in Portugal, it is sufficient to register the resolution of the parent company authorizing the branch's creation. No minimum share capital is required, although the parent company may allocate funds to the branch to support its operations. Branches are managed by a legal representative appointed by the parent company and do not require the creation of internal governing bodies.



b) Limited Liability Company (Sociedade por quotas / Lda.)

A commercial company in which the capital is divided into shares and the partners have limited liability. It requires: i) a minimum of two partners; ii) share capital of 1 euro per share; and iii) an accountant.

c) Single-Member Limited Liability Company

A commercial company with a single partner, either an individual or a legal entity, who represents the entire share capital of the company, with limited liability (otherwise similar to an Lda).

d) Public Limited Company (S.A.)

A commercial company whose capital is divided into transferable securities (shares), and where each shareholder limits their liability and participation to the value of the shares subscribed.

It requires: i) a minimum share capital of EUR 50,000.00; ii) a minimum of five shareholders at the time of incorporation, who can be individuals or legal entities; iii) governance bodies divided into a General Meeting, a Board of Directors or Sole Administrator, and a supervisory body; and iv) the involvement of a Statutory Auditor (Revisor Oficial de Contas, ROC).

The incorporation of a company in Portugal is a very fast process, it can be done online, and a company can be created within 48 hours.



TAX **REGIME**

The main taxes in Portugal are the Personal Income Tax (IRS), which ranges from 13.25% to 48%, the Corporate Income Tax (IRC), and the Value Added Tax (VAT), which applies to transactions of goods and services and ranges from 4% to 23%.

a) Corporate Income Tax (IRC)

The general corporate income tax rate in mainland Portugal is 21%. In the Madeira and Azores archipelagos, the general corporate income tax rate is 14.7%. For small and medium-sized enterprises, the applicable rate on the first €50,000 of taxable income is 17% in mainland Portugal and 11.9% in Madeira and Azores. In general, business costs and expenses are tax-deductible if properly documented.

In addition to the IRC, there is a municipal surcharge (derrama municipal) approved by each municipality (with a maximum limit of 1.5%).

Large companies pay a state surcharge on the portion of profit exceeding €1,500,000, calculated according to the following rates:

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

When dividends are distributed, they are taxed in the hands of the recipients at a rate of 28%.

b) Personal Income Tax (IRS)

The Personal Income Tax (IRS) applies to the income of citizens resident in Portuguese territory and non-residents who obtain income in Portugal. A tax resident in Portugal is considered to be anyone who:

- Remains in Portugal for more than 183 days, consecutive or not, within a 12-month period that begins or ends in the year in which they request tax residency;
- Having stayed for less time, owns a dwelling at any time during the period referred to above under conditions that suggest the current intention to maintain and occupy it as their habitual residence.

For residents, the tax is determined based on the income earned, applying the corresponding rate according to the tax bracket they belong to, and considering the deductions provided by law (for example, education or health expenses). For non-residents, the IRS only taxes income earned in Portugal, using withholding or special rates.

For non-residents in the last 5 years who become tax residents starting in 2024, there are some tax benefits, such as the tax incentive for scientific research and innovation, which applies to activities related to:

- 1. Teaching in higher education and scientific research.
- 2. Qualified jobs and members of legal entities within the scope of contractual benefits for productive investment in accordance with the Investment Tax Code;
- 3. Highly qualified professions defined by ordinance carried out in:
- Companies with relevant applications that benefit or have benefited from the investment support tax regime; or
- ndustrial and service companies whose main activity corresponds to an economic code defined by ordinance, and that export at least 50% of their turnover, either in the year they start their functions or in any of the two previous fiscal years.
- Other qualified jobs and members of governing bodies in entities that carry out economic activities recognized by AICEP, EPE or IAPMEI, IP, as relevant to the national economy
- Research and development positions for personnel with a doctoral degree, whose costs are eligible for the purposes of the Business Research and Development Tax Incentive System (SIFIDE);
- Jobs and members of governing bodies in entities certified as start-up companies;
- Jobs or other activities carried out by tax residents in the Autonomous Regions of Azores and Madeira, under conditions to be defined by regional legislative decree.

Taxpayers who meet these requirements may be taxed at a special IRS rate of 20% on net income earned from the above activities, for a consecutive period of 10 years from the year they register as residents in Portuguese territory.

c) Social Security Contributions

Income from employees is subject to Social Security contributions: 11% paid by the employee and 23.75% paid by the employer.



EMPLOYMENT REGIME



Posibilidad de contrato laboral o de prestación de servicios, en caso de prestación de servicios independiente.

a) Types of Employment Contracts

- i) Fixed-term employment contract: may not exceed a duration of 2 years. Very short-term contract: for seasonal agricultural activities or event organization, there is no obligation to formalize the contract in writing.
- ii) Open-ended contract: there is no set termination date agreed upon between the parties.
- iii) Part-time contract: involves a normal workweek that is shorter than a comparable full-time workweek, also known as part-time work.
- iv) Telework contract: Portuguese legislation provides situations in which the employee has the right to carry out their duties through remote work.
- v) Temporary employment contract: consists of a fixed-term contract signed between a temporary work agency and a worker, whereby the worker agrees, in exchange for remuneration, to perform duties for client companies while remaining contractually bound to the temporary agency.

b) Some Workers' Rights:

- The minimum wage is EUR 820. In addition to the fixed monthly salary, the employer must pay the employee a Christmas bonus and a vacation bonus, each equivalent to one month's salary.
- The maximum regular working hours are eight hours per day and 40 hours per week.
- Workers are entitled to 22 vacation days per year.

c) Termination of Employment Contracts

Employment contracts may only be terminated under the terms and conditions established by the Labour Code, and dismissal without just cause is prohibited. Specifically, contracts may only be terminated in the following cases:

- I) Expiry of a fixed-term employment contract;
- II) Expiry of an open-ended employment contract;
- III) Termination by mutual agreement;
- IV) Termination and resignation by the employee;
- V) Collective dismissal;
- VI) Dismissal due to job position elimination;
- VII) Dismissal due to employee's unsuitability; and
- VIII) Dismissal for reasons attributable to the employee.

