

EY

Shape the future with confidence

Doing Business in Latin America 2026 - 2027

Investment Guide

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Welcome to the 2026-2027 edition of our "Doing Business in Latin America" investment guide.

Developed in collaboration with EY teams across the region, this guide is designed to provide investors with practical insights and strategic perspectives to navigate one of the most dynamic and evolving regions in the global economy. Our ambition is to support better-informed decisions and enable successful, sustainable investments.

Latin America is undergoing a significant transformation. As global supply chains are redefined and organizations seek greater resilience, the region continues to strengthen its position as a strategic investment hub. Its proximity to major markets, expanding trade networks, and growing role in nearshoring strategies are driving renewed interest from international investors.

The region's fundamentals remain compelling: a young and increasingly skilled workforce, abundant natural resources, and a fast-evolving middle class that continues to reshape consumption patterns. At the same time, Latin America is accelerating its transition toward digitalization and sustainability, with growing investments in renewable energy, infrastructure, and technology-driven industries.

In an increasingly complex global environment, many countries across the region are advancing regulatory frameworks, fostering international trade, and promoting foreign investment through updated policies and strategic agreements. While challenges persist, Latin American economies have demonstrated resilience by adapting fiscal and monetary strategies to stabilize inflation and support long-term growth.

At EY, our purpose is building a better working world. Through our integrated capabilities and the deep market knowledge of our teams across the region, we are committed to helping organizations navigate complexity, unlock opportunities, and create long-term value in Latin America.

This guide is structured in two parts. The first offers a regional economic overview, highlighting key trends shaping the investment landscape. The second provides an in-depth analysis of all Latin American markets, covering essential aspects such as regulatory environments, tax frameworks, labor considerations, and financial reporting requirements for companies looking to establish or expand operations.

We are pleased to share this guide with you and trust it will serve as a valuable tool in your decision-making process. With more than 24,000 professionals across the region, EY is well positioned to support your organization at every stage of its investment journey.

We look forward to working with you.

Manuel Solano

Regional Managing Partner, EY Latin America





An overview of Latin America

Overview

Latin America is a diverse and dynamic region that offers significant potential for growth and profitability, with an abundance of natural resources ranging from minerals to agricultural products. Some countries also boast a strong manufacturing industry, positioning itself as an excellent alternative for nearshoring, thanks to its geographical positioning and educated workforce. With over 600 million people, mostly young, and a growing middle class, it represents a skilled workforce and a massive and growing internal market for various products and services. The region has great appeal, including the opportunities it presents for a low-carbon economy, given that a significant portion of the minerals necessary for the energy transition are concentrated in its territories.



Population
657,420,000 (2025) 1 representing 8.3% of the world's population.
Urban: 81.2%[2]
Rural: 18.7% (2023).

Main languages[3]
The main languages are Spanish and Portuguese, although some countries also speak English and French. There are several indigenous languages spoken in different regions, such as aymara, quechua, nahuatl and guarani.

Extension[3]
20,523,017 km2 representing 14,6% of the world's surface area

Systems of governments[4]
Mostly democratic and presidential republics.

Climates[3]
Latin America boasts a diverse range of climates due to its expansive size, elevation changes, and differing coastlines. The tropical region, which includes the Amazon Basin and the Caribbean, generally experiences high temperatures and significant rainfall year-round. The subtropical zone, such as central parts of Argentina and Paraguay, has a warmer climate with wet summers and dry winters. Meanwhile, the western side, characterized by the Andes Mountain range, has cooler temperatures with varying precipitation levels depending on the altitude. The southernmost parts of the continent, including Patagonia, are known for their colder climates, comparable to a tundra, with strong winds and harsh winters. Coastal regions often enjoy milder climates thanks to the effect of the ocean. Therefore, the climate in Latin America widely varies from tropical and subtropical to alpine and desert.

Time Zones
There are different time zones in the region, ranging from GMT-2 to GMT-8[5]

Currency [6]
More than 30 currencies. Some of the most important are: Argentine peso (Argentina), Bolivianos (Bolivia), Brazilian Real (Brazil), Chilean peso (Chile), Colombian Peso (Colombia), US Dollar (Ecuador), Mexican Peso (México), Guaraní (Paraguay), Peruvian Nuevo Sol (Perú), Uruguayan Peso (Uruguay), Bolívar (Venezuela)

GDP current prices[1]
USD 7,072.4 Bn. (2025) representing 7.1% of the world's GDP

GDP per capita (PPP)[1]
USD $23,958.1 (2025)

Key sectors[7]
Latin America's key sectors are diverse, representing the wide range of economic activities in the region. Firstly, the agribusiness sector is significant, as many countries have abundant fertile land and suitable climates for crops like soybeans, coffee, fruits and vegetables, fishing and meat.
The region's mineral wealth also supports a strong mining and extraction sector, characterized by commodities like copper, lithium, gold, and oil. Manufacturing is another essential sector, with industries such as automotive, food processing, and textile.
Services, particularly tourism, is a crucial sector, given the region's rich cultural heritage and natural attractions. In the past few years, the technological sector has seen substantial growth, driven by increasing digitalization and a growing tech-savvy population. Financial services, telecommunications, and consumer goods are other significant sectors in Latin America.

Why invest in Latin America?

The region has abundant natural resources, including almost 20% of the world's oil reserves, at least 25% of many strategic metals and over 30% of the world's virgin forest area. It also has vast agricultural lands and energy sources[8].

Latin America possesses a large, young and increasingly skilled workforce, offering a rich source for talent, labor, and a growing internal market.

Latin America has a strategically advantageous geo-positioning for international trade and for nearshoring.

It has multiple trade agreements within the region and with various world economic powers and several free trade zones, which facilitate international business opportunities.

Many Latin American countries have implemented pro-business reforms and policies aimed at encouraging foreign investment.

Latin America has been experiencing steady economic growth. The middle class is growing rapidly, potentially creating new opportunities for companies and investors.

Latin America and the Caribbean are strategically positioned to lead the low-carbon economy due to its key resources and the regions international commitment to energy transition.

Latin America is one of the most biologically diverse regions on the planet. It is home to 40% of the world's biodiversity and has 12% of the total arable land[9].

1. Data Mapper (April 2026), IMF.
2. DataBank, The World Bank Group.
3. Country information, DatosMundial.com.
4. Government - Politics, CountryReports.com.
5. World Time Directory, 24timezones.com.
6. Exchange Rates Database (April 2026), IMF
7. Country information, Encyclopedia Britannica
8. Natural Resources Outlook in Latin America and the Caribbean, 2023, ECLAC, United Nations
9. Banco de Desarrollo de America Latina y el Caribe, CAF

General context

Latin America is a diverse and dynamic region that offers significant potential for growth and profitability, with an abundance of natural resources ranging from minerals to agricultural products, and a mostly younger population. Some countries also have strong manufacturing industries that are attractive for foreign investors.
With over 600 million people and a growing middle class, the area has a highly-trained labor force and an increasingly massive internal market for a variety of products and services.
The region boasts a number of significant attractions, including opportunities for a low-carbon economy, thanks to the concentration in its territories of a substantial portion of the minerals necessary for the energy transition, such as lithium, nickel, copper, graphite, etc. Additionally, several countries have fairly green energy matrices, and 15 of them have committed through the Renewables in Latin America and the Caribbean (RELAC) initiative to achieve a share of at least 70% renewable energy in the regional electricity grid by 2030.
Latin America's geography is strategically positioned for international exchanges, situated between North America, Europe, and Asia, and benefiting from its good trade relations with other regions, numerous free trade zones, and multiple bilateral treaties.
In fact, many Latin American countries have made significant economic reforms to open up to foreign investment and promote economic growth. Moreover, they offer tax incentives and other benefits to attract foreign investment.

Economic outlook
Latin America and the Caribbean

	2023	2024	2025	2026f
GDP Growth (% change)	2.3	2.4	2.4	2.3
Consumer Prices (Annual percent change)	14.8	16.6	7.6	6.7
Current Account Balance (Percent of GDP, Annual percent change)	-1.2	-1.1	-1.2	-0.9
Real per Capita Output (Annual percentage change; in constant 2017 international dollars at purchasing power parity)	3.5	1.6	1.6	-1.2
Market Exchange Rate Weights (% change)	3.7	2.2	2.2	1.9

Source: Data Mapper (April 2026), IMF.

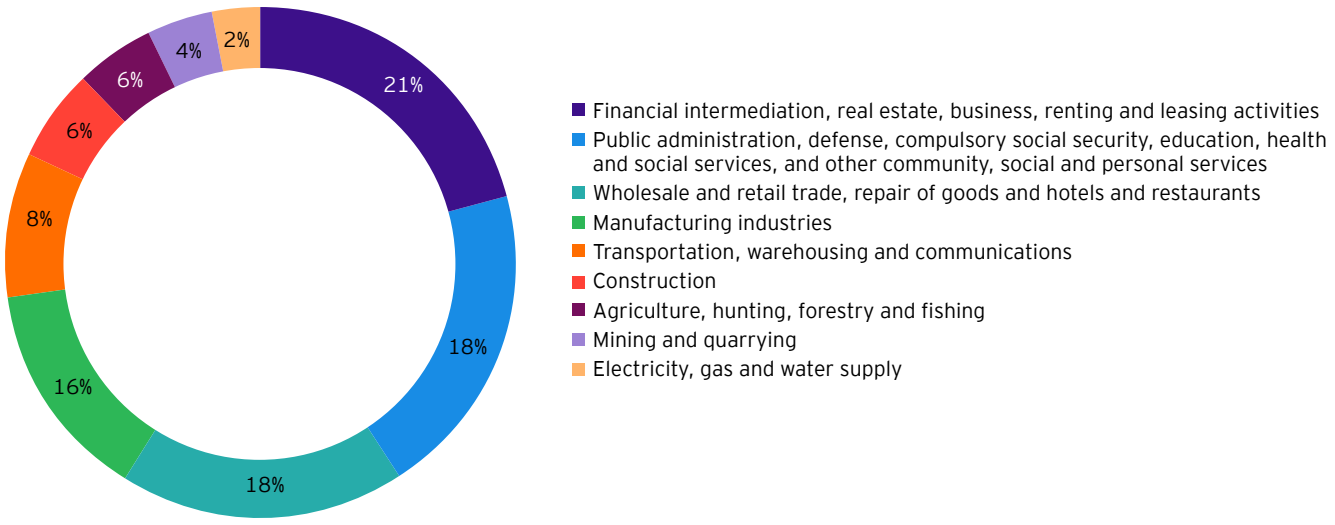
Economic growth in Latin America remains relatively weak and constrained by a challenging global environment, including geopolitical tensions and still-tight global financial conditions. While inflation has been easing and monetary policy is gradually becoming less restrictive, high interest rates and low investment continue to limit growth.
The region saw a rapid response from its central banks to the increase in prices resulting from the imbalances of the health crisis of Covid-19. These measures have managed to control inflation, which has trended downwards in most of the countries.
Many central banks have started to lower their interest rates. However, as the year progresses, inflation has rebounded in some areas, leading to a pause in the reduction of rates in certain cases.
The IMF's latest World Economic Outlook projects moderate regional growth, shaped by adverse spillovers from the Middle East conflict and a softer global macroeconomic environment. Nevertheless, the Fund has opted to leave its baseline projections unchanged, implying a broadly stable growth trajectory over the medium term (2026 and 2027).

Summary of the main economic indicators

Country	GDP current prices USD Bn. (2025)	GDP growth, constant prices % change (2025)	Gross domestic product per capita, current prices (PPP), international dollars (2025)	Inflation, year-end consumer prices % change (2025)
Argentina	681.49	4.4	31,483.86	31.5
Bolivia	64.25	-1.2	12,927.50	20.4
Brazil	2,279.92	2.3	23,380.97	4.3
Chile	355.35	2.3	35,649.17	3.4
Colombia	457.41	2.6	22,542.89	5.1
Ecuador	130.32	3.7	16,934.87	1.9
Mexico	1,832.64	0.6	25,681.60	3.7
Paraguay	49.36	6.0	21,930.47	3.1
Peru	341.02	3.4	19,209.35	1.5
Uruguay	85.58	1.8	37,214.92	3.7
Venezuela	99.66	1.5	8,910.60	475.3
Costa Rica	102.90	4.6	32,335.01	-1.2
Dominican Republic	127.89	2.1	30,407.19	5.0
El Salvador	37.27	3.7	14,067.03	0.9
Guatemala	121.11	4.1	15,194.38	1.7
Honduras	39.69	3.7	7,863.95	5.0
Nicaragua	22.24	4.9	9,765.25	2.7
Panama	90.46	4.3	43,971.43	0.4
Central America	541.57	3.7	19,364.70	2.1
The Caribbean	153.83	6.2	13,656.68	5.3
Latin America and the Caribbean	7,072.39	2.4	22,923.95	4.2

Source: World Economic Outlook Datasets (April 2025), IMF.

Share of gross domestic product by economic sector in 2025 (current prices in USD)



Source: CEPALSTAT, United Nations ECLAC

Latin America's economy is well diversified. The public sector, retail, financial services, and manufacturing industries play leading roles, each contributing a comparable share to the region's GDP. This balanced structure supports economic stability and resilience. Following these primary sectors are other key industries such as agriculture, mining, and various service-oriented activities, which also make substantial contributions and highlight the region's diverse economic landscape. This variety provides Latin America with robust opportunities for sustainable growth and development across multiple fronts.

Projected Variation in Value of goods 2025

Country	Variation
Panama	36%
Honduras	25%
Nicaragua	21%
Costa Rica	16%
Guatemala	15%
Peru	14%
Uruguay	14%
Dominican Republic	11%
El Salvador	10%
Argentina	7%
Mexico	5%
Ecuador	5%
Bolivia	3%
Brazil	3%
Chile	2%
Colombia	1%
Paraguay	1%
Venezuela	-9%

Source: International Trade Outlook for Latin America and the Caribbean, 2025. Executive summary

In terms of trade, the region has seen a decline consistent with global trends. According to the 2025 International Trade Outlook for Latin America and the Caribbean by ECLAC, recent trade dynamics reflect a complex global environment shaped by geopolitical tensions, shifts in trade policy—particularly in the United States—and growing uncertainty in international markets. Despite these headwinds, global and regional trade continued to expand in 2025, although less robustly than in previous periods. In 2026, the conflict in Iran has emerged as an additional source of external pressure on Latin America and the Caribbean, increasing the costs of imports and exports through higher energy prices, supply chain disruptions, and greater uncertainty in global markets.



Foreign direct investment, net inflows (current USD millions)

Country	2019	2020	2021	2022	2023	2024	2025
Argentina	5,126	3,707	5,114	13,116	21,734	8,888	300
Bolivia	(265)	(1,018)	492	87	(16)	224	464
Brazil	46,355	41,737	30,201	42,146	37,603	47,752	47,501
Chile	16,813	16,497	15,781	23,489	30,048	22,170	20,342
Colombia	10,836	5,725	6,381	13,799	15,525	9,172	7,310
Costa Rica	2,695	1,644	3,146	4,212	4,313	5,066	5,120
Dominican Republic	3,021	2,560	3,197	4,099	4,390	4,523	5,033
Ecuador	985	1,119	651	882	481	446	1,299
El Salvador	636	3	373	143	809	741	445
Guatemala	796	786	2,986	720	996	983	n/a
Honduras	496	373	513	738	837	527	810
Mexico	23,865	26,495	35,921	21,835	29,915	32,419	31,797
Nicaragua	444	707	1,033	1,268	1,072	1,278	n/a
Panama	3,950	1,409	1,998	2,279	1,270	2,001	1,809
Paraguay	192	177	161	508	807	931	945
Peru	5,276	(1,217)	5,173	11,789	2,863	5,626	9,710
Uruguay	1,362	1,094	2,546	2,879	3,073	(2,566)	457
Venezuela	n/a	n/a	n/a	n/a	n/a	n/a	n/a
The Caribbean	3,158	4,465	4,624	6,144	128	1,299	2,875
Latin America & The Carib.	125,814	106,287	120,342	150,173	155,872	141,482	136,217

Sources: International Trade Outlook for Latin America and the Caribbean, 2025. Executive summary, ECLAC; Foreign Direct Investment in Latin America and the Caribbean (cepal.org) p. 29 (Central America; The Caribbean)

After the post-pandemic recovery, Latin America and the Caribbean saw a record year in terms of the influx of foreign funds in 2023, nevertheless, the trend has shown a decline since then.

Latin American debt rating – As of May 2026

Country	Moody's	S&P	Fitch
Chile	A2	A	A-
Uruguay	Baa1	BBB+	BBB-
Peru	Baa1	BBB-	BBB
Mexico	Baa2	BBB	BBB-
Paraguay	Baa3	BBB-	BB+
Colombia	Baa3	BB-	BB+
Brazil	Ba1	BB	BB-
Ecuador	Caa1	B-	B-
Venezuela	C	B-	WD
Bolivia	Ca	CCC+	B-
Argentina	Caa1	CCC+	C

Source: Moody's, S&P, Fitch

The average credit rating in Latin America has recovered pre-pandemic levels, and in general, expectations have remained stable for the long-term ratings of most sovereign governments.

2026 Index of Economic Freedom

Position	Country	Score
2	Chile	74.3
5	Uruguay	69.8
6	Costa Rica	69.1
9	Paraguay	66.4
10	Peru	66.3
12	Panama	64.9
14	Dominican Republic	63.8
15	Guatemala	63.5
18	Colombia	59.8
19	Mexico	59.8
20	Honduras	59.1
22	El Salvador	57.7
23	Argentina	57.4
25	Ecuador	55.6
26	Nicaragua	53.6
28	Brazil	52.4
30	Bolivia	42.4
31	Venezuela	27.3

Source: Index of Economic Freedom, The Heritage Foundation.

World Competitiveness Ranking 2025 Overall Results (International Institute for Management Development)

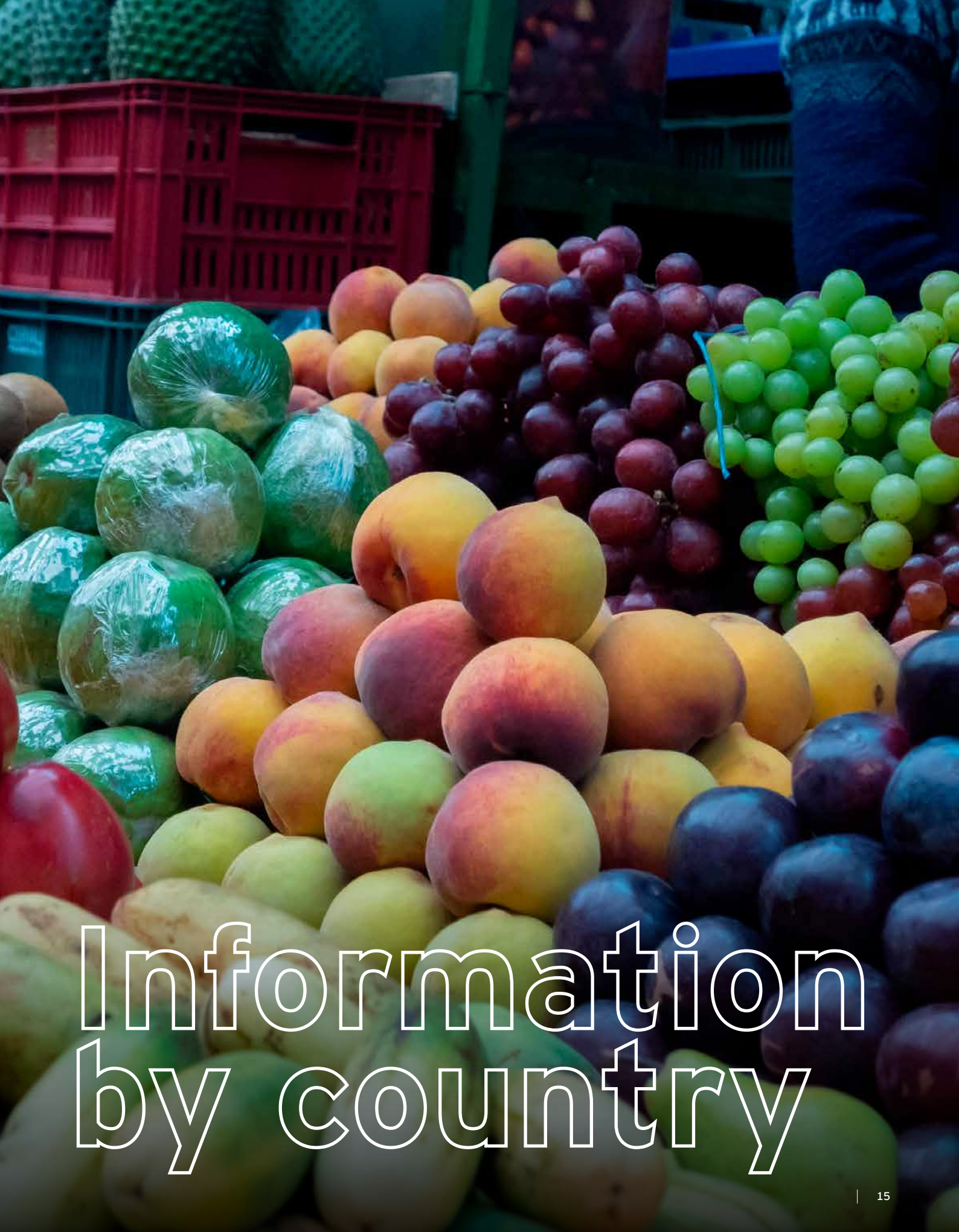
Ranking - 2025	Score - 2025	Country	Ranking - 2024	Var.
42	62.5	Chile	44	+2
54	49.7	Colombia	57	+3
55	48.8	Mexico	56	-1
58	46.4	Brazil	62	+4
60	45.9	Peru	63	+3
62	42.8	Argentina	66	+4
69	25.5	Venezuela	67	-2

Source: World Competitiveness Ranking 2025 Overall Results | International Institute for Management Development | imd.org

During recent decades, the countries of Latin America have wagered to improve their international competitiveness indexes, even though the last few years have been highly challenging for the region.

Latin America is positioned as an extremely attractive emerging market thanks to its diversity of natural resources, many of which are key to the energy transition, a younger, highly-trained, and ambitious population, its strategic location, and the growing commitment of many countries to promote a favorable business scenario for foreign investment.





Information by country

Argentina



Message from EY Argentina's Country Managing Partner

During the last two years Argentina opened a new chapter, experiencing a great transformation in the right direction.

The current administration is driving an agenda towards increased free market, free international commerce, free capital flow, and a significant role of international and domestic private capital and entrepreneurship. Pro-capitalism measures and strong deregulation are at the core of this agenda.

