

Tax Comparison | 2016

A summary of most
relevant taxes

The Tax Committee of AGN Central and South America promotes the collection of relevant tax data which results are in this publication

OVERVIEW

As President of the Tax Committee for the Central and South America Region, I'm glad to share my opinion about the Regional Tax Global View with the analysis over the different tax applicable in each country, as it is showed in the Tax Comparison 2016.

In general, the tax regulations are very alike from one country to the other, only income from national source is considered taxable, this means income perceived from corporations and individuals in each country, the average rate for Income Tax is 25%. For Value Added Tax (VAT) the rates are in a range from 12% to 19%. In most countries there are no changes compared to 2015.

The 2016 Tax Comparison includes Colombia, a country reflecting growth and interesting business opportunities. Regarding Venezuela there is a concern about its political and economic situation with the possibility of tax changes.

Some countries consider dividend payment as tax exempted, in case shareholders belong to a company that has paid its own corporate tax, other countries consider both net profit of the companies and the shareholders, as taxable income with rates from 5% to 10%. It is interesting to show that some countries are implementing investment incentives and adherence to Free Trade Agreements, to ease and increase the commerce between different regions and the Central and South America Region, this means the Region is becoming interesting to foreign investments.

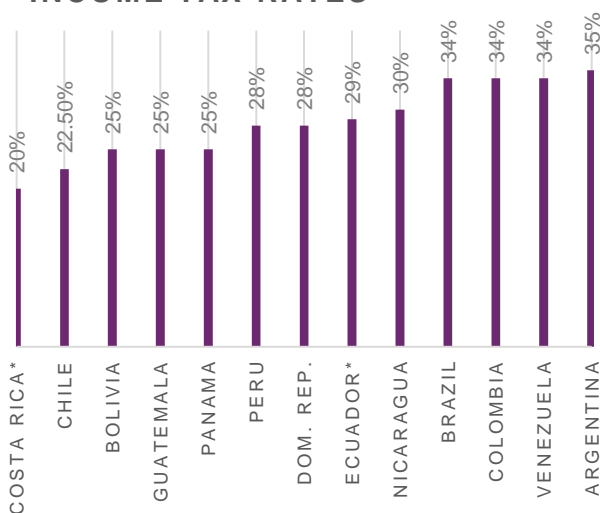
A significant change in the tax regulations is the inclusion in most countries of Transfer Pricing Regulations, as requested internationally by the OECD, also there is a Transfer Pricing Report and other reports in a regular basis to inform about transactions with related parties in the source country and residence country.

As response to the conditions that may affect

financial transactions in an economical environment of constant and increasing risk, it is needed to strengthen tax systems and adopt tax regulations related to the Prevention of Money Laundering and Terrorist Financing; the Central and South America Region countries are adopting and enforcing controls of world application, through specific laws to regulate financial and economical activities of entities to prevent money laundering as well as rigorous punishments to strengthen and encourage the globalization of the legal trade around the world; the adoption of these regulations adds significant competitiveness to the Region., reinforcing the concept of transparency and the elimination of the concept of tax paradises.

In Guatemala and Brazil, there is guidance for those providing audit, accountancy, tax advisory, insolvency or related services on the preventing of Money Laundering and the countering of Terrorism Financing, to report transactions to the special verification units, this is considered a change to promote good practice for the CPAs and adopt a conduct in adherence to relevant professional ethics and quality regulations worldwide.

INCOME TAX RATES



* Average rate

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INCOME TAX

	RENT	RATE
Argentina	World income for companies and individuals residing in Argentina	35%
Bolivia	Income for individuals and companies, profit originated in Bolivia	25%
Brazil	Income for individuals and corporations established in Brazil	15% but it should be increased in 10% for companies with annual income higher than RS 240,000 (US \$ 120,000) and 9% of social security for a total rate of 34%
Chile	Income for individuals and corporations established in Chile	23%
Colombia	Income for individuals and corporations established in Colombia	34%
Costa Rica	Income for individuals and corporations profit originated in Costa Rica	30%
Ecuador	Income for individuals and corporations established in Ecuador	22% for corporations progressive chart for individuals up to 35%
Guatemala	Income for individuals and corporations, profit originated in Guatemala	General Regime over quarterly taxable net profit 25%. Optional Regime over monthly income 5-7%
Nicaragua	Income for individuals and corporations established in Nicaragua there is a payment in advance of 1% over monthly income	30% 1%
Panama	Income for individual and corporations established in Panama	25% Corporations, 15% Individuals
Peru	Income for individuals and corporations established in Peru	28%
Dominican Republic	Income for individuals and corporations, profit originated in Dominican Republic	28%
Venezuela	Income for individuals and corporations established in Venezuela	34% for petroleum companies the rate is 50%