LEGAL

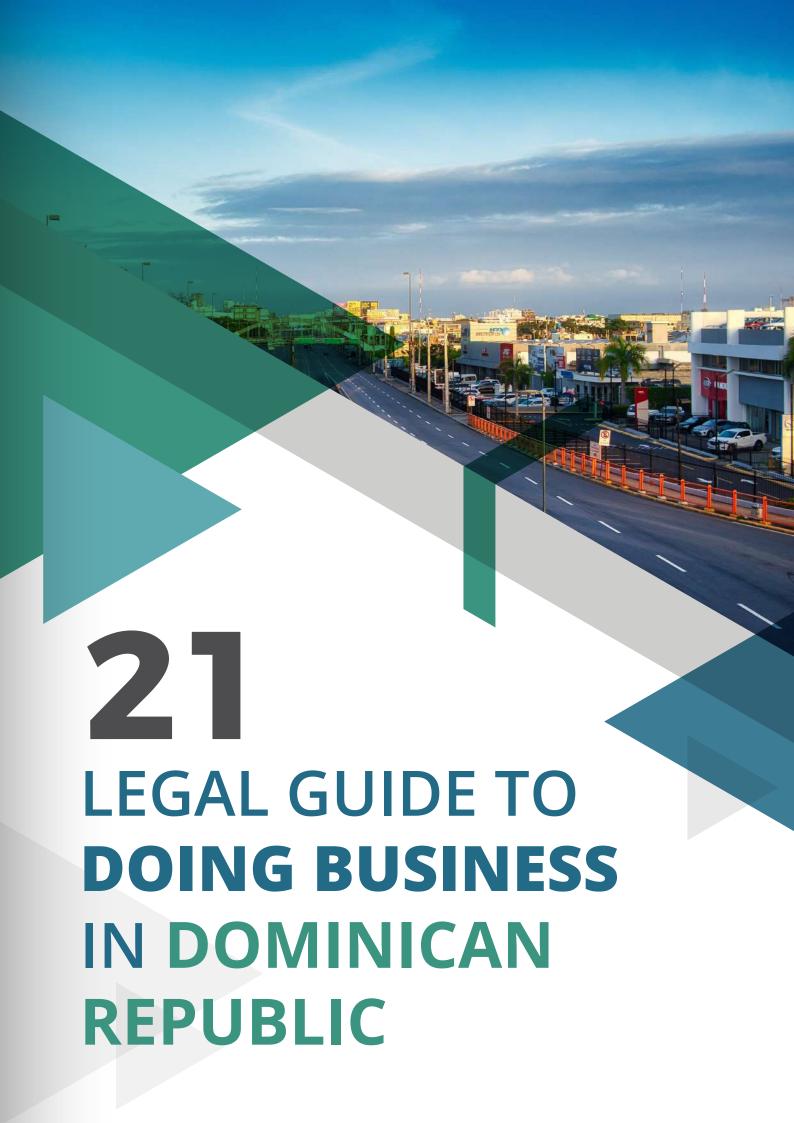
IMMIGRATION REGIME





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

- D2 Visa Residence visa for self-employed workers;
- D7 Visa Residence visa for retirees, religious workers, and individuals living off their own income;
- D3 Visa Residence visa for research or highly qualified activities;
- Digital Nomad Visa Residence visa for professionals working remotely;
- CPLP Visa Residence visa for citizens of CPLP countries (Community of Portuguese Language Countries), with a simplified procedure and exemption from proof of means of subsistence;
- Residence permit through investment (Golden Visa).



Fernández & Pou Abogados | Attorneys



At Fernández & Pou Abogados, they specialize in connecting legal opportunities with strategic solutions for their clients.

They are a full-service firm with a personalized approach, combining local expertise with a global vision. Their team has in-depth knowledge of the Dominican legal framework and access to prestigious international networks such as L2B Aviation and AMCHAMDR. This unique positioning enables them to offer innovative solutions for both local and foreign companies seeking to establish or expand their operations in the Dominican Republic and beyond.

To learn more about Fernández & Pou Abogados, visit: www.legalfpf.com.



How to do Business in **DOMINICAN REPUBLIC??**



In the Dominican Republic, investors have various avenues for doing business. Our legal framework recognizes the freedom to adopt any business structure they choose. The General Law on Commercial Companies and Limited Liability Sole Proprietorships, Law No. 479-08 (as later amended by Law No. 31-11) governs the different types of companies that may be used, with the most commonly used corporate forms being the following:

	Public Limited Companies (S.A.)	Simplificadas (S.A.S.)	Limited Liability Companies (S.R.L.)
Concept	A commercial company in which two or more individuals unite under a corporate name, composed exclusively of partners whose liability for losses is limited to their contributions. The capital is represented by easily negotiable securities known as shares. The company name must necessarily include the terms "Sociedad Anónima" or its abbreviation "S.A.". These entities can be either publicly or privately subscribed.	A commercial company in which the shareholders are only liable up to the amount of their respective contributions and which may issue shares and other securities. A minimum of 2 shareholders is required for its incorporation.	A commercial company formed by two (2) or more (up to a maximum of fifty) individuals, referred to as "partners," who are not personally liable for the company's debts. The company shall be designated by a corporate name, which may include the name of one (1) or more partners and must be preceded by the words "Sociedad de Responsabilidad Limitada" or the initials "S.R.L." In the absence of either of these indications, the partners shall be jointly liable to third parties.
Management and control	The administrative functions are carried out by: (i) the shareholders, (ii) the Board of Directors, and (iii) the legal representative and statutory auditor. Each share of the capital stock equals one (1) vote, and decisions require a previously established majority. Additionally, having a statutory auditor at all times is mandatory.	The administrative functions are carried out by (i) the shareholders, (ii) the Board of Directors, and (iii) the legal representative and statutory auditor. Each share of the capital stock equals one (1) vote. Decisions must be made by a previously specified majority. The appointment of a statutory auditor is optional.	The management is the responsibility of (i) the Shareholders' Meeting, and (ii) the managers. Each share or equity interest represents one (1) vote. Decisions require a
The share capital	The share capital is represented by shares. The minimum authorized capital amounts to thirty million Dominican pesos (RD\$30,000,000.00), and the minimum nominal value of each share is one hundred Dominican pesos (RD\$100.00). It is stipulated that the minimum subscribed and paid-in capital must be three million Dominican pesos (RD\$3,000,000.00) or ten percent (10%) of the authorized share capital.	The share capital is represented by shares. A minimum authorized capital of three million Dominican pesos (RD\$3,000,000) is required, and at least ten percent (10%) of this authorized capital must be subscribed.	The share capital is represented by equity interests (quotas). These quotas must be fully subscribed at the time of incorporation or whenever there is a capital increase. The transfer of quotas requires a statutory amendment. The minimum capital required for incorporation is two hundred Dominican pesos (RD\$200.00).





In the Dominican Republic, companies pay taxes based on the taxable income resulting from revenues and deductible expenses for each given period. Resident or domiciled companies pay taxes on income sourced within the Dominican Republic, as well as on foreign-sourced income derived from investments or financial gains. Non-resident companies whose parent companies are located outside the Dominican Republic pay taxes only on income sourced within the country.

The corporate Income Tax (ISR) rate is twenty-seven percent (27%), which also applies to branches of foreign entities operating as a Permanent Establishment. Other taxes are as follows:

- Assets Tax: This is a minimum annual tax applied whenever its amount exceeds the Income Tax (ISR); if the ISR is higher, this tax is considered settled. The taxable base for this tax is the book value of all assets reported in the financial statements, excluding investments in shares, rural land, and tax accounts. The applied rate is one percent (1%).
- Capital Gains: Gains derived from the sale of assets, real estate, or shares are added to gross income and subject to the standard Income Tax rate of twenty-seven percent (27%). The capital gain calculation involves subtracting the acquisition cost (adjusted for inflation) from the sale price, adding accumulated gains/losses, and potentially applying other adjustments as applicable.

Double Taxation Avoidance Agreements:

The Dominican Republic has signed two double taxation treaties so far, both following the OECD model: with Canada in 1977 and with Spain in 2014. Among other objectives, these treaties generally provide relief from double taxation by limiting or eliminating taxes imposed by the contracting countries on income earned by their respective residents.

Regarding income earned directly by foreign residents in the Dominican Republic, double taxation treaties often grant benefits such as the reduction or elimination of withholding taxes on Dominican-source income, provided various requirements and formalities are met.

EMPLOYMENT REGIME



In the Dominican Republic, the provision of personal, subordinate, and remunerated services generally gives rise to the existence of an indefinite-term employment contract. Hiring personnel does not require many prior conditions, except for the age of majority, which in the Dominican Republic is attained at sixteen (16) years old for labor purposes. Minors between fourteen (14) and sixteen (16) years old may work with parental authorization—which must be notified to the Ministry of Labor—provided that the working day does not exceed six (6) hours.

