

DOING BUSINESS IN CENTRAL & SOUTH AMERICA

Benefits in setting up businesses in the region

2021



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The Central & South American region is rich in natural resources, has a young population and emerging political environments that are paving the way for ample trade and international investment opportunities.

This publication has been created for AGN Members in the region, in collaboration with the Committee of Relationship with North America, that promotes the connection between regions to facilitate business engagements.

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This publication has been prepared for the purpose of disseminating information quickly. Under no circumstances should its content be used as a basis for advice or decision-making.

EL SALVADOR



Legal entities to carry out business	<p>The types of companies that can operate in the country: Partnerships in name or Collective partnerships, Partnerships in a simple limited partnership or limited partnerships, Limited Liability Partnerships, Limited Partnerships, Partnerships Limited by Shares or Partnerships limited by shares.</p> <p>The types of companies most used by foreign investors in El Salvador are public limited companies, limited liability companies, and, to a lesser extent, branches of foreign companies.</p>
Foreign requirements to open a corporation or subsidiary	<p>Foreigners are given equal treatment and are recognized with the same rights as nationals. Foreign investors have the right to: Transfer the liquid and realized profits from their investments abroad, as well as to repatriate their investment. Use any of the legal forms of organization provided by national legislation.</p> <p>Make use of internal credit.</p> <p>The legislation also specifies how foreign investment can materialize: Free convertible foreign currency.</p> <p>Capital goods, their spare parts, and accessories.</p> <p>Utilities or capital in national currency belongs to foreign investors capitalizing external credits in freely convertible foreign currency.</p>
Legal representation for foreigners	<p>The legal representation of companies can be delegated to a sole proprietor administrator or a board of directors, as established in the articles of incorporation.</p>
Accounting requirements	<p>All private legal entities and natural persons that carry out an organized economic activity or are owners of a company or commercial, industrial, agricultural, or service establishment, domiciled in El Salvador must keep accounting records of their operations. Likewise, capital companies are obliged to keep accounting records and their shareholders duly authorized by external auditors.</p>
Audit requirements	<p>By law, all companies must have an external audit. If their income in the previous year exceeds 4817 minimum wages in the commercial sector or their assets exceed US \$1,142,000, they must also appoint a tax audit.</p>

Taxes	Find all the details about taxes in this country in the tax publications of AGN Central and South America, available at www.agn.org
Social Security	The Social Security system is focused on health care for contributors. For pensions it is managed by a private AFP system.
Investment return, capital transfer and taxes related	Foreign investors have the right to transfer abroad the profits obtained from their investments and repatriate their investments. If the operations between the parent company and the subsidiary or any other transaction with other related companies must be at market price.
Doing Business and incentives	El Salvador does not have specific incentives for foreign investment.
Special regimes	El Salvador has special free zone regimes (tax-free) that encourage investors to settle in the country for those operations that do not enter the sales system within the country N/A.
Labour	The Labor Code regulates labor relations between companies and workers, establishes the rights and obligations for both, and the Ministry of Labor supervises their compliance.
Minimum Wage	A minimum wage has been established for industrial, commercial, and service workers of US \$ 365, Maquila US \$ 354.36, and the agricultural sector US \$ 272.66.
Migration and visa	There are no special visas for investors.
Trade and customs	You can see the procedures for importing and exporting merchandise at the following links: cieximportaciones@bcr.gob.sv ; ciexportaciones@bcr.gob.sv

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GUATEMALA

02

Legal entities to carry out business	<p>The types of companies regulated are: Sociedad en Nombre Colectivo, Sociedad en Comandita Simple, Sociedad de Responsabilidad Limitada, Sociedad Anónima, Sociedad en Comandita por Acciones. The types of company most used by foreign investors in Guatemala are the Sociedad de Responsabilidad Limitada and the Sociedad Anónima.</p>
Foreign requirements to open a corporation or subsidiary	<p>Foreigners are treated equally and have the same rights as nationals.</p>
Legal representation	<p>Appointment of the legal representative must include granting of extraordinary power to participate in the constitution of the company and or acquire participation in it, exercise the rights and fulfill the obligations of the company-specific to its capacity as a partner and respond to judicial or extrajudicial summonses that are made at the registered office.</p>
Accounting requirements	<p>All legal entities and individuals registered as tax payers must keep complete accounting records of their operations.</p> <p>Taxpayers who have mandatory to keep their accounts must do so electronically and must deliver the accounting information monthly according to the corresponding legal provisions to the tax authority.</p>
Audit requirements	<p>The content of the corresponding accounting national and international standards is considered.</p>
Taxes	<p>Find all the details about taxes in this country in the tax publications of AGN Central and South America, available at www.agn.org</p>
Social Security	<p>Social security is in charge of the Guatemalan Social Security Institute. Therefore, the employer 12.67% and the employee 4.83% should pay the corresponding monthly quotas.</p>
Investment return, capital transfer, and taxes related	<p>Foreign investors have the right to transfer abroad the profits from their investments and repatriate their investments. Dividends paid abroad are subject to 5% Income Tax, there are not Agreements to Avoid Double Taxation signed with other countries.</p>