Relevant investors are already showing concrete interest in Argentina's new chapter, and unlocking value seems to be a key shift in the business landscape as new opportunities are developed and beginning to emerge across several diverse sectors and industries.

The new administration has shown determination when driving its reforms, helping change the overall state of mind, and bringing about an aura of hope to what is happening. They have faith in the economy, and it is changing for the better.

I invite you to explore the information in this guide, and I look forward to discussing with our teams the new opportunities our country is offering to the world.

Now is the best time.

Kind regards,



Fernando Paci

Country Managing Partner
EY Argentina

Overview

Argentina stretches from the Andes Mountains to the plains of the Pampas and the Atlantic coast. Buenos Aires is the capital and main city, followed by Córdoba, known for its history and universities, and Rosario, a key industrial center. The population, with strong European influence, celebrates tango, soccer, food and drink (barbecues and yerba mate), and festivals such as Carnival and the Grape Harvest. The country has abundant natural resources, including fertile agricultural land, minerals, and energy, driving the key sectors of agriculture (soybeans, corn, wheat, meat), automotives, food, mining (copper, lithium), and energy (hydrocarbons, renewables). Despite economic challenges like inflation and devaluation, Argentina is seeking innovation and economic diversification, participating in trade agreements to drive sustainable growth.



Population
47,474,000 (2025) [1]
Urban[2]: 92.3% (2024)
Rural[2]: 7.7% (2024)



Main language[3]
Spanish.



Extension[2]
2,736,690 km^2



System of government[4]
Presidential Republic
President: Javier Milei
Next elections: 2027



Climate[3]
The north has hot and humid summers; the central Pampa, a temperate climate; the Andes, a cool mountain climate and snowfall; while the southern Patagonia has a subpolar climate[3]



International Time[5]
GMT-3 (All of Argentina).



Currency[6]
Argentine Peso
US$1 = ARS 1,450.5 (Dec 31, 2025)



GDP current prices[1]
USD $681.5 Bn. (2025)



GDP per capita (PPP)[1]
USD $31,483.9 (2025)



Key sectors[7]
Argentina thrives across different sectors, ranging from agriculture (soy, corn, beef, fishing, dairy, wine, food processing, etc.), forestry, minerals (iron and steel mining, refineries, oil and gas), automotives, and electronics.

Why invest in Argentina?

Major regional economy: 3rd largest GDP in Latin America in 2025[1].

Extensive territorial scale: one of the largest countries globally by land area, supporting agricultural and resource capacity[2].

Ranked 5th in crude oil reserves, 5th in crude oil production, 2nd in natural gas production in Latin America and among the largest shale gas and shale oil reserves worldwide that translates into Energy powerhouse potential[8].

Large agricultural exporter: leading global positions in soy oil, cereals, soybeans, and bovine meat in 2024[9].

Strategic mineral reserves: among the largest lithium reserves globally, positioning the country as a key player in the energy transition[10].

Ongoing economic reforms such as advancing liberalization policies, including privatization and measures to attract private and foreign investment[12].

Argentina have had the best performance in Sovereign Spreads during the year 2025 in Latam[13].

The introduction of the RIGI investment regime provides long-term tax stability, FX flexibility, and incentives for large-scale projects[11].

1. World Economic Outlook Database (April 2026), IMF.
2. DataBank, The World Bank Group.
3. Country information, DatosMundial.com.
4. Government - Politics, CountryReports.com.
5. World Time Directory, 24timezones.com.
6. Historical exchange rates, ExchangeRates.com.
7. Country information, Encyclopedia Britannica.
8. Opec (2025).
9. Comtrade Database, United Nations.
10. U.S. Geological Survey, Mineral Commodity Summaries 2024.
11. IMF, Latin America And Caribbean Economic Update, April 2026.
12. CountryReports, Government-Politics.
13. BBVA Country Risk Report, 2025.

Country's economic outlook

Argentina entered a new macroeconomic adjustment phase following the inauguration of President Javier Milei on December 10, 2023. The new administration rapidly implemented a stabilization strategy aimed at restoring fiscal and monetary discipline after years of imbalance. Early measures included a sharp devaluation of the Argentine peso—approximately 50%—and a comprehensive fiscal consolidation program designed to correct structural deficits.

As a result of these front-loaded adjustment policies, economic activity contracted by 1.3% in 2024. Nevertheless, these policies delivered a key milestone: Argentina achieved its first primary fiscal surplus in over a decade, reaching approximately 0.5% of GDP in 2024, marking a significant turnaround in public finances.

At the same time, the stabilization program contributed to a rapid disinflation process. After inflation peaked at 211.4% in 2023, it declined sharply to 117.8% in 2024 and further to 31.5% in 2025. This sustained decline reflects the credibility of the policy mix, driven by strict fiscal discipline and monetary restraint. Parallel to these developments, the exchange rate adjusted significantly following the initial devaluation, moving from ARS 806.95 per USD at end-2023 to ARS 1,030.5 at end-2024 and ARS 1,450.5 by end-2025.

GDP expanded by 4.4% in 2025, this growth reflects the expected benefits of restored macroeconomic stability, improved fiscal accounts, and declining inflation, positioning the economy for a more sustainable growth trajectory.

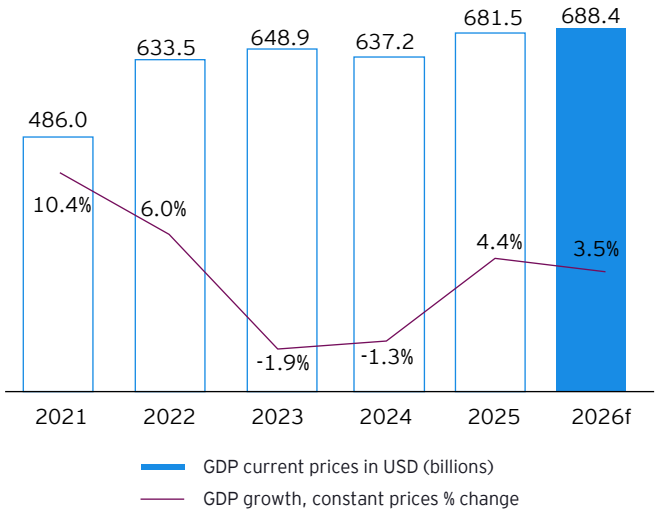
The country has a diversified economy supported by a strong agricultural sector and abundant natural resources. It is a leading global producer of commodities such as soybeans, corn, beef, and wheat products, while also possessing significant energy and mineral wealth, including major reserves of shale oil, shale gas, and lithium. These resources position the country as a key supplier to both traditional industries and emerging sectors linked to the global energy transition.

Table 1

Main Indicators	Argentina
GDP current prices USD bn. (2025)[1]	$681.5
GDP growth, constant prices % change (2025)[1]	4.4%
Gross domestic product per capita, current prices USD (PPP) (2025)[1]	$31,483.9
Inflation, year-end consumer prices (2025)[1]	31.5%
Fiscal balance (net lending (+) or net borrowing (-) of general government; % of GDP) (2025)[1]	-0.4%
Public debt (General government gross debt, % of GDP) (2025)[1]	80.3%
Current account (% of GDP) (2025)[1]	-1.1%
Investment (% of GDP) (2025)[1]	14.3%
Poverty headcount ratio at $8.30 a day (2021 PPP) (% of population) (2024)[2]	15.2%

Sources: 1. World Economic Outlook Database (April 2026), IMF; 2.The World Bank Group.

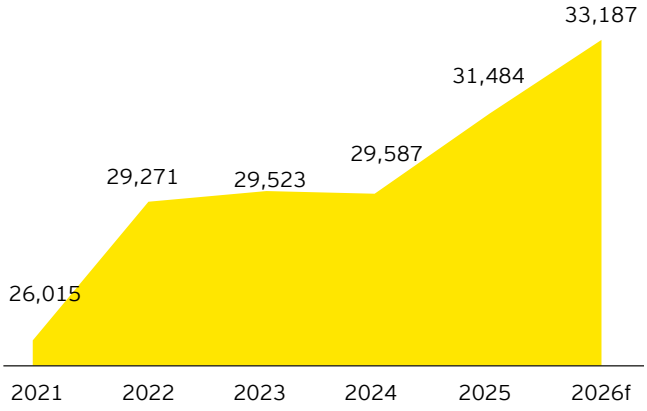
Figure 2:
Gross domestic product, levels and growth



Source: World Economic Outlook Database (April 2026), IMF.

After contracting 1.9% in 2023 and 1.3% in 2024, Argentina's economy is projected to grow 4.4% in 2025 and 3.5% in 2026, according to the IMF World Economic Outlook. The recovery is supported by the disinflation process, fiscal consolidation, and improving business.

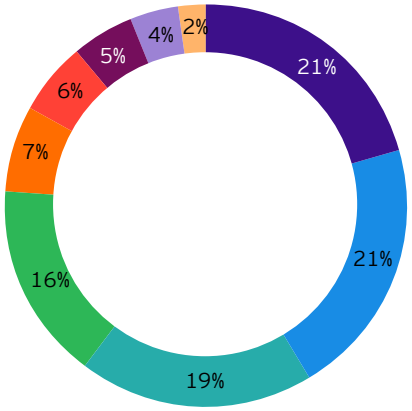
Figure 3
Gross domestic product (GDP), Per capita, (PPP) international dollar, ICP benchmarks 2017-2021



Sources: World Economic Outlook Database (April 2026), IMF.

In 2024, Argentina's GDP reached USD 637.2 billion, slightly below the USD 648.9 billion recorded in 2023, reflecting the economic contraction of 1.3%. For 2025, GDP is projected to recover to USD 681.5 billion, driven by growth of 4.4%.
The GDP per capita in purchasing power parity (PPP) stood at USD 29,587 in 2024 and reached USD 31,484 in 2025.

Figure 4
Share of gross domestic product by economic sector in 2025 (current prices in USD)



- Wholesale and retail trade, repair of goods and hotels and restaurants
- Public administration, defense, compulsory social security, education, health and social services, and other community, social and personal services
- Manufacturing industries
- Financial intermediation, real estate, business, renting and leasing activities
- Agriculture, hunting, forestry and fishing
- Transportation, warehousing and communications
- Mining and quarrying
- Construction
- Electricity, gas and water supply

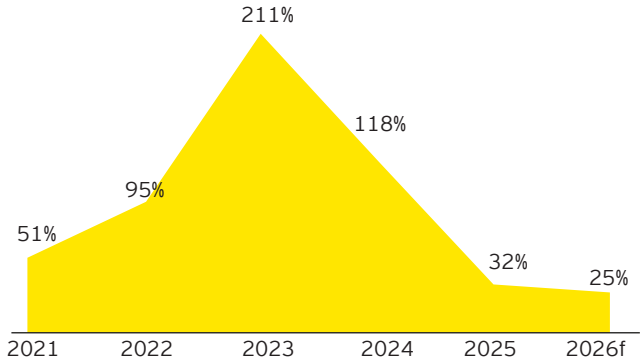
Source: CEPALSTAT (April 2026), ECLAC.



The public and personal services sector, along with wholesale and retail trade, hotels, and restaurants, contribute the most to the GDP.
Other sectors relevant to the economy include financial intermediation, real estate, business, renting and leasing activities with 19% of the GDP.
The country also has a mature manufacturing sector, accounting for 16% of its GDP.

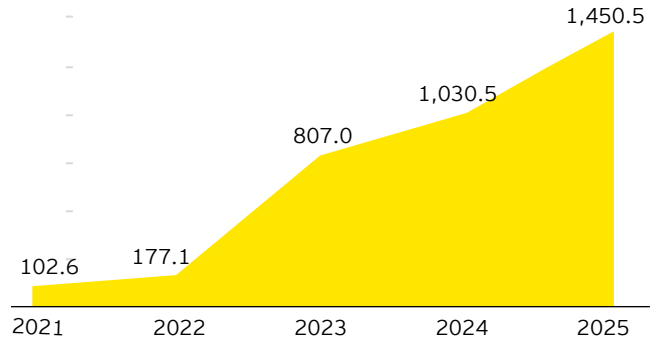
Figures 5 and 6:

Inflation, end of period consumer prices1



Source: World Economic Outlook Database (April 2026), IMF.

Exchange rate of foreign currency (USD/ARS, end of period)



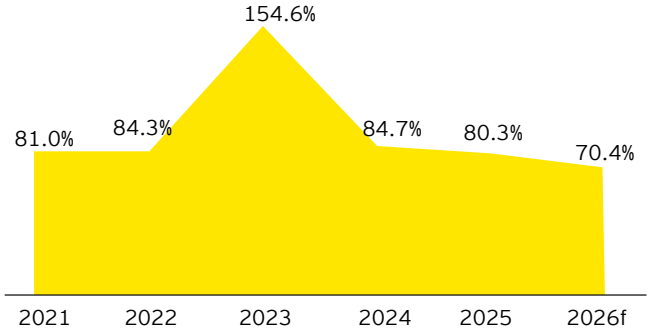
Source: Exchange Rates Database (April 2026), IMF.

Under the Milei administration's stabilization program, inflation fell sharply to 117.8% in 2024 (end-of-period), and continued declining to 31.5% in 2025, marking a significant achievement in macroeconomic stabilization.
The Argentine peso has experienced significant volatility in recent years. The government adopted a crawling peg regime in 2024, with the official rate moving from ARS 806.95 at end-2023 to ARS 1,030.5 at end-2024, and ARS 1,450.5 at end-2025.

Among the first measures taken by the Milei government was the devaluation of the peso by more than 50%, from approximately ARS 400 to ARS 806.95 per dollar in December 2023. This step was aimed at eliminating the gap between the official and parallel exchange rates and restoring external balance.

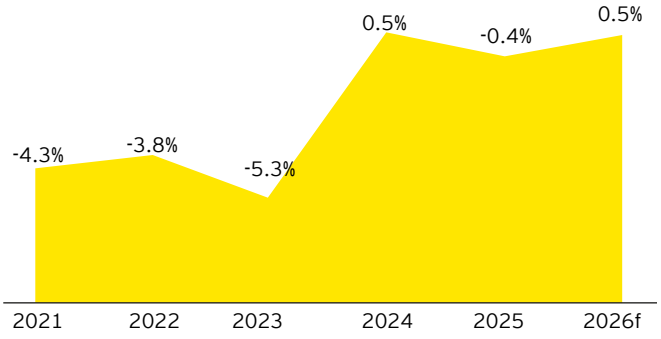
Figures 7 and 8:

Public debt (General government gross debt, % of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

Fiscal balance (net lending (+) or net borrowing (-) of general government, % of GDP)

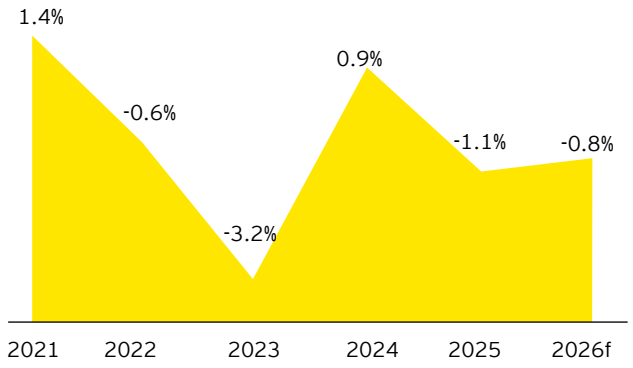


Source: World Economic Outlook Database (April 2026), IMF.

The current administration has focused its efforts on a macroeconomic stabilization plan centered on fiscal consolidation, deregulation, and privatization.
The country achieved primary surpluses consistently throughout 2024, with gross government debt declining from 154.6% of GDP in 2023 to 84.7% in 2024, partly reflecting the exchange rate adjustment. In 2025, it fell to 80.3%, and the downward trend is expected to continue.
Argentina achieved a historic fiscal turnaround in 2024, recording a primary surplus of 0.5% of GDP after years of deficits, including a deficit of 5.3% of GDP in 2023. For 2025, a slight primary deficit of 0.4% of GDP was recorded as the government balances consolidation with recovery support.

Figure 9:

Current account (% of GDP)

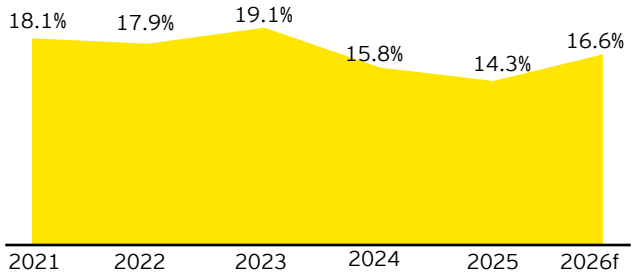


Source: World Economic Outlook Database (April 2026), IMF.

Argentina's current account showed a surplus of 0.9% of GDP in 2024, a significant improvement from the deficit of 3.2% in 2023, driven by import compression resulting from the economic contraction and exchange rate adjustment. For 2025, a deficit of 1.1% of GDP emerged as the economy recovered and imports rebounded.

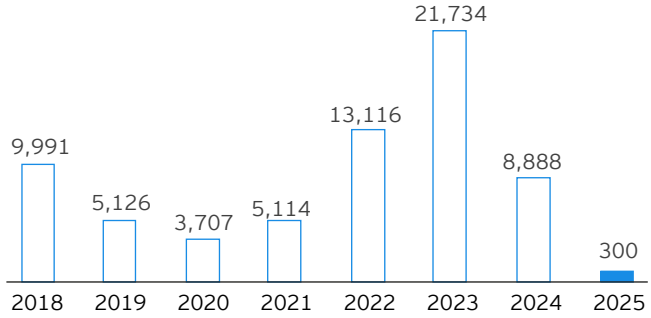
Figures 10 and 11:

Investment (% of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

FDI inflows to Argentina (USD millions)



Source: CEPALSTAT (April 2026), ECLAC.

Total investment in Argentina as a percentage of GDP declined to 15.8% in 2024, from 19.1% in 2023, reflecting the economic contraction and austerity environment. For 2025, investment fell 14.3% of GDP, with a gradual recovery expected as confidence improves.

FDI net inflows into Argentina reached USD 8.9 billion in 2024, down from USD 21.7 billion in 2023, according to CEPALSTAT. Despite the decline, the energy sector continues to attract significant investment under the Milei administration's reform agenda.

Argentina offers a unique combination of opportunities and growth potential, supported by a diversified economy, abundant natural resources, a highly skilled workforce, and a strategic location at the heart of South America that serves as a gateway to regional markets.

Globally recognized as a leading producer of agricultural commodities such as soybeans, corn, beef, and wheat derivatives, the country also possesses significant energy and mineral resources. Argentina holds the world's fourth-largest shale oil reserve, the second-largest shale gas reserve, and the fourth-largest lithium reserve, positioning it as a key player in the global energy transition.

Establishing a business in the country

1. Investment Regulation and Promotion Agencies

General framework: Companies must be registered in the Public Registry of Commerce of the related jurisdictions in order to be able to operate in the country, in order to avoid the regime for non-registered companies foreseen in Section IV of the General Corporate Law No. 19,550.

Activities with specific regulations and incentives (among others):

- Financial activities (Banks, etc.):
  Financial activities are governed by Law 21,526 and require registration with the Central Bank.
- Insurance activities:
  These activities are governed by Laws 12,988 and 20,091 and require registration with the Argentine Superintendence of Insurances.
- Capital markets regulations:
  The Argentine capital market is governed by Law 26,831. The regulatory framework also includes rules issued by the CNV (Argentine Securities and Exchange Commission).
- Oil & gas:
  Exploration and production activities are regulated by Law No. 17,319 (also known as the "Hydrocarbons' Law"), supplemented by subsequent federal and provincial decrees and resolutions. Hydrocarbon exploration, development and production require an exploration permit or a production concession. Law No. 13,660 provides the basic framework for downstream activities and must comply with provincial and municipal regulations regarding technical, safety and quality standards.
- Mining:
  This activity is governed by the Mining Code. Local and foreign parties can be granted a concession to explore and develop minerals in a specific area. Depending on the jurisdiction where the mine is located, royalties must be paid. A specific tax incentive regime applies.
- Energy and natural resources:
  The electricity sector underwent reform and privatization in 1992. At the federal level, Law No. 24,065 and its related rules form the legal framework. It created four vertical divisions within the electricity sector: generation, transmission, distribution, and demand. Additionally, Laws 26,190 and 27,191 govern the generation, co-generation and auto-generation of electricity through renewable sources of energy. The regulatory framework grants certain tax benefits to the parties undertaking qualified projects.
- Incentive regime for large investments "RIGI"
  Law No. 27,742 enacted the new incentive regime for large investments ("RIGI" or "Régimen de Incentivo para Grandes Inversiones").
  The purpose of the RIGI is to give those who commit to executing large investments, within a certain period of time, predictability, stability, legal certainty, and protection of acquired rights in tax, customs, and foreign exchange matters.
  The RIGI applies on investments destined to the following sectors:
  - Forestry and associated industries ("forestoindustrias" in Spanish)
  - Tourism
  - Infrastructure
  - Mining
  - Technology
  - Steel industry
  - Energy
  - Oil and gas

The RIGI will be available for two years from the date it was published in the Official Gazette (i.e., will be open until July 8th, 2026).
Through Decree 105/2026 the term to apply for the RIGI has been extended one year and therefore will be available until July 2027.
The RIGI will apply to "Sole Purpose Vehicles" or "SPV" ("Vehículos de Proyecto Unico", or "VPU" in Spanish) owners of projects that qualify as "Large Investments" under the terms of the regime.

The minimum amount for qualify as "Large Investment" must be USD 200 million (except for oil and gas that must be at least USD 300 or USD 600 million, depending on the type of project), and must be invested within a specific period of time since the project is approved by the Application Authorities.
The SPVs will benefit from a reduced 25% Income tax rate, an accelerated amortization mechanism for certain investments, and the possibility of adjusting for inflation and carryforward the NOLs indefinitely and even to transfer them to other parties; besides, the SPVs will benefit from a reduced 3.5% WHT tax on dividends as from year 8º of the project, and to pay VAT to suppliers with Tax Credit Certificates. Other customs and foreign exchange incentives are applicable. Finally, the SPVs that adhere to the RIGI will benefit from a 30-year stability period with respect to their projects, in tax, customs and foreign exchange matters.
There are also special conditions with more convenient benefits for investments that qualify as "Long Term Strategic Export Investment Projects" that involve investments for at least USD 2,000 million.