There are various types of employment contracts, such as indefinite-term contracts, fixed-term contracts, contracts for a specific work or service, and seasonal contracts. Unlike in other countries, there is no legal probation period in the Dominican Republic; however, after three (03) months of work, employees are entitled to labor benefits (for termination or unjustified dismissal), provided the contract is not of a limited nature like some of those mentioned above.

Workers have various rights, including minimum wage, Christmas bonus, an eight (08) hour workday or forty-four (44) hour workweek, a mandatory weekly rest of twenty-four (24) hours, national holidays, annual vacation of fourteen (14) working days for each full year of service—which increases to eighteen (18) working days after five (05) consecutive years on the job—profit sharing (bonuses), mandatory social health insurance, mandatory life insurance, sick leave, maternity leave, paternity leave, leave for serious illnesses, as well as collective rights such as unionization and the right to strike.

Termination of the Employment Contract

- Termination of an indefinite-term employment contract: The indefinite-term employment contract, which is the typical contract governing labor relations between employees and employers, is carried out over time without a defined end date. It will terminate without liability in two (02) ways: i) by mutual consent of the parties who simply wish to end the employment relationship; and ii) due to impossibility of contract performance: death of the employee or employer followed by the definitive closure of the company, incapacity of the employee to continue providing services, depletion of raw materials, or bankruptcy of the company. This type of contract will terminate with liability if it ends by dismissal, termination without cause, or resignation.
- Termination of fixed-term employment contracts (contracts for a certain period and contracts for a specific work or service): Fixed-term contracts for a specific work or service end without liability for the parties upon completion of the work or service. It is important to note that if the employer uses the employee on two (02) different projects with an interval of less than two (02) months between them, the employment relationship is presumed to be indefinite-term from the start of the first project and, therefore, subject to the provisions of the Dominican Labor Code applicable to this type of contract.

LEGAL

IMMIGRATION REGIME





Foreigners entering the Dominican Republic to carry out various activities temporarily or permanently in the country are required to apply to the General Directorate of Migration for different immigration statuses. Each of these classifications corresponds to a different type of visa that will regulate the stay or residence of foreigners in the country.

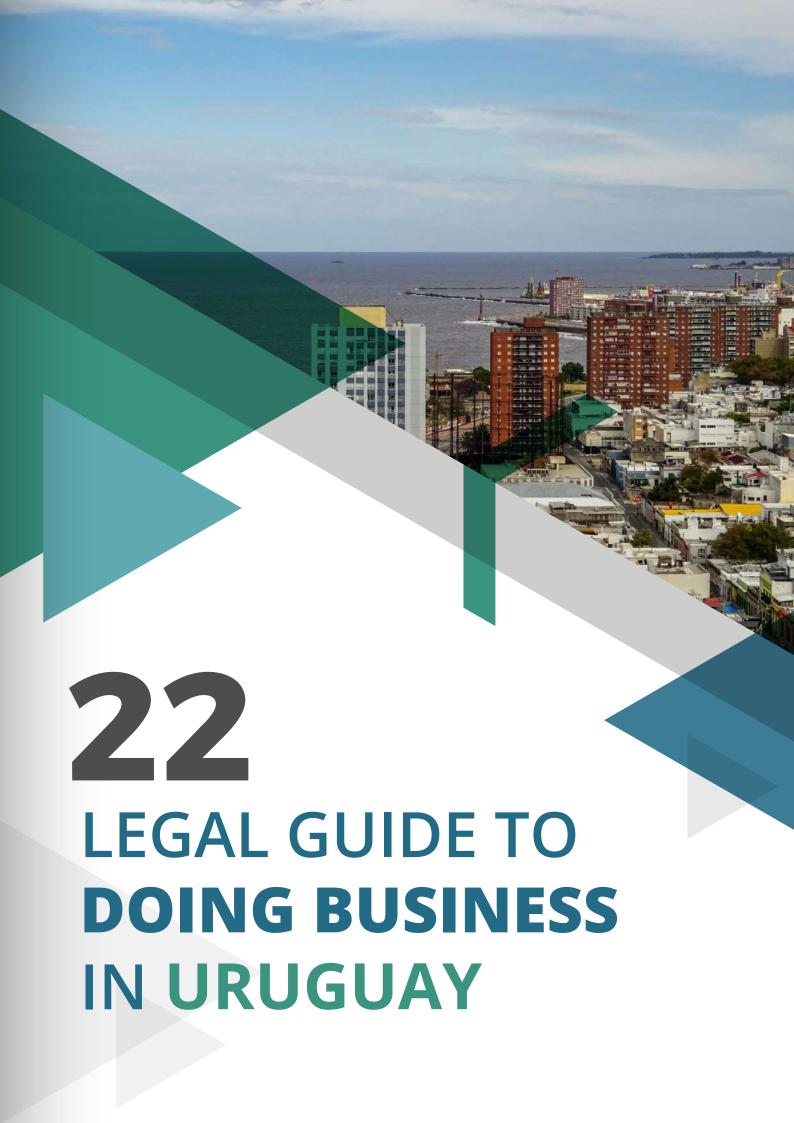
Below are the main immigration statuses established in the General Migration Law No. 285-04 for foreigners in the Dominican Republic:

- Temporary Work Residence (RT-3): This immigration category is granted to foreigners whose intention to stay in the country is exclusively for work purposes. It is valid for one (01) year.
- Temporary Residence (RT-9): This immigration category is granted to a foreigner entering Dominican territory with the purpose of residing temporarily in the country. It is valid for one (01) year.
- Permanent Residence: This immigration category is granted to foreigners who have been temporary residents for at least five (05) years. It is valid for four (04) years. However, it is possible to apply immediately for permanent residence without first having obtained temporary residence if the foreigner meets the requirements established for one (01) of the following four (04) special categories:

- Investors with a participation of at least two hundred thousand United States dollars (US\$200,000.00) in the capital of a Dominican company.
- Retirees receiving a monthly pension of no less than one thousand five hundred United States dollars (US\$1,500.00).
- Rentiers with minimum monthly income of two thousand United States dollars (US\$2,000.00) for five (05) years or more.
- Spouses or children of Dominican nationals or of foreigners with permanent residence in the Dominican Republic.
- Definitive Residence: This immigration category is granted to foreigners who have been permanent residents for more than ten (10) years. It is valid for ten (10) years.

To hire foreign personnel, a written employment contract must be signed, which must be drafted in four (04) original copies: one (01) for each party, and two (02) to be submitted by the employer to the Department of Labor or the local authority acting on its behalf, within three (03) days from the date of signing.





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How to do Business in URUGUAY?



Introduction

Uruguay is known for its political stability, legal security, and a population where 80% belongs to the middle class, with minimal social contrasts. It is an open and accessible country that seeks to develop its full potential while respecting its values and identity.

