

AUXADI

# BOLIVIA

COUNTRY FILE - 2019











# B O L I V I A

The Plurinational State of Bolivia covers an area of 1,098,581 km<sup>2</sup> in South America, a natural border with Brazil, Paraguay, Argentina, Chile, and Peru. It has a population of more than 11 million inhabitants, organized administratively in 9 departments and 113 provinces.

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Bolivia is the 95<sup>th</sup> largest economy in the world in terms of GDP, with 40,288 billion dollars in 2018. The country has enjoyed a decade of economic prosperity, with a continuous and constant growth at about 4% and one of the lowest public debts in the region, at 24.9%. Looking ahead to 2019, the IMF projects growth of 4% and 3.9% for 2020, the highest in all South America.

Hydrocarbons and mining sectors have traditionally been the driving force behind the country's development, supported by the high international price of raw materials. The main resource and source of income of the country is natural gas, which represents the three most important sectors of the country, together with mining and oil. However, the price drop in 2015 has forced the country to diversify and develop a more productive system. Furthermore, the Economic and Social Development Plan (PDES) 2016-2020 was approved to diversify the economy and enhance technical and scientific knowledge among others.

Over the last few years, economic stability has made Bolivia an attractive country for foreign investors. In 2018, gross Foreign Direct Investment (FDI) grew 29.4% compared to 2017, going from 1,221 million USD to 1,553 million USD. The country has a very cheap labour force, mainly in manufacturing and customer service sectors, and great opportunities in tourism, transport infrastructure and renewable energy sectors. Textiles have been another area of expansion in recent decades.

Bolivia is a member of the World Trade Organization and the Andean Community, along with Colombia, Ecuador and Peru. It has a free trade agreement with Mexico and since 2015 it has been part of Mercosur, allowing free trade with Argentina, Brazil, Paraguay and Uruguay.

# Bolivia: country overview



**156**

Ranked on the World Bank's Ease of Doing Business Index 2019



**MM\$ 40,288**

Gross Domestic Product



**\$ 3,370**

GNI per capita / year



**24.9%**

Public debt



**11,051,600**

Inhabitants

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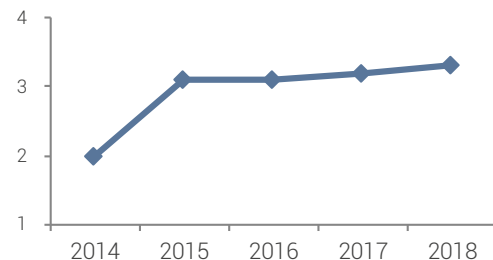






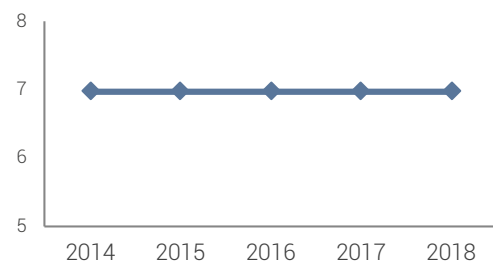
**3.3%**

Unemployment rate



**BOLIVIANO**

Currency: **Bs**



## Main economic sectors



**Gas and oil**



**Agribusiness**



**Mining**



**Tourism**



It takes 44 days to set up a company in Bolivia, due to the slow bureaucracy and several procedures. The country ranks 156<sup>th</sup> in the Doing Business index for ease of doing business.

**44**  
days



The minimum wage for a 40-hour workweek is US\$305/month (US\$298.7/month by 2020). The Social Security system distinguishes between the Comprehensive Pension System and the short-term Social Security system.

**305**  
\$/month



The tax percentage is 83%, including 42 payments per year and 1,025 hours spent on it. Dividends obtained by residents are not taxed, but dividends distributed to non-resident individuals or entities are.

**83%**  
tax



Bolivian companies are administered by local accounting standards. There is no Single Account Plan (PUC), so each company establishes its own Account Plan according to the type of operations it carries out. The IFRS are waiting for an approval by government authorities.