INCOME TAX

	DIVIDENDS	INTEREST
Argentina	Exemption for dividends paid by an Argentinian society if the profits have paid taxes, if not there is a retention of 35% over profits after the payment of a 10% quote	Interest paid to a foreign bank belonging to the Basil Bank Committee is subject to 15.05% retention other banks 35%
Bolivia	The payment is made by the investor 13%	VAT 13%
Brazil	Exemption even dividends paid to a foreign investor	For non residents there is a proportional retention of 15% could be increased to 25% if the beneficiary is located in a tax exempted country
Chile	There is an exemption over dividends paid from a Chilean company to another Chilean company For foreign investors there is a retention of 35% and the 22.5% of income tax paid by the company which paid dividends is consider a payment in advance	For non residents 35% Except if the credit was granted by a foreign bank with no relationship with the beneficiary of the funds
Colombia	Exempt	7% retention
Costa Rica	Dividends paid to individuals 15% retention	No retention if recognized banking company
Ecuador	Exempt	22% retention as part of the taxable income
Guatemala	Capital Gain 5%	10% retention
Nicaragua	Taxable 10%	There is a retention over financing companies of 1% There is a retention of 22.5% over interest paid to non-residents different than financing companies
Panama	10% local dividends and investor loans 5% foreign	Exempt
Peru	Capital gain and second category there is a retention of 4.1%	Capital gain and second category there is a retention of 5%
Dominican Republic	There is a retention of 10%	10% retention for interest from foreign banks and credit institutions
Venezuela	34% retention, in the practice that could be from 0% to 34%	4,95% retention for financing companies, otherwise 34%

INCOME TAX

	CAPITAL GAIN	DEDUCTIONS
Argentina	Taxable	Could be carried forward for up to five years
Bolivia	For incoming funds 12.5%	Could be carried forward without prescription and there is no limit of time
Brazil	For incoming funds 15% could be increased to 25% if the beneficiary is located in a tax exempted country	Could be carried forward without prescription of time, but every year the deduction could not exceed the 30% of the taxable profit
Chile	Taxable. Includes share negotiation	Could be carried forward without time prescription
Colombia	Exempt	Could be carried forward without time prescription
Costa Rica	Exempt	N/A
Ecuador	Exempt. Shares and stock certificates exempted	Could be carried forward for up to 5 years, but no more than 25% of taxable profit
Guatemala	From Fixed assets, share negotiation profit 10% dividends 5%	Could not be carried forward, only capital losses could be carried forward for up to 4 years to be credited against capital gains
Nicaragua	Taxable 30%	Could be carried forward for up to three years
Panama	Taxable 10%, applicable to shares negotiation	Could be carried forward for up to five years, but no more than 50% of taxable profit
Peru	Taxable	Could be carried forward for up to 4 years, but no more than 50% of taxable profit
Dominican Republic	Taxable 28%	Could be carried forward for up to 5 years, but for no more than 20% of taxable profit in the first three years, 80% in the fourth and 70% in the fifth year. Losses of the first year could be carried to next year.
Venezuela	Taxable	Could be carried forward for up to 3 years, except in the case of inflation adjustment there is only one year to credit.

OTHER TAXES

	VAT	CAPITAL TAX
Argentina	Sales of goods, services imports 21%, there are special rates of 10.5% and 27%	1% over assets at the end of fiscal year, could be credited against income tax and can be carried forward up to 10 years.
Bolivia	Sales of goods, services, imports 13%	N/A
Brazil	Federal and county	N/A
Chile	Sales of goods, services and imports 19%	N/A
Colombia	Sales of goods, services and imports 16%	Tax for individuals and corporations with equity over US \$ 330,000.
Costa Rica	Sales of goods, services and imports 13% exempted professional services and some groceries	N/A
Ecuador	Sales of goods, services and imports 12%	N/A
Guatemala	Sales of goods, services and imports 12%	1% over assets at the end of fiscal year, could be credited against income tax and can be carried forward up to 3 years.
Nicaragua	Sales of goods, services and imports 15%	1% over assets
Panama	Sales of goods, services and imports 7%, liqueur and hotels 10%	2% over equity
Peru	Sales of goods, services and imports 18%	
Dominican Republic	Sales of goods, services and imports 18%	1% over equity
Venezuela	Sales of goods, services and imports 12%	