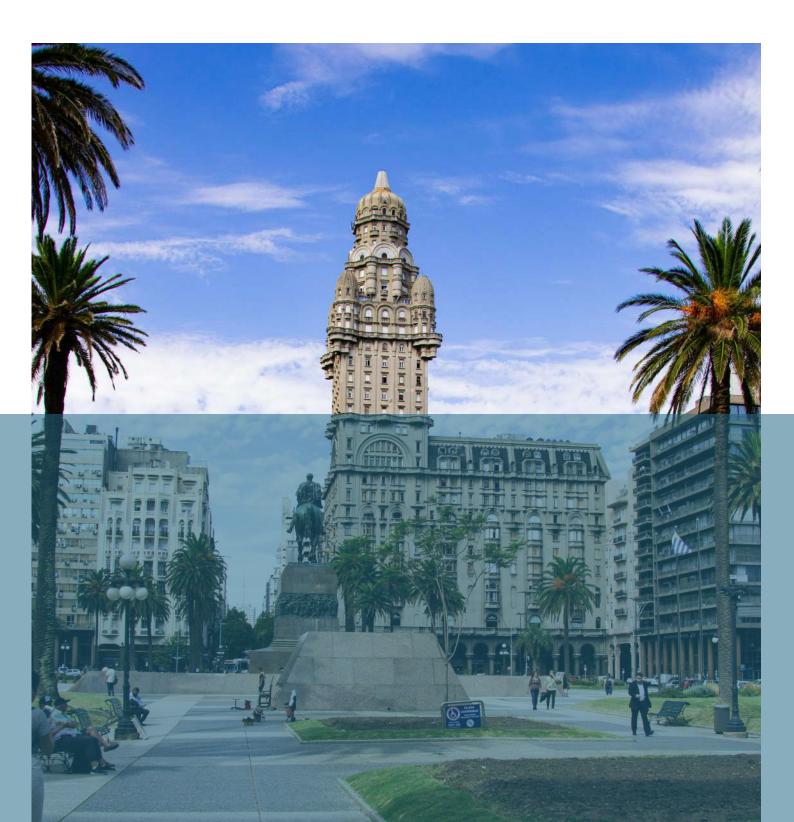
Types of Business Entities in Uruguay:

In Uruguay, foreign individuals and nationals are treated equally in terms of legal and tax matters. Typically, to start a business, a company is incorporated. The most commonly used legal structures are:

- Corporations (Sociedades Anónimas S.A.): This structure is used for general commercial or industrial activities and is typically chosen by large companies. There are no restrictions on the type of activity (although certain activities may require specific authorizations). A broad corporate purpose can be established, and liability is limited to the capital committed. The capital is represented by shares, with no minimum or maximum amount, but must be in local currency. Corporations are managed by a Board of Directors or a sole Administrator, as determined by the bylaws or shareholders' assembly. Directors or Administrators can be individuals or legal entities, either domestic or foreign, and may reside in or outside the country. During the "in formation" stage, liability is joint and unlimited. There are two types of Corporations: Public and Private, and at least two founding shareholders are required.
- Limited Liability Companies (Sociedades de Responsabilidad Limitada S.R.L.): This was the most commonly used form for small and medium-sized enterprises until the introduction of the S.A.S. structure. They can have between 2 and 50 partners, who may be individuals or legal entities of any nationality. Partners' liability is limited to the amount of their capital contributions. The capital is divided into ownership quotas.
- Sole Proprietorships: This structure is owned by an individual, who must register with the relevant authorities (DGI and BPS), from which a Tax ID (RUT) and business number will be assigned for economic activity purposes. Sole proprietorships are not considered commercial companies and therefore do not have legal personality or separate assets. The owner is solely responsible for the business and acts as its manager and legal representative.



- Simplified Stock Companies (Sociedades por Acciones Simplificadas – S.A.S.): This is a relatively new corporate form in Uruguay, created in 2019, but it has quickly gained significant popularity. Today, it is one of the most widely used structures for setting up a business. Its popularity is largely due to its low incorporation and maintenance costs compared to other types of companies. There are no minimum or maximum capital requirements. The company's capital is represented by registered shares, which may be transferable or non-transferable, or by book-entry shares. The liability of investors, in their capacity as shareholders, is limited to the amount of capital they have committed to contribute, with an explicit exemption from liability for corporate obligations of a labor, tax, or any other nature — unless the legal entity is declared disregarded.





In Uruguay, there are various taxes applicable to entrepreneurs (individuals) and companies (legal entities), with the main ones being the following:

Companies incorporated in Uruguay are subject to direct taxes such as the Corporate Income Tax (IRAE), which is levied at a rate of 25%, and the Net Wealth Tax (IP), which is levied at a rate of 1.5%.

The IRAE mainly taxes net income from Uruguayan sources, defined as income derived from activities carried out, assets located, or rights economically used within Uruguayan territory.

As of January 2023, a source extension applies to certain passive income obtained by multinational groups. The income that may be subject to this source extension includes income derived from intellectual property rights related to patents and registered software, real estate capital income, dividends, interest, royalties, other income from movable capital, and capital gains from the transfer of assets that generate the aforementioned income. Meanwhile, the IP tax applies to the net wealth located in Uruguay as of the balance sheet date.

Uruguayan resident individuals are subject to the Personal Income Tax (IRPF). This tax is divided into two categories, with income in each category taxed independently: capital income and labor income. In the case of capital income—which includes investment returns and capital gains—the rates are flat and depend on the type of income, with a maximum rate of 12%. In the case of labor income, the rates are progressive and range from 10% to 36%, depending on the taxable amount, with an initial tax-exempt income bracket.

Non-resident individuals or legal entities that do not constitute a permanent establishment in the country are subject to the Non-Resident Income Tax (IRNR). IRNR applies to Uruguayan-source income, with rates ranging between 7% and 12%, depending on the type of income.

Regarding profit distributions, companies act as withholding agents on behalf of their shareholders or partners. They must withhold IRPF or IRNR at a rate of 7%, based on the lesser amount resulting from comparing the taxable net income under IRAE and the accounting profit available for distribution. Furthermore, withholding must also apply to deemed dividends (i.e., even if no actual distribution occurs) at a rate of 7%, in cases where the IRAE taxpayer company has accumulated taxable profits for more than three fiscal years. These withholding rates may be reduced under an applicable Double Taxation Agreement, or increased to 12% if the income subject to IRAE arises from foreign-source movable capital returns.

In the case of personal companies such as SRLs or SASs, it is important to note that their profit distributions are not subject to taxation, provided their income does not exceed UI 4,000,000 (approximately USD 580,000). The main indirect taxes levied on consumption are the Value Added Tax (VAT) and the Specific Internal Tax (IMESI).

The standard VAT rate is 22%, with a reduced rate of 10% applicable only to certain goods and services. Exports and the circulation of most agricultural products are subject to a zero-rate regime, under which input tax credits are refunded.

The Specific Internal Tax (IMESI) is levied on the first transfer, under any title, made by producers or importers of certain luxury goods or products that the government aims to discourage consumption of. This tax does not apply to exports. The main products subject to this tax include fuels, tobacco, beverages, cosmetics, and automobiles, with varying rates depending on the product.

The Property Transfer Tax (ITP) applies to the transfer of real estate, usufruct rights, bare ownership, rights of use and habitation; promises of sale involving such assets and rights; assignments of these promises; assignments of hereditary rights and possessory rights over real estate; and declaratory judgments establishing acquisitive prescription of real estate.

The ITP rate is 2% for the seller and 2% for the buyer in transactions for consideration. In other cases, the rate is 4%, except for heirs and legatees in the direct ascending line.

Trading Activities

These refer to intermediation activities carried out within the national territory involving:

- 1) The purchase and sale of goods located abroad that neither originate from nor are destined for the national territory; and/or
- 2) Intermediation in the provision of services, provided the services are rendered and economically used abroad.

The applicable regime under IRAE is Resolution No. 51/997, which establishes an optional specific regime for determining the taxable net income under IRAE. The difference between the selling price and the purchase price of the goods (or services) is subject to a 3% notional income rate, to which the 25% tax rate is applied—resulting in an effective tax rate of 0.75%.

It should be noted that if the company engages in any other activity besides trading, the general regime will apply to that income and its associated expenses.