**NIIF**





## Legal Aspects

Bolivia's Investment Promotion Law establishes the framework for investment in the country. According to the law, foreign investors benefit from the same rights, duties and guarantees as Bolivians and no prior authorization is required to create a foreign capital company.

The most common types of company are the Sociedad Anónima (S.A.) and the Sociedad de Responsabilidad Limitada (S.R.L.), regulated by the Bolivian Commercial Code. In addition, foreign companies with a parent company abroad may constitute a branch or a subsidiary. In the case of subsidiaries, these can be formalized as S.A. or as S.R.L. There are also unipersonal companies.

The legal representatives must be nationals or foreigners proving their residence in the country. After the first year of activities, the company must have what is known as a "legal reserve", i.e. a guarantee of compliance with obligations as a monetary deposit of between 5% and 50% of the contribution to the share capital.

# 5-50%

legal reserve

The company must have what is known as a "legal reserve", i.e. a guarantee of compliance with obligations as a monetary deposit of between 5% and 50% of the contribution to the share capital.

## Branches

The process of setting up a branch is longer than the process for other companies. All documents must be authorized and legalized in the Bolivian consulate of the country where the head office is located. Afterwards, they will be sent to the Bolivian Ministry of Foreign Affairs for its approval.

Branches are taxed with an additional "annual" tax on profits of 12.5%.

	Sociedad Anónima	Sociedad de Responsabilidad Limitada
Nº PERSONS	2 or more	From 2 and a maximum of 25
SHARE	Shares / Share value	Percentage of ownership/equity share
TERM	Determined	Determined
MINIMUM CAPITAL	The Commercial Code does not set a minimum. However, the capital stock must be divided into shares of equal value of Bs100 or multiples of Bs100 and the Authorized, Subscribed and Paid-up Capital must be defined.	The Commercial Code does not set a minimum. However, the share capital must be divided into shares of equal value of Bs100 or multiples of Bs100.
FORMALIZATION	Company's bylaws	Articles of Association



## Incentives for Foreign Investments

Foreign direct investment (FDI) is considered a key factor for the country's development and a way to modernize the industry, import technology or create employment and thus contribute to savings and balance of payments equilibrium. In 2018, incentive policies were highlighted to continue increasing FDI and to encourage national companies to expand their investments in the country.

Strategic industries are considered: hydrocarbons, energy, mining and tourism sectors, and the food industry.

Capital inflows must be reported regularly to the Central Bank of Bolivia.

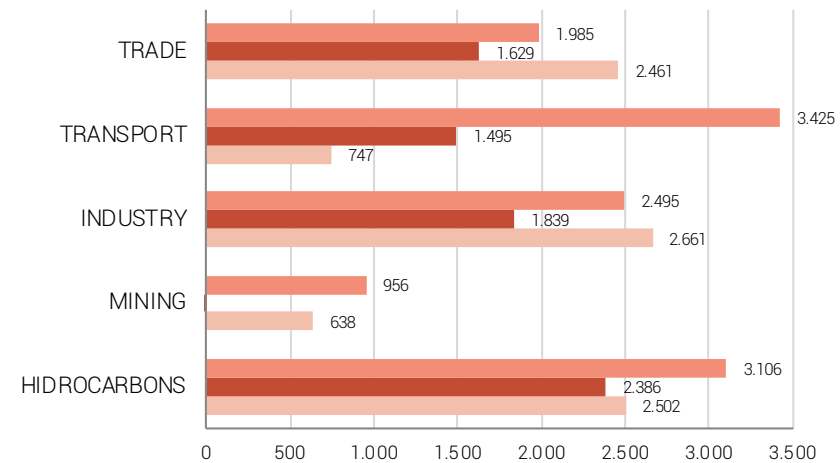
### Restricted economic activities

All economic activities are acceptable in Bolivia, with no specific restriction except for imports of certain edible products, in accordance with Customs regulations.