2. Main Types of business

The main types of business entities used to operate in Argentina are stock corporations ("sociedad anónima"), sole-owner stock corporations ("sociedad anónima unipersonal"), simplified stock corporations ("sociedad por acciones simplificada"), limited liability companies ("sociedad de responsabilidad limitada") and branches ("sucursales").
The main descriptions of each type of entity are:

- Stock Corporations (Sociedad Anónima, acronym "S.A.")
  Stock Corporations (known by the Spanish acronym "S.A.") are comprised of capital that is represented by shares of stock (both registered and non-endorseable). The transfer of these shares is generally unrestricted, although the bylaws may include certain restrictions. These corporations come into existence through a public instrument. With more than one shareholder, their liability is limited to the amount of capital they have contributed. Foreign entities wishing to become shareholders must first register with the Public Registry of Commerce. A minimum of one annual shareholder meetingis required. The majority of directors must be residents of Argentina. Stock corporations that are subjected to ongoing state supervision are required to have an internal supervisory body.
- Single-Owner Corporation (Sociedad Anónima Unipersonal, acronym "SAU")
  Single-Owner Corporation (known by the Spanish acronym "SAU") is a specific type of stock corporation with only one owner. Despite being a unique type of company, they must adhere to the regulations governing stock corporations. They are subject to permanent state supervision and are required to have an internal supervisory body.
- Simplified stock corporation (Sociedad por acciones simplificada, acronym "SAS"):
  Simplified Stock Corporations, known by the Spanish acronym "SAS", limit their shareholders' liability to the par value of the shares they agree to subscribe to. They can have one or more shareholders, including foreign individuals or entities. Their regulations are similar to those of a typical stock corporation with regard to members' and managers' liability. Members and board meetings can be conducted remotely with corporate and accounting books kept digitally. However, they are not allowed to make public offerings of their shares and there may be limitations on certain activities.

- Limited liability corporations (Sociedad de Responsabilidad Limitada, acronym "SRL")
  In Limited liability corporations, partners limit their liability to the par value of the subscribed membership interests. The transfer of membership interests shall be registered with the Public Registry. These entities may be incorporated through either a public or private instrument with certified signatures. An SRL requires between 2 and 50 partners. Management is entrusted to either an individual or a collective body. The rules applicable to the liability of governance and management bodies are similar to those of stock corporations.

- Branch of a foreign company
  A branch of a foreign company must be duly organized under the laws of its country of origin and provide proof of the existence of its main offices abroad. It is required to register the articles of association or bylaws with the Registry of Public Commerce, and to appoint and register a legal representative. Branches are required to maintain separate bookkeeping from their head offices for operations carried out in Argentina, and to submit their financial statements to the Public Registry. In principle, it is not necessary to allocate capital from the foreign company to the Argentine branch, except when required by certain regulations (for example, insurers or reinsurers).



Tax Regime

1. General Overview

1.1. Corporate Income Tax Rate (%): progressive scale ranging from 25% to 35%.

1.2. Capital Gains Tax Rate (%): capital gains earned by corporate taxpayers are taxed at the same rate (25% to 35%) as ordinary income. Capital gains earned by foreign residents are also subject to tax, with income resulting from the sale of shares by non-residents subject to a 15% capital gains tax (exemptions apply).

1.3. Branch Tax Rate (%): progressive scale ranging from 25% to 35%.

1.4. Withholding Tax

- Dividends: 7%.
- Interest: The general rate is 35%, although a reduced rate of 15.05% may apply under certain circumstances, for instance, when a lender is a foreign bank meeting certain requirements; when the financing of depreciable movable assets is provided by the supplier; when the borrower is an Argentine bank, among others.
- Royalties from Patents, Trademarks, Formulas and Similar Items: Either 28% or 31.5%, depending on type of income, contract registration, etc.
- Technical Services: payments for technical assistance rendered from abroad are subject to withholding tax at rates of 21%, 28% or 31.5%. If services do not involve technical assistance (such as advise, opinion, etc.) then no withholding applies to services rendered from abroad.
- Other Fees and Compensation for Services Rendered Abroad: 17.5% for services involving transmission of images/sounds; 24.5% for artists and professionals acting in the country.
- Branch Remittance Tax: 7%.
- Net Operating Losses (Years)
  - Carryback: Not allowed.
  - Carryforward: Allowed for 5 years.

2. Tax on rent and corporate income

2.1. Corporate income tax

- Determination of the net taxable income (Trading Income).
- General: Net income is derived from gross income, less the necessary expenses required to generate it. Typically, it requires starting with accounting income and making the necessary book-to-tax adjustments to calculate taxable income.
- Monetary correction: Inflationary adjustment for accounting purposes are not allowed and must be reversed. Subsequently, the historical income is subjected to a specific tax inflationary adjustment mechanism that consists of a "static" component (adjusting the previous year's balance of monetary assets and liabilities) and a "dynamic" component (adjustments to monetary assets and liabilities position throughout the year).
- Depreciation: This is generally deductible under the straight-line method over the lifespan of the assets. In general, buildings depreciate at a rate of 2% annually.
- R&D incentives: There are no universal specific incentives, except for certain industries (such as the knowledge-based economy, etc.).
- Relief for losses: Losses can be carried forward for up to 5 years.

2.2. Corporate Tax Rates: These are progressive (25%, 30%, 35%) and are applied on tiers of accumulated net income, which are adjusted for inflation annually.

2.3. Dividends: Dividends received by corporate taxpayers are not subject to tax. Dividend distributions to local individuals or to foreign individuals/entities generally subject to 7% withholding (for dividends originating from income obtained from 2018 onwards).

2.4. Mining tax/Industry specific taxes (list)
The mining regime comes with special tax benefits (tax stability, double deduction of exploration costs, accelerated depreciation, VAT reimbursement). Other industries (such as the knowledge- based economy) may have special incentives and grants available. There is also an Incentive Regime for Large Investments (known as "RIGI" in Spanish) applicable to certain industries for projects involving an investment of at least USD 200 million.
See additional details about RIGI under the chapter "Establishing a business in the country".

2.5. Capital gains (direct and indirect)
Capital gains derived by resident companies are incorporated into taxable income and taxed at the regular corporate tax scale. Capital gains derived by foreign residents from the sale of unlisted shares are subject to a 15% tax (indirect sales are included if Argentina represents more than 30% of the market value and over 10% is sold; group relief is available for intra-group transfers). This tax may be calculated based on actual net income or on 90% presumed income, resulting in an effective 13.5% tax on the sale price. Capital gains derived by foreign residents from the transfer of listed shares are exempt, provided that the investor is not a resident in, and the funds do not originate from, "non-cooperating" jurisdictions.

2.6. Administration
Companies are required to make 9 advanced payments of corporate income tax. Each payment is equal to 11.11% of the preceding's year tax. These payments are due on a monthly basis starting in the sixth month after the end of the accounting year. Due dates depend on the company's taxpayer registration number. Companies must file their tax returns and pay any balance due by a specified date in the fifth month following their accounting year.

3. International Tax

3.1. Foreign tax relief
Companies resident in Argentina may receive a tax credit for foreign income taxes paid, which can be used against their Argentine tax liability. This credit is up to the amount of the liability increase resulting from the inclusion of foreign-sourced income in the tax base. Foreign tax credits are also available for taxes paid by foreign entities in which the Argentine shareholder has invested. For direct ownership, a minimum 25% stake is required, while for indirect ownership, a stake of at least 15% is needed.

3.2. Foreign-exchange controls
Certain obligations and restrictions apply to the inflow and outflow of funds, which should be closely monitored due to frequent changes, particularly after December 2023.

Exporters must repatriate to Argentina cash derived from the exports of goods and services, among other items, within a specified timeframe. Funds originating from loans received from abroad must be processed through the Argentine foreign-exchange market to enable repayment through the same mechanism. Debt payments to foreign entities can be processed through the foreign-exchange market, provided certain requirements are met. Payments for imports of goods and services initiated as of December 13, 2023, can be channelled through the foreign-exchange market after specific time periods. The payment of dividends for fiscal years beginning from January 2025 and onwards do not require the approval of the Central Bank of Argentina. For prior fiscal years up to 2024 such approval is required. Prior approval from the Central Bank of Argentina is also necessary to access the foreign-exchange market for overseas investments.

3.3. Transfer pricing
Argentine law includes transfer pricing rules that typically apply to transactions between related parties. However, transactions between unrelated parties might also be subject to these regulations. Transactions involving entities and individuals located in "non-cooperating" or "low- or no-tax" jurisdictions are considered not to be at arm's length. Additionally, Argentine legislation establishes rules for analyzing transactions involving the import or export of goods in which a foreign intermediary, who is not the actual importer at the destination or exporter at the source, is involved, provided at least one of the foreign parties (i.e., intermediary, importer, or exporter) is a related party. The law specifies certain transfer pricing methods and introduces a unique mechanism for exporting goods with predetermined prices, involving an intermediary that is related or located in "non-cooperating" or "low- or no-tax" jurisdictions.

3.4. Debt-to-equity rules: Not applicable. However, the interest deduction in related party loans may be limited to 30% of EBITDA under certain conditions.

3.5. Controlled foreign corporations (CFC): When specific conditions are met, including control over the CFC, a lack of substance, and a low tax rate, CFC income must be immediately taxed in Argentina.

3.6. Preferential tax jurisdictions: Special rules apply for "non cooperating" and "low-or no-tax" jurisdictions.

4. Value-added tax

21% (special rates of 10.5% and 27% apply).

5. Other considerations

5.1. Customs duties: import duties range from 0% to 35%. Export duties also apply.

5.2. Tax on personal assets: 0.5% on net equity as of December 31st owned by foreign residents (and Argentine individuals).

5.3. Provincial taxes: Businesses are subject to a turnover tax on gross revenues, which typically ranges from 3% to 5%. Additionally, a stamp tax, averaging 1%, is applied to the economic value of agreements.

5.4. Other taxes: tax on credits and debits in bank accounts amount to 0.6% on each debit and 0.6% on each credit.

5.5. GAAR: The "economic reality principle" applies.



Labor Regime

1. Labor Law

Employment rights stem from the Argentine Constitution, international treaties approved by the National Congress, several federal statutes and acts passed by the National Congress, as well as collective bargaining agreements and individual agreements.

1.1. Classification of employment contracts based on their duration nature
The general practice is for contracts to be executed for an indefinite period of time. Nevertheless, in special and extraordinary circumstances, an employer can hire employees for a definite term. Among other examples, we can refer to fixed-term contracts (the expiration date can be foreseen) and contingent contracts (the expiration date cannot be foreseen).

1.2. Working hours and breaks
Working time is the period during which the employee is at the employer's disposal to work. The common legal working time is 8 hours per day and 48 hours per week. However, the employer may impose a schedule with an unequal distribution of the 48-hour cap under certain circumstances. In addition, there are some exemptions to those caps. Employers must grant a daily rest period of at least 12 hours between the end of one working day and the start of the next. Employees are entitled to a weekly rest period of 35 hours, generally from 1 pm on Saturday until midnight on Sunday.
The recent labor reform introduced by Law No. 27.802 on March 6, 2026, amending the Argentine Employment Contract Law No. 20,744, has incorporated the possibility for the parties to agree on overtime compensation systems (such as hour-bank arrangements, compensatory time off, among others) as an alternative to the payment of overtime hours, i.e., supplementary hours. This hour-bank system may be used to offset a longer workday on one day with a shorter workday on another, provided that the legal weekly maximum working hours are not exceeded, or the maximum established by the specific applicable labor regime, whether through a special law and/or a Collective Bargaining Agreement.

1.3. Laws on remote work, telework and international labor
Law No. 27.802, enacted in Argentina on March 6th, 2026, repealed the Telework Regime Law No. 27.555, effective as of January 2027. Consequently, current employment contracts performed under hybrid or fully remote modalities will be governed solely by: the terms agreed upon by the parties in the individual employment contracts; the provisions of the Employment Contract Law, and any rules established by the applicable Collective Bargaining Agreements regarding remote work.

1.4. Principles governing employment
Salaries shall not be discriminatory and the rule "equal pay for equal work" is applicable according to Article 14 bis of the National Constitution. As of April 2026, the minimun mandatory monthly salary for all employees is of ARS 372,400 (USD 248.26). However, CBAs apply mandatory minimum wage scales greater to those established by the National Government, which may vary between activities.

- Our National Constitution establishes that employees shall earn a percentage of the profits generated by the employer. However, this provision is not considered nor claimed by any party. Its application has been limited only to certain economic activities (e.g., banking).
- Employees are entitled to annual paid leave, the term of which varies based on the employee's seniority. The amount paid for vacation days is calculated in such a way that it is slightly higher than the remuneration for a normal working day. This is referred as "Plus Vacacional".
- Employers must bear the cost of sick leave due to illness or non-work related accidents. The term of such leave can range from 3 to 12 months based on the employee's seniority and family obligations. Employees who are unable to return to work after their leave expires are entitled to an additional 12 months' unpaid leave. If the individual cannot return to work, different alternatives are considered.

- In the case of pregnancy, the employee shall not work in the 45 days prior to and following the expected date of birth. However, they may choose to modify these periods under certain conditions, up to 10 days prior to expected date of birth and 80 days following that date. During leave, the employee does not receive remuneration but rather a social security benefit.

1.5. Expiration or termination of the employment relationship

There are several causes of termination of an employment relationship, such as: mutual consent; expiration of a fixed-term contract; death, retirement or total disability; or by decision of one of the parties.

When an employee resigns or is dismissed for just cause, the employer is only required to pay certain accruals (working days in the month of termination; accrued vacations; and accrued 13th salary). When termination occurs without just cause or there is a claim for constructive dismissal, they are entitled to the aforementioned items, plus legal severance. There are exemptions in all scenarios.

Law No. 27.802 on Labor Modernization establishes the creation of Labor Assistance Funds (F.A.L.) intended exclusively to support compliance with labor obligations and indemnity payments. There are exemptions in all scenarios.

This requirement has been established by law; however, it is not yet operational, as the regulatory framework necessary for its implementation is still in progress.

The accounts of the Labor Assistance Funds will be funded through a mandatory monthly contribution of 1% for large companies and 2.5% for micro, small, and medium-sized enterprises, calculated on the remuneration used as the basis for determining employer contributions to the Argentine Integrated Pension System (SIPA) for each worker.

1.6. Protection and rights of the worker

In order to balance the assumption made by the Argentine legislation of an uneven relationship between an employer and employee, Argentina's labor laws favor employees and have been designed to safeguard their rights by instituting minimum standards governing working conditions. These standards are public order provisions and thus cannot be dismissed or waived.

1.7. Labor unions

1.7.1. Incorporation requirements and operations

Workers are free to form industry or branch-, craft-, or company-level unions. Any trade union is granted the right to represent their individual members. However, for a union to be granted collective representation rights it is indispensable that it be certified as a trade union with Union Personality, upon fulfilment of certain requirements.

1.7.2. Collective bargaining

It may be held at different territory or activity levels. Common negotiating parties are the employer's representative and a trade union with Union Personality. CBAs may provide for the establishment of Joint Committees in charge of interpreting the CBA's scope, intervening in individual or collective disputes, classifying employment positions, and defining salary increases.

The labor reform introduced by Law No. 27.802 promotes the predominance of Company-Level Collective Agreements over other Activity-, Sector-, or Trade-Level Collective Agreements, thus reducing their scope of application. In this way, it establishes a legal framework—through collective bargaining—that will apply exclusively between the employer (the Company) and its workers.

1.8. Labor Formalization Incentive Regime (RIFL).

A temporary incentive regime provides reduced employer social security contributions for certain new hires meeting statutory requirements.

1.9. Promotion of Registered Employment (PER).

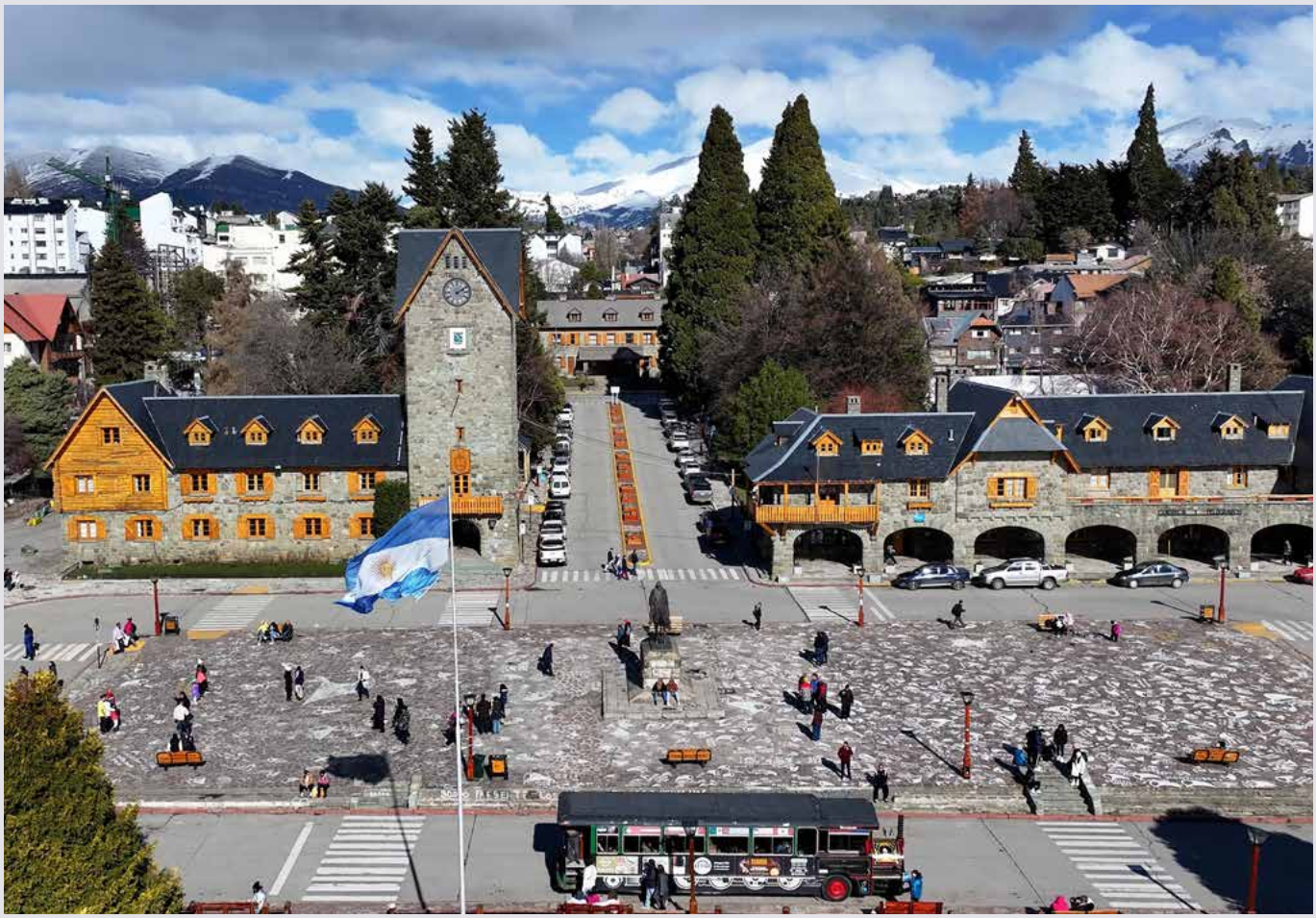
Employers may regularize unregistered or deficiently registered employment relationships in accordance with the procedures and conditions established by applicable regulations.

2. Considerations for foreign workers

2.1. Legal considerations regarding foreign workers
There are no limitations for hiring foreign workers, except in certain economic activities (e.g., fishing and mining activities) that require companies to ensure a certain percentage of local workers in their workforce.

2.2. Immigration regulations.
Under Law 25,871, the following are the three categories of entry:
i) transitory residence; ii) temporary residence; and iii) permanent residence.

- Transitory residence
  - Technical visa: it applies to foreigners who will perform technical or professional activities for a short period of time. It is obtained at the Argentine consulate in the country of residence of the expatriate and is granted for 30 calendar days, which can be extended twice for the same period of time in Argentina before the immigration office.
  - Business visa: It is a visa that applies to those who must enter on their own to perform business activities, conduct market research or hold a business meeting. This type of visa can be obtained only at the Argentine consulate in the country of residence and is for business purposes only and can be extended once in Argentina for the same period of time before the immigration office.
  - Transitory Work Authorization: it is a short-term, single-entry work permit valid for a period of up to 90 calendar days. It allows assignees to reside legally in Argentina and perform paid or unpaid activities for a local entity in Argentina. The assignee can apply for this benefit twice in a 365-day period beginning on the date of the first application. To apply for a second TWA, the assignee must leave and re-enter the country.
  - Electronic Authorization (TIE): it is a short-term, multiple-entry authorization valid for a period of up to 30 calendar days, renewable twice for the same period of time in Argentina before the immigration office. The process is electronically with the approval of the Argentinian consulate in the home country of the applicant. Only those nationalities that do not have restrictions on entry as tourists will be able to obtain this benefit.
  - Bilateral and Multi agreements : Intended for nationals who carry passports from countries that are part of bilateral or multi-party agreements with which Argentina has entry benefits and who have no nationality restrictions to do so. It will depend on the agreement, the period of stay, who can apply and the type of activities to be carried out by those authorized.
- Temporary residence
  The most common types of residence for foreigners and their dependents coming to work to Argentina are as follows:
  - Employment contract residence: applies to foreigners who are employed by a local company for an extended period of time. It is valid for one year and may be extended indefinitely.
  - Intracompany transfer residence: applies to employees who are transferred from a company in their home country to an Argentine company for an extended period of time. It is valid for one year and may be extended indefinitely.
  - Family reunification with temporary resident relative: applies to foreigners who have a relative with temporary residence in Argentina. This type of residence is valid for the period of the temporary residence of the relative and may be extended indefinitely.
  - Study residence: it applies to foreigners entering the country with the intention of carrying out studies at officially recognized private or state-run institutions. This type of residence is valid for up to one year and may be extended for the period of the course of study.



- MERCOSUR temporary residence: applies to foreigners from MERCOSUR countries (Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela) who will work for an extended period of time. This type of residence is valid for two years and may be extended indefinitely.
  National Identity Card (Documento Nacional de Identidad, or DNI): this document is issued to foreigners with any type of temporary residence.
  Registration of local companies: the National Registry of Foreign Personnel Requestors (Registro Nacional Único de Requirentes de Extranjeros, or RENURE) is the national registry in which all the local entities requiring foreign staff must be registered. The requesting person (private or public, physical or legal) must be registered at RENURE to sponsor transitory residence and temporary residence (except for temporary MERCOSUR residence).
  - Permanent residence
    Any foreigner with 2 or 3 years depending on the nationality of continued temporary residence may apply for permanent residence. Direct relatives of Argentinian citizens may also be eligible for a permanent residence visa.

2.3. Entry Procedures
Life insurance must be presented upon entering Argentina, and a sworn statement of entry must be signed specifying the tasks to be performed in the country.