Special regimes	<p>In terms of income tax, there are the following special regimes:</p> <ol style="list-style-type: none"> For those who carry out agricultural, livestock, forestry, and fishing activities. The optional regime over profits, paid quarterly. Monthly income regime. <p>Value Added Tax 12%.</p>
Labour	<p>The Labour Code Law regulates subordinate relations between employer and worker.</p> <p>This Law establishes provisions regarding wages, overtime, annual gratification, vacation and Christmas Bonus.</p> <p>Strengths:: Qualified employees, professionals and English spoken.</p>
Minimum Wage	<p>In 2021 the overall minimum monthly salary of \$383.70.</p>
Migration and visa	<p>Specific working visas are granted depending on the activity that the foreign individual performs in Guatemala.</p> <p>Many countries do not require visa www.minex.gob.gt</p> <p>Touristic information www.inguat.gob.gt</p>
Trade and customs	<p>The Law mainly regulates foreign trade operations on General Import and Export Taxes, the Customs Law, and the Foreign Trade Law.</p> <p>The following customs regimes are established:</p> <ol style="list-style-type: none"> Final importation and exportation. Temporary importation and exportation. Fiscal deposit. Transit of goods. Manufacture, conversion, or repair in a custom-enabled precinct. Strategic customs-enabled precinct. <p>Strengths: Trade ports in Pacific and Atlantic Oceans, communications, climate, natural resources and biodiversity. The Land of Eternal Spring.</p> <p>Exchange rate: US \$ 1.00= Q. 7.80 Quetzal (local currency).</p>

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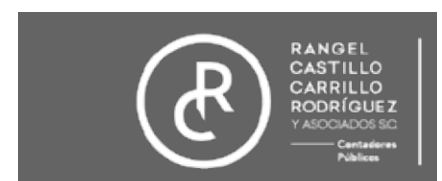
MEXICO

02

Legal entities to carry out business	<p>The types of regulated companies are Society in Collective Name, Simple Limited Partnership, Limited Liability Company, Public Limited Company, Limited Partnership by Shares, Cooperative Society, Variable Capital Companies. The companies most used by foreign investors in Mexico are the Limited Liability Company and the Public Limited Company.</p>
Foreign requirements to open a corporation or subsidiary	<p>Foreigners are treated equally and have the same rights as nationals. The following activities are reserved exclusively for Mexicans or Mexican companies with a clause excluding foreigners:</p> <ol style="list-style-type: none"> National land transportation of passengers, tourism, and cargo, not including courier and parcel services. Development banking institutions in terms of the Law of the matter. The applicable legal provisions expressly indicate the provision of professional and technical services. <p>A maximum limit on foreign investment is set as follows:</p> <ol style="list-style-type: none"> 10% of the share capital of the cooperative production society. 49% of the share capital in activities such as manufacture and marketing of explosives, fishing, integral port administration, and broadcasting, among others. <p>Finally, activities and companies in which the participation in the share capital may exceed 49% are required to ask for a favorable resolution of the respective authority. Foreign investment more significant than 49% also requires prior authorization in the case of a company whose total value of its assets exceeds \$18 billion PsMxs.</p>
Legal representation for foreigners	<p>Appointment of the representative must include granting of extraordinary power to participate in the constitution of the company and or acquire participation in it, exercise the rights and fulfill the obligations of the foreign company-specific to its capacity as a partner and respond to judicial or extrajudicial summonses that are made at the registered office.</p>
Accounting requirements	<p>All legal entities and some individuals must keep the accounting records of their operations.</p> <p>Taxpayers who are obliged to keep their accounts must do so electronically and must deliver the accounting information monthly according to the corresponding legal provisions to the tax authority.</p>