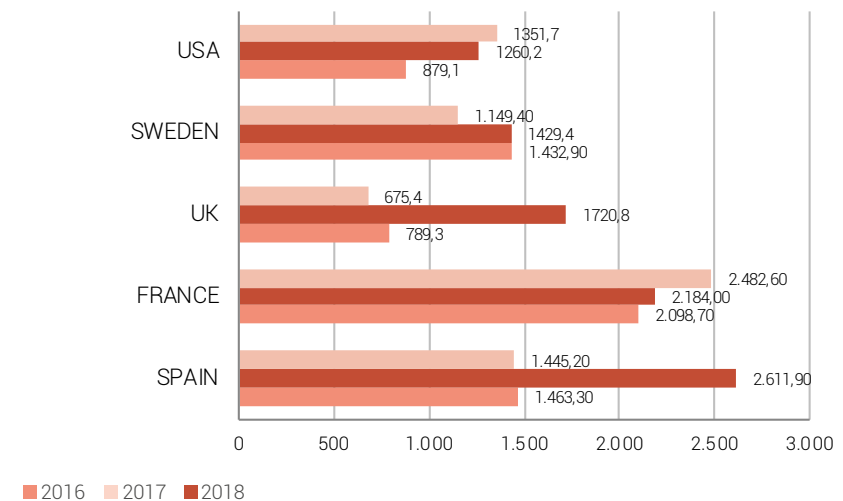
According to the General Labour Law in no company or establishment, the number of foreign workers may exceed 15% of the total and will include exclusively technicians. Female personnel may not exceed 45% in companies or establishments that, by their nature, do not require it in a greater proportion.



## Foreign Invest by Sector



## Foreign Invest by Country







## Labor Aspects

The General Labour Law regulates labour relations in Bolivia. This law distinguishes between individual contracts and collective contracts (union or federation) and provides for their conclusion both verbally and in writing. There are three types of contracts: indefinite, fixed-term and work and service.

The ordinary working day is 8 hours a day and 48 hours a week (men) or 40 (women). The minimum wage for a 40-hour workweek is US\$305/month. Workers between 1 and 5 years have the right to enjoy 15 days of paid rest; 20 days, between 5 and 10 years worked and 30 days, from 10 years of age.

In Bolivia, workers are entitled to three types of remuneration in addition to their ordinary salary:

- Seniority bonus: calculated on the basis of 3 national minimum wages. The percentage depends on the years of service rendered, from 5% (2-4 years) to 50% (25 years or more).
- Annual bonuses: obtained when the company gets a profit and intends to increase production. Annual premiums should be paid only up to 23% of profits. They are usually the equivalent of one month's salary or for twelfths when the employee has not worked 1 effective year.
- Christmas bonus: this is a supplementary annual salary that all employers are obliged to pay to their employees before 25th December of each year.

## Severance pay

The employer shall pay the worker compensation for all time worked "with the sum equivalent to one month's salary for each year of continuous work and if the services do not reach one year, proportionately to the months worked, discounting the first three months (89 days) that are considered proof" (General Labour Law). It is considered as a financial compensation for the physical and mental exhaustion suffered by the worker over time.

There will be no right to receive compensation or eviction when any of the following causes occur:

- Intentionally caused material damage to working instruments;
- Disclosure of trade secrets;
- Omissions or recklessness affecting industrial safety or hygiene;

- Unjustified absence of more than 6 continuous and 12 discontinuous days;
- Total or partial non-compliance with the work contract or the company's regulations.;
- Worker's voluntary retirement;
- Theft, burglary or abuse of worker trust;
- De facto, insulting or immoral conduct at work;
- Mass abandonment of work, provided they do not obey the competent authority.

## Five-year period

The five-year period is part of the compensation. Workers who have completed 5 years of continuous employment may demand the payment of the consolidated five-year periods from the employer.

This compensation is calculated on the basis of the average income received in the previous three months. The payment of the five-year period will not imply interruption of the labour relation nor will it subtract seniority to effects of the rights of the worker on the bonus and the vacations. The payment will be made once, within 30 days of its request. Employers who fail to comply with their payment obligation shall incur a fine of 30% of the amount due.

## Eviction

It is a compensation that the worker receives in case of unjustified dismissal or failure to comply with the minimum period of 3 months established by law to communicate the unilateral decision to finish the employment relationship. The amount equivalent to the salary of 3 months will be paid.