3. Taxes levied on wages

3.1. Employment income tax
Taxable income from employment includes all salaries, regardless of the taxpayer's nationality or the place where the compensation is paid or the contract is concluded.

Employees shall deduct from their monthly taxable income the pension fund contributions and general deductions provided for in the Income Tax Law (donations, domestic service, mortgage interest, education expenses for their dependents, medical assistance fees, home rental, among others), the personal allowance, dependents and special deduction. Shall apply a progressive tax rate ranging from 5% to 35%. Both the personal allowance and progressive tax rate are updated twice a year (in January and July of each year).

3.2. Social Security Contributions:

- Employee Contributions
  Are withheld from the monthly salary at a rate of 17%, which is applied to a maximum taxable base, the cap being ARS $3.335.458,18 as of June 2025 (updated Monthly). Therefore, compensation in excess of such limit shall not generate additional Employee Social Security Contributions.
- Employer Contributions
  The percentage of employer contributions is 18% for the minimum and 20.40% for the highest, depending on the company's activity. (e.g., registered activity, invoicing level), and they are not subject to the above-mentioned maximum taxable amount or cap.
- Saving alternatives
  Employee-Director options, Social Security Agreements, Totalization Agreement and Special Social Security Exemption under Argentine law.

3.3. Withholding System
The company serves as withholding agent for purposes of income tax and employee social security contributions.

4. Other aspects to consider

Foreign nationals coming to Argentina for duly attested labor reasons are deemed as non-residents for income tax purposes during the first 5 years, liable only for Argentinian-source income (from work performed in Argentina and/or assets located in Argentina). Employees in a dependent relationship are required to file either an Informative Income Tax Return or a Determinative Income Tax Return.



Financial Reporting

1. Publicly traded companies

The application of IFRS ® Accounting Standards, as issued by the International Accounting Standard Board (IASB), is mandatory in the financial statements of entities included in the Public Offering Regime. However, entities authorized by the National Securities Commission (CNV) to apply accounting methodologies from other regulatory agencies, such as financial entities, insurance companies, cooperatives, and civil associations, are exempt from this application. In the case of economic groups, the mandatory application extends to the consolidated financial statements, and to the financial statements of the controlling company.

All companies that publicly offer their negotiable securities ("issuers") must present annual financial statements in Argentine pesos with an audit report within 70 days of the end of the fiscal year, and at the end of each quarter.

2. Special cases

The Argentine Federation of Professional Councils of Economic Sciences (FACPCE) has established in its Technical Resolution Nº 26, that entities that are not subject to the mandatory application of IFRS Accounting Standards, may apply full IFRS Accounting Standards or IFRS for SMEs® Accounting Standards, as approved by the IASB, as an option in relation to the application of Argentine Professional Accounting Standards (NCPAs) issued by the FACPCE.

In 2024, effective as of 2025, the FACPCE completed the codification of the NCPAs that were in force into what is known as the Argentine Unified Accounting Standards (NUA). The NUA entails a closer alignment with IFRS Accounting Standards in some aspects of measurement, presentation and disclosure, as well as optional differential standards (mostly simplifications) for small and medium-sized entities.

Notwithstanding that established by the FACPCE, the possibility of optional application of full IFRS Accounting Standards or IFRS for SMEs Accounting Standards must be approved by the corporate control agency corresponding to each entity. These agencies are government entities that establish the accounting standards that must be applied by the entities under their control when preparing their financial statements.

Some of these government entities incorporate as statutory accounting standards the NCPAs (including the possibility of applying IFRS Accounting Standards or IFRS for SMEs Accounting Standards); such is the case of the General Inspection of Justice of the Autonomous City of Buenos Aires (IGJ CABA), and the equivalent Provincial Inspections.

However, despite the possibility of presenting financial statements in accordance with IASB® accounting standards, in practice, the vast majority of entities subject to oversight by the IGJ CABA or the Provincial Inspections, opt to apply the NCPA issued by the FACPCE.

3. Other considerations

Pursuant to the General Corporate Law, stock companies, and limited liability companies with share capital equal to or greater than ARS 2,000 million, must deliver to the IGJ CABA and the equivalent Provincial Inspections their annual financial statements audited by an independent auditor, which include the statement of financial position, the income statement, the statement of changes in equity and the cash flow statement.

In addition, controlling companies are required to present consolidated financial statements as supplementary information to the individual financial statements.

The local audit standards to be applied are those set by the FACPCE in its Technical Resolution Nº 37 and by certain control mechanisms.

Likewise, certain oversight bodies, such as the Central Bank of the Argentine Republic or the Superintendency of Insurance of the Nation, issue audit and review standards that must be adopted by the auditor in addition to the provisions of RT 37. These standards include, for example, a list of the minimum audit procedures applicable to the examination of the annual and quarterly financial statements of the entities under their control.

According to Article 66 of the General Corporate Law, the administrators of stock companies and limited liability companies must prepare a report on the date of issuance of the financial statements in which they report on the status of the Company in the various activities in which it has operated and explain the results and projections of the company.



Bolivia

Message from EY Bolivia's Country Managing Partner

Over the past decade, Bolivia has steadily strengthened its position within South America's economic landscape, supported by its abundant natural resources and the continued development of strategic sectors such as energy, mining, and infrastructure. Today, the country stands at a defining moment, with a renewed focus on unlocking its full potential and accelerating sustainable growth.

Bolivia is increasingly moving toward a more outward-looking approach, advancing efforts to open its economy, strengthen international ties, and actively attract foreign investment. This shift is accompanied by a growing emphasis on creating a more predictable and investor-friendly environment, as the country works to address macroeconomic challenges and lay the foundation for long-term stability.

This new phase of transformation is expected to generate significant opportunities across high-value sectors. Bolivia's vast reserves of lithium and other critical minerals, alongside its natural gas potential and expanding renewable energy capacity, position the country as a key player in the global energy transition. At the same time, sectors such as infrastructure, agribusiness, and value-added industries are gaining momentum, offering additional avenues for growth and diversification.

We are confident that Bolivia's path toward greater openness and economic transformation will create increasingly attractive conditions for investors. As the country deepens its integration into global markets, those who engage early will be well-positioned to benefit from its long-term growth prospects.

At EY, our multidisciplinary team combines deep local expertise with a global perspective to support investors in navigating this evolving landscape. We are committed to helping you identify opportunities, manage risks, and successfully establish and expand your presence in Bolivia.

Kind regards,



Javier Iriarte

Country Managing Partner
EY Bolivia

Overview

Bolivia, located in South America, extends from the Andes Mountains to the Amazon basin. It is known for its cultural and natural diversity. La Paz is its administrative capital; Santa Cruz de la Sierra, its economic center; and Cochabamba and Sucre (official capital) are its main cities. The diverse population includes Quechua and Aymara communities, as well as mestizos, reflecting their cultural richness in music, dance, and festivals. Its resources, such as tin, lithium and the Amazonian biodiversity, drive the mining, agriculture, and tourism industries. Bolivia seeks sustainable innovation in the exploitation of resources and has promoted policies to diversify its economy and reduce its dependence on raw material exports.



Population
12,582,000 (2025)[1]
Urban[2]: 71.2% (2024)
Rural[2]: 28.8% (2024)



Main languages
Spanish.
Other languages: Quechua, Aymara, Guaraní, and 33 other Indigenous languages.



Area[3]
1,083,300 km^2



System of government[4]
Presidential Republic
President: Rodrigo Paz Pereira
Next elections: 2030



Climate[3]
Tropical in the lowlands and temperate in the highlands, with marked seasonal variations



International Time[5]
GMT-4 (All Bolivia)



Currency[6]
Bolivianos
US$1 = BOB 6.91 (Dec 31, 2025)



GDP current prices[1]
USD $64.3 Bn. (2025)



GDP per capita (PPP)[1]
USD $12,927.5 (2025)



Key sectors[7]
Bolivia's key sectors include mining, smelting, oil, food and beverage, tobacco, handicrafts, and clothing. The main agricultural products are soybeans, coffee, coca, cotton, corn, sugar cane, rice, potatoes, and timber.

Why invest in Bolivia?

Large commodity exporter:
6th of soy oil, 13th of ores, slag & rice in 2024 (Comtrade)[8].

Large mineral production:
9th of silver, 5th of tin, 7th of zinc, and 10th of lead (in 2024) and 1st in lithium resources in 2026 [9].

Ranked 6th in natural gas reserves and production in Latin America[10].

Undergoing a structural shift driven by pro-market reforms, fiscal austerity, and trade liberalization introduced by the new administration[11].

Significant growth potential as the country works to expand exports and modernize key industries[11].

The country has reestablished
a bilateral relation and cooperation with the U.S translating in investment opportunities laws[12].

1. World Economic Outlook Database (April 2026), IMF.
2. Data Bank (April 2026), The World Bank Group.
3. Country information, DatosMundial.com.
4. Government - Politics, CountryReports.com.
5. World Time Directory, 24timezones.com.
6. Exchange Rates Database (April 2026), IMF.
7. Country information, Encyclopedia Britannica.
8. Comtrade Database, United Nations.
9. U.S. Geological Survey, Mineral Commodity Summaries 2026.
10. Annual Statistical Bulletin 2025. OPEC.
11. International Trade Administration, 2026
12. United States Department of State

Country's economic outlook

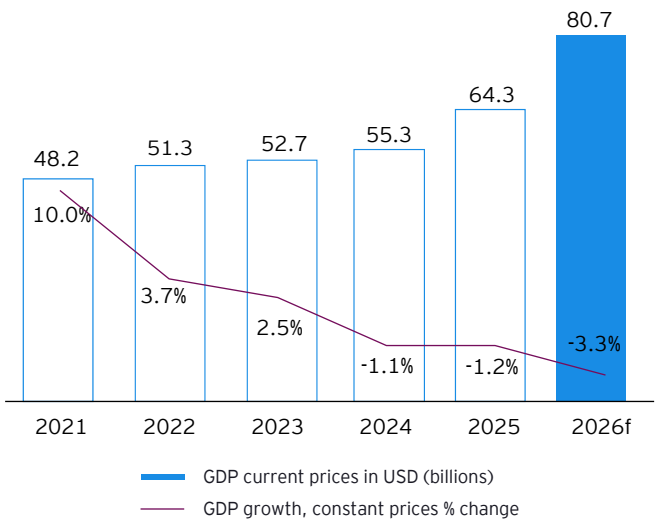
Bolivia's economy presents a unique tapestry of opportunities woven from its diverse natural resources, strategic location, and ongoing efforts towards economic stabilization and growth.
Bolivia has natural gas and oil fields, a varied climate conducive to agricultural and livestock areas, and reserves of tin, zinc, and gold; it has the largest lithium resources and large iron reserves.
The country's vast lithium reserves, located in the Salar de Uyuni, the world's largest salt flat, offer significant investment potential as the demand for this lightweight metal continues to surge.
In addition to its mineral wealth, Bolivia has made strides in diversifying its economy through the development of its agricultural sector. It has capitalized on its fertile lands to become a major exporter of soybeans, quinoa, and other crops that are gaining popularity on the international market.
Bolivia's strategic location in the heart of South America also serves as a gateway for regional trade. The country is actively improving its transportation infrastructure to facilitate better connectivity with neighboring countries.
Following the pandemic, Bolivia witnessed a notable economic rebound and a decrease in poverty levels, fueled by an improved global context, which included increased international prices for its main export commodities.
The recent political shift in Bolivia, marked by a change in government leadership, signals a period of transition that could reshape the country's economic landscape. Changes in government priorities and policy direction may lead to a more pragmatic or market-oriented approach, potentially improving regulatory clarity and fostering a more stable investment climate.
One of the most significant recent economic policy changes in Bolivia was the transition from a long-standing de facto fixed exchange rate regime to a managed flexible system in June 2026, driven by persistent foreign currency shortages and declining international reserves. The new regime allows the exchange rate to better reflect market conditions and external imbalances.

Table 1

Main Indicators	Bolivia
GDP current prices USD bn. (2025)[1]	$64.2
GDP growth, constant prices % change (2025)[1]	-1.2%
Gross domestic product per capita, current prices USD (PPP) (2025)[1]	$12,927.5
Inflation, year-end consumer prices (2025)[1]	20.4%
Fiscal balance (net lending (+) or net borrowing (-) of general government; % of GDP) (2025)[1]	-11.6%
Public debt (General government gross debt, % of GDP) (2025)[1]	84.8%
Current account (% of GDP) (2025)[1]	-1.9%
Investment (% of GDP) (2025)[1]	17.3%
Poverty headcount ratio at $8.30 a day (2021 PPP) (% of population) (2024)[2]	17.4%

Sources: 1. World Economic Outlook Database (April 2026), IMF; 2.The World Bank Group.

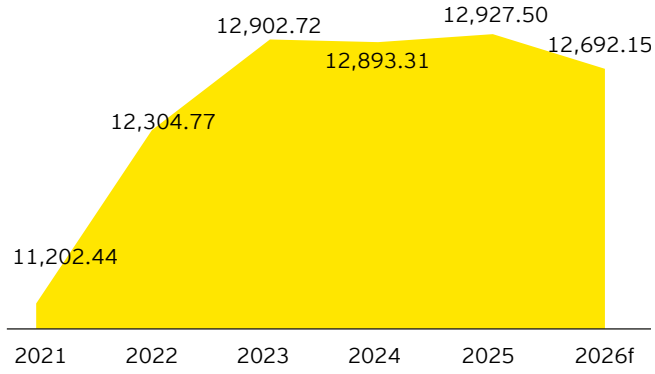
Figure 2:
Gross domestic product, levels and growth



Source: World Economic Outlook Database (April 2025), IMF.

After three years of growth, in 2024, Bolivia's economy contracted by 1.1%, reflecting the impact of declining gas revenues, limited foreign reserves, and persistent external imbalances.
The outlook remains challenging as the IMF' projects that Bolivia's economy will contract by 3.3% in 2026, alongside an inflation rate of 20.7%. According to the report, this downturn represents a sharper decline than in 2025 (-1.2%).

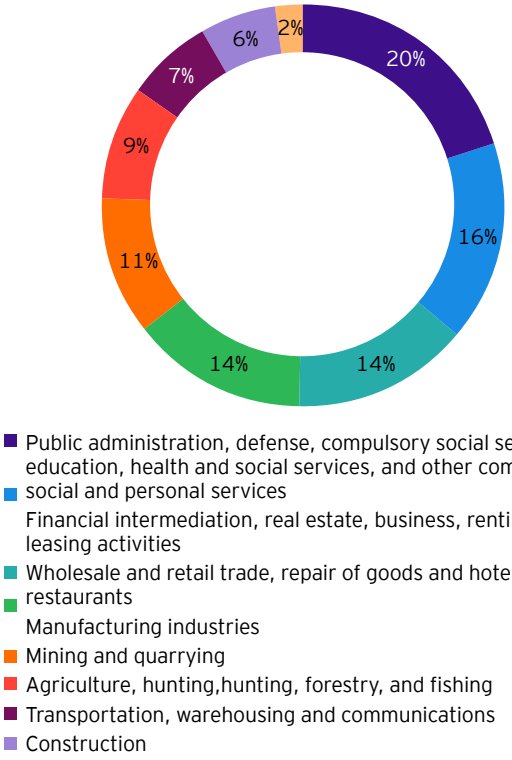
Figure 3
Gross domestic product (GDP), Per capita, (PPP) international dollar, ICP benchmarks 2017-2021



Source: World Economic Outlook Database (April 2025), IMF.

After a strong post-pandemic recovery, Bolivia's GDP per capita (PPP) reached USD 12,902 in 2023 and is expected to stay flat before declining in 2026.

Figure 4
Share of gross domestic product by economic sector in 2024 (current prices in USD)



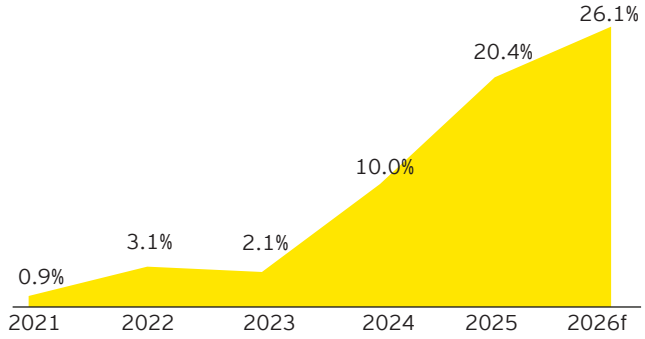
Source: CEPALSTAT, United Nations ECLAC.

The most significant sector in Bolivia is the public and personal services sector, followed by Financial intermediation, real estate, business, renting and leasing activities. Other sectors as manufacturing, retail and mining have a similar share in terms of percentage of GDP.



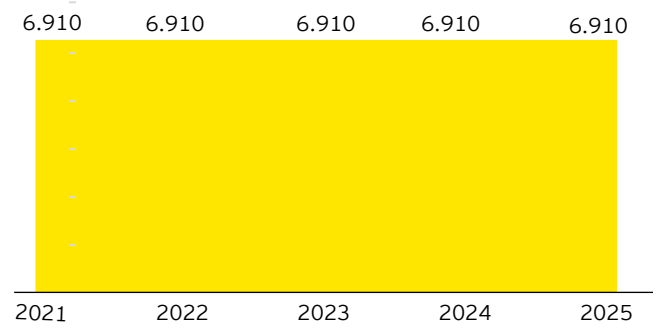
Figures 5 and 6:

Inflation (end of period consumer prices, % change)



Source: World Economic Outlook Database (April 2026), IMF.

Exchange rate of foreign currency (USD/BOB, end of period)

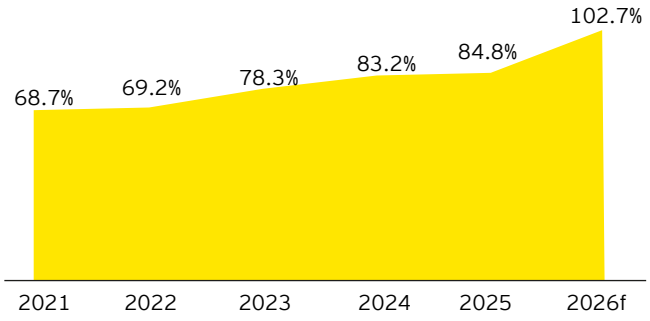


Source: Exchange Rates Database (April 2026), IMF.

Inflation in Bolivia has historically been among the lowest in the region, supported by extensive price controls and subsidies on food and energy. However, inflationary pressures have intensified markedly in recent years. According to IMF estimates, inflation reached around 10% in 2024 and 20.4% in 2025, with further increases expected thereafter. These dynamics are closely linked to persistent foreign exchange shortages, rising import costs, and increasing pressure on the exchange rate, which has led to widening gaps between the official and parallel markets.
In 2026, the new administration implemented a managed floating exchange rate system.

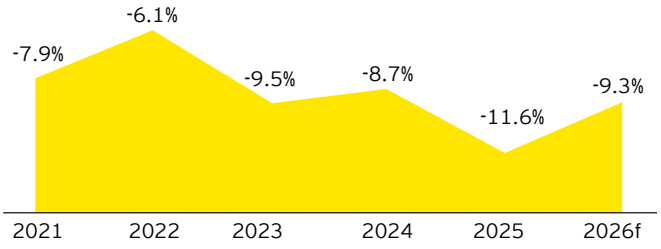
Figures 7 and 8:

Public debt (General government gross debt, % of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

Fiscal balance (net lending (+) or net borrowing (-) of general government, % of GDP)

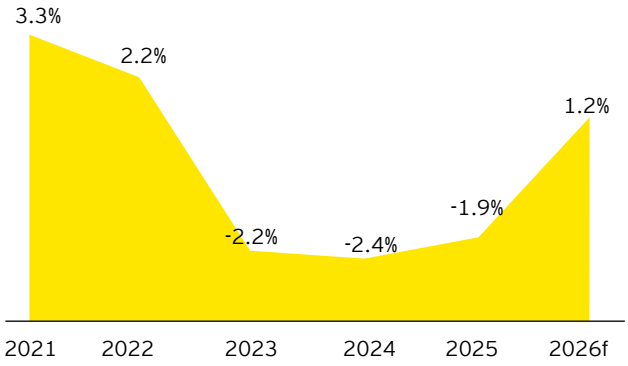


Source: World Economic Outlook Database (April 2026), IMF.

Bolivia's public debt reached 78.3% of GDP in 2023 and increased further to 83.2% in 2024. In 2025 rose to 84,8% and its expected to continue this trend.
The fiscal deficit remained elevated at 8.7% of GDP in 2024, slightly improved from 9.5% in 2023, but in 2025 fell to 11.6%.

Figure 9:

Current account (% of GDP)

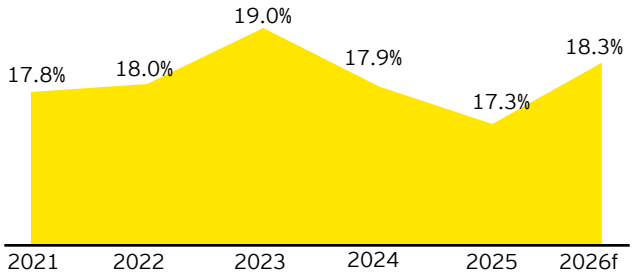


Source: World Economic Outlook Database (April 2025), IMF.

The current account recorded a surplus of 3.3% of GDP in 2021 but deteriorated steadily thereafter. By 2024, it registered a deficit of 2.4% of GDP and then improved to -1.9% next year. Nevertheless, it is expected to have a surplus of 1.2% of GDP in 2026.

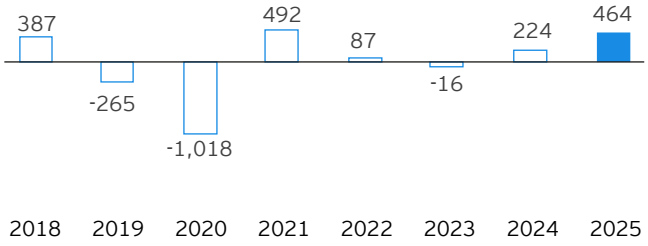
Figures 10 and 11:

Investment (% of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

FDI net inflows to Bolivia (USD millions)



Sources: CEPALSTAT (April 2026), ECLAC.

After a peak in 2023, the decline in investment as a share of GDP continued into 2025, when it reached 17.3%. A recovery to previous levels is expected in 2026.

FDI net inflows into Bolivia were USD 220 million in 2024, recovering from near zero in 2023, according to CEPALSTAT. It is expected to reach USD 464 million in 2025.

Bolivia is an emerging market in Latin America, offering significant investment opportunities due to its abundant natural resources, including key minerals like lithium, vast fertile fields and a strategic geographic position for trade.