Audit requirements	The content of the corresponding national and international standards is considered.
Taxes	Find all the details about taxes in this country in the tax publications of AGN Central and South America, available at www.agn.org
Social Security	Social security is in charge of the Mexican Social Security Institute. Therefore, the employer and the employee should pay the corresponding quotas.
Investment return, capital transfer, and taxes related	Foreign investors have the right to transfer abroad the profits from their investments and repatriate their investments. Dividends paid abroad are subject to the rules provided for in Mexican legislation and in the Agreements to Avoid Double Taxation signed with various countries.
Doing Business and incentives	<p>In terms of income tax, the following incentives are granted:</p> <ol style="list-style-type: none"> The hiring of people with disabilities and older adults. Trusts that acquire or build real estate. Production and distribution of National Cinematographic and Theatrical. Construction and Disposal of Real Estate Developments. Investment in venture capital. Cooperative production society. The legal entity that accumulates income based on cash. Research and development of Technology. High-performance sport. Power equipment for electric vehicles. <p>There are also various benefits for exporters.</p>
Special regimes	<p>In terms of income tax, there are the following special regimes:</p> <ol style="list-style-type: none"> For those who carry out agricultural, livestock, forestry, and fishing activities. The optional regime for groups of companies. Coordination entities regime.
Other Incentives	None additional.
Labour	<p>The Federal Labour Law regulates subordinate relations between employer and worker.</p> <p>This Law establishes provisions regarding wages, overtime, annual gratification, vacation bonus, workers' participation in companies' profits, and other aspects.</p> <p>As of 2021, specific regulations are established for companies that provide specialized services and provide their workers to contractors or make them available to the contractors.</p>

Minimum Wage	<p>In 2021 you have the following minimum wages:</p> <ol style="list-style-type: none"> The overall minimum salary of \$141.70. Northern Border Free Zone Minimum Wage, \$213.39.
Migration and visa	<p>Specific visas are granted depending on the activity that the foreign individual performs in Mexico.</p>
Trade and customs	<p>The Law mainly regulates foreign trade operations on General Import and Export Taxes, the Customs Law, and the Foreign Trade Law.</p> <p>The following customs regimes are established:</p> <ol style="list-style-type: none"> Final importation and exportation. Temporary importation and exportation. Fiscal deposit. Transit of goods. Manufacture, conversion, or repair in a custom-enabled precinct. Strategic customs-enabled precinct.



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PANAMÁ

02

Legal entities to carry out business	<p>The most commonly used types of companies are corporations. Other types of entities that are regulated: collective, limited liability company, limited liability company, entrepreneurship companies.</p>
Foreign requirements to open a corporation or subsidiary	<p>The exact requirements apply to nationals.</p>
Accounting requirements	<p>Natural and legal persons doing business must keep accounting records under International Financial Reporting Standards.</p> <p>The International Financial Reporting Standards issued and issued by the International Accounting Standards Board (IASB), an independent body established to promulgate accounting standards of worldwide application, are adopted as their own and applicable in the Republic of Panama.</p> <p>The companies must have a record book of Minutes and a record of shares.</p>
Audit requirements	<p>To validate the income declarations, the General Directorate of Revenue is empowered to request the taxpayer. The latter is obliged to supply copies of the financial statements presented to banks and financial institutions. The documents will check against the originals. The inconsistency of the income statement with the audited financial statements, based on the International Financial Reporting Standards or IFRSs, may, if proven, be considered as tax fraud.</p> <p>Adopt as it is own and applicable in the Republic of Panama the International Auditing Standards and Guides issued and issued by the International Auditing Practices Committee of the International Federation of Accountants to audit financial statements.</p>
Taxes	<p>Find all the details about taxes in this country in the tax publications of AGN Central and South America, available at www.agn.org</p>
Social Security	<p>The Social Security Fund administered the Social Security system and provides the following benefits: retirement and sickness pensions, maternity leave, among others.</p> <p>The affiliation of all workers who work in the national territory is mandatory.</p>

