

Payroll Operations
in the Americas –
essential compliance
and reporting
considerations

Introduction

This booklet contains market-by-market guidance on the key HR payroll and immigration matters to be considered as you expand your operations across Americas, current as of March 2019.

In our experience, careful consideration of these matters at the outset is the most effective way of avoiding any issues and ensuring an optimal set-up structure of your business and employees in new Americas markets.

This booklet is general in nature and not to be relied on as professional advice. Further, the chapters focus

on newly established, standalone operations. Where the Americas operation is a regional headquarters or a holding company for foreign subsidiaries, or if there are existing operations in Americas, other considerations must be taken into account.

In all situations, we recommend that you seek specific professional advice from the contacts listed in each chapter. They will take into consideration your specific circumstances and objectives.

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Doing business in Argentina – Payroll Operations

1. Government requirements

Registration requirements

Registration for payroll tax

A company incorporated abroad may carry out activities in Argentina in two ways:

1. By setting up a branch in Argentina.
Or
2. Through a company incorporated in Argentina in which an interest is held. Once the company is incorporated, has obtained the tax Identification number, “Clave Única de Identificación Tributaria” (CUIT), and the legal representative has linked his or her personal tax ID with the company’s CUIT, the company can be registered as an employer with the Argentine Federal Tax Authority (AFIP).

The company will then be entitled to register employees in the Unified System for Labor Registration (USLR), run by the AFIP.

The AFIP manages:

- ▶ The retirement pension fund
- ▶ The family allowances fund
- ▶ The social security fund
- ▶ The unemployment fund
- ▶ The mandatory health plans run by labor unions (“obras sociales”)

In addition, employers must purchase mandatory labor risk insurance and statutory group life insurance for employees. These insurance policies are issued by private companies (that are subject to governmental controls).

Employers are also required to issue a mandatory book of wages. This obligation is under the jurisdiction of the provincial authorities.

For employees covered by collective bargaining agreements, additional requirements may also be applicable (e.g., the payment of contributions to labor unions).

Ongoing compliance requirements

Monthly payroll tax

Regarding tax payments, the AFIP runs a withholding system, whereby employers, as withholding tax agents, are required to assess the tax to be borne by the employee, to make the appropriate withholding upon each payment and to declare and pay the withholding (General Resolution Number. 2,437).

Monthly social security contributions

Every employer is required to deduct social security contributions (at a rate of 17%) from the employee’s compensation and to make employer social security contributions too (rates are 24% or 26,4% depending on the employer).

The employee’s social security contributions are subject to maximum taxable amounts; the cap is updated every three months, in March, June, September and December of each year. However, the employer’s social security contributions are not subject to maximum taxable amounts.

Employers are granted with a minimum non-taxable amount. By January 2022, this amount will be updated in accordance with the consumer price index and in line with inflation (currently ARS 17,509.20). As of 2019, 40% of that amount of gross compensation (currently ARS 7,003.68), will not be subject to employer’s pension contributions.

To pay its social security contributions, the company has to submit a monthly social security tax return (Form F931) electronically with its tax password (Law No. 24,241, Presidential Decree No. 814/01 and regulations).

Year-end payroll tax compliance

Every calendar year-end, the employer is required to compute the annual tax to be withheld on the employee’s compensation and compare it with the taxes actually withheld in the previous months. If there has been an underpayment of tax, the employer shall withhold the additional tax from the compensation of the employee in December. If the employee has paid too much tax, the employer shall credit and refund the excess tax to the employee (General Resolution No. 2,437).

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2. Pension requirements

Registration requirements

Pension contributions are included in the contributions made to the social security scheme. Nowadays, in Argentina, there is an only one social security scheme run by the Government. Therefore, obligations related to pension benefits are fulfilled by employers in the way mentioned above (Law No. 24,241).

Ongoing compliance requirements

Ongoing compliance requirements related to pension are included in the compliance with monthly social security contributions (F931) (Law No. 24,241).

3. Employment obligations

Employment law

There are many laws governing the employment relationship. Among them, the Employment Contract Law (ECL) is the fundamental regulation, and the Labor Authority is the main governing authority of employment laws.

Minimum wage

A single general minimum wage is established for all industrial and office workers. In addition, there are collective bargaining agreements that regulate the specific employment conditions for particular sectors of activity (Section 116-120, Employment Contract Law).

Working hours and rest time

In principle, under the ECL, working hours shall not exceed 8 or 9 hours per day and 48 hours per week, excluding rest time (and between the cessation of one day and the beginning of the other, there shall be a pause of not less than 12 hours). The limit on duration of work will allow exceptions fixed by laws related to the nature of the activity, the nature of the employment of the worker and the permanent or temporary circumstances that make them admissible (Law 11,544).

Mandatory annual bonus

Mandatory bonuses are paid on 30 June and 18 December each year. They amount to one half of the highest monthly remuneration paid to the employee during the preceding semi-annual period. This is called annual supplementary salary ("sueldo anual complementario"), i.e., the 13th salary (Section 121-123, Employment Contract Law).

Paid vacation

Providing an annual paid holiday is mandatory. Vacation length ranges from 14 to 35 consecutive days, depending on the number of years of service. To be entitled to a vacation, an employee must have worked at least half of the working days in the calendar year. New employees are entitled to one day of leave for every 20 days of effective work. The compensation payable over the vacation period must include a vacation bonus. The company must pay the remuneration related to the vacation period upon the beginning of such period (Section 121-123, Employment Contract Law).

Illness and accidents

The Workers' Compensation Law requires that a mandatory insurance policy be purchased from an authorized workers' compensation insurance company, covering the cost related to medical care, professional rehabilitation, prostheses and orthopedic elements, funeral assistance and indemnities for partial or total disability or death as a consequence of occupational accidents and diseases.

Employers who purchase workers' compensation insurance policies are, in principle, exempt from any civil liability with respect to their employees and their heirs.

The insurance premium is set as a percentage of the employee's salary, which varies depending on the industry, number of employees and degree of compliance with safety regulations (Law 24,557).

4. Payroll requirements

Frequency of wage payments

Payment of remuneration must be made as follows:

- ▶ At the end of each calendar month for monthly staff
- ▶ Every week or fortnight for staff who are remunerated with a daily or hourly wage
- ▶ Every week or fortnight in respect of work completed, and a sum proportional to the value of the rest of the work performed, for personnel who are remunerated per project

Payment must be made within a maximum of four working days for monthly or biweekly remuneration, and within a maximum of three working days for weekly remuneration (Section 126 and 128, Employment Contract Law).

Payslips

Any payment in respect of salary or other form of remuneration shall be provided together with a payslip (in duplicate) signed by the worker, where the following information must be shown (Section 138-140, Employment Contract Law):

- ▶ Employer data
- ▶ Employee data
- ▶ Remuneration details
- ▶ Period, date and details of the bank account where the last social security contributions were made

Book of wages and other mandatory records

In addition to registration, as required according to the jurisdiction, employers must keep a special book of wages, registered and initialed, under the same conditions as the main trade books. Employers are required to register employees' salaries in the book of wages.

The approval of the book of wages is issued by the labor agency in each jurisdiction (each page must be stamped by the labour agency).

Should the employer not comply with these requirements, the employment relationship shall be deemed not registered (Section 52, Employment Contract Law).

5. Banking requirements related to payroll

Banking of salary

Salaries should be paid by electronic funds transfer into an account in the employee's name in a bank or an official savings institution.

Under no circumstances will bank accounts used for salary payments have a withdrawal limit, or entail any cost for the employee to open, or keep or withdraw funds, regardless of the withdrawal method used.

As a result of this, in principle, the Argentine Labor Ministry extended to all employers the system of crediting compensation into bank accounts, through Resolution No. 360/01. However, Section 124 of the ECL has not been amended and still provides that "in every case, the employee is entitled to demand that his compensation be paid in cash". So, under certain circumstances, the employer may pay salaries in cash or by check made out to the employee, to be collected by them personally. (Section 124, Employment Contract Law or Ministerio de Trabajo, Empleo y Seguridad Social (MTEySS); Resolution No. 360/01).



Doing business in Brazil – Payroll Operations

1. Government requirements

Registration requirements

In order to set up a company in Brazil, the first step is to obtain a tax identification number (CNPJ). After that, the company will be able to register with the Brazilian internal revenue service (IRS) (“Receita Federal”) and with the Board of Trade (“Junta Comercial”) of the state where it is setting up its operations.

For payroll, other specific registrations are mandatory:

- ▶ Registration with the Brazilian IRS: the attorney elected by the company must make this application. To do so, a Power of Attorney (PoA) must be granted to the elected attorney, who needs to be resident and domiciled in Brazil.

This first step is to send the appropriate forms and documents with the foreign company’s information via internet with the request form, a copy of the Articles of Incorporation and the PoA granted to the attorney, giving powers to represent the company before the Brazilian IRS in all matters.

Note that the Articles of Incorporation and PoA must be translated by a sworn translator and duly legalized.

- ▶ After registering with the Brazilian IRS, the company will be able obtain a password for a social security account with the National Social Security Institute (INSS).
- ▶ In addition, for compliance purposes, the company must have a book for the registration of labor inspections, containing all the company information. This book will be required in case of labor inspection and must be given to the public prosecutor when required.

When all the registrations have been made, company will be able to start hiring employees. It will then have other obligations, including:

- ▶ Registration of its employees with the PIS (Social Integration Program) through the Digital Certificate¹ of the company.
- ▶ In case this is the first job of the employee, it will be necessary to obtain his individual PIS number;
- ▶ Registration with the labor ministry (“Ministério do trabalho”) for the CNPJ; This is required to obtain the electronic PoA;
- ▶ Registration with the Caixa Economica Federal Bank for a taxpayer ID or CNPJ; an electronic PoA will be requested;
- ▶ Registration with the Brazilian IRS for a taxpayer ID; an electronic PoA will be requested;

Registration requirements related to Union

After obtaining all mandatory registrations with government bodies, the Brazilian labor law also requires that companies register with the union that corresponds to their activity, and which will represent and ensure the labor rights of their employees.

According to the Brazilian Federal Constitution law number 149, in January of each year, the Company should pay the annual contribution for the Union, the amount is calculated upon the equity capital.

However, the law number 13,467, which relates to the Labor Reform in force since 2017, this payment, became optional for the companies.

Considering the discount of the Union Contribution for the employee, he/she needs to inform the company and provide a letter authorizing the discount. The contribution must be recorded on employee’s work booklet.

Ongoing compliance requirements

Monthly Payroll

In Brazil, the below contributions are mandatory. They are deducted from the employee’s monthly payroll and paid to the government. Each contribution has its range of respective deduction percentages according to salary:

1. Social security contributions to the INSS: A monthly procedure with deductions from employees’ monthly payroll that vary between 26.8% and 28.8%, according to Law No. 8.212, 24 July 1991.
2. Indemnity Fund (FGTS) contributions are also required. The percentage is 8%, according to the law 8,036 from May, 1990.

¹ A Digital Certificate is an electronic “password” that allows the organization to exchange data securely over the Internet using the public key infrastructure (PKI).

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If the company has no employees registered, System for FGTS Collection and Information to Social Security return (SEFIP) are also mandatory. In this case the information is only to state the company as without movement (no employee registered) before the bank (Caixa Econômica Federal).

1. Withholding of Income Tax IRS is also a monthly procedure and the tax is calculated at percentages of 7.5%, 15%, 22.5% or up to 27.5%, depending on the employee's salary range. This is stated on Decree number 3,000 from March, 1999 (Income Tax Regulations).
2. eSocial - New requirement for all companies in Brazil in force since July 2018, according to Decree number 8,373 from December, 2014.
eSocial is a system from the federal government and consists in a digital bookkeeping of labor tax, social security and labor obligations; all related to the hiring and use of cost of labor with or without employment or social security or other tax information required by law. eSocial will be reported in compliance with the legislation in force and with the internal policies established by the client.
3. Submission of information to the General Registry of Admitted and Laid-Off Workers (CAGED) is an ancillary obligation, which is applicable when there is a new hiring or termination in the month. This is required by the Ministry of Labor, according to law number 4,923 from December, 1965.