The institutions that regulate social benefits and to which both employers and workers must affiliate are the National Health Fund (CNS) and the Pension Funds Administrators. Contributions are therefore mandatory and are calculated on the basis of the employee's salary, according to the following table:

## Type of contribution

	Employee Contribution	Employer Contribution	Calculation Basis
<b>JOB TRAINING</b>		1%	Total Remuneration
<b>HEALTH FUNDS (SHORT TERM)</b>	-	10.00%	Total Remuneration
<b>PENSION FUND INSURANCE COMPANIES (AFP)</b>	12.71%	-	Total Remuneration
<b>COMMON RISK PREMIUM</b>	1.71%	-	Total Remuneration
<b>AFP COMMITTEE</b>	0.50%	-	Total Remuneration
<b>PROFESSIONAL RISK PREMIUM</b>	-	1.71%	Total Remuneration
<b>PRO-VIVIENDA</b>	-	2.00%	Total Remuneration
<b>SOLIDARITY EMPLOYERS' CONTRIBUTION</b>	-	3.00%	Total Remuneration
<b>INSURED'S SOLIDARITY CONTRIBUTION</b>	0.50%	-	Total Remuneration

## National Solidarity Contribution\*

Total Wage	Employee Contribution	Calculation Basis
<b>Between Bs13,001 and Bs25,000</b>	1%	$(ST - Bs13.000) \times 1\%$
<b>Between Bs25,001 and Bs35,000</b>	5%	$(ST - Bs13.000) \times 1\% + (ST - Bs25.000) \times 5\%$
<b>More than Bs35,001</b>	10%	$(ST - Bs13.000) \times 1\% + (ST - Bs25.000) \times 5\% + (ST - Bs35.000) \times 10\%$

\* The National Solidarity Contribution is applied only when the employee's Total Earned exceeds Bs13,000 (equivalent to US\$ 1,868).

## Rotation of Expatriates

In the case of expatriate personnel in rotation, it is recommended to manage the remunerations of these employees at the head office, so as not to increase the labour cost of the employee. If such expenses have a direct impact on the Bolivian company, 12.5% should be retained as payment to beneficiaries abroad.

## Permanent Expatriate

The permanent expatriate is obliged to make short- and long-term social security contributions and to pay personal income taxes.

In addition, any payment for rent, food or mobility will be considered an additional income of the employee and, as a consequence, subject to the rates of the Complementary Value Added Tax Regime, as long as they occur within the employment relationship.







All companies in Bolivia must register in the National Taxpayers Registry of the National Tax Service (SIN) and obtain a tax identification number (NIT).

## Taxes

The main taxes are:

### VAT

This tax is levied at 13% on the sale of goods and services, commissions, rental of real estate or property, general and professional fees, imports and financial leasing of movable property. On the other hand, goods imported by foreign diplomats or institutions with international agreements, co-insurance operations, goods from free zones and sale of real estate are excluded.

A record of invoices must be kept through a Purchase Book and a Sales Book. VAT is paid the month after the transaction.

### Complementary VAT Regime

This tax is levied at 13% on income from commercial activities, investments, remunerations, salaries or interests of natural persons and undivided companies. It is applied to the profits obtained from the rental of real estate, fees, expenses, salaries, representation expenses or dividends from current or capital accounts, among others. It does not include income obtained from bonuses, social benefits or incomes from disability, old age or death, as well as from the distribution of shares or quotas of capital coming from the distribution of company profits.

It is necessary to keep a record of invoices with personal expenses using an official tax template and a legal validity of 120 days prior to the filing date. In case of exceeding 1,010 USD/7,000 bolivianos both the payment and the declaration must be made through specific software called Facilito.

There are three payment periods according to the taxpayer: salaried employees (up to the 20th of each month), retention agents (the following month / according to maturity) and independent agents (up to the 20th of the following month / quarterly).