The country is improving infrastructure and streamlining business processes to attract foreign investment. With a growing middle class, there is an increasing demand for goods and services.

Establishing a business in the country

1. Investment Regulation and Promotion Agencies

Currently, the Bolivian government prioritizes Bolivian investment over foreign investment as a mechanism to strengthen the national productive apparatus and the supply of goods and services.
Private investment in Bolivia suffered a decrease, due to the drop in raw material prices and their high cost, since it is the largest sector in which foreign investments are made, associated with the Bolivian government.
The Central Bank of Bolivia (BCB) oversees the registration of foreign investment, issuing a certificate evidencing the inflow of foreign capital. In practice, registration operates mainly as a formal and control mechanism, with increased reliance on ex-post reviews.
Bolivia promotes the Mixed Investment modality, which is an investment mobility made up of productive state investment on one hand, and national and/or foreign private investment on the other, in which the State maintains control and direction of productive economic activity.
Given fiscal constraints, recent investment policies increasingly rely on mixed-investment arrangements and project-specific agreements involving state-owned enterprises, rather than traditional Public-Private Partnership schemes.

2. Main Types of business

There are various corporate types that can be used by investors to start a business in Bolivia. The most used forms are listed below.

2.1. Corporations

A minimum of three shareholders is required to establish a public limited company. Those non-domiciled shareholders must designate a legal representative in Bolivia to sign the public deed of incorporation on their behalf.
The initial share capital, whether in national or foreign currency, must be deposited in a local financial institution. The capital of a public limited company is represented by shares with a value in multiples of 100 and are registered or bearer shares.
Characteristics:

- Name: It must include the indication "Sociedad Anónima" or the initials "S.A."
- Limited liability: The liability of shareholders is limited to the amount of shares they have subscribed. Shareholders are not personally liable for corporate debts. The guarantee that the company's creditors have is its assets.
- Administration: The General Meeting of Shareholders, the Board of Directors and Management.
- Legal reserve: Minimum of 5% of the distributable profit of each year, deducting Income Tax, until it reaches an amount equal to 50% of the share capital.
- Transfer of shares: The transfer of shares is free, provided that the contrary is not stipulated in the company's bylaws.

2.2. Limited Liability Company

The Limited Liability Company is organized with a minimum of 2 and a maximum of 25 partners. The requirements for its incorporation are the same as those required for other types of companies. Its capital is divided into capital installments of equal value.
Characteristics:

- Name: It must include the indication "Sociedad de Responsabilidad Limitada", the acronym "S.R.L.", "Limitada" or "Ltda."
- Limited liability: Partners are not personally liable for corporate obligations.
- Administration: The Assembly of Partners and Management.
- Legal Reserve: There is no obligation to make a legal reserve.

Tax Regime

1. General Overview

1.1. Corporate Income Tax Rate (CIT): 25%

1.2. Capital Gains Tax Rate: capital gains earned by corporate taxpayers are taxed at the same rate (25%) as ordinary income. Capital gains earned by foreign residents are also subject to tax, with income resulting from the sale of shares by non-residents subject to a withholding of 12.5%.

1.3. Branch Tax Rate: Same as CIT - 25%.

1.4. Withholding Tax

- Dividends: 12.5%
- Interest: 12.5%
- Royalties and Technical Services: 12.5%
- Branch profits: 12.5%
- Other Fees and Compensation for Services Rendered Abroad: 12.5%

Net Operating Losses (Years)

- Carryback: Not allowed.
- Carryforward: Allowed for 3 years, except for some productive industries such as mining and oil and gas which are allowed for 5 years. Furthermore, the first-year losses can be offset for up to 5 years in new investments which capital is equal or higher than BOB 1 million.
  Bolivian domestic tax law does not contain an explicit definition of Permanent Establishment. In practice, the tax authorities assess taxable presence based on habituality, economic substance and the nature and recurrence of activities performed in Bolivia.

2. Tax on rent and corporate income

2.1. Corporate income tax

Determination of the net taxable income:

- General: Net income is derived from gross income, less the necessary expenses required to generate it. Typically, it requires starting with accounting income and making the necessary book-to-tax adjustments to calculate taxable income.
- Monetary correction: Inflationary adjustment is required for CIT determination purposes.
- Depreciation: This is generally deductible under the straight-line method.
  For fiscal year 2026, an optional accelerated depreciation regime applies to qualifying fixed assets acquired and put into use between January 1 and December 31, 2026, allowing depreciation over half of the standard useful life, subject to disclosure and compliance requirements.
- R&D incentives: There are no specific incentives.

2.2. Corporate Tax Rates: 25%.

2.3. Dividends: Dividends received from other taxpayers are not subject to tax.
Dividend distributions to local individuals are exempt of taxes and subject to 12.5% withholding for foreign owners.
In 2026 a reinvestment incentive allows a partial or progressive exemption from the 12.5% withholding tax on dividends and branch profit remittances, provided the profits are effectively capitalized in Bolivia and allocated to qualifying reinvestment reserves.

2.4. Mining tax/Industry specific taxes

- General exports exemptions apply.
- In addition to CIT a 12.5% rate applies on additional taxable profits resulting from favorable price conditions for minerals and metals (when quotations are equal or higher than the base quotations established by law). To encourage transformation of raw material in Bolivia, companies producing metal or nonmetal minerals with added value pay only 60% of the said additional tax.

2.5. Capital gains (direct and indirect)

For resident companies, capital gains are treated as ordinary income and are subject to standard CIT rate of 25%. For nonresident companies and individuals, capital gains are taxed with a withholding of 12.5%.

2.6. Administration

The fiscal year depends on the category that the company belong to (Commercial, Mining, Industrial, Agricultural). In general, companies must file returns in 120 days after the closing of the fiscal year.

2.7 **Statute of limitations**
Law N° 1733 amended the statute of limitations applicable to tax matters.
The general limitation period for the assessment and collection powers of the Tax Administration was reduced from eight to four years. The prevailing interpretation is that this amendment applies prospectively from the entry into force of the Law in May 2026.
In the case of tax penalties, the limitation period was also reduced and may be invoked with respect to ongoing matters under the principle that the more favorable law may apply to sanction-related proceedings. As a result, the practical impact of the reform is expected to be more immediate in the area of tax penalties than in tax assessments.

2.8. **Compensation with other taxes.** Once CIT is paid, it can be used as an advanced payment of the Transaction Tax of the next fiscal year.

3. International Tax

3.1. **Foreign tax relief**
Foreign tax credits are not available in Bolivia.

3.2. **Foreign-exchange controls**
Bolivian law does not establish formal foreign-exchange controls, and the repatriation of capital and remittance of dividends are legally permitted. Since June 29, 2026, Bolivia operates under a managed foreign exchange regime in which the Official Exchange Rate (TCO) is determined and published daily by the Central Bank of Bolivia. The TCO constitutes the official benchmark for accounting, valuation, tax and foreign exchange purposes.

3.3. **Transfer pricing**
Bolivian law includes transfer pricing rules that typically apply to transactions between related parties. Under the TP regime, the following formalities will apply, depending on the amounts of yearly transactions:

- Greater than BOB15 million (USD2,155,172), a transfer-pricing study and Informative Tax Form must be filed.
- Between BOB7,500,000 (USD1,077,586) and BOB15 million (USD2,155,172), only informative Tax Form must be filed.
- Less than BOB7,500,000 (USD1,077,586), count with information requested by Bolivian Tax Authority.

The following should be considered on Bolivia's TP regime:

- Applies only over international transactions (i.e., it is not applicable for domestic related parties).
- Defines a special formula to define the market price range, which is different to the interquartile range (IQ range).
  In practice, recent transfer pricing audits have placed increased emphasis on the substance of intercompany services, import pricing and documentation consistency, rather than on formal compliance thresholds alone.

3.4. **Debt-to-equity rules:** Not applicable; however, the interest deduction with owners is limited to 30% of interest paid to third parties.

3.5. **Controlled foreign corporations (CFC):** No CFC rules in Bolivia.

3.6. **Preferential tax jurisdictions:** Special rules apply for "low-or no-tax" jurisdictions.

4. Value-added tax

Value Added Tax (VAT) is levied on the sale of goods, the rendering and use of services, and the importation of goods in Bolivia.
The VAT system operates under an input/output mechanism, whereby VAT charged on sales may be offset against VAT paid on purchases. Any excess input VAT may be carried forward indefinitely until fully utilized.
Under the rules currently in force, VAT is calculated on a tax-inclusive amount, meaning that the taxable base includes the VAT itself. As a result, the statutory 13% VAT rate produces an effective tax burden of approximately 14.94% over the net value of the transaction.
Law N° 1733 amended the VAT taxable base and established that VAT should be calculated directly on the net value of the transaction. Once the corresponding implementing regulations enter into force, VAT will apply as a 13% tax on the net sales price rather than under the current tax-inclusive methodology.
The effectiveness of this amendment remains subject to the issuance of implementing regulations. Accordingly, until such regulations become effective, VAT continues to be determined under the current methodology.
The Complementary VAT Regime (RC-IVA) applies to employment income and certain investment income earned by individuals at a statutory rate of 13%.

5. Other

5.1. **Green taxes:** Not applicable in Bolivia.

5.2. **Customs duties.** Import duties generally range from 0% to 40%, depending on the nature of the imported goods.
In addition, imports are subject to VAT, which is currently determined under the existing methodology and results in an effective rate of approximately 14.94% applied over the corresponding taxable base. Although Law N° 1733 introduced amendments to the VAT taxable base, such amendments remain subject to implementing regulations that are not yet in force.

5.3. **Excise tax.** Is levied on the domestic sale of goods and imports of cigarettes, soft drinks, alcoholic beverages and motor vehicles at specific and percentual rates.

5.4. **Stamp Duties:** Not applicable in Bolivia.

5.5. **Other taxes:**

- Transaction Tax is levied on gross sales at 3% tax rate. It can be offset by the CIT effective payment made of the previous fiscal year.
- Wealth tax is levied on individuals with Bolivian residency if their net wealth is higher than BOB30,000,000 (approx. USD 4,300,000). The applicable rates range from 1.4% to 2.4%. A wealth tax return must be filed annually.
- Municipal Taxes
  - Property Tax: is an annual municipal tax that is levied over the value of real state (land, buildings, and fixed and permanent facilities) and motor vehicles. The tax rate varies between 0.35% to 1.5% for real state and 1.5 to 5% for motor vehicles, depending on the value of the asset and the municipality.
  - Property Transfer Tax: is levied on the transfer of urban or rural property and motor vehicles. The tax rate is 3%, to be paid by the buyer.

5.6. GAAR
The economic reality principle applies and is actively enforced by the Bolivian Tax Authority, particularly in audits involving cross-border services, import structures and the application of tax incentives.



Labor Regime

1. Labor law

1.1. Classification of employment contracts based on their nature.

- Indefinite contracts. Contracts that do not have a defined term. Such employment agreements fully extend all labor rights and benefits to the workers as per Bolivian law.
- Fixed term or Modal Contracts. This category of contracts requires an objective cause justifying the temporary nature of the contract term, aligning with the type of contract deployed. The contract's validity is guided by its adherence to the regulations stipulated in the prevailing legislation.

Considerations for all types of contracts: All the above contracts include a probationary period of 90 days.

1.2. Working hours and breaks

In Bolivia, the maximum working time is set at 48 hours per week for men and 40 hours per week for women.

1.3. Law on remote work, telework and international labor

No specific regulation on this matter in Bolivia.

1.4. Types of remuneration and minimum monthly income

As of January 1, 2026, Bolivia's national minimum monthly wage amounts to BOB 3,300 for both the public and private sectors, representing a 20% increase compared to 2025.

Salary can take various forms: it can be fixed (known as the basic salary or wage), variable (subject to the fulfillment of certain conditions, such as commissions or piecework), or mixed (a combination of fixed and variable components).

1.5. Distribution of profits

If the company had profits, the employer must pay a bonus up to the less between one month of salary or 25% of net income to all employees who have worked in the year or pro rata to the time worked.

This item is subject to Complementary Regime of VAT.

1.6. Absences: holidays, vacations, pregnancy

This includes mandated weekly rest, holidays, and 15 to 30-day paid annual leave for each year of service, depending on the labor seniority.

Bolivian regulations uphold the right of worker to enjoy paid leave on statutory holidays recognized by law.

On the other hand, maternity leave represents one of the most consequential benefits afforded to employees. It grants the employee a span of 90 days of leave, distributed into prenatal and postnatal periods, each consisting of 45 days.

Also, a year-end bonus (Christmas bonus) equivalent to one month salary.

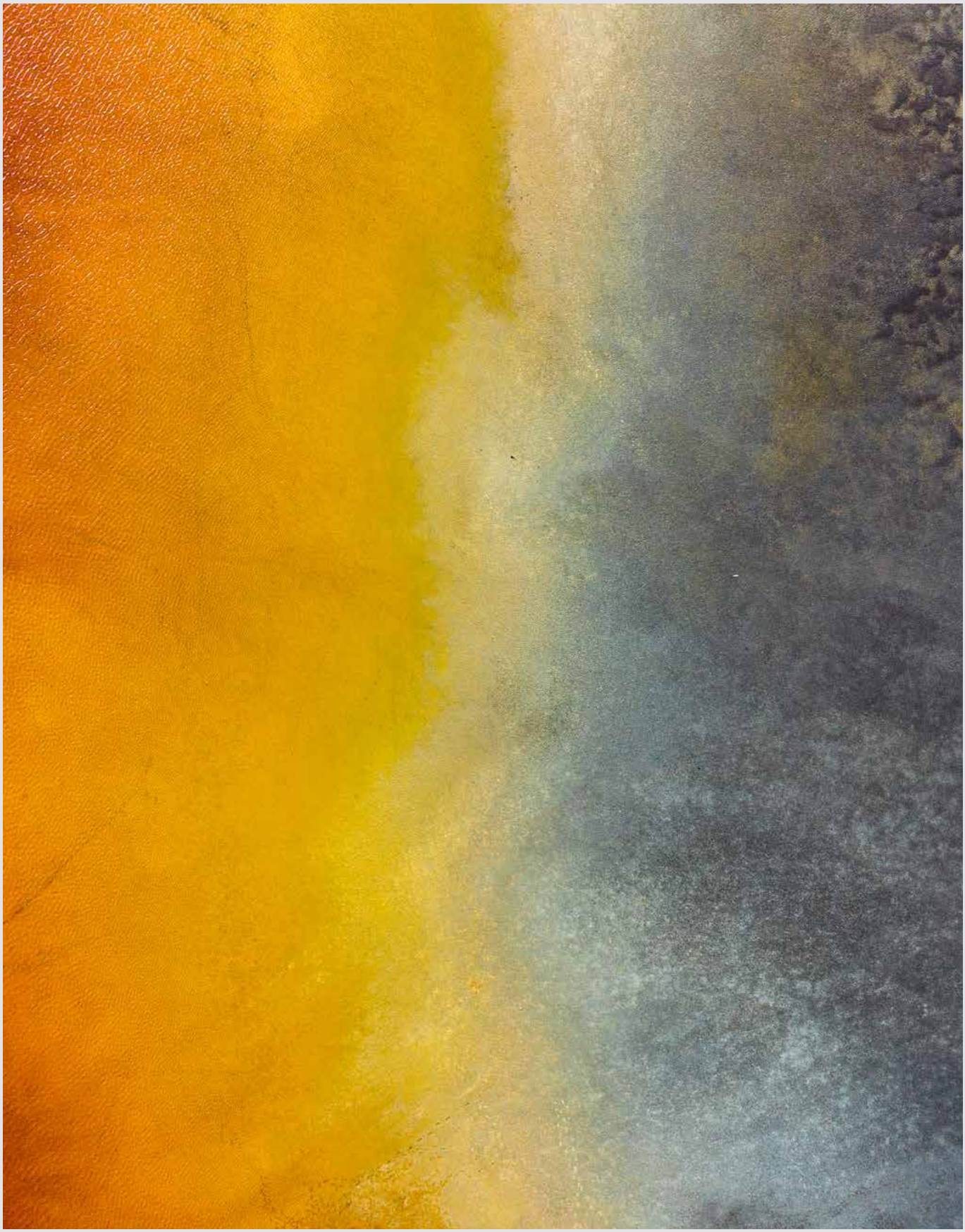
Finally, there is an extra bonus when the yearly GDP growth is higher than 4.5%.

1.7. Social Security Contributions:

- Social security contributions in Bolivia are levied on both employers and employees and are calculated either on total gross remuneration or on a capped contribution base, depending on the type of contribution.
- Employer contributions include health care (10%), housing fund (2%), professional risk insurance (1.71%) and the employer Solidarity Fund contribution (3.5%). Specific solidarity rates apply to mining entities.
- Employee contributions include a mandatory retirement fund contribution (10%), common risk insurance (1.71%) and the pension fund administration commission (0.5%). In addition, employees are subject to a fixed Solidarity Fund contribution (0.5%) calculated on total gross remuneration, as well as variable and cumulative Solidarity Fund contributions applied progressively to salary portions exceeding statutory thresholds, at the following rates: 1.15% on the portion exceeding BOB 13,000; 5.74% on the portion exceeding BOB 25,000; and 11.48% on the portion exceeding BOB 35,000.

1.8. Severance payment

Employees are entitled to a severance payment consisting of one month of salary for every year of service (and pro rata for fractions thereof).



1.9. Trade unions and collective bargaining

The prerequisites for forming a trade union include:

- Affiliating more than 20 workers, in the case of corporate unions.
- Holding an assembly where the union's regulations are approved, and the board of directors is elected.
- Registering the trade union with the Ministry of Labor.

Trade union organizations present the interests of all workers within their scope, both in conflicts and during collective labor negotiations. The result of collective bargaining is a collective agreement, ratified by the employer and the union or workers' representatives. This agreement governs compensation, working conditions, productivity measures, and other labor-related clauses.

2. Considerations for foreign workers

2.1. Legal considerations regarding foreign workers

In Bolivia, legal provisions specify that the number of foreign personnel engaged by either a local or foreign company may not exceed 15% of the total workforce. This limit is applicable for headcount and salaries.
Employment agreements with foreign workers must be in writing.
Expatriates must pay social security contributions in Bolivia. Contributions can be transferred to the home country of the expatriate if the following conditions are satisfied:

- The expatriate ends his or her employment relationship and definitively leaves the country.
- The expatriate has not accessed his or her pensions in Bolivia.
- A bilateral or multilateral social security agreement is in effect with the destination country.

Bolivia has signed the Ibero-American Multilateral Agreement on Social Security. Countries that have effectively implemented this agreement are Argentina, Bolivia, Brazil, Chile, Ecuador, El Salvador, Spain, Paraguay, Perú, Portugal and Uruguay.

2.2. Immigration regulations

Expatriates who want to engage in remunerated activities in Bolivia must apply for a visa or residence permit that entitles him or her to work. These permits may be obtained after the expatriate has entered the country. Individuals may also obtain the documents before their arrival through a Bolivian consulate abroad.

Financial Reporting

1. Publicly traded companies
Listed companies, except for certain entities operating in the financial services sector, are required to publish quarterly and annual financial information in accordance with the Generally Accepted Accounting Standards in Bolivia issued by the National Technical Council of Audit and Accounting (CTNAC).

2. Public and regulated companies
Other entities regulated by the competent authority, depending on the industry to which they correspond, except for certain entities that operate in financial services, are also required to publish financial information in accordance with the Generally Accepted Accounting Standards in Bolivia issued by the National Technical Council of Audit and Accounting (CTNAC).

3. Special cases
For certain banking, securities and insurance entities in Bolivia, the Generally Accepted Accounting Standards in Bolivia issued by the National Technical Audit and Accounting Council (CTNAC) are not applied, but rather the regulation of the Supervisory Authority of the Financial System (ASFI) or the regulation of the Supervision and Control Authority of Pensions and Insurance (APS), respectively, for the preparation of financial information.

4. Other country-specific aspects
In the absence of specific local accounting pronouncements, IFRS may be applied on a supplementary basis; however, full IFRS adoption is not mandatory for all entities in Bolivia.





BRAZIL

Message from EY Brazil's Country Managing Partner

Generating value consistently and fostering sustainable business have guided our decisions and results throughout FY25. This new edition of Doing Business Latam 2026-2027 offers a significant opportunity to reflect on how clear strategic choices, driven with discipline, long-term vision, and purpose, translate into tangible impact for our clients, our professionals, and society.

Even amid escalating geopolitical and economic uncertainties, EY Brazil remained firmly focused on creating sustainable value. Throughout FY25, we expanded our capacity to support clients in managing the increasing complexity of business, consistently invested in delivering an excellent professional experience for more than seven thousand people, and continued contributing to a fairer, more inclusive society oriented toward sustainable development.

Innovation has always been at the core of our journey, and it has never been as strategic as it is now. BeyondLabs, our research, development, and innovation hub, celebrated its tenth anniversary, established as the epicenter of our transformation agenda. This momentum gained even greater scale with the expanded use of Artificial Intelligence, both in the solutions we deliver to clients and in how we operate and make decisions internally.

Even for those who have never physically been in our WaveSpace environments, the impact of what is developed there is already noticeable. In FY25 alone, more than three thousand participants engaged in over 120 collaborative experiences, spanning all sectors and service lines. These numbers demonstrate that innovation, when applied pragmatically and connected to real business challenges, generates measurable and transformative value.

This progress was reinforced by the continuous evolution of our AI platform and EYQ, our proprietary generative Artificial Intelligence model, internationally recognized for its excellence. At the Latin America Beyond Summit, more than 2,500 professionals participated in hands-on experiences that tested and validated ten new technologies, now incorporated into our portfolio. These initiatives strengthen our ability to support clients in increasing productivity, enhancing decision-making quality, and building more resilient organizations.

None of this would be possible without our people, our true starting and ending point. In FY25, we welcomed 1,700 new professionals, nearly half of whom were women, and 15% of hires were individuals over 50 years old, reinforcing our commitment to diversity, inclusion, and intergenerational collaboration. We invested more than 535,000 hours of training, supported by an investment of R$ 15.7 million in learning and development, including scholarships that expand access to quality education and essential skills for the future of work.

These investments in human capital enable us to act alongside our clients as trusted partners in critical agendas such as corporate governance, human capital, technology and cybersecurity, strategy, risk, sustainability, compliance, and audit. Artificial Intelligence has become a transversal capability across these fronts, enabling more precise diagnostics, intelligent automation, and faster decisions grounded in data and responsible governance.

Looking ahead, we are confident that the initiatives presented here will continue to expand their impact, driven by the strategic and responsible adoption of Artificial Intelligence at scale. We remain steadfast in our purpose of building a better business world, creating sustainable value for our professionals, clients, shareholders, and society.