Year-end requirements

In Brazil there are annual payroll obligations that the company needs to comply with.

The first is the "13th salary", or Christmas bonus, which is an extra salary paid to the employee at the end of the year. Employees who have worked for the 12 months are entitled to receive the full payment, while those who have worked for part of the year will receive a payment proportional to the period worked. For calculation purposes, the total salary is divided into 12 installments and the amount is multiplied by the number of months in which the employee actually worked. The payment is made in two installments:

- ▶ In November: The first installment is an advance payment which corresponds to the six months worked up to the date of payment of the first installment in November. According to Decree No. 57.155, 3 November 1965, there is no INSS deduction from or withholding taxation on the first installment of the 13th salary. But FGTS taxation is applied to both installments.
- ▶ In December: The second installment is the residual value of the 13th salary. INSS contribution and withholding tax is applied to this second installment.

Another annual requirement is the submission of an annual income statement for individuals (DIRF) to the Brazilian IRS. This needs to be submitted in order to inform the IRS of the income paid to individuals domiciled in Brazil. A DIRF needs to contain the following information:

- ▶ The amount of income tax and withheld contributions, and the income paid or credited to the company's beneficiaries
- ▶ Payments, credits, deliveries, remittances to, and employment of residents or those domiciled abroad
- ▶ Payments to any company health care plan

The final annual requirement is the RAIS, which is a report containing socioeconomic information, requested annually by the Brazilian Ministry of Labor and Employment from companies and other employers. It was initiated by Decree No. 76.900, 23 December 1975.

2. Pension requirements

Registration requirements

Usually, all employees are registered for social security at their first workplace by their employer, through registration of their PIS number, which is the INSS number for each employee.

Ongoing compliance requirements

The following requirements relate to pension:

- ▶ Indemnity Fund (FGTS): due by the 7th of each month
- ▶ Social Security tax voucher (GPS): due by the 20th of each month
- ▶ Withholding Income Tax voucher (DARF): due by the 20th of each month
- ▶ Employer union contribution: due by January 31st each year

3. Employment obligations

General employer obligations

- ▶ **Salary:** This is established by a collective bargaining agreement and guarantees a minimum salary for each sector. The union also establishes other conditions, such as percentage of overtime, night work, benefits and advance salary. The due date for salary payments can be considered the 30th day of each month, or by the 5th working day of the subsequent month, according to Article 465 of the Consolidation of Labor laws (CLT).
- ▶ **Vacation:** Employees only acquire the right to vacation after one year of work at the same company, and therefore, vacation cannot be granted before employees complete this period. For every 12 months worked, employees are entitled to a 30-day vacation, which is compensated with a monthly salary plus an additional bonus of one-third of the monthly salary. The payment must be made two business days before the beginning of the vacation, according to Articles 129 to 133 of the CLT.
The vacation period can be split up to three periods, provided that the employer grants authorization and that one period corresponds, at least, to 14 consecutive days. The remaining periods may not be less than five consecutive days, according to law number 13,467 from November, 2017 which relates to the Labor Reform.
- ▶ **Termination:** The termination of an employment contract may be decided, as a general rule, either by the employer (dismissal) or by the employee (resignation).
 - ▶ According to the regulatory normative (norma regulatória) number 7 of Occupation Health Program Control, the dismissal medical examination must be performed within 10 days of the end of the contract.

For payment made outside the established legal term, an equivalent monthly compensation is due to the employee, as required by Brazilian law in accordance with Article 477 of the Labor Code.

Salary adjustments for the professional sector are always annual, and these are established according to the collective bargaining agreement of the union responsible for the company's sector.

4. Payroll requirements

Statutory payroll requirements

The company must prepare the monthly payroll for the salary paid to all employees in its service, and must maintain a copy of the corresponding paperwork and receipts of payment, according to Article 225 of Decree No. 3048, from May, 1999.

5. Banking requirements related to payroll

Bank requirements related to payroll

Salaries are paid by wire transfer. Salary payments must be made in local currency, which is Brazilian reais. The employee must open a bank account and provide the account information to the company.

Doing business in Canada – Payroll Operations

1. Government requirements

Registration requirements

Opening a federal payroll program account with the Canada Revenue Agency (CRA)

In addition to the federal taxation statute administered by the CRA, there are 10 provinces and three territories in Canada, each with their own taxation statute related to the taxation of individuals. All provinces, other than Quebec, have an agreement with the CRA to collect and administer, on their behalf, the provincial income tax applicable to employees. As such, registration is only required with the CRA for these nine provinces and three territories. Quebec has its own tax administration system, as discussed below.

Before hiring employees, the employer must open a payroll program account with the CRA. The payroll program account number will help to identify the company when dealing with the CRA. If an employer has a business number (BN) with the CRA, then the payroll program account can be added to the BN, which is represented by 15 characters: a combination of the nine-digit BN, two letters for the type of account (for payroll, the letters are RP), and four numbers for a specific payroll account (e.g., 0001). Depending upon the business, the company can register for more than one payroll program account, if necessary. If an employer does not have a BN, then both this and a payroll program account can be applied for simultaneously, often at the time the corporate income tax account is being requested, after incorporation.

Opening a Quebec source deductions account

Before hiring employees, an employer must register for source deductions and obtain an identification number with Revenue Quebec (RQ). This applies to employers with employees reporting to work at a location or establishment in Quebec, or if not reporting to work at such a location, being paid by an establishment in Quebec. The RQ identification number will help to identify the company when dealing with RQ.

Worker compensation

The company must register with the Workers' Compensation Boards (WCB) in the province(s) in which it is located and in which employees will report or be paid. The mandatory WCB insurance program will provide employees with income replacement and medical benefits in case of a workplace-related injury or disease. It may also assist the employer in avoiding or lowering the burden of lawsuits. Workers' compensation insurance is funded by employers in every province of Canada on the basis of their payroll, industry sector and claim history.

Medical insurance plan

Apart from the workers' compensation programs, in some provinces of Canada, the employer is required to make a contribution toward the provincial universal health services program. The provinces of British Columbia, Manitoba, Newfoundland and Labrador, Ontario, Quebec and the Northwest Territories and Nunavut have such taxes.

Ongoing compliance requirements

Federal and provincial income tax

The employer is obliged to deduct federal and provincial income tax from every employee's pay and to remit this to the designated government authority on time. There is no age limit for the deductions, and no employer contribution is required. The tax is calculated according to the payroll deduction tables T4032 and T4008, updated by the CRA every year.

Employer information returns

Employers are required to complete an employment information return for each calendar year. The federal information return is form T4, while the Quebec equivalent is form "Releve". In these returns, the employer reports employee income and deductions, as well as employer contributions for the year. The information returns consist of a summary and a separate slip for each employee, a copy of which is to be distributed to the respective employee for use in preparing their personal income tax return. The deadline for submitting the information returns is the last day of February following the calendar year that the information returns relate to.



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2. Pension requirements

Registration requirements

Canada Pension Plan (CPP) or Quebec Pension Plan (QPP)

Employers are obliged to contribute to the CPP at the same rate as the employee. Registration for source deductions for the CPP occurs through the payroll program registration with CRA. CPP is a mandatory deduction from each payment to an employee who is between 18 and 70 years of age, up to an annual maximum. There is an exception for employees who are over the age of 65 and elect to stop contributing to the CPP through form CPT30 (Election to Stop Contributing to the Canada Pension Plan). For 2017, the maximum annual contribution into the CPP per employee is CAD\$2,564.10. Quebec-based employees will make contributions, and have contributions made by their employer, into the QPP, which replaces the CPP requirement. Registration for the QPP occurs through the RQ source deduction registration.

Ongoing compliance requirements

In 2017, the CPP contribution rate is 9.90% of an employee's gross earnings (up to a certain limit). The employer portion is 4.95%, which is taken as a deduction at source from the employee's pay. The contribution rate is applied to the portion of pay between the basic exemption (CAD\$3,500) and the maximum pensionable earnings (MPE), which are CAD\$55,300 in 2017. The maximum employee and employer contribution in 2017 is CAD\$2,564.10. In 2017, the QPP contribution rate is 10.80% of an employee's gross earnings (up to a certain limit). The employer portion is 5.4%, which is taken as a deduction at source from the employee's pay. The contribution rate is applied to the portion of pay between the basic exemption of CAD\$3,500 and the MPE, which is CAD\$55,300 in 2017.

3. Employment obligations

Hiring employees

When an employee is hired, the employer is obliged to obtain their Social Insurance number (SIN), as well as a completed Form TD1 (Personal Tax Credits Return) to ensure correct payroll deductions. Quebec-based employees complete Form TP-1015.3-V (Quebec tax credit return).

Employment insurance (EI)

For each employee, employers must deduct and remit employment insurance premiums equaling 1.63% of the first CAD\$51,300 of insurable earnings in 2017. The employer contribution is 1.4 times the employee's contribution, up to the maximum yearly employer contribution of CAD\$1,170.67 per employee in 2017. This insurance provides the employee with partial income replacement in case of job loss, medical benefit in case of non-work-related illness or sickness, and coverage for many more areas related to non-seasonal work and family-related benefits.

Minimum wage standard

The minimum wage varies by province and is subject to regular updates. This should be monitored regularly.

Vacation pay

An employee is eligible for a statutory minimum of vacation pay at 4% of vacationable earnings and vacation time of two weeks after completing one year of service. Employers can permit vacation to be taken prior to the one-year anniversary. Many provinces add additional statutory pay of an extra 2% (to 6% overall) and an additional week of time off after a five-year anniversary, but not all. The Employment Standards legislation is distinct in each province, with many similarities but also differences as to which earnings are vacationable. Employers are required to track both vacation pay and time earned.

4. Payroll requirements

Payroll frequency

Companies can pay employees on a weekly, biweekly, semi-monthly or monthly basis, depending upon the nature of the business.

Payslip requirements

An employer should provide employees with a payslip or pay statement, including details of income, benefits, deductions, credit and net pay. Payslips must include the pay period for which the payment is being made, the employee's wage rate, gross amount before deductions, amount and purpose of each wage deduction, and net the amount of wages. The employer may provide a hard copy or electronic copy of the payslip to the employee.

Garnishment

An employer is responsible for obeying garnishment orders and must deduct amounts from an employee's pay every period and transmit the funds to court. Failure to deduct amounts from an employee as directed could lead to the employer having to pay both the employee and the court. Not obeying a court order could also result in penalties and legal proceedings.

5. Banking requirements related to payroll

Payment of wages and salaries

The employer may make payments to its employees via check, cash, money order or electronic funds transfer.

Government authorities

The employer may make payments to the CRA via check or electronic funds transfer. Source deductions related to income tax and EI, plus employer EI contributions, are required to be remitted to the CRA for all employees. CPP is required for all non-Quebec employees. Source deductions for QPP for Quebec employees must be remitted to RQ. Workers' compensation premiums are to be remitted to the respective provincial Workers' Compensation Board, while health taxes are to be remitted to the respective provincial health tax authority as applicable.

Doing business in Chile – Payroll Operations

1. Government requirements

Registration requirements

The registration requirements for government bodies are:

- ▶ Registration as Tax Payer in Chile, in order to obtain a Tax ID.
- ▶ Registration to the “Previred” portal once having a Chilean Tax ID
- ▶ Registration to the Severance Fund administrator entity (AFC)
- ▶ Registration to the occupational accident insurance entity (Mutual)

Ongoing compliance requirements

The ongoing compliance or filing requirements are:

- ▶ Monthly pension contributions
- ▶ Monthly health contributions
- ▶ Monthly occupational accident insurance payments
- ▶ Monthly income tax filings with the local internal revenue service (IRS), using form F29
- ▶ An annual affidavit with the local IRS



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2. Pension requirements

Registration requirements

In order to comply with monthly health and pension contributions, a company must register as an employer on the "Previred" portal, which is a centralized health and pension fund payment system. This procedure can be performed by EY on behalf of a client.

Ongoing compliance requirements

Not applicable.