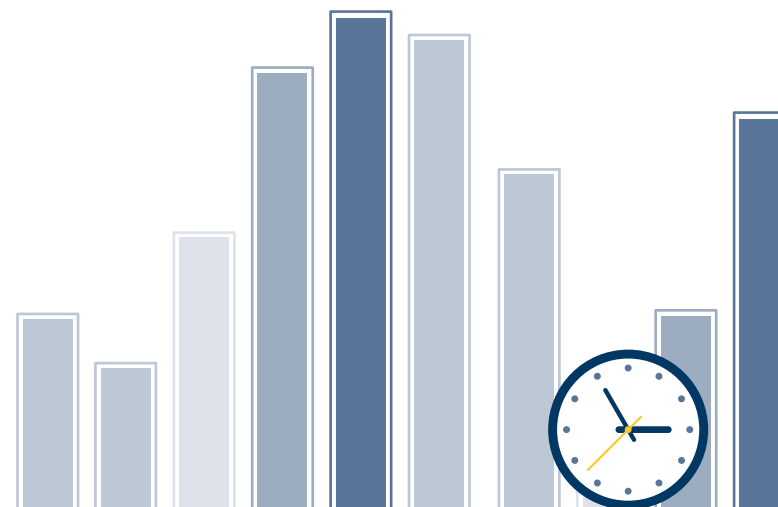
## Transaction Tax

This tax is levied at 3% on services, commercial relations, the rental of goods and lucrative or not lucrative activities, as well as free transfers of goods or those coming from the reorganization of companies or capital contributions carried out by natural or legal individuals and public or private companies.

This includes all activities subject to VAT, donations, swaps, capital contributions to companies or divisions and transformations of companies, among others. The salaries of government employees, exports, sale of shares and securities on the Stock Exchange, as well as the edition or publication of books, among others are excluded.

It is paid monthly or when the transaction is formalized.

**3%** Transaction Tax



## Corporate Profit Tax

This tax is levied at 25% on the profits of companies, as shown in their financial statements, from goods located or used in the country regardless of the nationality, domicile or residence of the owner or the parties. Activities not contemplated in the Code of Commerce as well as the activities of public universities and non-profit institutions are excluded.

It is paid annually, with a payment period of 120 days after the close of the financial year.

In addition, withholdings are applied for occasional services (15.5%) and for occasional purchases (8%).

The effectively cancelled UIE can become an advance to the IT from the month following the payment.

## Property Tax

The rate to be applied depends on the location of the property, access to public services and the condition of the property. It is paid annually.



## Motor Vehicle Taxes

The rate is calculated on the basis of the nationality of the vehicle, engine capacity and characteristics. It is paid annually.

## Taxation on dividends

The distribution of dividends is not subject to Profit Tax as long as the beneficiaries reside in Bolivia. For foreign citizens, a rate of 12.5% will be applied on the dividends obtained.

## Remittances abroad

Companies that send Bolivian-source income abroad must retain 25% of 50% of the total amount credited, paid or remitted as presumed profit, i.e., 12.5% of the total remittance.

In the case of branches of foreign companies, it shall always be understood that the profits have been remitted as of the due date of the presentation of the financial statements before the Tax Administration. There is the possibility of deducting from the taxable base for the calculation of the withholding, those amounts that are reinvested in the country. For this purpose, the parent undertaking must notify its reinvestment decision in the same event of the financial statements mentioned above, as well as assign such profits to a specific Reinvestment Reserve account.

## Loss compensation

Companies that produce losses from their investments in Bolivia may deduct such amounts from the taxable profits obtained in the immediately following 3 years.

As an exception, in the case of start-ups productive enterprises, with minimum capital of 144,790 USD/Bs1,000,000, the compensation for losses is prolonged up to 5 years following the beginning of the activity.



## Transfer Pricing

Transfer Prices are administrated by Law 516 on Investment Promotion and Law 549, being understood that such Transfer Prices result from transactions or operations carried out between related and/or related companies, for the payment of goods, services or other operations, which may be different from those agreed between independent companies.