Double Taxation Avoidance Agreements:

Uruguay currently has tax treaties in force with Japan, Italy, Paraguay, Chile, Singapore, Great Britain, Northern Ireland, Vietnam, Belgium, the United Arab Emirates, Luxembourg, Romania, Finland, South Korea, Malta, India, Switzerland, Portugal, Liechtenstein, Ecuador, Germany, Spain, Mexico, and Hungary. The purpose of these treaties is to establish mechanisms for allocating taxing rights between countries. These agreements set rules to determine which country has the authority to tax certain income or assets, thereby reducing or eliminating double taxation in most cases.

Tax Incentives for Investment Promotion:

The current investment promotion regime in Uruguay is governed by Law No. 16.906 of 1988 and is aimed at Corporate Income Tax (IRAE) taxpayers earning taxable income.

General incentives are regulated by various decrees; currently, Decree No. 268/020 applies to new projects.

The benefits available through the submission of an investment project in movable assets or construction works include:

- IRAE: Tax exemption of at least 30% of the eligible investment amount, with a minimum term of 4 years to make use of the benefit.
- Net Wealth Tax (IP): Exemption for 8 years for civil works located in the capital or 10 years if located in the interior of the country, and for the entire useful life of the movable assets included in the eligible investment.
- Import duties and taxes: Exemption on the import of goods included in the project, provided these goods are declared non-competitive with domestic industry.
- VAT Refund: Refund of VAT paid on the acquisition of goods and materials intended for civil works.

To access these benefits, an investment project must be submitted and evaluated by the Investment Law



From this matrix, both the amount of the IRAE exemption and the duration of the benefit are determined. The currently available indicators are:

- Job creation: Increase in the number of employees compared to the pre-project situation.
- Decentralization: Depends on the location of the project within the national territory.
- Increase in exports: Compared to the company's export levels prior to the project.
- Investment in clean technologies: Based on a specific list of eligible goods.
- Investment in Research, Development, and Innovation (R&D&I).
- Sectoral indicator: Depends on the company's business activity and the purpose of the project. There are specific indicators for the tourism, industrial, and agricultural sectors.

It is also important to note that there are other incentives available for the construction of social housing, large-scale housing and urban development projects, and tourism-related projects.





EMPLOYMENT REGIME



In Uruguay, the provision of personal, subordinate, and remunerated services gives rise to an employment contract. Hiring personnel does not require significant prior conditions, except for the legal age, which is acquired at 18 years old. Minors between 15 and 17 years old require parental permission to work, as well as approval from the Institute for Children and Adolescents of Uruguay (INAU).

There are several types of employment contracts, such as open-ended contracts, part-time contracts, and fixed-term contracts, the latter of which may only be entered into once with a given employee. The legal trial period is three months; after this period, if the employment relationship continues, the contract becomes indefinite, and the employee gains protection against arbitrary dismissal.

Employees are entitled to various rights, including a minimum wage currently set at UYU 21,107 (approximately USD 540) gross for a full-time work schedule. The legal workday is 8 hours per day and 44 hours per week for commercial establishments and offices, and 48 hours per week for industrial establishments. Employees are also entitled to mandatory weekly rest, national holidays, 20 days of paid annual vacation for each full year of service, a year-end bonus ("aguinaldo"), severance pay for indefinite-term contracts, overtime pay, unemployment, sick leave, or workplace injury benefits, maternity and paternity leave, study leave, family allowances, pensions, among other rights. In addition, employees have collective rights such as the right to collective bargaining through wage councils, unionization, and the right to strike.

The aguinaldo (year-end bonus) is equivalent to one-twelfth of the employee's computable annual income and is paid in two installments (50% each) in June and December. This payment is subject to social security contributions. Regarding vacation, in addition to being paid as if the employee were working during the leave, a vacation bonus is paid, equivalent to the net amount of the vacation pay.

Below is a breakdown of the social security contribution structure for a company or employer hiring an employee, based on the employee's gross salary:

Concept	Employee	Employer
Retirement contribution	15%	7.5%
Health insurance	3%	5%
Additional Health Insurance Reconversion Fund	1.5%, 2%, 3% 3,5% o 5%	-
Labor	0.125%	0,10%
Income Tax (IRPF or IRNR)	% according to the applicable scale	

Regarding the additional health insurance contribution, the applicable percentage will depend on the employee's personal situation, specifically whether they have dependent children or a spouse.

Social security contributions are paid monthly. The employee's share must be withheld by the employer and remitted to the Social Security Bank (BPS).

Free Trade Zones (FTZs):

The Uruguayan government has declared the promotion and development of Free Trade Zones (FTZs) to be of national interest, aiming to achieve a range of socio-economic objectives such as job creation, the promotion of high-tech activities, decentralization, and the development of international trade. This is implemented through a preferential tax regime with broad exemptions.

There are currently twelve FTZs in the country, located 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 duties, it should be noted that goods produced in Mercosur countries or in countries with which the bloc has signed agreements may retain their origin and benefits when passing through a commercial or industrial FTZ. To preserve origin status, only operations necessary to ensure marketing, preservation, repackaging, or similar purposes may be carried out.

Within FTZs, there are developers, who are duly authorized to provide users with the infrastructure needed to conduct their activities within the zone.

While developers do not receive tax benefits, they may access incentives for projects submitted to the Investment Law Application Commission (COMAP).





To qualify as a Free Trade Zone (FTZ) user:

- The user contract must be approved by the Free Trade Zone Authority, along with an investment project demonstrating the contribution to the objectives of the FTZ regime.
- Direct user contracts may have a maximum term of 15 years for industrial activities and 10 years for commercial or service activities, while indirect user contracts may have a maximum term of 5 years in all cases. Extensions may be requested but must be approved by the Free Trade Zone Authority.
- In certain cases, contracts may exceed the stated maximum term. Legal entities must include in their bylaws or articles of incorporation the exclusive purpose of conducting activities within an FTZ.
- At least 75% of the workforce must be Uruguayan nationals. For service activities, this percentage may be reduced to 50%, subject to prior authorization from the Free Trade Zone Authority.
- Only activities permitted under current regulations may be carried out.

FTZ users are fully exempt from national taxes, except for Special Social Security Contributions. Therefore, they are exempt from taxes such as IRAE, Net Worth Tax (IP), ICOSA, VAT, IMESI, and even dividends distributed to shareholders or partners are exempt from IRPF or IRNR, provided all activities are exempt from IRAE.

Specifically, the exemption on income derived from the exploitation of intellectual property rights and other similar intangible assets applies only if these assets are protected and registered under Uruguayan law (Laws No. 9,739 and No. 17,164). This exemption may be total, partial, or null, depending on the proportion of direct expenses or costs—excluding those incurred with related foreign entities, which are increased by 30%—relative to the total direct expenses and costs incurred for their development.



As a general principle, and in order to access the broad tax exemptions, substantial activities must be carried out within the Free Trade Zone (FTZ). The permitted activities include:

- Commercialization of goods, warehousing, storage, selection, classification, splitting, assembling, disassembling, handling, or mixing of goods or raw materials of either foreign or domestic origin.
- International trading of goods or merchandise located abroad or in transit through national territory.
- Installation and operation of manufacturing facilities.

Exceptions are foreseen and must be evaluated on a case-by-case basis, such as the development of activities outside the FTZ territory provided they are not substantial, or the provision of services to IRAE-taxed entities as long as the same services are also offered to third countries.

Foreign personnel working in the FTZ may choose to be subject to IRNR instead of IRPF, provided the following conditions are met:

- They are foreign nationals.
- They opt not to be covered by the Uruguayan social security system.
- The income relates to employment within the FTZ.

This may result in a tax saving for the individual, as IRNR is levied at a flat rate of 12%, while IRPF applies progressive rates ranging from 0% to 36%.