3. Employment obligations

Employers must comply with the following local labor regulations:

- ▶ There must be a signed work contract or agreement between the employer and the employee.
- ▶ Employees must be paid a minimum wage of CLP264,000 (approximately US\$410).
- ▶ After one year of employment, the employee has a right to 15 labor days of vacation.

4. Payroll requirements

Employers must process salary payments in accordance with the conditions agreed in the work contract, and provide the employee with a payslip containing details of the salary received and the discounts applied.

Employers must upload the appropriate calculations to the Previred portal for payments of health and social contributions (for pensions).

Employers must also generate work contracts and terminations, according to the instructions set forth by the Chilean Law.

5. Banking requirements related to payroll

All employers (local or foreign) must hold a local bank account in local currency in order to pay salaries and social contributions.

If agreed, an employee can receive his or her salary in foreign currency. However, salary must be calculated in local currency and then exchanged to the corresponding foreign currency.





Doing business in Colombia – Payroll Operations

1. Government requirements

Registration requirements

In order to set up a company in Colombia, the first step is to register in the Single Tax Register (RUT) at the Colombian Taxes and Customs Authority (DIAN).

It is important to obtain a registration from the Chamber of Commerce, in this document the merchant makes public his profile. This commercial registration contains general data information about merchants and companies.

Social security registration

Every company must be affiliated and pay the monthly contributions to the ARL (Professional Risk Administrator), EPS (Health Care Entities), AFP (Pension Funds Entities), welfare compensation funds, which cover all the minimal services established by the law to the employees who are affiliated.

To carry out these affiliations it is necessary to present:

- Certificate of existence and legal representation
- Photocopy of the RUT
- Photocopy of the ID of the legal representative

Ongoing compliance requirements

In accordance with incomes of payment that have been paid to every employee, it is necessary to liquidate the Social Security that corresponds to the contributions for EPS, AFP, ARP, Fiscal contributions, which must be paid in accordance with the dates legally established according to the number of the Tax ID "NIT" assigned to the company. The maximum limit of contributions base to the Social Security is 25 SMLV and for the Fiscal contributions, there is no limit.

In Colombia it works by means of a unique schedule and it is paid through an operator of information, who is in charge of the distribution of these contributions to every entity.

(a) ARL (Professional Risk Administrator)

This affiliation is obligatory for all employees in Colombia in order to obtain protection against an accident at work or occupational disease.

The amount of the contributions is decided in accordance with the risk that the ARP determines for the economic activity of the company.

The table is the following one:

Type of Risk	%
I	0.522
II	1.044
III	2.436
IV	4.350
V	6.960

The employer is in charge of this contribution.

The base for the calculation of these contributions will be the monthly salary that the employee receives; it is understood as salary – basic or integral salary with changeable payments that are part of the salary.

For the integral salaries, the contribution is calculated based on 70% of the salary.

(b) EPS (Health Promoting Entities)

This affiliation is obligatory for all the habitants of Colombia who wants access to attention in health.

The amount of the contributions to the EPS, nowadays correspond to 12.5 % of the base salary of contribution, this 12.5 % is distributed in the following way:

The employer will be in charge of two-third of the contribution, it is equal to 8.5%, and employee is in charge of one-third of the contribution, it is equal to 4%.

This contribution guarantees the coverage of the obligatory plan of health for the employee and his or her family, if it has been affiliated.

The base for the calculation of these contributions will be the monthly salary that the employee perceives; it is understood as salary – basic or integral salary with changeable payments that are part of the salary.

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For the integral salaries. the contribution is calculated based on 70% of the salary.

(c) AFP (Pension Funds Administrator)

This affiliation is obligatory for all the habitants of Colombia who wants access to a protection in their oldness, invalidate state and death.

The amount of the contributions to the AFP corresponds nowadays to 16% of the salary base of contribution, this 16% is distributed in the following way:

The employer pays the 75% of the total contribution and the employee pays the remaining 25%.

The affiliated employees, whose revenue bases of contribution are superior to four legal minimum salaries in force, will contribute an additional percentage point with destination to the Solidarity Pension Fund.

In addition, there is a table corresponding to the account of subsistence which is discounted in the following way:

Base revenue	Additional contributions for the employee
16 a 17 SMLV	0.2%
17 a 18 SMLV	0.4%
18 a 19 SMLV	0.6%
19 a 20 SMLV	0.8%
Major of 20 SMLV	1.0%

The base for the calculation of these contributions will be the monthly salary that the employee perceives; it is understood as salary – basic or integral salary with changeable payments that are part of the salary. It’s the same used for the health.

For the integral salaries the contribution is calculated based on 70% of the salary.

(d) Fiscal contribution

All companies or productive units that has employees linked by means of contract jobs must do a contribution equivalent to 9% of its payroll by concept of fiscal contributions, which will be distributed in the following way:

- ▶ Four percent for the Welfare Compensation Fund
- ▶ Three percent for the Colombian Institute of Familiar Welfare (ICBF)
- ▶ Two percent for the National Learning Service (SENA)

Local payroll tax

Local payroll tax has to be paid by employer on the bases of the monthly taxable income paid.

Tax residence in Colombia

Natural persons (local or foreign) and domestic residents are subject to income tax in respect of their local source of income, and capital gains on both national and foreign source. Foreigners residing in Colombia are subject to income tax in respect of their local source of income and the foreign source of income from the first day of their continuous or discontinuous residency in Colombia. The filing date for individual income tax return is based on the last two digits of the individual’s tax identification number (NIT).

According with Law 1607 of 2012, the residence is the physical permanence in the country continuously or discontinuously for more than 183 days over a period of 365 consecutive days.

Additionally, people who during the corresponding tax year meet the following requirements will be considered as national residents:

- ▶ Have their spouse or permanent partner not legally divorced or their minor dependent children, with tax residence in the country.
- ▶ Have 50% or more of their income from national sources.
- ▶ Have 50% or more of its assets obtained in the country.
- ▶ Have 50% or more of its goods obtained in the country

Tax resident employees must pay tax on their worldwide income based on progressive rates. The Colombian tax system is expressed in terms of tax value unit (UVT).

The non-resident rate is 20% on all income received without any deduction.

Tax rate in Colombia

The maximum tax rate is 39%.

2. Pension requirements

Registration requirements

In Colombia, there are two regimes under employees that can contribute with a pension.

1. Individual Savings Regime with Solidarity and Medium Premium Regime (Colpensiones), in the average Premium Regime is required 1,300 weeks of contributions and the legal age compliance (57 women and 62 men).
2. In the private regime there is no age condition, if the member opts for the way to fulfill a saved capital. But if you choose to retire for weeks, you will be required to meet the age specified by the law. In the first case, the important thing is that the capital of the Individual Savings Account financially a pension, at least, of 110% of the legal monthly minimum wage in force. Regarding the time of contribution, if the worker is affiliated with the Individual Savings Scheme and opts for the way to accumulate the necessary capital to retire, there is no minimum number of weeks required. The pension will depend on the amount saved and the income generated. But, if that worker chooses the path of weeks, in the private fund, 1,150 weeks will be required, and the legal age to obtain the pension will be demanded.

3. Employment obligations

(a) Minimum salary- legal transport subsidy

The legal minimum salary amount for 2019 is COP\$828.116

The legal transport subsidy for 2019 is COP\$97.032. This amount must be paid to employees who earn up to two current legal minimum wages or less.

(b) Severance payment

Each employer is forced to pay the employees at the end of the contract job, or partially liquidate them or to record them in the fund at the latest on 14 February of the following year, a help of severance which corresponds to a month of salary for every year of services and proportionally by fractions of year. It only applies for ordinary salaries.

To liquidate the help of severance, it is necessary to take as a base the last monthly salary earned by the employee, provided that it has not had variation in the last three months. In the opposite case and in the case of the changeable salaries, the base will be the average of the income earned in the last year of services or in all the served time if it was less than a year.

(c) Interests on the severance payment

Every employer must recognize and pay interests of 12 % per year on the severance as of 31 December of every year; or in the dates of retirement of the employee or partial liquidation of severance, that corresponds to it by concept of severance.

The interests will have to be paid in January of the year following that they were caused; or in the date of the retirement of the employee or in the following month to the partial liquidation of severance, when it would take place before 31 December of the respective annual period, in proportional quantity with the time passed of the year.

(d) Premium of services

Every company of permanent character is forced to pay a premium of services that corresponds to 15 days of salary, payable in the following form: the first on June (last day) and the other at least the twentieth day on December, it is payable per semester of the calendar, to whom have worked the whole respective semester; or proportionally to the worked time.

This premium of services replaces the participation of utilities and it only applies for ordinary salaries.

(e) Vacations

The employees, who rendered their services for at least a year, have the right to get 15 consecutive working days of remunerated vacations, and they are paid to the employee when taking them. They apply for the both types of salaries.

Register of vacations

Every employer must maintain a special record of vacations where they record details such as the date in which each employee joined the company, the date in which the employees take their annual vacations, the duration of the vacation and the remuneration for the same.

4. Payroll requirements

Ordinary salary

It is a remuneration of job relating to the direct payment as a result of the services rendered. Payments incurred by the employer regarding this salary are severance payments, interests on the severance payment, vacation and premium of services.

Contributions to the integral social security system and payroll taxes shall be calculated based on 100% of the agreed salary.

Integral Salary

It is a remuneration of job, when the employee earns more than 10 Minimum Monthly Legal Salaries in force; it additionally includes a fringe benefit factor of 30% that includes, social benefits, night, Sunday and holiday overtime, payment in kind, aids and interests.

It relates to 10 MMLS and 30% of the Fringe Benefit Factor.

Contributions to the integral social security system and payroll taxes will be paid based on 70% of the integral salary.

Payments incurred by the employer in this kind of salary is vacations.

Taxes of labor incomes - Withholding in the source

Taxes and contributions applied which come from the payroll settlement and which are considered under Colombian laws.

It is an early revenue that facilitates, assures and accelerates the payment of the income tax; the law has determined that it has to be carried out at the moment of the origin of the labor income.

A labor income is considered as the remuneration earned from the rendering of personal services under continued dependence and subordination, no matter the form or denomination that is adopted as long as it constitutes a labor income.

This collection is monthly discounted in the payroll on the received payments determined as labor income and it is paid to the entity collector "DIAN" by means of the income tax declaration that the company pays every month.



Nowadays, once debug the base of retention in the source, the calculation is carried out bearing in mind the following table:

Range in UVT		Marginal Rate	Withholding in Source
Since	Until		
>0	87	0%	0
>87	145	19%	(Taxed labor income expressed in UVT minus 87 UVT) x 19%
>145	335	28%	(Taxed labor income expressed in UVT minus 145 UVT) x 28% plus 11 UVT
>335	640	33%	(Taxed labor income expressed in UVT minus 335 UVT) x 33% plus 64 UVT
>640	945	35%	(Taxed labor income expressed in UVT minus 640 UVT) x 35% plus 165 UVT
>945	2300	37%	(Taxed labor income expressed in UVT minus 945 UVT) x 37% plus 272 UVT
>2300	in onward	39%	(Taxed labor income expressed in UVT minus 2300 UVT) x 39% plus 773 UVT

5. Year-end requirements

Income and retentions certificate

It is an obligation of the employer, to deliver annually, at the latest on 29 March, the certificate of income and retentions of the taxable year, which is the reflection of all the income and contributions carried out in the immediately previous year.

Magnetic media

The employer is bound to file this obligation in an annual basis on April. The information the DIAN requires is related to income, social security and withholdings of the taxable year, carried out in the immediately previous year.

6. Banking requirements related to payroll

Salaries can be paid by cash, check or transfer. It is not permitted that Colombian residents make deposits or have checking or savings accounts in foreign currency Colombian banks. The payment must be made in local currency, which is Colombian pesos.





Doing business in Costa Rica – Payroll Operations

1. Government requirements

Registration requirements

All Costa Rican workers are obliged to join the Costa Rican Social Security Fund from their first working day, according to the Workers' Protection Act, Transitional XII; Constitutive Law of the CCSS ("Caja Costarricense de Seguro Social"), Articles 3 and 74; and the Regulation for the Registration of Independent Workers, Articles 1 and 2.