Investment return, capital transfer, and taxes related	<p>Foreign investors have the right to transfer the liquid and realized profits from their investments abroad and repatriate their investments. Regarding the relationship between controlling and controlled companies, it is established that the legal acts celebrated between a local company with foreign capital and the company that directly or indirectly owns it, or another subsidiary of the latter, will be considered, for all purposes, as entered into between independent parties when their benefits and conditions conform to standard market practices between separate entities.</p>
Doing Business and incentives	<p>Panama has a logistics hub, digital hub, interconnection with ports worldwide through the Panama Canal.</p>
Special regimes	<p>Panama has special regimes; to qualify for the benefits, must meet the substance requirements.</p> <p>Área Económica Especial de Panamá Pacífico http://www.app.gob.pa/ Colon Free Trade Zone http://www.zolicol.gob.pa/ Free Trade Zones https://zf.mici.gob.pa/home Digital Free Zone https://www.bpospanama.com/ Zona Logística del Aeropuerto de Tocumen Special Regime for the Establishment and Operation of Multinational Companies for the Provision of Services Related to Manufacturing (EMMA)</p>
Other Incentives	<p>Through Law 189 of December 17, 2020, a Special Regime is created for micro, small and medium-sized enterprises.</p> <p>Law 80 of 2012, modified by Law 122 of 2019 that dictates Incentives to Tourism Companies.</p>
Labour	<p>The protection distinguishes Panamanian labor law it offers to employees. In exceptional cases, benefits such as vacation pay, thirteenth month, disability leave, paternity leave, paternity leave, and sick leave are contemplated.</p>
Minimum Wage	<p>Minimum wage rates will depend on the region and the industry. Every two years, the minimum wage is reviewed.</p> <p>To consult the current minimum wage https://www.mitradel.gob.pa/el-salario-minimo-en-panama/</p>
Migration and visa	<p>All foreigners who work in Panamanian territory must have a work permit. Immigration permits are divided into non-residents and residents; within each category, there are different investor visas.</p> <p>For more information: https://www.migracion.gob.pa/permisos-y-requisitos-para-visas/permisos-migratorios</p>

**Trade and
customs**

To consult Trade Treaties and Trade Agreements <https://www.mici.gob.pa/negociaciones-comerciales-internacionales/acuerdos-comerciales-vigentes>



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PERÚ

02

Legal entities to carry out business	<p>Regulated corporate types are: Limited Company, Closed Limited Company, Open Limited Company, Foreign Company Branch, Collective Company, Simple Limited Partnership, Limited Partnership by Shares, Limited Liability Business Partnership, Civil Partnerships.</p> <p>The corporate types most used by foreign investors are joint-stock companies, commercial limited liability companies, and branches of foreign companies.</p>
Foreign requirements to open a corporation or subsidiary	<p>The Peruvian State allows foreign investors to participate in all sectors of economic activity based on any of the corporate forms permitted by current legislation. These investments are received without restrictions.</p> <p>Likewise, foreign investors have the right to transfer abroad the total dividends or proven net profits from their investment after paying the taxes of the law; as well as the total amount of its capital invested in Peruvian companies, including the sale of shares, participation, or rights, capital reduction or partial or total liquidation of companies.</p> <p>Foreign investors can enter into legal stability agreements as long as they meet specific requirements established by Proinversión.</p>
Legal representation for foreigners	<p>The designation of an authorized representative to establish a company in Peru is by granting a power of attorney abroad, respecting the respective consular legalization chain, including certificates of existence and responsibility that will then be protocolized and registered in the Public Registries of Peru.</p> <p>The authorized representative must exercise the rights and fulfill the obligations of the foreign company in his capacity as partner and respond to a judicial or extrajudicial summons made in the registered corporate headquarters.</p>
Accounting requirements	<p>All private legal entities and individuals who carry out an organized economic activity or are owners of a company or commercial, industrial, agricultural, or service establishment, domiciled in Peru must keep accounting records of their operations.</p> <p>Likewise, the companies are obliged to keep books of the Minutes of Shareholders' Meetings and the Board of Directors, Attendance at the Assembly, and the Registration of Shares. It is provided that whoever keeps accounting must prepare financial statements, which comprise at least a statement of financial position and a statement of income, which must be recorded in the Register of Inventories and Balance Sheets.</p>