Clients of FTZ users must be foreign entities, although a minimal percentage of business may involve local clients, provided that the core of the company's activity remains international in nature. Retail sales within the FTZs are explicitly prohibited for FTZ users, except for transactions between users and between users and developers.

On the other hand, developers or non-user third parties may market goods and services necessary for FTZ personnel operations, and such transactions will be subject to VAT and IMESI, if applicable.

Once again, clients of FTZ users must be foreign entities, although a minimal share of business may involve local clients, as long as the substantial portion of the company's activity remains focused on international operations.

LEGAL IMMIGRATION REGIME





Some individuals, depending on their nationality, must apply for a visa in advance to enter Uruguay. This is a mandatory requirement for entry into the country, regardless of the intended length of stay.

The Consulates of the Republic abroad are responsible for receiving visa applications and will inform applicants of the requirements that must be met to apply.

Visa approval is granted by the National Directorate of Migration and typically takes at least 20 business days from the date of application. Once the Consulate receives written authorization, it is then able to issue the visa by stamping it in the applicant's passport.

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

However, as a general rule, nationals of the United States, Canada, Europe, Australia, New Zealand, South Africa, Japan, or Latin America do not need a visa. These individuals may enter the country as tourists and may apply for residency as the first step in their immigration process, should they choose to do so.

If someone wishes to apply for residency in the country, the following categories are available:

- **Provisional Identity Sheet:** Authorization granted 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, as well as other countries associated with the bloc.
- Permanent Legal Residence: Valid for 3 years. Permanent Residence may be granted within a maximum period of 18 months. During this time, the applicant will be considered a Pending Resident and will receive a Uruguayan identity document ("Cédula") on the same day the residency application is submitted.
- MERCOSUR Permanent Legal Residence: Valid for 3 years for nationals of Argentina, Brazil, Paraguay, Bolivia, Chile, Ecuador, Peru, and Venezuela, as well as other countries associated with the bloc. MERCOSUR Permanent Residence may be granted within 6 months. During this time, the applicant will be considered a Pending Resident and will receive a Uruguayan identity document ("Cédula") on the same day the residency application is submitted.

Tax residency for individuals:

Tax residency in Uruguay is used to determine the type of taxes an individual is subject to.

The conditions for acquiring tax residency have remained unchanged since the 2007 tax reform. These include: staying in Uruguay for more than 183 days during the calendar year, or having the main center or base of one's activities, economic interests, or vital interests located within national territory.



However, in 2020, with the aim of encouraging foreign capital investment, the following additional criteria were introduced to establish tax residency in Uruguay:

- Acquiring real estate valued at more than 3,500,000 Indexed Units (UI) (approximately USD 508,000), starting from July 1, 2020, and maintaining a physical presence in Uruguay for at least 60 days during the calendar year.
- Holding a direct or indirect interest in a company for an amount exceeding 15,000,000 UI (approximately USD 2,170,000) starting from July 1, 2020, and creating at least 15 new full-time, dependent jobs during the calendar year. For these purposes, cumulative investment from the specified date until the end of the calendar year will be considered. In the case of in-kind investments, valuation rules under the Corporate Income Tax (IRAE) regime will apply.

With respect to Personal Income Tax (IRPF), the tax applies to foreign-source capital income. This means that if an individual becomes a tax resident in Uruguay and holds investments abroad, the income from those investments is subject to IRPF at a 12% rate.

However, the legislation establishes a "Tax Holiday" window to attract foreign investment.

This regime allows individuals who become Uruguayan tax residents to opt one time to pay Non-Resident Income Tax (IRNR) during the fiscal year in which they change residency and for the following 10 fiscal years, on the aforementioned foreign capital income. Alternatively, they can choose to remain under the IRPF regime but be taxed at a reduced rate of 7% (instead of 12%) from the moment their residency changes, with no time limit for the application of this benefit—i.e., the 7% rate will always apply.





23 LEGAL GUIDE TO DOING BUSINESS IN VENEZUELA

Ponte, Andrade & Casanova



Ponte Andrade & Casanova was founded in 2005. Its founders are Ignacio T. Andrade M. and Francisco A. Casanova S., who created the law firm Andrade Casanova in 1998, and Ignacio Ponte B., who practiced law for over 20 years at the firm Rosales Ponte & Gonnella.

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How to do Business in **VENEZUELA?**



Although Venezuela's economy has faced significant challenges in recent years—often due to delayed or inadequate policy measures—there have recently been some positive developments, and there are, in fact, excellent investment opportunities. The country holds the world's largest proven oil reserves, ranks among those with extensive natural gas reserves, and possesses significant hydropower resources. Additionally, Venezuela enjoys a temperate climate, fertile soils, and a long maritime coastline.

A significant number of franchises, both foreign and domestic, currently operate in the country. Furthermore, a few years ago, the then National Constituent Assembly enacted a special law to promote foreign investment in productive sectors. The guiding principle is that the investment must be made first and then registered with the competent Ministry. The adopted framework, although it includes some variations, is based on the legal regime in place when Venezuela was a member of the Cartagena Agreement.

To make an investment in Venezuela, under the Commercial Code, individuals and/or legal entities may do so through a corporation (sociedad anónima) with registered shares (bearer shares are not allowed), or through other legal structures such as a partnership limited by shares, a limited liability company, or cooperatives. It is also possible to invest through consortiums or joint venture agreements (cuentas en participación) for specific projects.

Today, in most cases, investments are made through corporations, which in turn may establish branches.

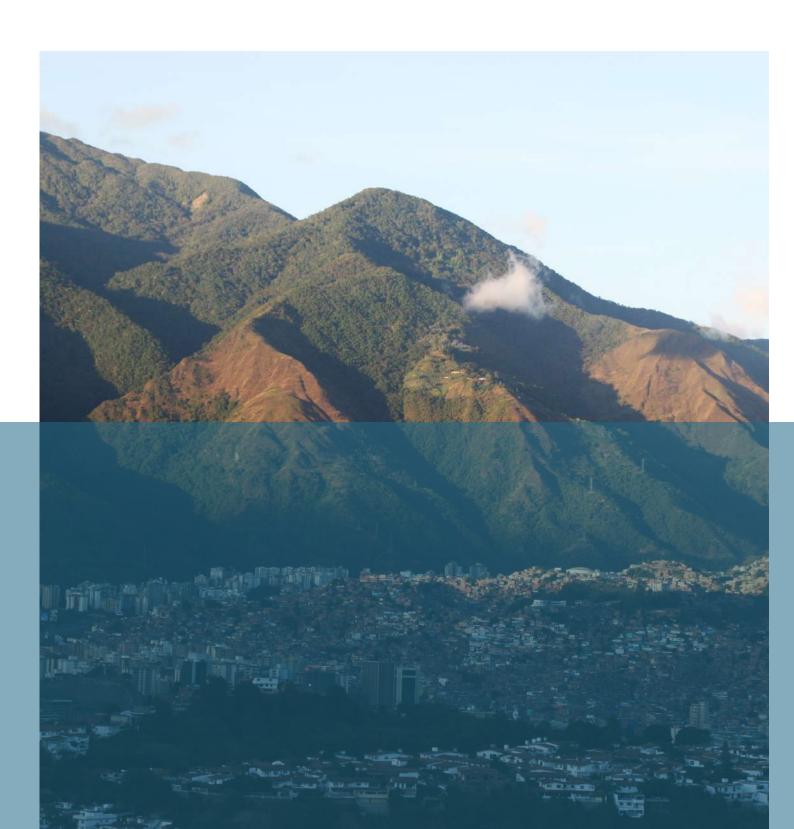
As in other legal systems, a corporation in Venezuela consists of a specified number of shareholders, although it may ultimately be owned by a single shareholder after its formation. The minimum share capital required depends on the business activity and is determined by the Commercial Registry where such companies are incorporated. A few years ago, the National Assembly enacted a law governing this process, which has since been supplemented by executive resolutions.