1. When the employer presents the required documents and once the existence of an employment relationship is verified, the inspector gives the employer a document called the Provisional Employer Certificate ("Orden Patronal Provisional"), which remains in force until the following month. Then, the "Sistema autogestión de Planilla en Línea" (SICERE) generates an employer certificate; the system will then issue and send this certificate to the employer every month.
2. The current minimum for employees' contributions to the CCSS (for "Invalidez Vejez y Muerte" (IVM) and "Seguro Enfermedad y Maternidad" (SEM)) is CRC231.135, as of January 2017. The percentage of contributions from the employee's salary is 9.34%.
3. Every employer must report on the payroll any payment made to employees during the month, regardless of the form of payment that the employer has agreed with their employees, and whether the payments are monthly, biweekly or weekly.
4. Domestic social contributions are divided into two major groups: contributions corresponding to health insurance and contributions corresponding to pension funds.
5. The process to insure a foreign person is the same as for Costa Rican nationals; however, a foreign employee must be in Costa Rica legally.

For employees of legal age, if the submission is being made in person, a valid personal identity card is required in addition to the registration application, duly completed manually or electronically, and signed by the employee and the employer. If the submission is being made online, the employer can do this once they have been incorporated in the SICERE system.

Ongoing compliance requirements

Social security

The monthly social security reporting dates are between the 26th of the month and the 4th business day of the following month. For large taxpayers, the date is the third business day of the following month. The local authorities determine who are large taxpayers and request the contributors to send the information via TxT file to an executive of the CCSS (Caja Costarricense de Seguro Social).

Payment of the invoice generated for the declaration must be made through the SICERE website, according to the date that the system generates the invoice, which usually varies between the 14th and 17th day of each month.

The dates to pay the Social Security declaration are as follows: 16 January, 16 February, 16 March, 18 April, 17 May, 18 June, 17 July, 20 August, 18 September, 17 October, 22 November and 18 December.

Payroll

Monthly withholding tax return must be paid at the beginning of each month, usually by the 15th of each month. The submission of monthly payroll information to the Institute of Insurance (INS), through the "Riestode Trabajo" (RT) Virtual page, must be made according to the calendar provided – usually by the 14th of each month.

2. Pension requirements

Registration requirements

The Board of Directors of the Costa Rican Social Security Fund has agreed to submit the draft amendment to Article 41 of the labor relations regulations to the unions' group for consideration. It refers to severance payment, recently approved by the highest institutional body.

The partial reform project proposes that those who acquire the right to severance benefits will be granted an amount equivalent to the amount of days provided in Article 29 of the Labor Code during the years worked after the Worker Protection Law. This means that 5.33% (based on the employee's salary) would be paid to the retiring employee and 3% would be transferred to the Labor Capitalization Fund for the supplementary pension, to make up the total of 8.33% provided by the law.

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Ongoing compliance requirements

The dates that Social Security reporting should be submitted are:
2 January, 1 February, 1 March, 2 April, 2 May, 1 June, 2 July, 1 August,
3 September, 1 October, 1 November and 3 December.

3. Employment obligations

The minimum legal salary is the minimum wage that the employer must pay employees for their work. This salary is fixed by the National Wages Council, established through an executive decree and adjusted twice a year: in January and July.

It is governed by the following legislations:

- ▶ Political Constitution, Articles 56 and 57
- ▶ Law No. 832 – Law of the National Wages Council
- ▶ The Labor Code and its reforms, Articles 143, 152 and 162 to 179
- ▶ National Pact Agreement, 1998

The Christmas bonus payment must be made within the first 20 days of December, and is a proportion of the salary received between December of the previous year and November of the current year.

The law stipulates that the right to paid annual leave is guaranteed for all employees after a period of 12 months (50 weeks) of continuous work. Annual leave can be extended by a maximum of 14 calendar days in a row (12 working days). The law does not indicate whether the period of paid annual leave increases with seniority. If a contract is terminated before the 50-week period is completed, the employee is entitled to at least one day's leave per month worked and said accrued leave will be paid at the time of termination of the contract.

4. Payroll requirements

Employers must make monthly or quarterly salary payments, and comply with the above employment obligations.

5. Banking requirements related to payroll

This information is not applicable.





Doing business in Dominican Republic – Payroll Operations

1. Government requirements

Registration requirements

The steps for the registration of permanent staff with the Ministry of Labor, using the “Sistema Integrado de Registros Laborales” (SIRLA) portal, are as follows:

1. Buy a pin number for the “planilla de personal fijo” (permanent staff form) DGT-3, which is DOP500 (approximately US\$11.75).
2. Buy a “Libro de Visitas” (Visit Book), which costs DOP350 (approximately US\$7.52).
3. Request access to the SIRLA portal.
4. Register employees in the SIRLA portal using the DGT-3 form.

The following documents are required for the registration of permanent staff with the Ministry of Labor using the SIRLA portal:

1. A letter addressed to the Ministry of Labor specifying that the employment contracts for the employees are being submitted.
2. Four original contracts for each employee, which must specify everything related to the company and the employees.
3. An identification and electoral card for each employee.

The following documents are required for registration with the “Tesorería de la Seguridad Social” (Social Security Treasury):

- ▶ Registration form (form DAE-FO-007)
- ▶ Letter requesting registration, specifying the authorized representative, with the seal of the company and signature of the manager or president of the company
- ▶ Copy of the identification card of the company manager or president, and of the authorized representative
- ▶ Certification issued by the “Dirección General de Impuestos Internos” (DGII) specifying the tax regime and date of registration
- ▶ Copy of the certificate of assignment in the “Registro Nacional de Contribuyentes” (RNC), issued by the DGII
- ▶ Copy of the bylaws
- ▶ Copy of the last assembly minutes
- ▶ Copy of the “Registro Mercantil” (Mercantile Register)

Ongoing compliance requirements

The following are the compliance requirements related to government bodies:

1. Monthly income tax return (form IR-3), for which a receipt is generated by the General Directorate of Internal Taxes, for which payment is made on the 10th of each month
2. Monthly social security presentation, for which a receipt is generated from the Social Security Treasury system, and payment is made on the third business day of each month
3. Monthly presentation of “Infotep”, for which a receipt is generated from the Social Security Treasury system and payment is made on the 10th of each month

2. Pension requirements

Registration requirements

There are several pension fund administrators in the Dominican Republic, such as AFP Reservas, AFP Popular and Scotia Crecer AFP. These are independent from the pension fund that the employee normally contributes to at 2.87% per month, up to a cap of DOP197,100.

3. Employment obligations

Minimum wages

- ▶ DOP 1,292 per month for private sector workers working in industrial, commercial or service companies whose assets equal or exceed DOP 4 million
- ▶ DOP 7,763 per month for private sector workers working in industrial, commercial or service companies whose assets equal or exceed DOP 2 million and do not exceed RD\$4 million

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- ▶ DOP 6,880 per month for private sector workers working in industrial, commercial or service companies whose assets do not exceed DOP 2 million
- ▶ DOP 234 per day for field workers in agricultural work, working days of 10 hours
- ▶ DOP 9,526 per month for private sector workers who provide surveillance services as private guards

According to Article 178, workers acquire the right to vacation every time they complete one year of uninterrupted service in a company. If they work under a contract for an indefinite period and, without any fault on their part, cannot provide uninterrupted services for a year because of the nature of their work or due to any other circumstance, they are entitled to a period of vacation proportional to the time worked, if it is more than five months (Article 179).

For employees who cannot complete a year of work without interruption, Article 180 establishes the following scale:

- ▶ Workers with more than five months of service get six days of vacation.
- ▶ Workers with more than six months of service get seven days of vacation.

- ▶ Workers with more than seven months of service get eight days of vacation.
- ▶ Workers with more than eight months of service get nine days of vacation.
- ▶ Workers with more than nine months of service get 10 days of vacation.
- ▶ Workers with more than 10 months of service get 11 days of vacation.
- ▶ Workers with more than 11 months of service get 12 days of vacation.

Law 16-92 of the Labor Code provides that the employer is obliged to pay the worker a payment of one-twelfth of the ordinary salary they have earned during the calendar year. The period determined for the employer to pay the Christmas bonus is from 6 December to 20 December.

4. Payroll requirements

As per statutory requirements, employees in the Dominican Republic must receive either monthly or biweekly payments.

5. Banking requirements related to payroll

This information is not available.



Doing business in Ecuador – Payroll Operations

1. Government requirements

Registration requirements

In order to set up a company in Ecuador, it is necessary to complete some mandatory steps to operate under local legislation.

According to the Superintendence of Companies, in order to set up a company, a public deed is required, that will be registered before the Mercantile Registry.

For the issuance of this deed the following is required:

- ▶ Name, nationality and address of individual or legal entity who is to set up the company;
- ▶ The corporate purposes duly specified;
- ▶ Denomination and duration;
- ▶ Amount of Capital, the percentage of participation in shares / stocks, the nominal value, name and nationality of the subscribers of the capital;
- ▶ Description of what each partner contributes as well as the amount of their payments in cash or assets; the value attributed to such assets and the part of capital not paid;
- ▶ Company's address;
- ▶ The opening of a capital integration account in the bank institution of their choice. The basic requirements may vary depending on the institution, however in general terms, the minimum capital for a limited liability company is USD 400, USD 800 for a Corporation and USD 2,000 for subsidiaries.

Finally, with the inscription on the Superintendence of Companies, the Tax ID Number shall be obtained before the Internal Revenue Services (SRI) that is the local Tax Administration.

An employer number will be issued by the Ecuadorian Social Security Institution (IESS) through the Social Security web services. Once the requested data has been registered, an application form must be signed by the legal representative and delivered to the Social Security offices.

To finish with the registration requirements, the Company must obtain the operating permit issued by the Municipality, as well as the permission of the Fire Department.

2. Labor, social security and income tax guide for employees in Ecuador

Registration requirements

Employee's Contract

As a general rule, all contracts signed with employees must be permanent contracts (not fixed time) with 90 days of trial time which would be used to verify their capability to succeed in their assigned position and determine their continuance in the Company. If a termination is made within the 90 days trial, no indemnification payments should be performed.

There are other types of contracts that have a fixed time, however they usually refer to a specific labor with a start and end date.

Maximum working hours

In Ecuador, the maximum working hours are eight per day, and these must not exceed forty hours per week.

In exceptional cases, due to business requirements and based on regulations issued by the Ministry of Labor, special working schedules might be applied in which working days and days off are consecutive.

Working hours may be distributed in a regular way on the five working days of the week and overtime is subject to additional payments.

3. Remuneration - components and benefits

(a) Remuneration definition and payment

Remuneration is compounded by all income received by the employee in cash, kind or services, including compensation for extraordinary work, commissions, and individual contributions to the Ecuadorian Social Security Institution - IESS (when borne by the employer), as well as any other compensation associated to the industry or service.

The remuneration cannot be less than the Sectorial Minimum Wage established according to law in force.

For the year 2018 the Minimum Wage is USD 386

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(b) Overtime payments

Supplementary hours:

The working hours that exceed the aforementioned limits are subject to the payment of a surcharge, the percentage of which varies according to the schedule in which they occur. Such hours cannot exceed four in a day nor twelve hours in a week.

If overtime takes place during the day or until midnight, the employer will pay the compensation corresponding to each of the additional hours plus a fifty percent surcharge. If these hours are incurred between midnight and 6am, the employee will be entitled to a hundred percent surcharge.

Extraordinary hours:

The work performed on resting days and holidays must be paid with a hundred percent surcharge.

The surcharge for the payment of overtime is calculated according to the value of one working hour during daytime, applying the following formula:

$$\text{Base Salary} / \text{Number of regular monthly working hours (240 hours)}$$

Sample:

Monthly Base Salary US\$5,000

Supplementary hours 3

Extraordinary hours 2

Amount per working hour = Monthly base salary (5,000) / 240 =

US\$20.83

Surcharge for supplementary hours = Amount per working hour (20.83) * 1.50 * Number of supplementary working hours (3) = **US\$93.75**

Surcharge for extraordinary hours = Amount per working hour (20.83) * 2 * Number of extraordinary hours (2) = **US\$83.33**

(c) Labor Benefits

Thirteenth remuneration (Christmas Bonus)

Employees are entitled to receive a remuneration equivalent to the twelfth portion of the annual remuneration, payable on a monthly basis or a one-time payment up to December 24th, depending on the employees' choice.