I invite you to explore the insights in this edition of Doing Business Latam 2026-2027 and to join us in building increasingly resilient, innovative, and sustainable businesses.

Luiz Sérgio Vieira

Country Managing Partner
EY Brazil



Overview

Brazil is the largest country in South America and stretches from the Amazon to the Atlantic. Brasilia is its capital, other major cities include São Paulo, a financial and cultural center; Rio de Janeiro, famous for its beauty; and Salvador, recognized for its cultural heritage. The diverse population reflects indigenous, African and European influences. Rich in natural resources such as the Amazon, its economy is centered on agriculture, automotive, mining, energy and manufacturing. Brazil seeks openness in trade agreements, with a focus on innovation and diversification for sustainable growth, maintaining a leading economy in Latin America.



Population
213,362,000 (2025)[1]
Urban[2]: 87.9% (2024)
Rural: 12.1% (2024)



Main language
Portuguese.



Area[2]
8,358,140 km[2]



System of government[3]
Presidential Republic
President: Luiz Inácio Lula da Silva
Next elections: 2026



Climate[3]
Tropical with stable temperatures throughout the year. In the south, winters are colder and rainy[4]



International Time[5]
GMT-3 (Brasilia Time)
GMT-2 (Fernando de Noronha Time)
GMT-4 (Amazon Time)
GMT-5 (Acre Time)



Currency[6]
Brazilian Real
US$1 = BRL 5.50 (Dec 31, 2025)



GDP current prices[1]
USD $2,279.9 Bn. (2025)



GDP per capita (PPP)[1]
USD $23,381.0 (2025)



Main sectors[7]
Brazil is a major global player in sectors such as paper, pulp, steel, mining, aeronautics, oil, natural gas, petrochemicals, bioethanol, meat, agriculture, and others.

Why invest in Brazil?

7th largest country in the world by field area[2].

Among the top 10 largest GDP economies in the world and the largest GDP in Latin America in 2025[1].

World leader in food exports: 1st of soybeans, meat, sugars, coffee & pulp in 2024[8].

World leader in mineral production:
2nd of iron, 1st of ores & slag, 4th of tobacco in 2025[9].

Ranked 2nd
in crude oil reserves, 1st in crude oil production, and 1st in natural gas production in Latin America[10].

A unique and diversified investment landscape in the energy sector: combines strong renewable leadership—with around 50% of total energy supply coming from renewables—with large-scale oil and gas production[11].

One of the world's top three recipients of foreign direct investment, in 2025, reflecting a strong and sustained level of investor engagement[12].

1. World Economic Outlook Database (April 2026), IMF.
2. Data Bank (April 2026), The World Bank Group.
3. Country information, DatosMundial.com.
4. Government - Politics, CountryReports.com.
5. World Time Directory, 24timezones.com.
6. Exchange Rates Database (April 2026), IMF.
7. Country information, Encyclopedia Britannica.
8. Comtrade Database, United Nations.
9. U.S. Geological Survey, Mineral Commodity Summaries 2026.
10. Annual Statistical Bulletin. OPEC. (2025).
11. APEXBrasil, Invest in Brazil, 2026
12. Organisation for Economic Co-operation and Development

Country's economic outlook

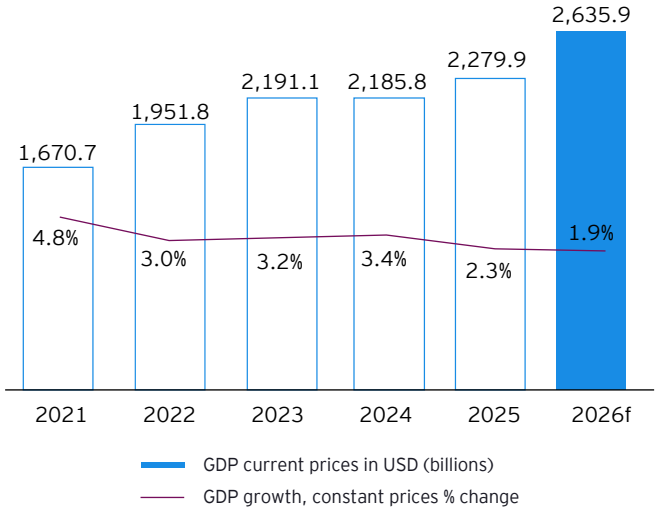
Brazil is the largest country in Latin America, fifth largest in the world in terms of area, and the sixth largest in population.
Brazil rose in the global rankings, becoming the tenth-largest economy in the world in 2025, with GDP of USD 2,279.9 billion.
Following the pandemic rebound of 4.76% in 2021 and 3.02% in 2022, growth remained strong in 2023 at 3.24% and continued at 3.42% in 2024, according to the IMF. In 2025 reached 2.3% and it is expected to continue growing at a moderate pace the following years.
Inflation closed at 4.83% in 2024, and remains contained in 2025 with 4.3%, broadly within the Central Bank's target range.
According to IMF 2026 Article IV, Brazil's economy has remained resilient in the face of multiple shocks. Policy framework is relatively strong, supported by a credible monetary policy regime, a flexible exchange rate, and adequate external buffers, Nevertheless, fiscal consolidation and structural reforms remain critical to reduce debt, boost investment, and sustain medium-term growth.
Brazil has a diverse and sophisticated economy with a wide range of industries, from automotive, steel, and petrochemicals to computers, aircraft, and consumer durables. With a growing emphasis on exports, agriculture continues to be a significant component of Brazil's GDP, especially when considering related sectors such as food processing, transportation, and retail.
The sector that contributes the most to the GDP is the services sector, which includes real estate, financial services, IT services, and numerous small businesses.
The country is also rich in natural resources. It is one of the top global producers of iron, soy, coffee, corn, sugar, and beef. It has substantial oil reserves and is one of the largest producers of hydropower in the world.

Table 1

Main Indicators	Brazil
GDP current prices USD bn. (2025)[1]	$2,279.9
GDP growth, constant prices % change (2025)[1]	2.3%
Gross domestic product per capita, current prices USD (PPP) (2025)[1]	$23,381.0
Inflation, year-end consumer prices (2025)[1]	4.3%
Fiscal balance (net lending (+) or net borrowing (-) of general government; % of GDP) (2025)[1]	-8.1%
Public debt (General government gross debt, % of GDP) (2025)[1]	93.3%
Current account (% of GDP) (2025)[1]	-3.0%
Investment (% of GDP) (2025)[1]	16.8%
Poverty headcount ratio at $8.30 a day (2021 PPP) (% of population) (2024)[2]	20.6%

Sources: 1. World Economic Outlook Database (April 2026), IMF; 2.The World Bank Group.

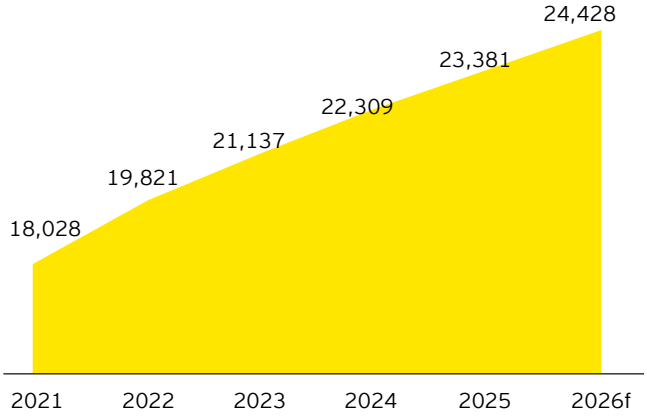
Figure 2:
Gross domestic product, levels and growth



Source: World Economic Outlook Database (April 2026), IMF.

Brazil's economy showed resilience in recent years, growing by 3.4% in 2024 and 2.3% in 2025.
Real GDP growth reached approximately 3.4% in 2024, exceeding earlier projections and then moderated to around 2.3% in 2025.
The IMF revised Brazil's growth outlook upward in April 2026 World Economic Outlook, raising its 2026 projection to 1.9% from 1.6% in the January update, reflecting stronger momentum and improved terms of trade.

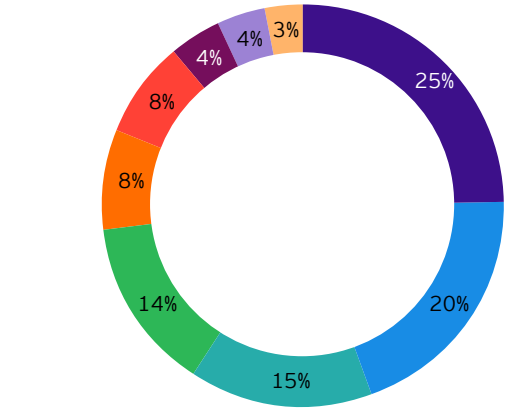
Figure 3
Gross domestic product (GDP), Per capita, (PPP) international dollar, ICP benchmarks 2017-2021



Source: World Economic Outlook Database (April 2026), IMF.

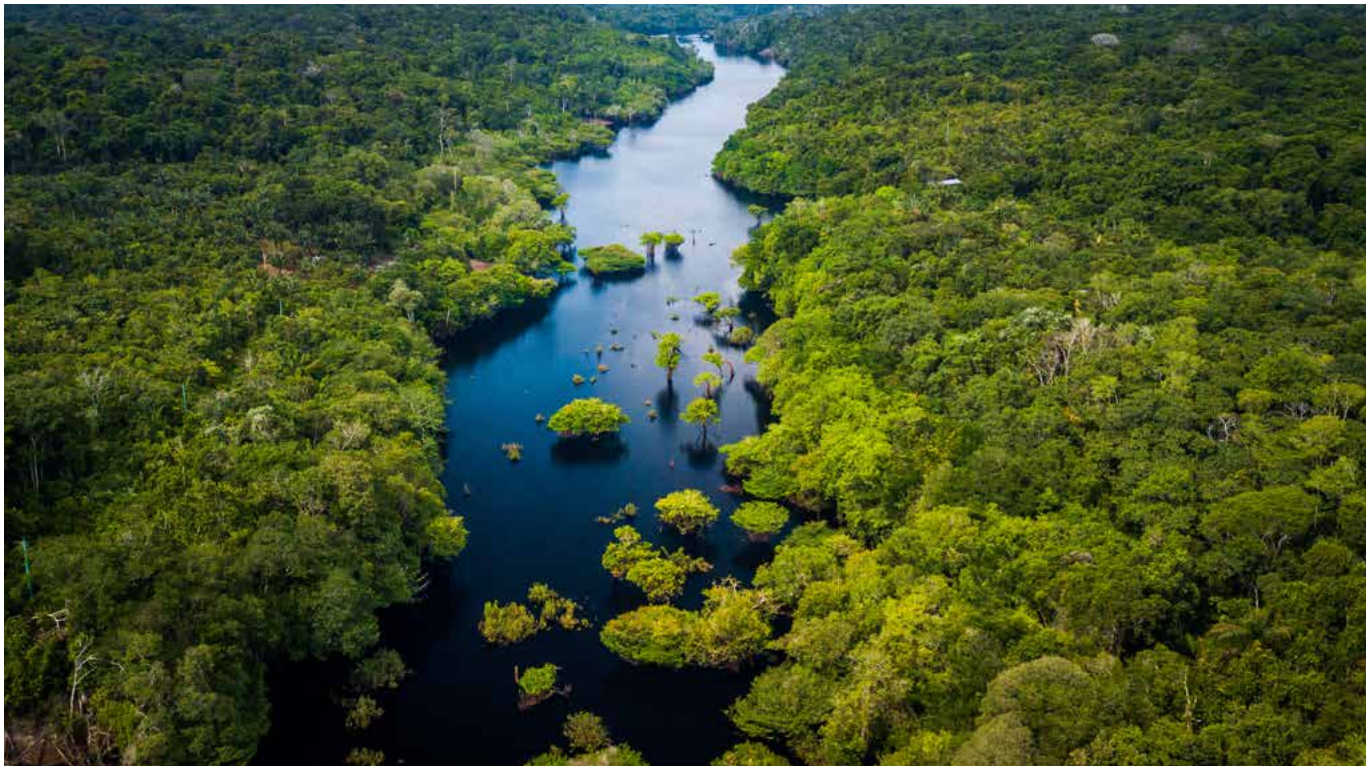
GDP per capita in purchasing power parity (PPP) terms has continued to increase, reaching USD 22,309 in 2024 and USD 23,381 in 2025, significantly above pre-pandemic levels.

Figure 4
Share of gross domestic product by economic sector in 2025 (current prices in USD)



- Financial intermediation, real estate, business, renting and leasing activities
- Public administration, defense, compulsory social security, education, health and social services, and other community, social and personal services
- Manufacturing industries
- Wholesale and retail trade, repair of goods and hotels and restaurants
- Transportation, warehousing and communications
- Agriculture, hunting,hunting, forestry, and fishing
- Mining and quarrying
- Construction

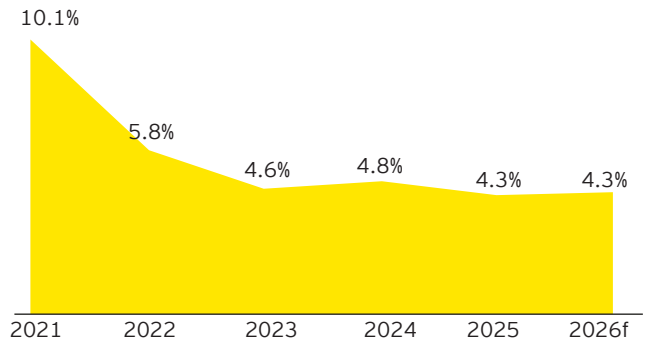
Source: CEPALSTAT (April 2026), ECLAC., ECLAC



The Brazilian economy is highly diversified. The top sectors that contribute to the GDP are financial intermediation, real estate and renting activities, and the public and personal services sector. These are followed by manufacturing and, wholesale, retail, hotels and restaurants.

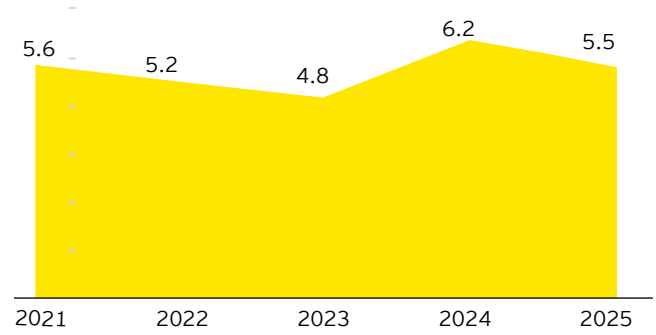
Figures 5 and 6:

Inflation (end of period consumer prices, % change)



Source: World Economic Outlook Database (April 2026), IMF.

Exchange rate of foreign currency (USD/BRL, end of period)

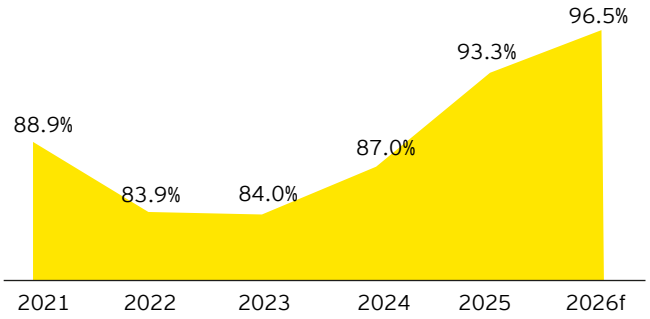


Source: Exchange Rates Database (April 2026), IMF.

Inflation closed at 4.83% in 2024, and remains contained in 2025 with 4.3%, broadly within the Central Bank's target range.
The real closed 2024 at BRL 6.19 per USD, recovering to BRL 5.50 by 2025.

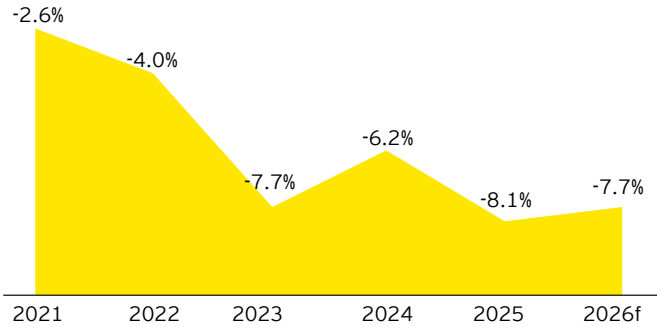
Figures 7 and 8:

Public debt (General government gross debt, % of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

Fiscal balance (net lending (+) or net borrowing (-) of general government, % of GDP)

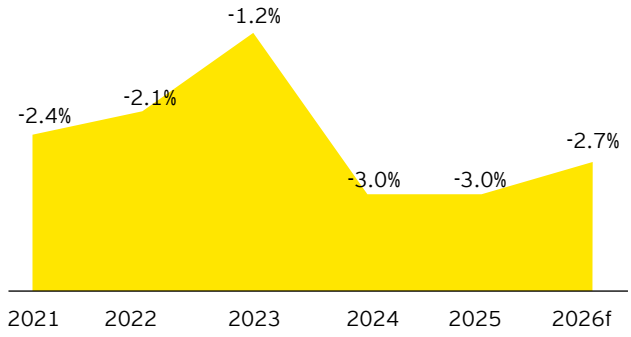


Source: World Economic Outlook Database (April 2026), IMF.

Gross public debt reached 87.03% of GDP in 2024, up from 84.00% in 2023, reflecting continued fiscal pressures. The fiscal deficit decreased to around 6.17% of GDP in 2024 from 7.71% in 2023. The new fiscal framework approved in 2023 aims to stabilize debt over the medium term.
In 2023, Brazil approved a new fiscal framework aimed at limiting the increase in public debt and achieving fiscal sustainability. The framework targets a zero primary deficit in 2024, with a corridor of +/- 0.25% of GDP, and a gradual path toward a primary surplus of 1% of GDP by 2026.

Figure 9:

Current account (% of GDP)

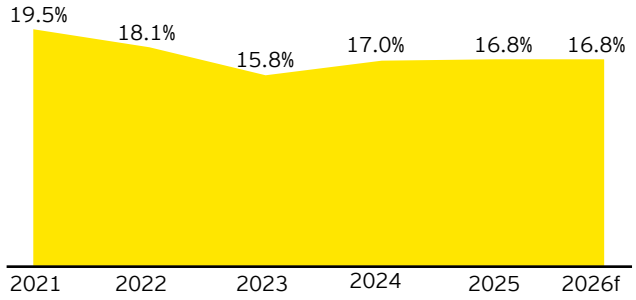


Source: World Economic Outlook Database (April 2025), IMF.

Brazil's current account deficit expanded to 3.03% of GDP in 2024 and 2025, from 1.24% in 2023. For 2026 is expected to slightly improve, reaching -2.7%.

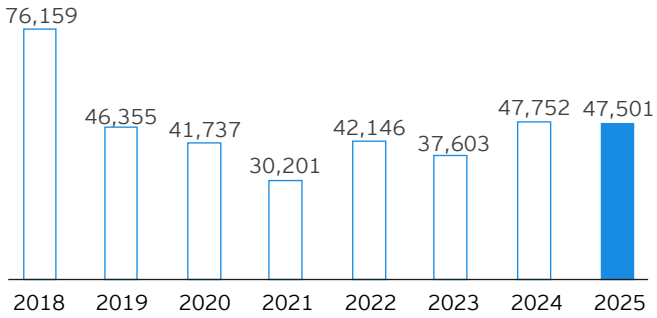
Figures 10 and 11:

Investment (% of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

FDI net inflows to Brazil (USD millions)



Source: CEPALSTAT (2026), ECLAC.

Investment as a percentage of GDP recovered to 16.98% in 2024, up from 15.76% in 2023, reflecting renewed private sector confidence and continued public infrastructure spending. In 2025 it declined slightly to 16.8%, a figure that is expected to remain in 2026.

FDI net inflows into Brazil reached USD 47.501 billion in 2025, according to CEPALSTAT. This performance confirms Brazil's position as the largest FDI recipient in Latin America.

Brazil remains Latin America's leading FDI destination, driven mainly by renewable energy, while manufacturing, mining, utilities, and financial services also continue to attract significant investment.

The country's large domestic market, natural resources, and improving business environment position Brazil as a key destination for long-term foreign investment in the region.

Brazil's results demonstrate the potential of its economy, which as the largest in Latin America and one of the top economies in the world, offers a wide range of investment opportunities across several industries, ranging from agriculture and mining to technology and financial services.

Additionally, the country has a vast domestic market, with a population of over 200 million people and a growing middle class, providing a solid boost for companies looking to expand into one of the world's most important emerging markets.

Establishing a business in the country

Brazil has regional incentives focused on both corporate income tax (CIT) and indirect taxes. The most relevant income tax incentive is focused on the development of the North and Northeastern regions of Brazil. State VAT incentives are also available for new investments, but they tend to become less relevant as the indirect tax Reform moves forward.

Specific incentives also exist for certain types of industries, such as payroll incentives for some labor-intense industries, as well as R&D benefits.
The most common corporate types of entities in Brazil are the Corporations (called "Sociedade Anônima" or "S.A.") and the Limited Liability Company (called "Limitada" or "Ltda."). Based on that, please find below a comparative chart between those two corporate types:

	Corporation	Limited Liability Company
Ownership	A minimum of 2 shareholders is required*, whether individuals or legal entities, Brazilian or foreign. There are two main types of corporations: a) A publicly-held corporation has its shares traded on the stock or over-the-counter market. In addition to complying with Brazilian Corporate Law, it must follow rules set by the Securities and Exchange Commission of Brazil (CVM). b) A closely-held corporation conducts all share transactions privately, and the sale of such shares must follow rules stated in the company's bylaws as well as Brazilian Corporate Law. * Exception: "Subsidiária Integral" - wholly-owned subisidiary.	May be incorporated by 1 or more partners, individuals, or legal entities, whether Brazilian or foreign. Transfer of shares: in the absence of a contractual provision, a partner may transfer their share, in whole or in part, to someone who is already a partner, without the need to consult the others, or to a third party, provided there is no opposition from holders of more than one-quarter of the company's corporate capital.
Liability	The shareholders have their liability limited to the value of the shares they have subscribed to or acquired. Disregard of corporate entity: in case of wrongful conduct or fault actions of the shareholder, in any sphere of competence, the shareholder could be personally responsible.	In a limited liability company, the responsibility of each partner is limited to the value of their shares, but all are jointly and severally liable for the capitalization of the corporate capital. Disregard of corporate entity: in case of wrongful conduct or fault actions of the shareholder, in any sphere of competence, the shareholder could be personally responsible.
Meetings	Annual Shareholders' Meetings shall be taken within the first four months after the fiscal year-end in order to review the accounts of the administrators, examine, discuss, and vote on the financial statements; decide on the allocation of the net profit for the year and the distribution of dividends; and elect the administrators and the members of the fiscal council, where applicable. Special Shareholders' Meetings shall be taken whenever called generally by shareholders or board member, according to the Corporate Law.	Annual Partners' Meetings shall be taken within the first four months after the fiscal year-end in order to review the accounts of the administrators, examine, discuss, and vote on the financial statements; decide on the allocation of the net profit for the year and the distribution of dividends; and elect the administrators and the members of the fiscal council, where applicable. Other Partners' Meeting shall be taken whenever called generally by partners or board member, according to the Brazilian Civil Code.