The procedures before the Commercial Registry are carried out both electronically and in person. The investor must provide proof of the foreign investor's legal existence, appoint a legal representative with full powers, and make the corresponding capital contribution. Currently, Venezuela allows free currency convertibility at the official exchange rate set by the Central Bank of Venezuela. After incorporation, the company must register with the tax information system and, as previously mentioned, register the investment.



The process before the Commercial Registry itself can take slightly more than thirty-five (35) business days. Depending on the economic activity to be carried out, it may also be necessary to obtain an operating license from the relevant Municipal Council.

Currently, only a few activities are reserved for the State and/or national investors, mostly related to the exploitation of oil, its derivatives, or certain other minerals. However, even in those cases, the government may grant concessions to private parties or establish joint projects. In fact, this has been the case in the hydrocarbons sector, across all phases, as well as in the exploitation of various minerals—particularly gold, diamonds, and coltan.





Regarding the taxes to be paid, we can point out the following. Normally, every company must pay an income tax calculated based on the net result obtained, which is the gross income minus all deductions, expenses, and production costs as defined by the current Income Tax Law and its regulations. The highest rate averages around 34%.

There are various methods for paying income tax.

Since 1982, there has been an Organic Tax Code that regulates tax procedures, includes various sanctions, defines the audit and objection processes, and establishes tax offenses in general, as well as the formal duties of taxpayers. The Organic Tax Code was recently reformed in 2020, with increased sanctions and changes in their calculation and adjustment methods. Some sanctions are calculated using the highest-valued foreign currency at the time of payment.

Another important tax is the value-added tax (VAT), an indirect tax currently set at a rate of 16%. It is paid by collection entities within relatively short deadlines.

As in other countries, VAT is passed on to the consumer. For exports, the rate is zero (0), and it generally applies to the provision of services and the sale of all goods except real estate. However, there are exemptions and exclusions.

There are also special taxes on the sale of alcohol and its derivatives, as well as tobacco.

Various parafiscal contributions exist related to science and technology, anti-drug programs, sports, housing, social security, educational training, among others.

Additionally, as briefly mentioned earlier, another important tax consideration is the payment to Municipal Councils for the economic activity carried out by a taxpayer within their territorial jurisdiction, known as the license for economic activities. A percentage of the taxpayer's gross income for the fiscal period is paid according to the relevant ordinance.

Recently, the Executive branch proposed and the Assembly agreed to reform an existing law that also taxes financial transactions and the use of foreign currencies in operations, with a maximum rate of 3% per transaction.

Although Venezuela is theoretically a federation, the political and legal reality is that the States do not have significant tax powers, and the greatest impact comes from the National Executive or Municipal Authority.

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

EMPLOYMENT REGIMEN

In Venezuela, the labor framework is primarily regulated by the Organic Law of Labor, Workers, and Employees and its Regulations. Meanwhile, in the field of occupational health and safety, it is governed by the Organic Law on Prevention, Working Conditions, and Work Environment and its Regulations.

The Organic Law of Labor, Workers, and Employees states that if there is subordination, remuneration, and provision of services—as classic concepts—there is an employment relationship that can be for a fixed term, indefinite term, piecework, or other modalities. Although the legislature strongly restricts fixed-term contracts and gives preference to indefinite-term employment contracts.

The probationary period is only 30 days, and since 2002 there has been job stability protection benefiting all workers hired on an indefinite basis, once the probation period is passed, except for those classified by law as managerial workers—that is, those who participate in or plan company policies and can represent or replace the company before third parties. Therefore, there is a cost to terminate a person under job stability protection, and it is usually a lengthy process.

There is also the possibility of workforce reduction, but this must be previously approved by the Executive Branch, or suspension of employment contracts with a minimum or reduced salary payment. This latter process has occasionally been accepted by the Executive in recent years in certain sectors affected by economic circumstances and the Covid-19 pandemic.

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

The daytime workweek is 5 days with 2 mandatory rest days, totaling 40 hours per week. The mixed schedule is 37.5 hours, and the night shift is 30 hours. The Organic Law of Labor, Workers, and Employees also establishes the annual public holidays, together with the National Holidays Law.

Regarding vacation, after the first year, employees are entitled to 15 working days, plus 1 additional working day for each year of service, up to a maximum of 30 days. There is also a vacation bonus equivalent to 15 days, capped at 30 consecutive days. Payment must be made based on the normal salary at the time the vacation is taken, and if it was not used during the course of employment, it must be paid at the end of the employment relationship based on the last normal salary earned; the same applies to the vacation bonus.

Profit sharing ranges from a minimum of 30 days up to a legal maximum limit of 120 days, calculated on the average salary earned during the respective fiscal year. However, some of our clients pay more than 120 days of profit sharing. This payment is normally made at the end of the year, although legally the employer may pay it after the close of the fiscal year once the profit earned has been determined.

Additionally, the law provides for a somewhat more complex system for the payment of social benefits. There is a first scheme, known as the old system, under which the employer calculates and records in the accounting books—but does not pay—15 days for every 3 months based on the last salary of the quarterly period, totaling 60 days per year.

In turn, the so-called new system establishes 30 days per year, but at the end of the employment relationship, it is adjusted to the last salary. In the other system, as explained, no such adjustment is made. Therefore, in most cases and considering the economic situation, the system usually applied—not both simultaneously—is the new one due to its retroactive effect and its broader salary concept. However, the Social Cassation Chamber of the Supreme Court of Justice has adopted a somewhat more restrictive interpretation, such as in the case of subsidies, which it does not consider part of the salary.

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

Another very important aspect of the Organic Labor Law, Workers and Employees is that in the event of unjustified dismissal, and if the worker enjoys job stability as explained, the employer will be obliged to pay the worker compensation equivalent to what corresponds for social benefits—that is, a double payment of the same.

The Organic Labor Law, Workers and Employees also regulates overtime or extra hours, which are limited; it covers social security, job stability during pregnancy and after, daycare centers, rest periods, scholarships, education, the obligation to provide work equipment if applicable, among other matters. It also addresses everything related to unions and collective agreements. Until a few years ago, the labor union sector had significant strength in the country from all perspectives, but today that situation has changed, and the level of discussion and signing of collective agreements has decreased. In most cases, agreements between employers and workers simply involve renewing existing agreements and only discussing economic aspects.

Except in certain exceptional cases, the Organic Labor Law, Workers and Employees applies only within the territory of Venezuela.

Also, during the course of the employment relationship, both the employer and the worker must contribute to the Venezuelan Social Security Institute, but the contribution rates are low, which leads to deficiencies in the service.





Labor costs will depend on the salary level paid and other conditions that the employer may have, whether through a collective bargaining agreement or some type of private arrangement. This is derived from the fact, as explained earlier, that the Organic Labor Law, Workers and Employees requires that the payment of social benefits under the new system be adjusted retroactively for the duration of the employment relationship based on the last salary. In other words, a salary increase can have a significant impact, which has led to the current situation where formal salary payments have been sharply reduced, with subsidies or other types of payments being made instead, which could formally be considered salary.

There is no obligation for the worker to be affiliated with a union.