The Transfer Pricing Study (EPT) must be prepared in physical and digital format, and sent to the website of the National Tax Service of Bolivia. It must also be in Spanish, written in national currency and signed by the Legal Representative of the taxpayer. This study must contain:

- Index
- Executive summary: data on related parties, transactions carried out and methods of analysis
- Functional analysis: background of related parties, organizational and corporate structure of the Group, economic activities and commercial strategies of the taxpayer, operations and contracts with related parties, financial information.
- Economic analysis: justification of the selected method of analysis and results
- Conclusion

Since September 2015 there are several formal obligations, different for each taxpayer according to the total sum of the operations with related parties accumulated in a year:

- Over Bs15,000,000 (approx. USD 2,200,000): must submit Electronic Form 601 Informative Affidavit and Transfer Pricing Study.
- Between Bs7,500,000 and Bs15,000,000 (approx. USD 1.100.000 - USD 2.200.000): obliged to present Electronic Form 601 Informative Affidavit.
- Less than Bs7,500,000 (approx. USD 1,100,000): they must keep documentation showing that the transactions with related parties were carried out at market prices, or that the necessary adjustments were made.

Both the Transfer Pricing Study and the Affidavit F.601 must be submitted within the period established for the presentation of the Affidavit and payment of Corporate Income Tax (IUE).

## Free Zones

The free-trade zones have been gradually closed by Ministry of Economy and Finance resolution, in order to promote the growth of the Industrial Free Trade Zones that already exist in the country.

## Double Taxation Agreements

Bolivia has double taxation avoidance agreements in force. Among them, Agreement 578 signed with Bolivia, Colombia, Ecuador and Peru establishes that income of any nature shall only be taxable in the member country in which such income has its source of production. Bolivia has also signed double taxation agreements with Argentina, Spain, the United Kingdom, Sweden and France.



# Accounting Aspects



The accounting of Bolivian companies is administrated by local accounting standards. The National College of Auditors and Public Accountants of Bolivia has already submitted the IFRS to the Bolivian authorities for approval. The new standards imply substantial changes in the tax and economic value of goods. The country's tax laws, regulated by the National Tax Service (SIN), control adjustments to the accounting result in order to obtain the taxable or tributary result (Law No. 843 and regulations) on which to regulate 25% of the Business Profit Tax as established in the Tax Code in force in the country.

## Accounting Obligations

The Code of Commerce in Bolivia establishes the obligatory nature of which the companies take an accounting according to its nature, importance and organization that allows reflecting faithfully the chronological situation of its business, and where the following registers are collected necessarily:

- Accounting receipts.
- Log Book.
- General Ledger.
- Inventory records.
- Financial Statements (Balance Sheet, Income Statement, Statement of Evolution of Equity and Cash Flow).

Individuals who are authorized to carry out the accounting will be the accountants legally qualified in Bolivia and the books will have to be bound and labelled by a Notary of FE PUBLICA.

The accounting entries must be written in Spanish and national currency, although, for internal purposes, the use of a different language and a foreign currency is allowed.

## Minimum Obligations

All Bolivian companies must present their Annual Affidavits within 120 days after the close of their fiscal year, regardless of whether they are accompanied by an external auditor's report or not. The financial statements must be physically presented and/or declared to the Tax Administration through a telematic tool called SIAT.

The end of the fiscal year varies according to economic activity, as follows:

- 31<sup>st</sup> March: industrial and oil companies
- 30<sup>rd</sup> June: rubber, chestnut, agricultural and livestock companies.
- 30<sup>rd</sup> September: mining companies
- 31<sup>st</sup> December: banks, insurance, commercial and service companies, non-profit organisations and independent professionals.

## Consolidation Obligations

Bolivian companies will be required to consolidate in the following situations:

1. There is permanent and real control by the consolidating company, either directly or indirectly.
2. There is direct or indirect ownership of more than 50% of the capital.

## Audit Obligations

Companies with gross annual revenues of USD 173,778/Bs1,200,000 are required to submit their financial statements accompanied by an external audit opinion. In this respect, the Tax Administration states that the external auditors must review the company's operations, with special attention when it comes to verify tax aspects. For the latter, they must prepare and submit a Tax Report, a Report on Minimum Tax Procedures and Complementary Tax Information (Tax Annexes), as established in current legal regulations.