This remuneration is exempt for Income Tax and social security contribution purposes.

Fourteenth remuneration (Education Bonus)

Equivalent to one basic salary (USD 386 for the year 2018), this is payable on a monthly basis or a one-time payment up to March 15th (if employees are located in the Coast Region) or August 15th (if employees are located in the Andean and Amazonian Regions). This remuneration is exempt for income tax and social security contribution purposes.

Vacations

Employees are entitled to an annual uninterrupted period of fifteen days of rest, including non-working days, as of the first year of employment.

Reserve Funds

From the beginning of second year of employment, employees are entitled to receive the twelfth portion of their remuneration on a monthly basis. This amount could be paid to the employee whether on a monthly basis or paid to the Ecuadorian Social Security Institute every month, depending on the employee's choice.

Reserve funds are exempt from income tax and social security contribution purposes.

Profit Sharing (PS)

Employees are entitled to participate in the profits of their employer for every fiscal year (January 1st and December 31st). The percentage is equivalent to the 15% of the Company's profit and is distributed as follows:

- Ten percent (10%) will be split for the employees of the Company, not taking into account the remuneration received by each of them during the year corresponding to the distribution. This shared profit will be delivered directly to the employees.

- The five percent (5%) will be delivered directly to the employees, in proportions relating to their family dependents, i.e. spouse or partner in a de facto union, children under the age of eighteen years old and disabled children of any age.

Profit Sharing must be paid by April 15th of every year and is subject to income tax.

4. Deductions

(a) Income Tax

For Ecuadorian purposes all earnings provided in cash, services or in kind are subject to Income Tax unless they are specifically exempt by law.

At the beginning of every fiscal year, the employer will make a projection of the annual income to be received by the employee and apply progressive tax rates to estimate the amount of Income Tax to be withheld¹. Taxable basis is calculated by taking the total income and deducting the employee's social security contribution and personal expenses (these are reported by every employee through a specific form determined by local tax authorities).

Personal expenses are deductible up to 50% of the total income received by the employee and for a maximum of the amount equivalent to 1.3 times the exempt lower bracket of Income Tax for individuals (USD 14,651 for 2018).

Income Tax Progressive Chart for Individuals 2018			
Lower	Upper	Lower Tax	Upper Tax %
-	11,270.00	-	-
11,270.00	14,360.00	-	0.05
14,360.00	17,950.00	155.00	0.10
17,950.00	21,550.00	514.00	0.12
21,550.00	43,100.00	946.00	0.15
43,100.00	64,630.00	4,178.00	0.20
64,630.00	86,180.00	8,484.00	0.25
86,180.00	114,890.00	13,872.00	0.30
114,890.00	En adelante	22,485.00	0.35

Personal expenses must be supported with sale receipts issued in Ecuador: these must include complete personal information of the individual, spouse or dependent children.

The deduction for personal expenses could be applied for the following items:

- ▶ Housing
- ▶ Schooling
- ▶ Health
- ▶ Food
- ▶ Clothing

The employer is required to issue an annual withholding form named "Form 107", which is considered the employees annual Income Tax Return as long as the employee does not receive other sourced income. The employer must deliver the form to all employees, no later than January 31 of the following fiscal year.

(b) Social Security

Social Security Contributions

To determine the Social Security contribution basis (taxable amount), the following must be considered: the monthly basic salary plus the amounts received for extraordinary work, commissions, bonuses or any other remuneration of a normal nature in the industry or service.

¹ Income Tax rates are updated on an annual basis by the Ecuadorian Tax Authorities

The social security contribution is required for both the employee and the employer portions:

- ▶ The employee's contribution is equivalent to 9.45% of the monthly taxable amount.
- ▶ The employer's contribution corresponds to 12.15% of the employee's monthly taxable amount.

(c) Termination of the labor relationship

In general terms, the labor relationship may end by mutual agreement, untimely dismissal or by justified termination.

In case of mutual agreement or untimely dismissal, the employee will be entitled to receive an indemnification bonus for eviction, equivalent to the 25% of their last remuneration, calculated according to the effective working time (only entire years), as described below:

Last complete remuneration USD 5,000

Working time 2.3 years

Last Remuneration (5,000) * 25% * Full working years (2)

Eviction = **USD 2,500**

In addition to the eviction bonus, employees terminated by untimely dismissal shall receive a termination indemnification corresponding to 1 month of remuneration for every worked year (not only entire years). In cases where the individual has worked less than 3 years, they will receive at least 3 months of remuneration, as described below:

Last complete remuneration USD 5,000

Working time 2.3 years



Last remuneration (5,000) * Working years (3)

Untimely dismissal indemnification = **USD 15,000**

Additionally, the employer may terminate the employment contract with a justified motive, with Labor Ministry's approval, in the following cases:

- ▶ For repeated and unjustified absences of punctuality or attendance at work or abandonment of it for more than three consecutive days within a month;
- ▶ For serious misconduct or disobedience of the Internal Regulations legally approved by the Labor Authorities;
- ▶ For lack of integrity or unethical conduct of the worker;
- ▶ For serious injuries to the employer, their spouse, ascendants or descendants or their representatives;

- ▶ For ineptitude of the worker regarding the performance of the labors for which he was contracted;
- ▶ Unjustified complaint against the employer regarding to their obligations of Social Security;
- ▶ For the lack of compliance with safety, prevention and health regulations.

In the event that the reason relied on by the employer is proven, no compensation would be generated in favor of the employee.



Doing business in El Salvador – Payroll Operations

1. Government requirements

Registration requirements

Social security

Any person who performs a job or professional service of any nature for another person (whether legal, public, private or mixed), irrespective of the type of relationship linking them, the economic nature of the activity or the form of payment or compensation provided, is subject to the mandatory social security scheme. The definition includes apprentices, even though they are not remunerated.

In this scheme, the insurance granted by the “Instituto Salvadoreño del Seguro Social” (ISSS) provides short-term and long-term comprehensive benefits. These include benefits for medical care (excluding for occupational accidents, which do not qualify under this scheme). The percentage to contribute is 18.25% of the income declared by the insured person (minimum wage established).

Authorized income tax rates

A very important point to take into consideration, and one that does not depend on the company's policies, is how income is calculated. The calculation is formulated based on an official table, but this table can change abruptly and the conditions for changes are not always clear, so this needs to be monitored and handled carefully. The following are the authorized income tax rates for the year 2016-2017. Amounts are indicated in US dollars.

Monthly authorized income tax rates

Bands	Applicable withholding amounts and rates
\$0.01-\$472.00	Exempt
\$472.01-\$895.24	US\$17.67 is charged and an additional 10% is charged on the amount over US\$472.00
\$895.25-\$2,028.10	US\$60.00 is charged and an additional 20% is charged on the amount over US\$895.24
\$2,038.11 and over	\$288.57 is charged and addition 30% is charged on the amount over US\$2,038.10

Bi-weekly authorized income tax rates

Bands	Applicable withholding amounts and rates
\$0.01-\$236.00	Exempt
\$236.01-\$447.62	US\$8.83 is charged and an additional 10% is charged on the amount over US\$236.01
\$447.63-\$1,019.05	US\$30.00 is charged and an additional 20% is charged on the amount over US\$447.62
\$1,019.06 and over	US\$144.28 is charged and an additional 30% is charged on the amount over US\$1,019.05

Ongoing compliance requirements

Reporting payroll staff changes

Employers must report on a monthly basis, any changes in the staff payroll (such as new hires, discharges or others like maternity leave absence) for their due billing .

Social security contributions

Employers and independent workers must pay social security contributions each month. The employee's contribution to the ISSS is 3% and to the “Administradora de Fondos de Pensiones” (AFP) is 6.25%. The employer's contribution to the ISSS is 7.5% and to the AFP is 6.75%.

If the contribution sheets are submitted after the fifth business day of the month following the month to which they refer, the company will incur a fine of 25% of the amount of contributions. If contributions are not paid by the indicated date, employers will be sanctioned with a surcharge of 5% for late payment of up to 15 days, or 10% for late payment of more than 15 days. The percentages are calculated on the amount of the monthly contributions owed, and Article 49 of the Regulations for the Application of the Social Security Regime applies.

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2. Pension requirements

Christmas bonus

The Christmas bonus is a constitutional right of public and private sector workers. It is a payment of a month's additional salary after a year of continuous work, or a proportional payment corresponding to the period of time worked. A year is defined as from 1 December of the previous year to 30 November of the current year. The bonus must be paid between 12 and 20 December of each year, according to Article 200 of the Labor Code.

According to El Salvador's regulations, "Every employer is obliged to give his workers a bonus for each year of work. They shall be required to pay in full when the worker has worked for a year or more." However, the Ministry of Labor and Social Security (MTPS) also states, "If, on 12 December, the worker does not have a year of working with the same employer, he is entitled to receive the portion proportional to the time worked that would have corresponded to him if he had completed one year of service on the date indicated".

The bonus is calculated on the basis of Article 198 of the Labor Code. It is important to mention that this article was modified through Legislative Decree 399, published in the Official Gazette 125 Book 400 of 9 July 2013, leaving the calculation table as follows:

- 1 From one year to less than three years of service, the bonus is calculated as the equivalent of 15 days' salary.
- 2 From three years to less than 10 years of service, the bonus is calculated as the equivalent of 19 days' salary.
- 3 For 10 or more years of service, the bonus is calculated as the equivalent of 21 days' salary.

Wage increases

Wage increases are applied in a multi-step way for three years, meaning that workers see their income grow by 5% each year, or by 4.5% in the case of some sectors, for example:

- ▶ Industrial sector: increase to US\$258.93 this year 2017 and to US\$285.47 by 2018
- ▶ Commerce sector: increase to US\$263.03 this year 2017 and to US\$287.23 by 2018
- ▶ Maquila sector: minimum wage of US\$221.44 from this year 2017 and US\$244.14 by 2018
- ▶ Agricultural sector: change to US\$124.11 this year and to US\$136.83 by 2018

Wage increases can be found at <http://www.elsalvadormipais.com/salario-minimo-en-el-salvador>.

Annual vacation

The annual vacation pay is 15 salary days plus 30% of the 15-day salary, and it must be paid to the worker before the start of the leave. To qualify for annual leave, a worker must have worked for at least 200 days in a year.

3. Payroll requirements

Employees must receive either monthly or biweekly payments.





Doing business in Guatemala – Payroll Operations

1. Government requirements

Registration requirements

Some of the requirements related to government bodies are:

- ▶ Registration for a tax identification number
- ▶ Registration with the tax authority (“Superintendencia de Administración Tributaria (SAT)”)
- ▶ All employees receiving income under a dependency relationship must register individually with the Guatemalan Social Security Institute (“Instituto Guatemalteco de Seguridad Social (IGSS)”)

Ongoing compliance requirements

- ▶ Monthly income tax reporting to the SAT through the SAT-1331 form, and the SAT-2000 receipt is provided during the first 10 business days of the month.
- ▶ For monthly social security contributions, a receipt is generated from the online system of the IGSS and payment is made on the 20th of each month.
- ▶ An annual reconciliation of withholdings is made to the tax authority, which is a breakdown of all the withholdings made from employees’ pay during the fiscal year. This is submitted on 28 February every year.



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2. Pension requirements

Registration requirements

According to the IGSS:

- ▶ Pension for old age is available for those who reach 62 years of age and who have 240 months of contributions (Agreement No. 1.124 of the Board of Administration of Regulations on Disability, Old Age and Survival (“Consejo De Administración De Reglamentos Sobre Discapacidad Vejez Y Supervivencia”).
- ▶ In addition every individual can voluntarily contribute to a pension plan via the authorized banks in the Guatemala banking systems.

Ongoing compliance requirements

This information is not available.