Likewise, the Organic Law on Prevention, Conditions, and Work Environment and its Regulations extensively regulate the minimum safety and health conditions that must exist in every employment relationship, the regular and supervisory bodies considering the employer's activity and the worker's functions, as well as ensuring that the worker has or is provided with their work tools and that all protective measures are taken to prevent, as much as possible, work accidents or potential occupational illnesses.

The Organic Law on Prevention, Conditions, and Work Environment also establishes various rights and obligations for both employers and workers, along with the respective sanctions, whose severity will depend on the nature of the offense committed.

LEGAL

IMMIGRATION REGIME





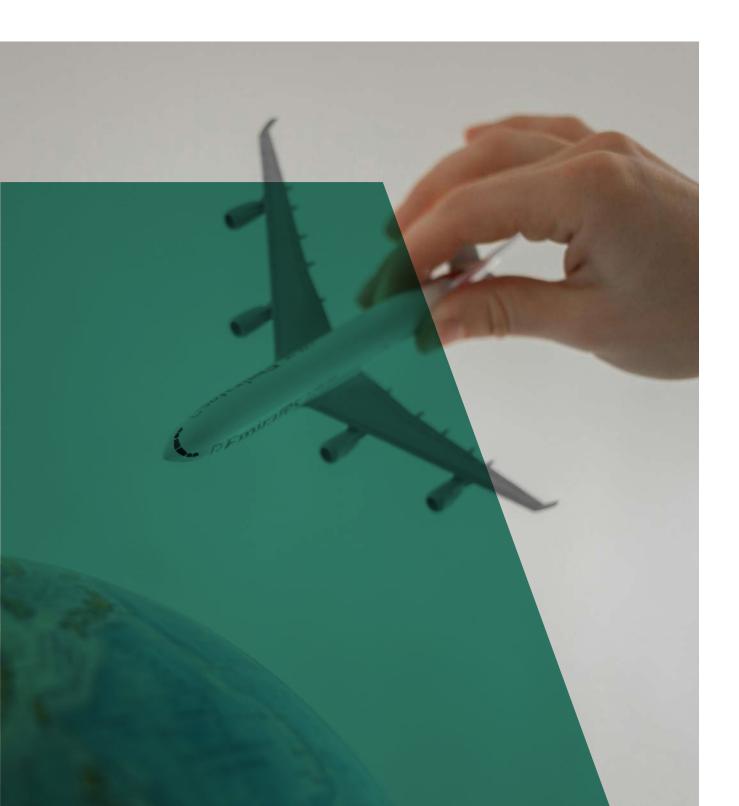
Finally, in terms of immigration, to provide services in Venezuela a person needs at least a special visa. It is not possible to provide any type of services with a tourist visa.

The Organic Labor Law, Workers and Employees requires that every employment relationship, whether with Venezuelan nationals or foreigners, must be in writing. It also reserves certain positions exclusively for workers with Venezuelan nationality, such as Head of Industrial Relations, Human Resources, ship and/or airplane captains, except in exceptional circumstances. To be a company director, it is necessary to have an investor or business visa, which is obtained outside the country, or to be a resident. It used to be common to appoint foreign nationals as members of a Board of Directors, but this changed as noted starting in 2014.

For a foreigner to work in the country, the company must request a permit from the Ministry of Popular Power for Social and Productive Labor Development, with a prior job offer. The permit may vary depending on the position. If approved, an initial visa is granted to the individual considered a labor migrant, which can later be converted into a longer-term resident visa.

Within migration policies, preference is given to Latin American and/or Spanish-speaking countries, among other aspects. It is also important to highlight that Article 27 of the Organic Labor Law, Workers and Employees states that 90% of the personnel in a company or work entity with more than 10 employees must be Venezuelan. Additionally, the payment of wages to foreign personnel shall not exceed 20% of the total wages paid to the other workers.

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





IN VIETNAM

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How to do Business in **VIETNAM?**



Vietnam is a land of opportunity, welcoming foreign investment with open arms. To make the most of your venture in this dynamic economy, it's crucial to understand the local legal and business environment. This guide walks you through the key elements of setting up and running a business in Vietnam.

Selecting the Right Corporate Structure

Choosing the best business type is a critical first step. Vietnam offers six main options, each with unique advantages and considerations:

1. Representative Office (RO)

For businesses exploring the market, an RO is a great choice. It allows for market research, establishing local connections, and acting as a liaison for the parent company—all with minimal investment. ROs are quick to set up (6–8 weeks) and come with fewer regulatory burdens since they don't generate revenue. An RO license is valid for five years and can be extended.

2. Limited Liability Company (LLC)

An LLC is the most popular choice for foreign investors. It offers flexibility, limited liability, and no strict minimum capital requirements, although USD 10,000 is often sufficient. Ownership can be structured as single-member or multi-member LLCs, with private individuals or companies as stakeholders. Establishing an LLC takes about 18 business days, split between investment and enterprise registration certificates.

3. Branch Office (BO)

A BO is ideal for service-based businesses and allows hiring, profit remittance, and direct operations in Vietnam. It requires an establishment license and a local branch manager. The setup process typically takes 7 working days, excluding approvals.

4. Joint Venture (JV)

For industries like telecommunications, transportation, and gaming, JVs enable foreign investors to partner with local entities. Foreign ownership starts at 30% but can exceed 50% in most cases. While establishing a JV takes 3–6 months, including due diligence, it opens doors to sectors requiring local collaboration.

5. Public-Private Partnership (PPP)

Aimed at infrastructure development, PPPs allow collaboration with the Vietnamese government. From highways to power plants, options include Build-Operate-Transfer (BOT) and Build-Lease-Transfer (BTL) agreements.



TAX **REGIME**

Tax and Accounting Framework

Vietnam's tax environment is structured to support business growth while ensuring compliance.

Corporate Income Tax (CIT)

- Standard rate: 20%.
- Applicable to profits after expenses, including foreign corporations with operations in Vietnam.

Value-Added Tax (VAT)

- Rates: 0%, 5%, and 10%.
- Applied to goods and services at all stages of production and distribution.

Foreign Contractor Withholding Tax

- CIT: 0.1–10%, VAT: 2–5%, PIT: 0.1–5%.
- Targeted at foreign entities operating under contracts with Vietnamese companies.

Personal Income Tax (PIT)

- Residents: Progressive rates from 5% to 35%.
- Non-residents: Flat rate of 20% on Vietnam-sourced income.

Customs Duties

Import/export tariffs depend on the type and volume of goods, adhering to Vietnam's trade agreements.

EMPLOYMENT **REGIME**



Understanding Labor Laws

Vietnam's labor framework balances business needs with employee welfare:

Working Hours and Overtime

- Regular hours: 8 hours/day, 48 hours/week.
- Overtime: Capped at 300 hours/year for select industries.

Employment Contracts

- Two types: Definite (up to 36 months) and Indefinite.
- E-contracts are officially recognized alongside traditional formats.

Minimum Wages

- State employees: VND 2,340,000 (~USD 93).
- Non-state employees: Varies by region and industry.

Benefits for Female Employees

- Mothers with children under 12 months: 60-minute daily breaks.
- Additional menstrual leave and protections during pregnancy.

LEGAL IMMIGRATION REGIME



Hiring Foreign Employees

Foreign hires are permitted for managerial and expert roles. Companies must demonstrate the need for foreign talent and follow the work permit process, which takes 4–6 weeks.

Dispute Resolution and Compliance

Labor disputes, often involving contracts or unfair dismissal, require adherence to the Labor Code and internal resolution mechanisms. When these fail, external arbitration or legal action may be necessary.







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