OTHER TAXES

	TRANSFER PRICING
Argentina	There is a transfer pricing control according to OCDE obligation of reporting every 3 months. There is no possibility of previous Price arrangements. Starting in 2016 there is prison for crimes related with Financial and Economical activities.
Bolivia	There is no transfer pricing control
Brazil	There is transfer pricing control. Brazil is not a member of the OCDE
Chile	There is transfer pricing control and there is obligation to present annual reports. Chile is member of the OCDE.
Costa Rica	Transfer pricing controls. There is obligation to present reports from 2015.
Colombia	Transfer pricing controls.
Ecuador	Transfer pricing controls according to OCDE. There is obligation to present reports and documents of support for transactions with related parties.
Guatemala	Transfer pricing controls from January 2015.
Nicaragua	There is no transfer pricing control
Panama	Transfer pricing control according to OCDE. There is obligation to present reports and documents of support.
Peru	Transfer pricing control. There is obligation to present reports and documents of support.
Dominican Republic	Transfer pricing controls. Previous prices arrangements could be done in certain industries.
Venezuela	Transfer pricing control according to OCDE. There is obligation to present reports.

OTHER TAXES

	MONEY LAUNDERING
Argentina	Argentina has adopted laws to consider the money laundering a crime and enforce the prevention and control of money laundering control with penalties and prosecution. There is an Information Unit for these purposes CPAs must adopt rules to prevent the money laundering and terrorism financing
Bolivia	Bolivia has adopted laws to consider the money laundering a crime and enforce the prevention and control of money laundering control with penalties and prosecution with prison of 3 to 10 years. All cash transactions of US \$ 7,200 and more should be reported.
Brazil	Brazil has adopted laws to consider the money laundering a crime and enforce the prevention and control of money laundering control with penalties and prosecution with prison of 3 to 10 years. CPAs must adopt rules to prevent the money laundering and terrorism financing
Chile	Chile has adopted laws to consider the money laundering a crime and enforce the prevention and control of money laundering control with penalties and prosecution.
Colombia	Costa Rica has adopted laws to consider the money laundering a crime and enforce the prevention and control of money laundering control with penalties and prosecution, for those persons or corporations with income over US \$ 110,650 since 31-12-2013
Costa Rica	Costa Rica has adopted laws to consider the money laundering a crime and enforce the prevention and control of money laundering control with penalties and prosecution with prison.
Ecuador	Ecuador has adopted laws to consider the money laundering a crime and enforce the prevention and control of money laundering control with penalties and prosecution with prison.
Guatemala	Guatemala has adopted laws to consider the money laundering a crime and enforce the prevention and control of money laundering control with penalties and prosecution with prison of 3 to 10 years. All cash transactions of US \$ 10,000 and more should be reported CPAs must adopt rules to prevent the money laundering and terrorism financing and report transactions with their clients of more than US \$ 10,000 cash.
Nicaragua	Nicaragua has adopted laws to consider the money laundering a crime and enforce the prevention and control of money laundering control with penalties and prosecution with prison .
Panama	Law 23
Peru	Peru has adopted laws to consider the money laundering a crime and enforce the prevention and control of money laundering control with penalties and prosecution with prison.
Dominican Republic	Dominican Republic has adopted laws to consider the money laundering a crime and enforce the prevention and control of money laundering control with penalties and prosecution with prison. All cash transactions of US \$ 10,000 and more should be reported.
Venezuela	Peru has adopted laws to consider the money laundering a crime and enforce the prevention and control of money laundering control with penalties and prosecution with prison.

OTHER TAXES

	TAX LEGISLATION IN PROVINCES
Argentina	Provincial and municipal taxations for the promotion of industrial activities. New taxations including Payment Programs
Bolivia	Special trade agreements with European Union, USA, Venezuela, Japan and other countries
Brazil	Same tax legislation in all country.
Chile	Same tax legislation in all country., Free Trade Zones in Iquique and Puntarenas.
Costa Rica	Same tax legislation in all country.
Ecuador	Same tax legislation in all country.
Guatemala	Same tax legislation in all country.
Nicaragua	Same tax legislation in all country.
Panama	Same tax legislation in all country.
Peru	Investment promotion laws for free zones and trade agreements.
Dominican Republic	Same tax legislation in all country.
Venezuela	Provinces have tax power for municipal purposes.