	Corporation	Limited Liability Company
Management	The management of a corporation shall be performed by its Executive Board (called "Diretoria") and its Board of Directors (called "Conselho de Administração"), or only by its Executive Board. For publicly-held corporations and companies with authorized capital it is mandatory to maintain a Board of Directors. Executive Board ("Diretoria"): One or more officers, residents in Brazil or not, shall be appointed to manage the company. The Executive Board is responsible to manage and represent the S.A. The powers of the officers can be restricted on the Corporation's Bylaws, being usual, for example, to condition decisions that involve certain amounts to the shareholder's approval and/or require that at least two members of the Executive Board decide certain matters or sign specific documents. If the member of the executive board resides abroad, it will be necessary to nominate a representative residing in Brazil by means of a power of attorney with a validity period of at least 3 (three) years after the end of the Officer's term of office. Board of Directors (called "Conselho de Administração"): Three or more councilmembers, residents in Brazil or not, could be appointed to establish the general strategy for the corporation's business. If the member of the Board of Directors resides abroad, it will be necessary to nominate a representative residing in Brazil by means of a power of attorney with a validity period of at least 3 (three) years after the end of the Director's term of office.	The management is performed by one or more persons, residents in Brazil or not, called "administrator" or "director". Administrator: The administrator is the responsible to manage and represent the Limited Liability Company. The powers of the administrator can be restricted on the Ltda's Articles of Association, being usual, for example, to condition some decisions that involve certain amounts to the partners' approval. If the Administrator resides abroad, it will be necessary to nominate a representative residing in Brazil by means of a power of attorney with a validity period of at least 3 (three) years after the end of the Administrator's term of office. Board of Directors: Despite the fact that this body is not regulated in the Brazilian Civil Code, it is possible for a Limited Liability Company to establish a Board of Directors through its Articles of Association (but it is uncommon to have this type of Board in a Limited Liability Company.) If the member of the Board of Directors resides abroad, it will be necessary to nominate a representative residing in Brazil by means of a power of attorney with a validity period of at least 3 (three) years after the end of the Director's term of office.
Profit Distribuition and Reserves	The Corporate Law requires an annual payment of dividends with reference to the minimum portion established in the Bylaws, except for closely held companies with total annual revenue of up to BRL 78,000,000.00 in which such minimum dividend may be established at any time. Payment of dividends must be in proportion to the shareholders' equity interest, but disproportional dividend distribution can be performed by different types of shares (i.e., via preferred shares). Should the Bylaws be silent, the amount to be distributed as mandatory dividends shall be 50% of the adjusted net profit. Also, after the proper allocation of values in the reserves (see details below) the remaining profits shall be paid to the shareholders as extra dividends. According to the Corporate Law it is mandatory the constitution of a legal reserve equivalent to 5% of the fiscal year's net profit (observed the total limited of this reserve in 20% of the share capital). Other reserves can be constituted and regulated in the Bylaws or on the Shareholders' Meeting.	Considering that there is no mandatory minimum dividend defined in the legislation for Limited Liability Companies, the distribution will be deliberated by the partners, based on what is established in the Articles of Association. Brazilian Civil Code expressly mentions that a Limited Liability Companies may provide, based in the Articles of Incorporation, distribution of dividends in disproportion to the equity ownership of the partners in the corporate capital. Constitution of any reserves is not mandatory. However, a Limited Liability Company can constitute reserves by dispositions of the Articles of Association.

Tax Regime

1. General Overview

1.1. **Corporate Income Tax Rate:** 34% combined rate (IRPJ and CSLL).

1.2. **Capital Gains Tax Rate:** For resident companies, capital gains are generally treated as ordinary income (IRPJ/CSLL at combined rates up to 34%). For nonresident companies and individuals, progressive rates apply ranging from 15% to 22.5%. A 25% rate applies to nonresidents located in a low-taxed jurisdiction (LTJ, list of LTJs provided by the Brazilian Tax Authorities).

1.3. **Branch Tax Rate:** Same as IRPJ/CSLL combined rate up to 34%.

1.4. **Withholding Tax (%)**

- Dividends: 10% for distributions from 1 January 2026 (with certain exemptions).
- Interest: General 10% to non-residents, and 25% to non residents located in LTJ.
- Royalties from Patents, Trademarks, Formulas and Similar Items: general 15%, and 25% to nonresidents located in an LTJ.
  Other indirect/transaction taxes should be considered. Including Municipal service tax (ISS) should also apply to certain listed transactions via withholding at rates of 2-5%. Also, a 10% Contribution for Intervention in the Economic Domain (Contribuição de Intervenção no Domínio Econômico, or CIDE) is imposed on royalties and on technical and administrative service payments (which is not a withholding tax), as well as financial tax on remittances (IOF), at a rate of 3.5% starting May 23, 2025.
- Technical Services: same as item "Royalties from Patents, Trademarks, Formulas and Similar Items" above. In addition, the withholding tax rate for technical services should be subject to a 15% rate while increased to 25% for non-residents in LTJs. The import of services should also be subject to PIS/COFINS-import at the rate of 9.25%
- Other Fees and Compensation for Services Rendered Abroad: 15% is the general income WHT rate on non-resident income, increased to 25% for LTJ. Services that do not fall within the definition of technical services should be subject to domestic rate of 25%.
- Branch Remittance Tax: 10% (see dividends).

1.5. Net Operating Losses (Years)

- **Carryback:** Not allowed.
- **Carryforward:** Indefinitely but can only offset up to 30% of the company's taxable income for a tax period (see subitem "Relief for losses" under "2.1." below).

2. Tax on rent and corporate income

2.1. Corporate income tax

- **Calculation of the net taxable income (trading income)**
  - **General**: Brazilian resident companies are subject to IRPJ/CSLL combined rate on their worldwide income. Companies resident in Brazil are those incorporated under the Brazilian laws and managed in Brazil. Foreign branches, agencies or representative offices of Brazilian companies are also subject to Brazilian tax on their income earned abroad. In general, foreign-source losses may not be offset against Brazilian source income. Foreign tax credits are available.
  - **Monetary correction**: Monetary correction of financial statements are generally not allowed.
  - **Depreciation:** Fixed assets may be depreciated using the straight-line method at rates provided by the Brazilian tax authorities. The legislation provides for opportunities to adopt different useful lives as well as accelerated depreciation in certain circumstances.
  - **R&D incentives:** Tax benefits for investments in infrastructure and research and development (R&D) are available (e.g., super deduction; accelerated depreciation on qualifying R&D assets; exemption of patent withholding tax).
  - **Relief for losses:** Tax losses may be carried forward indefinitely but can only offset up to 30% of the company's taxable income for a tax period. In general, carried forward non-operating tax losses can be offset only against non-operating gains if certain conditions are met. Tax losses may be jeopardized if a company experiences a change in business activity and ownership control between the period in which losses were generated and the period in which losses would otherwise be used to offset taxable income. In a corporate restructuring involving a merger, the tax losses of the merged company must be forgone. Similarly, in the case of spin-offs, a portion of the carried forward tax losses may be lost.



2.2. Corporate tax rates

34% CIT combined rate, which includes a 15% general IRPJ (*Imposto de renda de pessoa jurídica*) rate, plus a 10% surtax on annual taxable income exceeding BRL 240,000, and a 9% CSLL (*Contribuiçao Social sobre o Lucro Líquido*). In view of the IRPJ and the CSLL, the CIT rate in Brazil is generally considered to be 34%.

2.2.1. Pillar Two: In December 2024, the Brazilian Government published Federal Law 15,079/2024, which implemented the Pillar Two rules in Brazil, introducing the Qualified Domestic Minimum Top-up Tax (QDMTT) top-up tax through an additional rate over the CSLL. The Brazilian QDMTT rules are largely aligned with the Global anti-Base Erosion (GloBE) Model Rules and are effective for fiscal years starting on or after 1 January 2025. Until the time of writing, there has not been draft legislation contemplating the introduction of the Income Inclusion Rule (IIR) or the Undertaxed Payments Rule (UTPR).

2.3. Dividends

Dividends distributed by Brazilian legal entities are generally exempt from withholding tax. However, this framework changed with the enactment of Law No. 15,270/2025, published on 26 November 2025, which reintroduced a 10% withholding tax on dividends paid to non-resident individuals and legal entities, as well as, in certain cases, to high-income Brazilian-resident individuals. The new rules applying from 1 January 2026. The Law preserves the exemption for profits accrued through 31 December 2025, provided that the relevant distribution was approved by year-end and the payment follows the terms of the approved corporate resolution. It also introduces relief mechanisms intended to mitigate potential double taxation in cross-border arrangements, including a credit when the combined effective tax burden at the level of the distributing entity plus the 10% WHT exceeds the applicable statutory corporate income tax rates. There are additional specific exceptions for Governments, sovereign and pension funds.

2.4. Mining tax/ specific taxes per industry (list)

- General exports exemptions apply;
- General tax incentives to entities located in the area of the Agency for the Development of the Northeastern States (SUDENE) and the Agency for the Development of the Amazon (SUDAM);
- Various deductions aimed at mining companies (e.g., accelerated depreciation, amortization, exhaustion, incentivized mineral exhaustion, and financial expenses and contract costs);
- Oil and Gas special customs regimes (e.g., Special bonded warehouse for oil and gas platforms, Temporary admission, different types of drawbacks, REPETRO, REPENEC, RECAP, RenovaBio, and the Future Fuels Program);
- Automotive R&D Incentive (Mover 2030), which grants financial credits for investments in sustainable vehicle development;
- General R&D incentives (see subitem "R&D incentives" under "2.1." above).

2.5. Capital gains (direct and indirect)

For resident companies, capital gains are treated as ordinary income and are subject to standard IRPJ/CSLL combined rates up to 34%. For nonresident companies and individuals, capital gains on shares and other assets located in Brazil are taxed at progressive rates ranging from 15% to 22.5%. A 25% rate applies to nonresidents located in a LTJ. Brazilian law does not contain provisions for the assessment of capital gains tax with respect to indirect transfers of Brazilian companies. However, Brazilian tax authorities may disregard indirect transfers, based on the argument that the transaction was a simulation/sham aimed exclusively at avoiding Brazilian capital gains tax (e.g., fictitious transactions). In such cases, the same comments on nonresident capital gain tax above are applicable.

2.6. Branch Tax Rate

Same as IRPJ/CSLL combined rate up to 34%.

2.7. Administration

The fiscal year is the calendar year. In general, companies must file returns called Escrituração Contábil Fiscal (ECF) in an electronic format by the last working day of July of the following year. Extensions for filing returns are generally not available.

Companies may elect to pay IRPJ and CSLL on an annual or quarterly basis. In general, this election may not be changed during the calendar year.

Companies that elect the annual option must make advance monthly payments of IRPJ and CSLL. The advance payments are equal to the income tax applicable to either the company's actual taxable income or the company's estimated income calculated using a specific methodology, whichever is lower.

3. International Tax

3.1. Foreign tax relief

Foreign tax credits are generally available to Brazilian companies for income taxes paid abroad. In general, the foreign tax credit is limited to the amount of Brazilian IRPJ and CSLL on the foreign-source income. Compliance with certain formalities is required to support the foreign tax credit.

3.2. Foreign-exchange controls

The Brazilian Central Bank (BACEN) is responsible for regulating foreign exchange controls. The potential application of a tax on foreign exchange (IOF-FX) should be considered on cross-border movements of currency.

Note that the IOF-FX has historically been used as a means of currency control. Unlike changes to many taxes and contributions in Brazil, changes to the IOF rate can be introduced by Decree with immediate effect. Therefore, at the time of the remittance, the current rate should be confirmed.

3.3. Transfer pricing

New transfer pricing rules came into effect (optional for FY 2023 and mandatory for FY 2024), introduced the arm's-length principle according to international principles issued by the OECD with application to all cross-border intercompany transactions (including royalties) based on the OECD methods standards.

3.4. Debt-to-equity / thin capitalization rules

Brazilian thin capitalization rules apply to interest expenses paid by Brazilian entities to foreign related parties, foreign parties located in a LTJ or subject to privileged tax regimes (PTRs) or whenever the debt is guaranteed by such foreign parties. Generally speaking the debt-to-equity ratio should not exceed 2:1 although reduces to 0.3:1 where the party is in a LTJ/PTR. Specific care should be taken with shareholder debt.

3.5. Preferential tax jurisdictions

The LTJ and PTR lists are contained in regulations issued by the Brazilian tax authorities and are updated periodically.

4. Value-added tax

4.1. The following types of value-added taxes (VAT) are current in effect:

- State VAT (ICMS): ICMS rates vary among Brazil's 27 states. For supplies made to a customer located in the same Brazilian state as the supplier, rates typically range from 18 to 20%. The ICMS rate on a supply of goods or services made to a taxable person resident in a different Brazilian state from the state where the supplier is resident depends on the type of product and where the customer is located, and may vary between 4%, 7% or 12%.
- Federal VAT (IPI): 0% to 300% (depending on the IPI tariff table classification for the goods)
- Municipal service tax (ISS): 0% to 5% (depending on municipality and nature of service)
- Gross receipt contributions (PIS-PASEP and COFINS): PIS rates are 0.65% (for taxpayers taxed under the deemed corporate income tax method of calculation, under the cumulative system) or 1.65% (for taxpayers taxed under the annual actual income tax method, under the noncumulative system). COFINS rates are 3% (for taxpayers taxed under the deemed corporate income tax method of calculation, under the cumulative system) or 7.6% (for taxpayers taxed under the annual actual income tax method, under the noncumulative system).

4.2. Tax reform

A major tax reform on indirect taxes was recently approved, which will result in a simplification of the value-added tax (VAT) system. The five existing indirect taxes will be replaced by two main taxes (IBS, state and municipal, and CBS, federal), plus an excise tax and a possible state contribution applied upon primary and semi-finished products. In addition to significantly simplifying the current tax system, the proposal would generate a wide range of changes in markets and relative product prices, considering that the taxes currently applicable affects the price of products and services and business investment allocation between Brazilian states (e.g., in Brazil, manufacturing plants and distribution centers are usually located in states that grant ICMS incentives, rather than in states where the consumers are located). In this sense, the tax reform might also reduce the "weight" of tax factors in allocation decisions for productive and commercial investments, affecting not only the tax department, but also other areas within the companies (procurement, finance, marketing, strategy, supply chain, systems, etc.).
The change will now depend on supplementary laws regulating the new rules in more in detail, and will require considerable transition time (8 years).

5. Other Considerations

5.1. Recent changes to tax law

Federal Government has recently introduced changes to the tax law in Brazil that will have broad implications across multiple sectors:

- The Federal Government issued several successive decrees between May and June 2025 modifying the IOF rates applicable to credit (IOF-credit) and foreign-exchange transactions (IOF-FX). The last of these, Decree No. 12,499/2025, was published after strong negative market reaction and sought to soften the previous increases. However, Congress suspended all three decrees through Legislative Decree No. 176/2025, restoring the IOF rules in force prior to 22 May and stating that the IOF should not be used as a tool to increase tax revenue. In response, the Government brought the matter before the Supreme Federal Court (STF), which on 17 July 2025 granted an injunction partially reinstating Decree No. 12,499/2025. The revised IOF rates became immediately applicable, except for the provision that sought to create a new triggering event for IOF-credit related to receivables anticipation (known as risco sacado), which the Court ruled could only be established by statute. The STF also confirmed that financial institutions would not be required to revisit transactions carried out while the decrees were suspended.
- Also at the end of December 2025, the Brazilian Government published Complimentary Law 224, which introduces increases in withholding tax of Interest on Net Equity (INE) payments (from 15% to 17.5%),

certain financial investments and corporate income tax for financial institutions,among other provisions. Although the PM was intended to take effect from 1 January 2026, it was not converted into law within the constitutionally required period. As a result, the Provisional Measure expired and did not produce legal effects.
Subsequently, the Brazilian Government and Congress advanced a separate legislative package to address similar fiscal objectives, culminating in the publication of Complementary Law No. 224/2025. Published on 26 December 2025, the law implemented a broad package of fiscal adjustments. The legislation mandated a 10% reduction in federal tax incentives, increased the withholding tax rate on Interest on Net Equity (INE/JCP) from 15% to 17.5%, raised presumed profit margins under the Presumed Profit regime, and introduced higher taxation for fintechs and the betting industry. Certain regional and constitutional incentives remained safeguarded.
Most of these measures have entered into effect as of 1 January 2026.
In parallel, and shortly before the enactment of Complementary Law No. 224, the Government had already implemented a distinct reform through Law No. 15,270/2025, published on 26 November 2025, dealing specifically with dividend taxation and Individual Income Tax. This earlier law reinstated a 10% withholding tax on dividends paid to non-residents (and, in certain cases, to high-income Brazilian-resident individuals), expanded the IRPF exemption bracket by exempting monthly income up to BRL 5,000 and granting a regressive reduction for income up to BRL 7,350, and introduced a new minimum tax applicable to individuals earning more than BRL 600,000 per year. The Law also included transition rules preserving the exemption for profits accrued through 2025 if distributions were duly approved by year-end, and provided relief mechanisms designed to mitigate double taxation in cross-border structures as well as certain exceptions for Governments, sovereign and pension funds.

5.2. Green taxes:
Although Brazil does not yet have a specific carbon tax, the country has taken a significant step forward with the enactment of Law No. 15,042, dated December 11, 2024, which established the Brazilian Greenhouse Gas Emissions Trading System (SBCE - Sistema Brasileiro de Comércio de Emissões). This legislation lays the foundation for a regulated carbon market in the country, introducing mandatory emissions limits for specific sectors and enabling the trading of carbon credits.
In parallel, Brazil also maintains an active voluntary carbon market, where companies can generate and trade credits through certified environmental projects.
In addition, a selective tax is currently under consideration as part of Brazil's tax reform, which will impose a single-phase incidence on the production, commercialization, extraction, or importation of products harmful to health and the environment, as defined by law. This measure aims to discourage the use of such products while generating revenue for public health and environmental initiatives.

5.3. Customs duties
In addition to the current indirect taxation, imports of goods are also subject to Import Tax.

5.4. Stamp Duties: N/A

5.5. Other taxes: N/A

5.6. GAAR
Brazilian tax law includes a GAAR provision, however it requires additional regulation in order to be effective. It is important to note that Brazilian tax authorities have challenged transactions under broader anti-simulation/ sham provisions where transactions lack substance or are considered to have been aimed at avoiding tax.



5.7. Multilateral BEPS Convention (MLI)

On 20 October 2025, Brazil signed the OECD's Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI). Once ratified domestically and deposited with the OECD, the MLI will modify most of Brazil's tax treaties to incorporate BEPS minimum standards, including the Principal Purpose Test (PPT), updated permanent establishment concepts and enhanced dispute-resolution mechanisms. Brazil submitted a list of Covered Tax Agreements it intends to modify and made reservations to certain provisions, while accepting the PPT as a general anti-abuse rule. The MLI will enter into effect only after the completion of domestic ratification procedures and the expiration of the OECD's three-month waiting period.

Labor Regime

1. Labor Law

1.1. Employment contract

In Brazil, there are different types of employment contracts.

- Indefinite term contract: There is no pre-determined end date for the Employment relationship. In the event of termination, the employer is subject to the payment of specific severance payments. Types of severance payment Will depend on the circumstance of the termination.
- Definite term contract: Employment contract signed with a pre-determined termination date. In case of early termination, specific payments are due as a general rule.
- Intermittent contract: The employer may ask the employee to work based on demand.
- Apprentice: Specific type of contract applicable to workers from 14 to 24 years old, Companies in Brazil are subject to apprentice in number equivalent to at least 5% of the total positions that require technical education. The maximum term of this type of contract is two years, as a general rule.
- Intern: Specific type of contract agreed among the employer, the education institution and a third-party institution intermediating the contract. Such type of contract does not configure Employment relationship and specific rules apply, for example, maximum of 6 hours per day.

1.2. Work shift

As a general rule, the work shift is limited to 8 hours per day and 44 hours per week. There are some exceptions based either on the Law or Collective Bargaining Agreement. For example, call center workers have a work shift of up to 6 hours per day. On the other hand, workers in certain areas are allowed to work, for example, 12 hours with 36 hours' rest.

1.3. Compensation

In Brazil there is a Federal minimum wage of BRL 1,621 (approx. USD 324). However, employers must observe the minimum wages applicable to specific activities, based on the provisions of each Collective Labor Agreement. Compensation may be calculated per hour, per task, per month or based on commission.

There are types of variable compensation that may be adopted by the employer in addition to the base Salary. Variable compensation may include bonuses, premiums, and employee profit sharing. There are specifications and requirements for each type of payment, and payroll taxation varies according to the payment nature. It is also common to consider benefits in kind as part of the employees total compensation, such as vehicles, medical plan, private pension plan, among others. It is important to note that some of the benefits must be considered for payroll taxation purposes, depending on their nature/the applicable rule.

1.4. Unions

Companies in Brazil are subject to the agreements arising from negotiations between employers and worker unions through Collective Bargaining Agreements, which, in general, establish labor rights more beneficial than those determined by Law, such as: higher overtime and/or night shift additional, specific benefits, among other obligations that must be taken into account. An employer may also negotiate an agreement directly with the Union relating, for example, to the Employee Profit Sharing Plan.

The Collective Agreements are determined considering the main activity of the company (exceptions apply to specific workers' categories) and the region where the services are provided. Is this sense, the applicability of the Collective Agreements may vary, considering these aspects.

1.5. Work contract termination

Depending on the type of contract and the circumstances of termination, different severance payments may be applicable. In general, the payments due by the employer may include vacation and 13th Salary balance, severance fund deposit (including a penalty of 40% on the total balance in some cases), prior notice, among others.

1.6. Payroll Taxes

In Brazil, employee compensation is subject to several contributions. It is important to evaluate each Payroll wage type and its nature in order to conclude whether each contribution or tax is due.