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the KAM Hubs of Madrid and Chicago

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- Chicago

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- Ireland
- Italy
- Luxembourg
- Portugal
- Netherlands
- Morocco
- Brazil
- Chile
- Colombia
- Ecuador
- Mexico
- Panama
- Peru
- USA

## INTL DESKS IN SPAIN

- France
- Italy
- Hungary
- Poland
- Argentina
- Bolivia
- Brazil
- CA & Caribbean
- Chile
- Colombia
- Ecuador
- Mexico
- Peru
- Venezuela
- USA



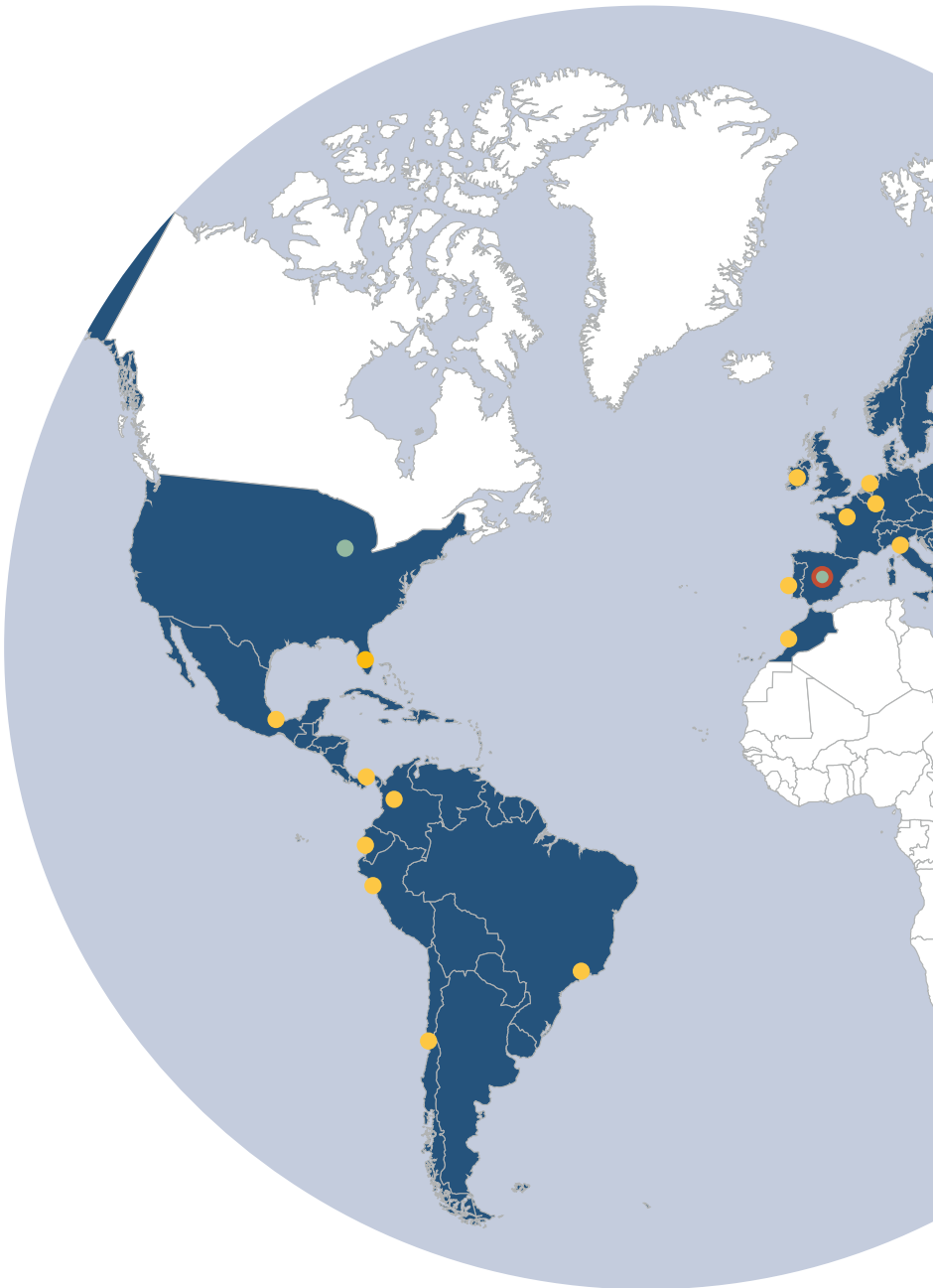
16

Fully operating  
subsidiaries



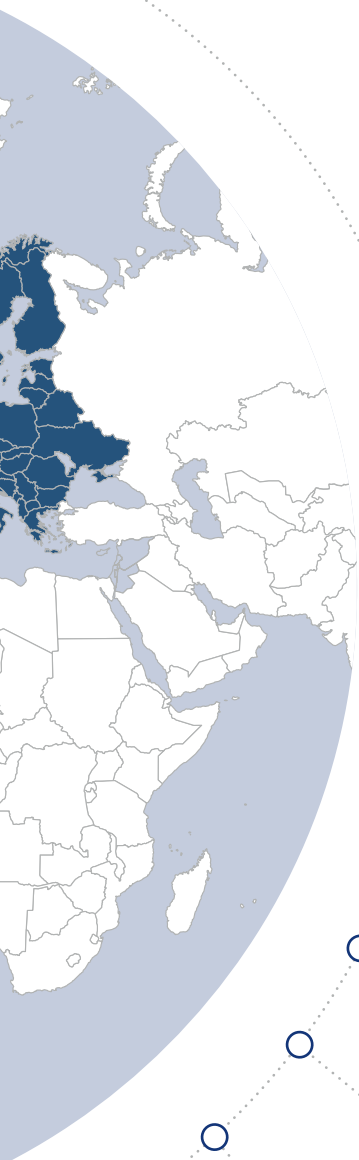
+50

Countries currently  
being served



## Services

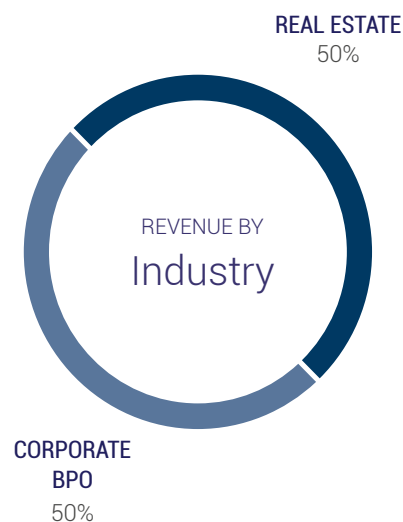
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- 