FIRMS DIRECTORY

AGN CENTRAL & SOUTH AMERICA

COUNTRY	FIRM	COUNTRY	FIRM
Argentina	 EDUARDO SCHMILOVICH - Contadores Públicos	Ecuador	 Aurea & Co., CPAs
Argentina	Elizalde, Casares & Asociados	El Salvador	Cabrera Martinez S.A. De C.V.
Bolivia	Servicios de Consultoria Integral LTDA (S.C.I. Ltda)	Guatemala	 Panchita Aguirre De Kaehler Y Asociados
Brazil	Confiance Auditores Independentes	Nicaragua	Gutierrez Guadamuz & Co
Brazil	 Juenemann & Asociados Auditores E Consultores	Panama	Mendoza & Asociados
Brazil	Rengi Trevor	Paraguay	Audicon - Auditores, Contadores & Consultores
Chile	ABATAS Auditores Consultores Ltda	Peru	Jeri Ramon & Asociados
Colombia	Granauditorias Ltda. Public Accountant	Peru	Martínez Rodríguez y Asociados S.C.
Costa Rica	Fernandez Zeledon y Asociados	Peru	Monzon, Valdivia Y Asociados
Dominican Republic	Montero de los Santos & Asociados	Uruguay	ACPA
Ecuador	Auditory & Accounts S.A. ADACCOUNTS	Venezuela	Jimenez Rodriguez & Asociados



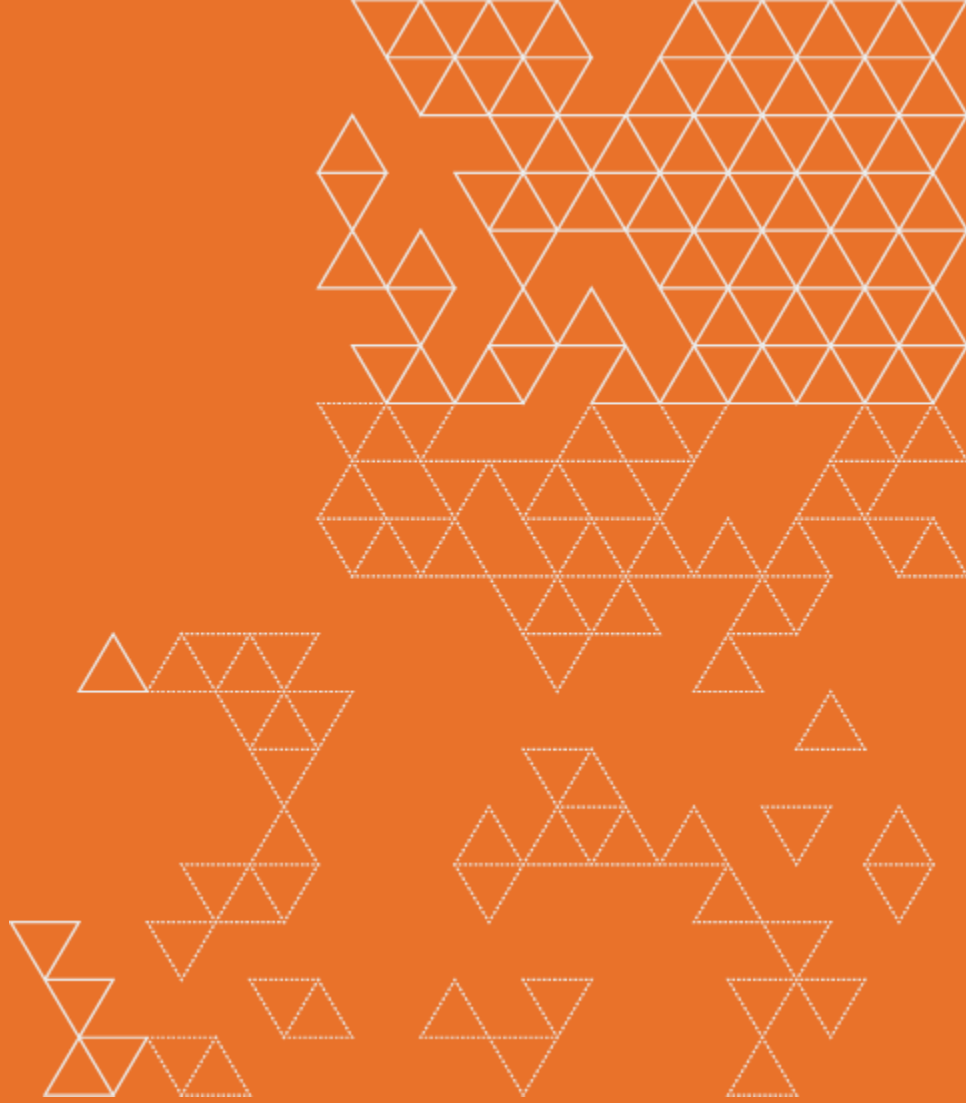
Collaborating firms



Member of the Tax Committee

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