3. Employment obligations

- ▶ A minimum salary payment of GTQ2,893.21 and payment of Bonus 14 (“Bono 14”) (payable in July of each year) are required.
- ▶ A Christmas bonus is payable in December each year.
- ▶ Employees are eligible to 15 days of vacations for each year worked.

4. Payroll requirements

Employees must receive either monthly or biweekly payments.





Doing business in Mexico – Payroll Operations

1. Government requirements

Registration requirements

Tax registration and payroll tax withholding

A company that employs people will have payroll tax withholding obligations on the taxable remuneration provided to employees. For the remittance and reporting of the tax withheld, the company needs to have a tax ID number. This tax ID number should be obtained by the company as one of the requirements of its setup at "SAT (Sistema de Administración Tributaria)". All employees also need to have a tax ID number, this is a free procedure for both, employer and employee.

Social security registration

Both employer and employees must be registered with the Social Security Institute, and register in the Housing Fund electronic portal.

There are employer contributions and also employee withholding contributions. The social security provides health care and retirement benefits to employees and covers medication for employees and their dependents. The social security costs include five insurances for: sickness and maternity, disability, old age and retirement, work risk, and nursery. In addition, the retirement and housing funds ("Infonavit") offer affordable housing credits the Social Security registration is a free procedure.

Local payroll tax registration

Local payroll tax has to be paid by the employer based on the monthly or bimonthly wages paid. For this, the employer needs to obtain an ID number from the local tax authorities.

The employer also has to fill the payroll tax invoice online and make timely payment of the percentage of the wages deducted during the previous month-bi-month. The local tax id. Is obtained at the Local Treasury Ministry with no fee.

Workers Consumer Credit fund registration

Application for registration in the **Workers Consumer Credit Fund Institute**

A company that employs people must be registered at the workers consumer credit fund "INFONACOT", this one provides to employees the possibility to access to affordable consumer credits,

Ongoing compliance requirements

Status notice and electronic pay slip

It is mandatory that the employer register the employee's movements, as onboarding, offboarding and suspensions.

In addition, the employer must issue an electronic pay slip for any disbursement or payment made to each employee

For this procedure, an authorized electronic pay slip issuer need to be contracted as a supplier. Cost may vary depending on the contracted provider. For subcontracted employees, must comply with obligations in terms of income tax and VAT, through the subcontracting application.

Payroll Tax Withholding

A company that employs people will have a monthly payroll tax withholding obligation based on the remuneration tax table, additionally need to calculate the annual adjustment based on the withhold tax. As this procedure is part of the payroll process in Mexico, an integral compliance analysis is needed to ensure compliance with federal laws.

Social security contributions

The employer is required to issue an online onboarding and offboarding registration, as well as salary modifications. In addition, it is mandatory to withhold monthly contributions from all employees' wages and contribute with the payment of the social security contribution. In February of each year, a labor risk calculation needs to be updated with the annual accident rate. This calculation will result on a new risk rating, and will determine the amount to be paid monthly, this indicator will increase as more accidents occur in the company.

Local Payroll Tax calculation

Local payroll tax must be paid by the employer based on the monthly wages and benefits, in addition it is necessary to present an online statement that contains the calculation detail of the tax base, in the case of hiring a supplier whose domicile is located in a territory different from that of the company, the obligation to make a withholding tax may apply.

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Workers Consumer Credit fund registration

“Instituto del Fondo Nacional para el Consumo de los Trabajadores, INFONACOT”

“Ley Federal del Trabajo” and “Ley del Infonacot” and its regulations

Credit fund withholdings calculation and payment

When the employees make use of the credit fund, a withholding need to be calculated in each payroll cycle, the authority will send electronically a database with the amounts to be discounted.

2. Pension requirements

Registration requirements

All employees may register in the “fund manager for retirement (AFORE)” of their choice, otherwise the government will assign one, each administrator will invest the money withheld to generate income to the worker, and that will be used to finance retirement at the retirement age, currently 60 years.

Ongoing compliance requirements

Pension fund payment

The Retirement Savings System is a social security benefit additional to those established by the Law on Social Security. Employers are obliged to pay Bimonthly contributions of the corresponding wage base. A ceiling is set at the equivalent of 25 times Update and Measurement Unit (UMA). Contributions are deposited in individual accounts for each worker in financial institutions. These individual accounts have two sub accounts: the retirement insurance and the national housing fund. Pension normally includes employer, employee and government contributions.

Free process

3. Employment obligations

“Ley Federal del Trabajo” Labor Law

The employer should follow the Labor Law for all employment issues, such as:

- ▶ Working hours, rest and vacations
- ▶ Salary frequency and amount of wages
- ▶ Contract period
- ▶ Names and addresses of the parties of the contract
- ▶ Specialized training
- ▶ Variables compensations as Commissions
- ▶ Such issues as are normally governed by local labor bureau
- ▶ Profit Sharing to Employees (PTU) Employers must share the 10% of company profit every year in the month of May.
- ▶ The employer should follow the Labor Contract Law to:
 - ▶ Sign labor contracts with employees on time
 - ▶ Renew labor contracts with employees on time
 - ▶ Terminate labor contracts with employees with or without compensation payment, depending on certain criteria

Minimum wages

Federal Labor Law (LFT) establishes a minimum amount that must be paid to all employees in cash, without deductions or withholdings, on a weekly basis. The Mexican National Commission on Minimum Wages or “Comisión Nacional de los Salarios Mínimos” (CONASAMI) reassesses the minimum wage periodically. A general minimum wage applies to all employees, except those that fall within a series of specific job categories.

Other labor issues

Special Economic Zone

The Mexican government assign as Special Economic Zone to a specific geographical area in which special tax regimes are applicable to attract investments, refer to <https://www.gob.mx/zee> to learn about new special economic zones in Mexico.

Maximum hours and overtime pay: The maximum number of hours that an employer may require their employees to work, without having to pay overtime, is 48 hours per week. The employer must pay the first nine hours of overtime at 200%, and the overtime exceeding nine hours at 300% of the standard pay.

- ▶ **Health and safety:** The employer should provide a safe and sanitary environment for workers. A Mixed Commission for Health and Safety must be created to investigate the causes of illness and accidents, and propose remedies.
- ▶ **Paid maternity leave:** All employers must provide their female employees with a fully paid maternity leave of twelve weeks. After the twelve-week period, employers must offer such employees their former positions back, including any accrued rights under accrued seniority and holiday pay.
- ▶ **Schedule:** The law stipulates a maximum 48-hour work week. Day shifts are eight hours long, while night shifts are seven hours long. However, the average work week in almost all companies is between 40 and 45 hours.
- ▶ **Overtime:** There is a possibility to extend working shifts, though never exceeding three hours daily or three days a week. In this case, overtime will be paid at 200% of the corresponding wage for a shift. If the overtime is over nine hours per week, workers will be paid at 300% of the corresponding wage for a given shift. Triple payment is also provided for work on the seven legal holidays.
- ▶ **Termination of individual labor relationships:** The law provides that a labor relationship may be terminated without either party being liable under certain circumstances, including:
 - ▶ Mutual agreement of the parties
 - ▶ Death of the employee
 - ▶ Under limited circumstances, the conclusion of a specific job
 - ▶ The physical or mental incapacity or disability of the employee

4. Payroll requirements

Payroll payments

Salaries shall be paid on the dates agreed between employers and employees. In the case of holidays or non-business days, salaries shall be paid on the prior working day. Remuneration shall be paid at least once a month. In the case of weekly or monthly salary systems, remuneration may be paid every week or month respectively, or every 14 or 15 days. Wage can only be paid in Mexican Pesos.

Electronic Pay Slip (CFDI)

The law establishes the employer obligation to submit electronic pay slips in XML format and its printable version PDF, in order to consider the deductible expenses for corporate income tax purposes.

Payments made to employees may differ according to their benefits, salary, extra hours, Christmas bonuses, vacations, vacation premiums, fringe benefits, saving funds, pensions, severances, etc. These should be identified individually for each employee as some of these payments may be exempt in their entirety, or up to a certain amount, in accordance with the law and tax regulations in the Income Tax Law.

Safeguarding receipts electronically

Businesses are obliged to keep signed payslips as proof of payments made. Implementing a fully electronic model allows employers to keep legal digital files, which take up no physical space and can be swiftly retrieved as required by third parties.

5. Banking requirements related to payroll

Payroll payments can be made by electronic funds transfer (bank transfer from the company).



Doing business in Nicaragua – Payroll Operations

1. Government requirements

Registration requirements

Any person who performs a job or professional service of any nature for another person (whether legal, public, private or mixed), irrespective of the type of relationship linking them, the economic nature of the activity or the form of payment or compensation provided, is subject to the mandatory social security scheme. The definition includes apprentices, even though they are not remunerated.

Some of the registration requirements are as follows:

1. In this scheme, the insurance granted by the “Instituto Nicaraguense de Seguridad Social” (INSS) provides short-term and long-term comprehensive benefits. These include benefits for medical care (excluding for occupational accidents, which do not qualify under this scheme). The percentage to contribute is 18.25% of the income declared by the insured person (minimum wage established by the government).
2. Employers and independent workers must pay social security contributions each month.
3. All employers are required to register for social security as an employer, and to register their employees with the mandatory scheme no later than three days after they start work. Independent workers may join the voluntary scheme. The employer can register for social security by either visiting the nearest INSS office or requesting that an INSS affiliate visit their business
4. Registration can be requested through a system called “Sistema de Información Autodeterminado” which allows users to perform online tasks with the INSS.
5. The employer must report, on a monthly basis, any changes in the staff payroll (such as new hires, discharges or others like maternity leaves) so they can be billed accordingly.

Documents to be submitted

For employees of legal age and if the submission is being made in person, the following documents are required:

- ▶ A valid personal identification card
- ▶ An application for registration, duly completed manually or electronically, and signed by the employee and the employer

If the submission is being made online, the employer can do this once they have been incorporated into the “Sistema Centralizado de Recaudación” (SICERE).

Ongoing compliance requirements

Monthly INSS social security contributions must be paid at the beginning of each month through: web.inss.gob.ni/sie/Home2.jsp.

2. Pension requirements

Registration requirements

An insured person who is aged 45 or over and joins the social security scheme must have at least half the number of weeks (absolute minimum of 250 weekly contributions).

Any national and foreign resident who, through a verbal or written employment relationship, or through any type of employment as a dependent or independent person, is temporarily or permanently linked to an employer for the performance of work or services is considered a worker. This applies whether the employer is a natural person or a legal, private, state or mixed entity, or a foreign institution or body residing or not in the country, including the bodies and institutions of Central American Integration. Regardless of the number of workers, the employer is subject to mandatory insurance. Likewise, persons who are engaged in the exercise of a public function, whether they are elected or appointed in the institutions and powers of the state, are subject to mandatory insurance.

Ongoing compliance requirements

This information is not available.

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3. Employment obligations

The following are some of the employer's general obligations:

1. The minimum salary is calculated on the basis of the following:
 - a. The cost of a consumer basket of 53 products, which is adjusted and calculated by the Ministry of Health, the National Institute of Information and Development (INIDE) and the INSS, taking into account the amount, and healthy levels of nutritional and caloric values, necessary for the members of an average family.
 - b. The general salary level.
 - c. The cost of living and its variations.
 - d. Social security benefits, the standard of living of other social groups and wages.

Law 625 states that the minimum salary will be set every six months according to the modalities of each job and the sector. This can be done by unit of time, work or task. It can be calculated by the hour, day, week, 14 days, 15 days or a month. When the minimum wages are reviewed, the semiannual inflation rate and the real growth of each sector of the economy is taken into account, according to the National Accounts of the Central Bank of Nicaragua, up to a maximum of 100% of the value of the consumer basket .
2. The Christmas bonus is a constitutional right of public and private sector workers. It is a payment of a month's additional salary after a year of continuous work or a proportional payment corresponding to the period of time worked. A year is defined as from 1 December of the previous year to 30 November of the current year. The payment of this bonus must take place in the first 10 days of December each year, or no later than 10 days after the termination of the employment relationship.