Audit requirements	<p>The generally accepted accounting principles in Peru are the International Financial Reporting Standards (IFRS), and for local purposes, the Accounting Standards Council (CNC) approved them.</p> <p>Likewise, the Superintendency of the Securities Market (SMV), the Superintendency of Banking and Insurance (SBS), and the Superintendency of Health Providers issue standards and/or procedures which mainly include generally accepted accounting principles.</p>
Taxes	<p>Find all the details about taxes in this country in the tax publications of AGN Central and South America, available at www.agn.org</p>
Social Security	<p>The Social Security system is made up of Contributions to EsSalud (health services), National Pension System (State System), Pension Fund Administrators (AFP) (Private System), Complementary Insurance for Work at Risk.</p>
Investment return, capital transfer and taxes related	<p>Foreign investors have the right to transfer the liquid and realized profits from their investments abroad and repatriate their investments.</p> <p>Regarding the relationship between controlling and controlled companies, it is established that the legal acts entered into between a local company with foreign capital and the company that directly or indirectly owns it, or another subsidiary of the latter, will be considered, for all purposes, as entered into between independent parties when their benefits and conditions conform to regular market practices between independent entities (Transfer Pricing Study).</p>
Doing Business and incentives	<p>Some exception regimes allow the enjoyment of tax benefits for some economic sectors or some country areas.</p> <p>In this sense, the Free Zones and Special Treatment Zones (Amazon Zone) enjoy the exemption of some taxes, and preferential tariff rights in importing goods destined for those zones or that enter through them, incentives to employment and investment financing, and export promotion programs.</p>
Special regimes	<p>In the case of mining activity, legal stability contracts have been signed with the State that includes:</p> <ul style="list-style-type: none"> • Exchange, tax, and administrative stability. • Freedom to remit profits, dividends, financial resources and free availability of foreign currency in general.
Other incentives	<p>Although companies formed by foreign investors apply the general labor regime, current legislation contemplates a special labor regime applicable to micro (income not greater than S / 660,000) and small businesses (income not greater than S / 7,480,000).</p>

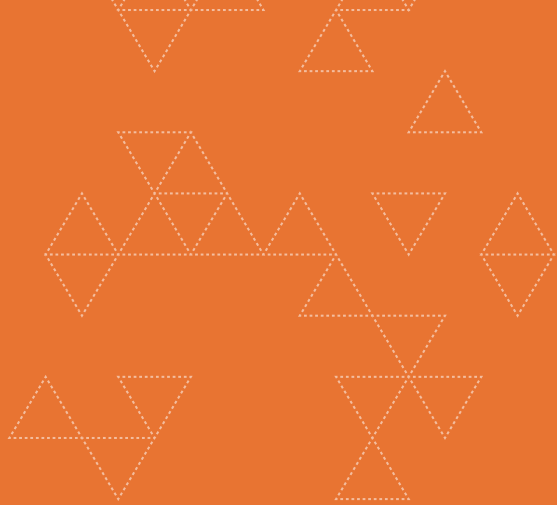
Labour	<p>In the case of private activity, the labor regime contemplates the possibility of hiring workers for an indefinite or fixed term.</p> <p>The employment contract is carried out for an indefinite or indefinite term. The essential elements of an employment relationship are identified, such as the personal provision of services, that there is subordination and that there is a payment of remuneration.</p> <p>Fixed-term or specific-term employment contracts involve the provision of services of a temporary nature, which is why the existence of some justification or objective cause that supports said temporary nature will always be required.</p>
Minimum Wage	<p>The minimum living wage (SMV) for all workers is S / 930.00, equivalent to US \$ 227.00 (exchange rate of S / 4.10 per US \$ 1).</p>
Migration and visa	<p>Foreign investors who wish to develop businesses must have a business visa before entering the country.</p> <p>In the case of foreign workers assigned to work in Peru, they must apply for a work permit.</p>
Trade and customs	<p>The importation of goods to Peru is subject to the payment of customs duties on the CIF value (depending on the imported interest, the rates fluctuate between 0%, 4%, 6%, 11%) and Sales Tax on the CIF value plus duties & tariffs. The export of goods is tax-free (no customs duties or sales tax are levied).</p> <p>There is an exclusive drawback regime for exporters of manufacturing, textiles, agriculture, and other productive activities, the total or partial recovery of customs duties paid on the importation of raw materials and spare parts, provided that their CIF value does not exceed 50 % of the FOB value of exports.</p> <p>Likewise, exporters can request the sales tax refund paid on the acquisitions of goods, services, construction contracts, and import policies that give the right to a tax credit.</p> <p>The refund of the tax mentioned above can be made in cash or through negotiable credit notes.</p>

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