- ACCOUNTING
  - REPORTING
  - CASH MANAGEMENT
  - CONSOLIDATION
  - TAX COMPLIANCE
  - CUSTOMS AND INDIRECT TAXES
  - PAYROLL
  - STAFFING

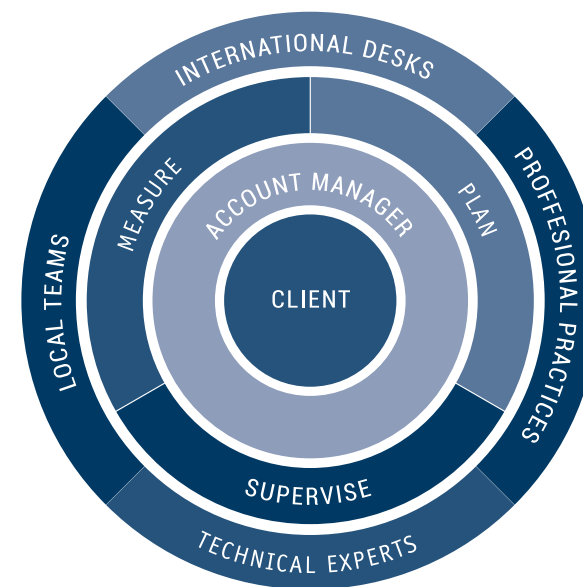
## Industries

We offer our services to clients from different industries but mainly focused in Real Estate.

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ENERGY  
PHARMACEUTICAL  
TECNOLOGY & TELECOMMUNICATIONS  
INDUSTRIAL  
PROFESSIONAL SERVICES  
RETAIL & WHOLESALE



## Service Model



**25M USD**

Turnover in 2019



**+1.000**

Clients



# AUXADI

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same methodology  
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the same online platform

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