3. Vacation is the period of time of continuous and remunerated rest to which every worker is entitled for every six months of uninterrupted work at the service of the same employer. The payment that the worker receives is the equivalent of 15 days of salary. If the salary has been agreed on a biweekly or monthly basis, the vacation payment is made on the basis of the last salary earned. If the salary is variable, the vacation payment is made on the basis of the average salary of the last six months. Regardless of the form of payment agreed, the vacation payment will always be made on the basis of the ordinary salary. This includes the basic salary, plus any commission or incentives that the worker earns.

The Christmas bonus is calculated in a similar way to holidays. The period is calculated from December of one year until November of the following year (see Articles 93 to 99 of the Labor Code). The payment could not exceed the equivalent of 30 days of salary.

4. Payroll requirements

As per statutory requirements, employees in Nicaragua must receive either monthly or biweekly payment.

5. Banking requirements related to payroll

This information is not available.





Doing business in Panama – Payroll Operations

1. Government requirements

Registration requirements

All national or foreign workers who provide services within the Republic of Panama are obliged to join the Social Security Fund scheme (“Caja de Seguro Social” (CSS)), as provided in Article 77 of Law 51 of 27 December 2005. They must be registered by their employer within the first six working days, counted from the date of entry, provided that they have not previously been registered.

The following should be noted for the registration process:

1. Contributing independent workers, except those hired by the state and those who have already registered, must register with the CSS within six months following the date of delivery and payment of their annual income returns.
2. The registration procedures are carried out by the “Departamento de Afiliación” (Registration Department) or the “Agencia Administrativa” (Administrative Agencies) at national level, whichever is most convenient.
3. Workers under the age of 18 who work in conditions that are dangerous to their life, health or morale, or which affect their regular attendance at a teaching center may not be incorporated into the social security scheme, in accordance with Article 510 of the Family Code.
4. If the contributing independent worker is not registered, it is their responsibility to register within 30 working days from the beginning of their employment, provided they have not been previously registered.
5. The affiliation of domestic and agricultural employees will be effective from the month following the start of their employment.

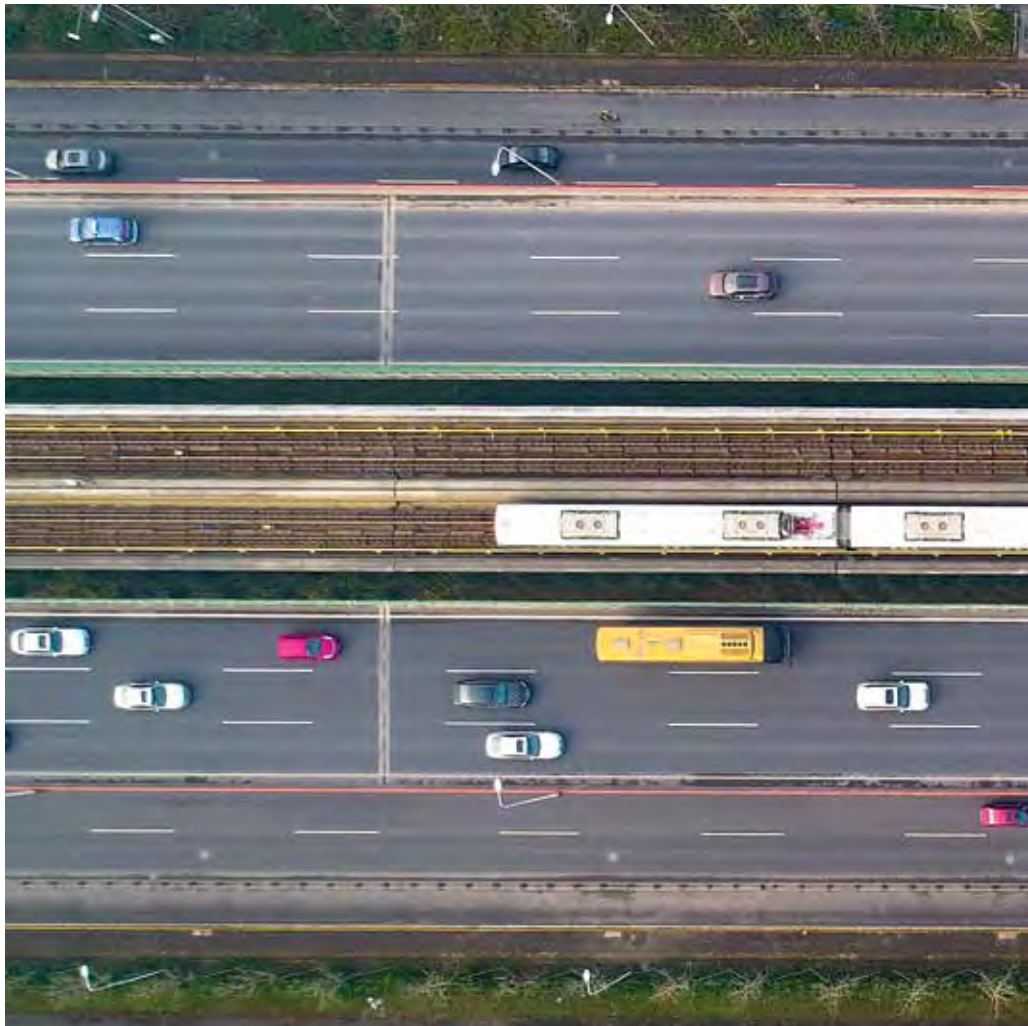
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Documents to be submitted:

For employees of legal age, if the submission is being made in person, the following documents are required:

- ▶ A valid personal identification card
- ▶ An application for registration, duly completed manually or electronically, and signed by the employee and the employer

If the submission is being made online, the employer can do this once they have been incorporated into the "Sistema de Ingresos y Prestaciones Económicas" (SIPE).

Ongoing compliance requirements

For the monthly reporting of social security and income, a unique invoice is generated from the SIPE system, with which both income and social security are paid. The payments are due the 30 days of the following calendar month.

The annual income statement is made using the official form "Planilla 03" (also known as "Anexo 03") which contains information on the withholding of income tax for all workers. This form must be submitted to the "Dirección General de Ingresos" (DGI) within the first five months of the year (by 31 May at the latest).

2. Pension requirements**Registration requirements**

The severance fund ("Fondo de Cesantía") in Panama is a mechanism established by law that guarantees that employers pay a seniority premium and compensation to employees with an indefinite contract. The fund itself is not a worker's right. The right of the worker is to receive the payment of the premium and compensation that are guaranteed with the unemployment fund (provided that the relationship ends because of unjustified dismissal or justified resignation).

This fund was conceived with the purpose of assuring or guaranteeing workers full and effective payment of their seniority premium and compensation at the time when their employment relationship ends.

The funds must be constituted through trusts in private entities authorized by law for the administration of funds. The trust for the severance fund is established through an agreement or contract between the employer and Progreso, the official administrator of severance funds in Panama.

Ongoing compliance requirements

This information is not applicable to Panama.

3. Employment obligations

The minimum salary in effect in Panama is PAB624 (equivalent to US\$624). The National Minimum Wage Commission of the Ministry of Labor and Social Development is responsible for setting the new amounts every two years for the approval of the executive; the last increase decreed was in December 2013. The minimum wage is based on an hour of work and the economic activity. Employees in Panama have the benefit of receiving an additional salary known as the 13th month, the payment of the 13th month is made in three installments: April, August and December.

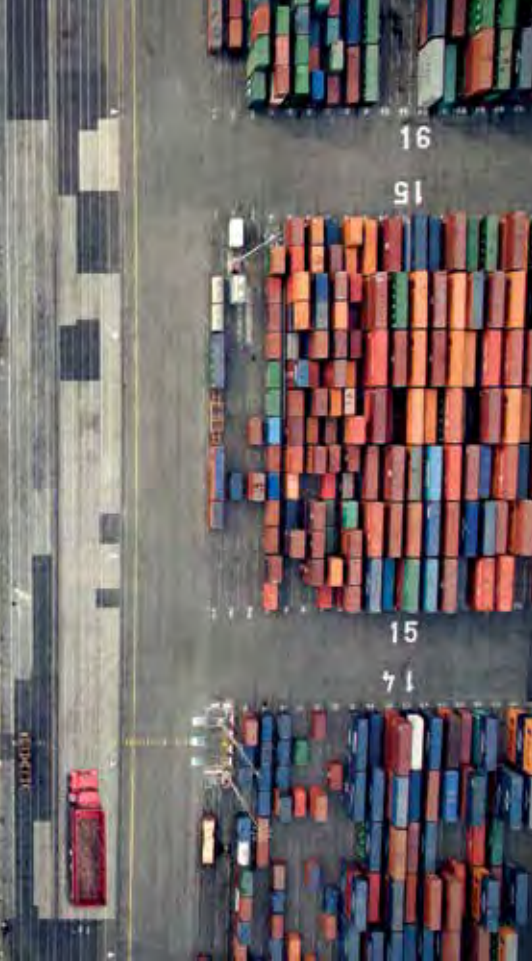
4. Payroll requirements

As per statutory requirements, employees in Panama must receive either monthly or biweekly payment.

5. Banking requirements related to payroll

This information is not available.





Doing business in Peru – Payroll Operations

1. Government requirements

Registration requirements

T-Registro report (new hires and leave)

The company must register new hires and leave in T-Registro. This system contains information related to employers, employees, pensioners, service providers, interns, third-party staff and beneficiaries. T-Registro is administered by the tax authority “Superintendencia Nacional de Administración Tributaria” (SUNAT).

For new hires, the employee must provide his or her ID, address and proof of studies, etc. In addition, the company needs to declare information including the date of the new employee’s hire, their position, type of contract and workdays.

For leave, the company must register the date and the reason for absence (such as vacations, maternity leave, sickness, etc.).

AFPnet (pension)

AFPnet is a service that the Pension Fund Administrators’ Association offers to all employers in a completely free way so they can prepare, declare and pay their contributions to all Pension Fund Administrators (AFPs or PPS) in a very simple way.

Companies setting up in Peru must join AFPnet. The legal representative should sign a form which must be submitted to any local Pension Fund Administrator or AFP - these are currently Prima, Profuturo, Habitat and Integra.

Ongoing compliance requirements

Individual income tax for residents

A progressive tax rate, with an initial deduction of seven tax units (for 2017, a tax unit is equivalent to PEN4,050), is applicable to the salary received by dependent employees (for services rendered in Peru) and is withheld by the employer through the payroll system. The progressive tax rate is as follows:

- ▶ Up to 5 UIT: 8%
- ▶ 5 UIT-20 UIT: 14%
- ▶ 20 UIT-35 UIT: 17%
- ▶ 35 UIT-45 UIT: 20%
- ▶ More than 45 UIT: 30%

Individual income tax for non-residents

Foreign employees are only taxed on their Peruvian source income (i.e., income earned for work in Peru, whether paid in the country or abroad). A tax rate of 30% is applied to this income, without any deductions.

In December, a year-end adjustment is made to adjust for any excess or deficit in payment.

Note that as of 2017, employees can deduct three additional tax units (related to personal expenses) if they submit an annual tax return. The tax authority will refund the amount overpaid.

Social security contribution – ESSALUD

The Social Health System or ESSALUD is the entity of the Government in charge of providing health care coverage to insured employees and their dependents through a range of benefits covered by health care contributions, as well as through other personal risk insurance. Given that employers must cover their employees’ health care, companies must pay a contribution equivalent to 9% of employees’ salaries. The contribution is declared and paid through a electronic declaration program Telematic declaration program (PLAME).

If the employer provides health care coverage through private health care provider (EPS), they can request a credit of up to 25% of the 9% contribution.

The government pension system (GPS)

The GPS provides benefits in case of retirement, death or disability for employees who have joined this plan. Enrollment is mandatory for all company employees irrespective of the term of their employment agreement or the number of hours worked per day, week or month, provided that they are not enrolled in a private pension system (PPS).

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The employer is responsible for deducting each employee's contribution - an amount equivalent to 13% of their salary - from the payroll and paying this to the GPS, through PLAME.

2. Pension requirements

Registration requirements

GPS

Registration is not required.

PPS

The company must register a new employee with the Pension Fund Administrator or their chosen AFP. This should be done within the first few days of the employee starting work.

Ongoing compliance requirements

GPS

GPS contributions must be paid to the tax authority through PLAME. Payments are made on a monthly basis, and the date depends on the last number of the company's tax ID, according to the schedule established by the tax authority.

PPS

This is an alternative to the GPS. Under the PPS, Pension Fund Administrators (AFPs), manage the contributions of employees who have enrolled in this plan through individual capitalization accounts, granting benefits for retirement, disability and survival.

Contributions to the PPS comprise:

- ▶ Ten percent of the employee's insurable remuneration
- ▶ A percentage of the insurable remuneration used to finance the benefits granted for disability, survival and burial expenses
- ▶ Amounts and percentages charged by the AFP in respect of the services they provide

The employer withholds a percentage of the employee's monthly salary and pays it within the first five working days of the following month. The declaration should be made via the AFPnet system.

3. Employment obligations

Workdays and rest time

Working hours shall not exceed eight hours per day or 48 hours per week, excluding the day off (rest time). Atypical working hours are allowed, for example, 14 days of work per one week of rest.

Overtime

Employees who work overtime receive an additional rate. In accordance with the law, for the first two hours, the rate is equivalent to 25% of the hourly salary and for the following hours, it is 35%. If the employee works on holidays or on his or her days off, the rate is 100%.

Vacation leave

Employees are entitled to take vacation after each year of service.

The vacation leave is equivalent to 30 days, and the employee must use this within the year following the year in which he or she acquired the right, otherwise, the employer will pay a penalty equivalent to one month's salary. Certain personnel (e.g., management personnel) are not subject to the severance payment.

Bonuses

Employees are entitled to two bonuses per year. The first is paid in July and the second in December, each bonus is equivalent to one month's regular salary.

Employees are also entitled to an additional extraordinary bonus equal to 9% of the bonuses paid in July and December.

Compensation for Time of Services (CTS)

This compensation is equivalent to approximately 1.16 of a month's salary per year. It must be deposited, 50% in May and 50% in November, into the bank chosen by the employee.





The employee can withdraw up to 100% of the excess of four monthly gross salaries from his or her Compensation for Time of Services (CTS) account. The remaining amount will be available to the employee once the labor relationship has been terminated.

Profit sharing

This benefit is calculated on the employer's taxable income. The amount to be distributed annually is between 5% and 10% of taxable income, depending on the activity of the employer.

Employees can only receive a maximum of 18 monthly salaries as profit shares. If there is an excess, it must be paid to a special fund managed by the Government called the National Fund for Labor Training and Employment Promotion (known as "FONDOEMPLEO" in Spanish).

Profit sharing is paid only in companies that have more than 20 employees.

Family allowance

This benefit is equivalent to 10% of the minimum salary (PEN85).

The allowance is paid on a monthly basis and is applicable only to employees with one or more children under 18 years.

Basic salary (RMV)

According to the political constitution of Peru, the Government establishes the minimum basic salary (known as "RMV") that employees must receive. Monthly salaries cannot be lower than this.

4. Payroll requirements

Payslips

The employer must issue and give a payslip containing payment information to employees. Employers can use electronic signatures in payslips and other labor documents. Payslips must be given to employees on the third working day after payment.

Telematic declaration program (PLAME)

PLAME is a system used to declared payroll taxes (individual income tax, social security contributions, national pension contributions, etc.) to the tax authority (SUNAT). The system contains information related to employers, employees, pensioners, service providers, interns, third-party staff and beneficiaries.



Certificate of individual income tax

The employer is also required to issue a certificate of income tax withheld to employees before 31 January of the next calendar year. The certificate must include all the income received by the employee and the total amount of tax withheld from this compensation during the calendar year.

Annual certificate of pension fund

The employer is also required to issue a certificate of pension contributions withheld to employees before 31 January of the next calendar year. The certificate must include all the income received by the employee and the total amount of pension contributions withheld from this compensation during the calendar year.

Payment

Payment can be made in cash or in kind. Payments must be made directly to the employee and must be registered in PLAME.

Payment frequency

Payment can be made weekly, fortnightly or monthly.

5. Banking requirements related to payroll

Payment of taxes

Payment must be made in the local currency, called "Sol".

Payroll payment

Payment must be made through a local bank account.

Banking of salary and wages

Payroll payments can be made via:

- ▶ Check or cash
- ▶ Electronic funds transfer (EFT) or bank transfer

Inter-bank transfers can be made through the platform of the financial institution.

Other

During a labor inspection, the employer must prove that payments have been made to the employee, so it is recommended to use banking methods that show the deposits.

Doing business in Venezuela – Payroll Operations

1. Government requirements

Registration requirements

Social security:

Authority: Venezuelan Institute of Social Security (IVSS)

Legislation: Social Security Law

Registration procedures:

First, you have to make an application and then establish a direct communication channel (usually an email address) between the company and the IVSS.

Then you will receive an email with an application number in order to complete the application process through the Social Security website. Once this process has been completed successfully, the system will give you the option to print the registration certificate, which must be taken to the administrative office along the requirements that are mentioned in the Social Security website.

Additionally, the requirements must be submitted, which will be reviewed by an IVSS employee to verify the originality and authenticity of the data, and then proceed with the approval of the application.

Once the application is approved, the system automatically generates the access, which is sent through an email. You will be able to access the system thereafter.

Details of registration requirement: This is required for all established companies.

Housing policy contribution:

Authority: National Housing and Habitat Bank (Banavih)

Legislation: Law of Housing and Habitat Regime

Registration procedures:

The entity should get a pre-registration through National Housing and Habitat Bank (Banavih) website using the Tax ID number of the entity to be registered, when the pre-registration has been completed the Banavih will send an email, and should be remitted to the Banavih office the following documents:

- ▶ Copy of Bylaws
- ▶ Copy of the Tax ID
- ▶ Copy of the Identity Card of the legal representative

Details of registration requirement: This is required for all established companies.

Labor authorities

Authority: Ministry of Popular Power for the Work Process

Legislation: Organic Labor Law

Registration procedures:

Visit mppst.gob.ve in Registro Nacional de Entidades de Trabajo (RNET). Enter the work entity information: such as legal conformation information, Tax ID number, and email address (the same used for the Tax ID purposes)

After this, the system sends an email with a verification code that will allow defining the users who will be able to register. Then, the system will display a screen with the data that must be submitted to make the registration request.

Details of registration requirement: This is required for all established companies.

National Institute for Socialist Educational Cooperation (INCES)

Authority: National Institute for Socialist Educational Cooperation (INCES)

Legislation: Law of National Institute for Socialist Educational and Cooperation

Registration procedures:

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The INCES website generates the registration form of the National Registry of the Contributing (RNA) and the following requirements:

- ▶ Original and copy of the Tax ID
- ▶ Original and copy of Bylaws
- ▶ Letter to the INCES on a letterhead with the stamp of the company, specifying the following information:
 - ▶ Address of the company
 - ▶ Telephone number
 - ▶ Legal representative or authorized person
 - ▶ Email address
 - ▶ Tax ID number
 - ▶ Social security number
 - ▶ Current status of the company

These requirements must be submitted in a brown folder with a hook.

Details of registration requirement: This is required for all companies with a minimum of five employees.

Ongoing compliance requirements

Social security contribution

Legislation: Social Security Law

Frequencies of lodgment and payment arrangement: Monthly

Details of requirement: This is required for all employees registered in the payroll.

Tax rates applicable:

- ▶ Employees contribution: 4% over the normal salary (with a cap of 5 minimum salaries).
- ▶ Employer contribution: According to the risk established by the SSO institute from 9% to 11%.

Insured registration (Form 14-02)

Legislation: Social Security Law

Details of requirement: This is required for the registration for the first three days of the employee's ingress or entry.

Worker retirement participation (Form 14-03)

Legislation: Social Security Law

Details of requirement: This is required for the registration of the first three days of the employee's exit.

Unemployment contribution

Legislation: Law of the Employment Regime

Frequencies of lodgment and payment arrangement: Monthly

Details of requirement: This is required for all the employees registered in the payroll.

Tax rates applicable:

- ▶ Employee contribution: 0.5% over the normal salary (with a cap of 10 minimum salaries).
- ▶ Employer contribution: According to the risk established by the SSO institute from 2%.

Housing policy contribution

Legislation: Housing Policy Law

Frequencies of lodgment and payment arrangement: Monthly

Details of requirement: This is required for all employees registered in the payroll.

Tax rates applicable:

- ▶ Employee contribution: 1% over the total amount received by the employer.
- ▶ Employer contribution: 2% over the total amount paid to the employees.

Income tax

Legislation: Income Tax Law

Frequencies of lodgment and payment arrangement: Monthly

Details of requirement: This is required for any person who receives an annual remuneration higher or greater than one thousand tax units (UT).

Tax rates applicable:

- ▶ This rate will be defined with the AR-I Form, by each employee using the applicable wages, salaries and other remunerations.

INCES

Legislation: INCES Law

Frequencies of lodgment and payment arrangement: Quarterly

Details of requirement: This is required for employer contribution.

Tax rates applicable:

- ▶ The companies must totalize at the end of the quarter all the payments made to their workers as monthly salaries. Then, the employer will contribute 2% of the previous total.
- ▶ The employer must withhold 0.5% over the profit sharing payments.

2. Pension requirements

Registration requirements

Same as 1 (a)

Ongoing compliance requirements

Same as 2 (b)

3. Employment obligations

Minimum wage

Legislation: Organic Law of Labor and Workers

Details of requirement: It will be the current minimum salary based on 30-days-per-month calculation published in the official gazette. Currently, the minimum salary is equivalent to VES 40,000.

Days off

Legislation: Organic Law of Labor and Workers

Details of requirement: Employees should be granted two consecutive days of rest every week.

Paternal leave or license

Legislation: Organic Law of Labor and Workers

Details of requirement: Employees should be granted 14 days of paternal leave.

Maternal license

Legislation: Organic Law of Labor and Workers

Details of requirement: Employees should be granted six weeks of rest before delivery and 20 weeks of rest after it.

Vacation bonus

Legislation: Organic Law of Labor and Workers

Details of requirement: Employees should be granted 15 days of vacation bonus plus one additional day per year, with a maximum of 30 days.

Holidays

Legislation: Organic Law of Labor and Workers

Details of requirement: When a worker completes one year of uninterrupted work for a company, the employee will enjoy a period of 15 working days as paid vacations. Every following year will have an additional day of leave for up to 15 additional working days.

Profit sharing

Legislation: Organic Law of Labor and Workers

Details of requirement: The companies must distribute among their workers at least 15% of the liquid profits obtained at the end of their annual exercise. For this, liquid benefits shall be understood as the sum of the taxable net enrichments and those exempted under the Income Tax Law.

This obligation will have as a minimum limit, which is, the equivalent of 30 days of salary, and a maximum limit, which is the equivalent to the salary of 4 months.

Severance payment

Legislation: Organic Law of Labor and Workers

Details of requirement:

The employer will deposit to each worker's account the equivalent of 15 days of each quarter as a guarantee of severance payment. This is calculated on the basis of the last salary earned. This right is acquired from the moment the quarter begins.

Additionally, after the first year of service in the company the employer will deposit to each worker's account - two more days of salary, for each year, accumulative up to 30 additional days of salary



When the work contract or employment relationship ends, the employer must calculate a severance payment on the basis of 30 days for each year of service or a fraction greater than six months that is calculated with the last salary. After this, the employer must compare the total of this calculation with the calculation made under the guarantee methodology.

If the employment ends before the first three months, the payment to the worker will be five days of wage per month worked.

The severance of payment must be made within five days after the conclusion of the contract. If the payment is not fulfilled within five days, it will generate interest at the active rate determined by the Central Bank of Venezuela.

4. Payroll requirements

Details of payroll requirement: Biweekly or fortnightly pay slips.

5. Banking requirements related to payroll

Name of payroll requirement: Text file (txt)

Governing legislature or law: Banking Method

Details of payroll requirement: The structure is provided by the bank.



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