Contributions and taxes that form part of Payroll, in general, are as follows:

1.6.1.Social security contribution

- Employer contribution:
  - Twenty percent paid monthly, except in specific cases in which this contribution may be replaced by a percentage due on gross income.
  - Occupational accident insurance: variable from 0.5% to 6%. It has a component related to the company's main activity which may be 1%, 2% or 3% and a factor that multiplies the main rate, calculated according to each company's occupational accident information (varies from 0.5 to 2.0). In case of employees eligible for special retirement (shorter work period required), there is an additional contribution of 6%, 9% or 12%.
  - Contribution due to third parties that may reach 5.8%/6%.
  - Please note that that there is no ceiling associated to the employer's social security contribution in Brazil.
- Employee contribution
  Progressive rates variable according to the monthly compensation capped at BRL 988.09 (applicable in 2026).

1.6.2. Employee's Severance Fund – FGTS
Mandatory deposit due by the employer in a bank account, equivalent to 8% employee's monthly compensation.

1.6.3. Withholding Income Tax
Monthly withholding due on the total income received by the employee, which varies from exempt to 27.5%, according to the total income received. Please note that certain deductions on the income tax calculation basis are allowed by tax law (i.e. dependents, employee's social security contribution, private pension plan - PGBL, etc).

1.7. Foreign workers

1.7.1. Immigration aspects

- A foreign individual may only enter Brazil and be engaged into professional activities under certain types of entrance visas and Residence Permits.
- It is important to take into consideration the type of professional activity to be performed and the expected length of physical presence in the country to apply for the most suitable visa and Residence Permit.
- The immigrant who is interested in temporarily establishing in the country must apply for a Residence Permit – abroad (visa collection abroad) or locally (with the Federal Police). If the locally option is chosen, it is necessary to present: non-criminal record certificate from the country where the immigrant resided during the last five years; document including affiliation duly apostilled and declaration under oath of absence of criminal records.
- Applying for a Resident Permit abroad upon the entrance in Brazil with the appropriate visa, the professional will be required to register before the Brazilian Federal Police within 90 days of their arrival and request the issuance of a CRNM (National Migration Registration Card). If the process is applied in Brazil this period is limited to 30 days, instead of 90 days.

1.7.2. Labor, Social Security and Payroll Aspects

- Generally, professionals who enter the country with a Resident Permit/Temporary Visa to be engaged in employment-related activities shall be included in the local Company payroll, have an employment contract with the local entity, while split salary arrangements are a common market practice. (some requirements associated to the split salary arrangement are recommended to be taken into consideration in order to avoid risks/labour exposures in Brazil).
- The worker's local compensation should be defined based on the local entity's salary structure, since professionals performing similar activities and subject to similar responsibilities are entitled to receive similar salaries and have a remuneration aligned with the amounts informed on the visa request (when applicable).
- Inbound regular employees are entitled to all the labor and social security rights provided by the Brazilian Law Consolidation of Labor Laws - CLT (please refer to the previous comments on Payroll Tax).
- Considering the scenarios where the compensation of an international assignee is paid both in Brazil and in the host country (split payment arrangement), although the collection of social security and

labour charges on the portion of income received abroad is not expressly provided in the legislation, there is also no provision allowing the non-collection of such charges over the employee´s worldwide gross compensation. This understanding is reinforced by the following regulations: Regarding the Severance Fund (FGTS), Article 15 of Law #8,036/90 (FGTS Law) states that the compensation received by regular employees ("celetista") should be subject to the FGTS, without distinguishing whether it is due on Brazilian or global income. Furthermore, Normative Instruction #02/2021 (which revoked IN #144/2018 but kept the same provisions), issued by the Ministry of Labour and Employment (Ministério do Trabalho e Emprego - MTE), provides guidelines for labour auditors to audit Companies that do not collect the FGTS on professionals in international assignments global gross compensation. The Social Security (INSS) Law #8,212/91 states in Article 28 that any income received by the employee will be considered as basis for social security contributions. In addition, paragraph 8 of this legal provision sets out an exhaustive list of exempt income, which does not include the portion of remuneration received abroad and paid through foreign payroll.

- A common market practice to mitigate the risk exposure in relation to the aforementioned scenario is the adoption of a"Shadow Payroll" procedure (although there is no legal basis for the shadow, it is a strong market practice). Shadow payroll must be aligned between both Companies, i.e., home and host, as to avoid incorrect collection of taxes and charges, payroll and ancillary obligations reporting.
- Considering all the above-mentioned labor payments associated with employment-related income received by the individual, it is common for the final costs for the company to exceed the expected costs, mainly due to unfamiliarity with Brazilian rules. Therefore, it is essential to become familiar with all the local payments and costs involved in an assignment to Brazil, in order to include such amounts in the overall assignment package / costs.
- The FGTS payment (due by the employer at a flat rate of 8% on the gross remuneration of the assignee) is one of the costs that are usually not considered by the Company prior to the assignment and that ends up raising the assignment costs and amounts received by the assignee.

1.7.3. Individual Income Tax Aspects

- The establishment of tax residence for inbound professionals depends on their Resident Permit / visa held in Brazil.
- Individuals who enter Brazil holding a Temporary Visa with a local labor contract, Residence Permits with an employment relationship, or being legal representatives of a company in Brazil, become tax residents in Brazil as of the date of physical entrance in the country. As tax residents in Brazil, the professionals will be subject to income tax on their worldwide income, at progressive tax rates of up to 27.5%.
- Unlike most countries, from a Brazilian tax standpoint, the source of payment is defined according to the place where the payer is physically located, regardless of the country in which the services are provided. Therefore, income paid by a Brazilian entity is considered local-sourced, while income paid abroad is considered of foreign sourced.
- Under a split payment arrangement, the portion of the professional remuneration paid through foreign payroll will be considered as foreign sourced income, subjected to income tax through the "Carnê-Leão" system (i.e., individual obligation), while the portion of remuneration paid through Brazilian payroll will be considered as local sourced income, subject to income tax withholdings at source (i.e., local entity obligation).
- As a tax resident, the individual will be liable to the following additional obligations in Brazil: (i) Annual Income Tax Return; (ii) Central Bank Return – BACEN; and (iii) Monthly income tax calculations ("Carnê-Leão").
- Non-residents are subject to the collection of income tax only over local sourced income (Brazilian source) at a 25% flat income tax rate (no deductions allowed).

- Brazil has signed several treaties for avoiding double taxation between countries. In an inbound scenario in which the individual will enter Brazil to carry out work activities in the country and for a Brazilian entity, in general the right to tax income earned from such activities will belong to Brazil (based on a general understanding of the Treaties). However, the applicability of Tax Treaty provisions shall be in a case-by-case basis.

- Taxation of Foreign Investment Income of Individuals According to Law #14,754/2023 (enacted on 12/12/2023), as of 1 January 2024, investments held abroad by individuals who are tax residents in Brazil, such as financial investments in a broad concept, controlled companies, trusts and closed-end funds, will undergo changes in their form of taxation in Brazil. Below is a comparative table of the changes in the law, including the main impacts:

Topic description	Up to December 31, 2023	Law 14,754/2023 (starting January 1, 2024)
Tax on income received abroad (dividends, interest, bonds, proceeds from the sale of an asset, etc.)	Monthly Income Tax Payment calculated using a progressive rate from 0% to 27.5% (income tax collected via tax voucher DARF 0190 - Carnê-Leão) or a progressive rate from 15% to 22.5% (capital gain tax), depending on the nature of the foreign sourced income.	The taxable event for income tax purposes continues to be the moment of effective receipt/availability of the income, which is why the calculation of the tax payable must be performed on a monthly basis. However, income tax is now calculated at a fixed rate of 15% and payment must be made annually in the Individual Income Tax Return. Although the tax collection is annual through the Annual Income Tax Return, it is essential to carry out a monthly assessment of any gains throughout the calendar year for the purposes of (i) reporting and accurate calculation of the tax due and (ii) financial planning for the payment of the total tax due on an annual basis. The new Law also provides for the offsetting of losses against profit earned, especially in financial investment transactions.
Capital gain on the sale of assets and rights abroad acquired during the period of non-tax residence in Brazil	Exempt from capital gains tax.	Capital Gain subject to taxation. Observe the nature of the asset to adopt the applicable rules.
Trust	No legal provision in the Brazilian legal system, even though holding is not prohibited. The reporting of trusts in the Brazilian Income Tax Return is mandatory, either indicating the amounts contributed, or the underlying assets of the trust (as if the trust were "transparent"). Rules about how and when taxation occurs is not standardized, with only a few guidelines disclosed through consultation solutions issued by the Brazilian Federal Revenue Service.	The assets and rights of the trust will be considered to be owned, as a rule, by the settlor and the income received will be subject to taxation at a rate of 15%. The transfer of assets and rights to the beneficiary (change of ownership) will be considered a donation, if it occurred during the life of the settlor, or causa mortis transmission, in the case of the settlor's death, being subject to ITCMD (Gift and Inheritance Tax). It is worth mentioning that there is a period of 180 days, counted from the date of publication of the law, for the amendment of the deed of the trust or letter of intent, in order to include specific wording that requires the responsible party (trustee) to comply with the provisions established by law.
Disposal of financial investments abroad originally contracted in national currency (BRL)	Taxation according to the progressive table – Capital Gain (15% to 22.5%), with the capital gain determined by the difference between the sale value (in BRL) and the acquisition cost (in BRL). In short, any exchange difference perceived in the transaction is also subject to taxation. No possibility of offsetting losses.	The capital gain earned on the sale is subject to a fixed rate of 15%, and the tax payable is collected annually through the Income Tax Return. There is a possibility to offset losses against gains obtained and it is also possible (if legal requirements are met) to use income tax paid abroad as a tax credit in Brazil.

Topic description	Up to December 31, 2023	Law 14,754/2023 (starting January 1, 2024)
Disposal of financial investments abroad originally contracted in foreign currency	Taxation according to the progressive table – Capital Gain (15% to 22.5%), with the capital gain determined by the difference between the sale value (in USD) and the acquisition cost (in USD). In short, any exchange difference between the Brazilian currency (BRL) and the foreign currency (USD) perceived in the transaction was not subject to taxation. No possibility of offsetting losses.	The capital gain, including the foreign exchange rate gain, earned on the sale is subject to a fixed rate of 15%, and the tax payable is collected annually through the Income Tax Return.There is a possibility to offset losses against gains obtained and it is also possible (if legal requirements are met) to use income tax paid abroad as a tax credit in Brazil.
Controlled entities (offshore companies)	Deferral of taxation until the moment the resources are effectively made available to the individual residing in Brazil. Once the individual has access to the resources, whether through the distribution of dividends or through capital reduction, the progressive table would be applied (0%-27.5% for dividends received and 15%-22.5% for capital reduction).	End of deferral, with provision for taxation of profits and dividends of qualified controlled entities - whether distributed or not - to individuals residing in Brazil on December 31 of each year at a rate of 15%. There is a legal provision for the optional treatment of assets and rights held by the controlled entity, as if they were held directly by the individual and taxed as if they were so (tax resident individuals could opt to declare the assets/rights related to entity they own abroad, as they were held directly by the individuals themselves in their annual Tax Returns). This reporting option (understood as a "transparent" entity) must be adopted in the Brazilian Income Tax Return and can only be applied once for each asset (there is no possibility of changing back to an "opaque" report, that is, to report the participation in the company, and not as held directly by the individual.

Other important changes arising from the new legislation are:

- Offshore Controlled Entities - Transparent vs. Opaque
  The law provides for the possibility of reporting entities controlled abroad in a "transparent" manner, i.e., separating each underlying asset in the Individual Income Tax Return and equating them, from a tax perspective, to assets directly held by the individual or in an "opaque" manner, following the reporting standard used until then, that is, including the structure as a single asset in the Income Tax Return, regardless of the number and amount of the assets that compose the structure and, subjecting it to annual taxation based on accounting profit. It is important to emphasize that the decision-making process regarding the model to be adopted is irrevocable and irreversible. In this way, once the individual chooses the reporting model to be adopted, there will be no possibility of change.
- Closed-end funds in Brazil
  Among the various changes brought by the Law, it is important to highlight that closed-end funds in Brazil are now subject to a semi-annual taxation regime known as "come-quotas", which will require a minimum withholding income tax on unrealized gains to be collected in the months of May and November of each year, as it already occurs in open-ended investment funds.

Financial Reporting

1. Publicly traded companies

Publicly traded companies in Brazil are required to present quarterly and annual consolidated and individual financial statements prepared in accordance with both IFRS and Brazilian GAAP. The filing is due 90 days after year-end for annual financial statements or 45 days after the end of quarter for quarterly financial information.

2. Public and regulated entities

Certain regulated entities may need to present additional financial information based on specific requirements issued by regulators. Entities subject to Brazilian Central Bank regulations are required to present semi-annual financial statements prepared in accordance with Brazilian Central Bank accounting pronouncements.

3. Other country-specific aspects

Private companies that meet certain revenue (annual gross revenue exceeding R$300 million) or assets (total assets exceeding R$240 million) thresholds are required to prepare financial statements in accordance with Brazilian GAAP.

4. Requirements and regulations for the preparation and presentation of ESG information

On June 26, 2023, the International Sustainability Standards Board (ISSB) issued its first sustainability disclosure standards.

IFRS S1: General requirements for disclosure of sustainability-related financial data and IFRS S2: Climate-related disclosures ISSB's first topic-based standard, it requires an entity to report its exposure to climate-related risks and opportunities.

In October 2023, the CVM published the Resolution 193, which provides for the preparation and disclosure of the report on financial information related to sustainability, based on the international standard issued by the International Sustainability Standards Board – ISSB.

By 2027, listed companies in Brazil must comply with IFRS S1 and IFRS S2 requirements and that the information should be audited by independent auditors. CVM was the first security exchange commission to adopt the IFRS sustainability rules, which signals to the market how much local regulators are attentive to the sustainability of the companies that operate in the country, given similar regulations by the Central Bank in past years.




Chile

Message from EY Chile's Country Managing Partner

Chile stands as one of the most stable, open, and competitive economies in Latin America, underpinned by a long-standing tradition of sound macroeconomic management and strong institutions. This solid foundation continues to provide a reliable and predictable environment for investment and business development, even amid a more complex global backdrop.

Our economy, characterized by resilience and adaptability, is widely recognized for its strong integration into global markets and a favorable business climate. Chile benefits from one of the most extensive networks of free trade agreements worldwide, enabling privileged access to key international markets. The country is supported by modern and well-developed infrastructure, including world-class ports, airports, road networks, and advanced telecommunications systems. In parallel, Chile is making significant progress in digital transformation and innovation, strengthening its position as a regional hub for services and technology-enabled industries.

Chile's abundant natural resources—particularly in mining, agriculture, and renewable energy—continue to be a cornerstone of its value proposition. The country is a global leader in copper and lithium production, while also advancing its role in the global energy transition through green hydrogen and renewable energy projects. Combined with leading human capital in the region and a dynamic and rapidly growing services sector, these strengths position Chile as a compelling destination for investment, offering diversified opportunities for sustainable growth and long-term value creation.

In addition, Chile is actively promoting sustainability, energy transition, and ESG-driven investment, which are increasingly shaping business decisions globally. Its strategic location on the Pacific coast, along with strong trade connectivity, also positions the country to benefit from evolving global supply chains and nearshoring trends.

We invite you to explore the broad range of investment opportunities within Chile's dynamic and forward-looking economy. Our team stands ready to act as a trusted partner, supporting you at every stage as you navigate and capitalize on the opportunities our country has to offer.

Macarena Navarrate P.

Country Managing Partner
EY Chile



Overview

Chile is wedged between the western coast of South America and the Andes Mountains. Santiago is the capital and largest city, followed by Valparaíso, known for its cultural heritage, and Concepción, an important industrial and university hub. Its population has European and Amerindian roots, influencing its music, dance, festivals, and gastronomy. Rich in resources like copper, lithium, fish, fruit, and wine, its main industries are mining (mainly copper and lithium), agriculture (grapes, apples, salmon), forestry, and fishing. Chile has numerous trade agreements, seeking openness to global trade and leading economic development in Latin America with an emphasis on stability, innovation, and diversification. It has historically attracted foreign investment and promoted technological innovation.



Population
20,037,000 (2025)[1]
Urban[2]: 89.0% (2024)
Rural[2]: 11.0% (2024)



Main language
Spanish



Area[3]
742,832 km[2]



System of government[4]
Presidential Republic
President: José Antonio Kast
Next elections: November 2029



Climate[3]
Mediterranean climate in the central zone, desert in the north, and oceanic in the south[4]



International Time[5]
GMT-3 (Magallanes region)
Daylight saving time (summer):
- GMT-3 (mainland Chile)
- GMT-5 (Island Territory)

Standard time (winter):
- GMT-4 (mainland Chile)
- GMT-6 (Island Territory)



Currency[6]
Chilean peso
US$1 = CLP 911.2 (Dec 31, 2025)



GDP current prices[1]
USD $355.3 Bn. (2025)



GDP per capita (PPP)[1]
USD $35,649.2 (2025)



Key sectors[7]
Chile stands out in the mining industry, with copper, lithium, and iodine. Agricultural and livestock production, as well as the export of fruits, vegetables, forestry products, fish, and seafood has experienced significant growth with the opening of markets in Asia and Europe.

Why invest in Chile?

5th largest GDP in Latin America and 3rd highest GDP per capita in Latin America (in PPP) in 2025[1]

Dominates global copper supply, being the world's leading producer and exporter, supported by large reserves and strong mineral export capacity in 2026[8].

Diversified export strength

across high-value sectors, with competitive global presence in fruits, wine, seafood, forestry products, and agro-industrial goods in 2023-2024[9].

Extensive international integration through more than 30 trade agreements, granting privileged access to over 60 countries and major global markets[10].

Recognized as a leading

destination for renewable energy investment, ranking first in Latin America and among the top globally, driven by solar and wind potential[11].

Highly developed infrastructure platform, enabling efficient logistics, connectivity, and export-oriented growth within Latin America[12].

1. World Economic Outlook Database (April 2026), IMF.
2. DataBank, The World Bank Group.
3. Country information, DatosMundial.com., CountryReports.com.
4. Government - Politics, CountryReports.com.
5. World Time Directory, 24timezones.com.
6. Exchange Rates Database (April 2026), IMF
7. Country information, Encyclopedia Britannica.
8. U.S. Geological Survey, Mineral Commodity Summaries 2026.
9. USGS; UN Comtrade, 2024–2025
10. Under-Secretary for International Economic Relations, Chilean Government.
11. Renewable Energy Country Attractiveness Index, 63 edition, EY.
12. Infrastructure by country 2025, World Population Review.

Country's economic outlook

Chile is one of Latin America's most stable, open, and competitive economies, supported by strong institutions, prudent macroeconomic management, and a business-friendly environment.

In 2025, the country's GDP is estimated at USD 355.3 billion, with economic growth of 2.3%, while GDP per capita in purchasing power parity terms reached USD 35,649, the highest in South America. Chile operates a market-oriented, export-driven economy and benefits from one of the world's most extensive networks of trade agreements, providing broad access to international markets.

The country is a global mining powerhouse, ranking as the world's largest producer of copper and one of the leading producers of lithium, while also leveraging its abundant renewable energy resources to support the global energy transition.

Beyond mining, Chile is a major exporter of agricultural, food, and aquaculture products, complemented by a sophisticated services sector that plays a significant role in economic activity.

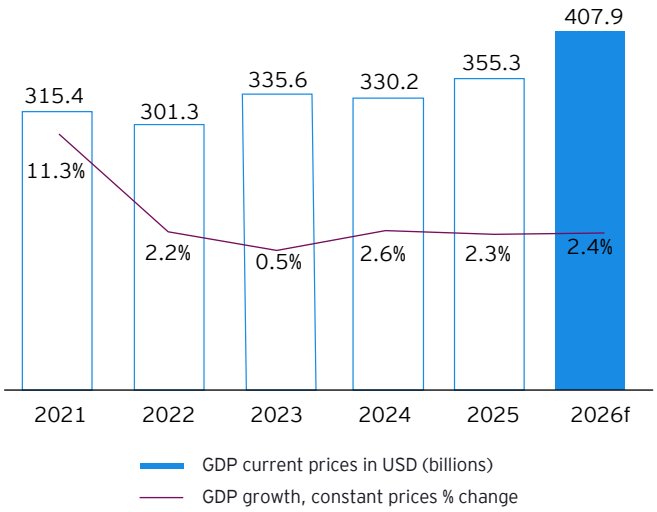
Inflation moderated to 3.4% in 2025, while public debt remained relatively moderate at 41.8% of GDP, reflecting the strength of its macroeconomic framework despite a fiscal deficit of 2.8% of GDP. Combined with high investment levels, low poverty rates, and a stable institutional environment, Chile remains an attractive destination for investment and a strategic gateway to regional and global markets.

Table 1

Main Indicators	Chile
GDP current prices USD bn. (2025)1	$355.3
GDP growth, constant prices % change (2025)1	2.3%
Gross domestic product per capita, current prices USD (PPP) (2025)1	$35,649.2
Inflation, year-end consumer prices (2025)1	3.4%
Fiscal balance (net lending (+) or net borrowing (-) of general government; % of GDP) (2025)1	-2.8%
Public debt (General government gross debt, % of GDP) (2025)1	41.8%
Current account (% of GDP) (2025)1	-2.3%
Investment (% of GDP) (2025)1	24.4%
Poverty headcount ratio at $8.30 a day (2021 PPP) (% of population) (2024)2	4.5%

Sources: 1. World Economic Outlook Database (April 2026), IMF; 2.The World Bank Group.

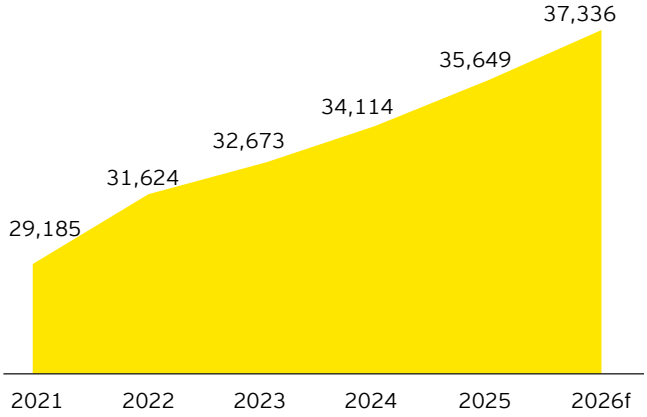
Figure 2:
Gross domestic product, levels and growth



Source: World Economic Outlook Database (April 2026), IMF.

Chile's economy expanded by 0.52% in 2023, below earlier projections, and subsequently recovered to 2.64% in 2024, supported by stronger external demand and improved monetary conditions. This recovery consolidated in 2025, with growth reaching approximately 2.5%, in line with expectations, driven by easing monetary policy and relatively stable copper prices. According to the IMF, GDP growth is expected to reach around 2.4% in 2026.

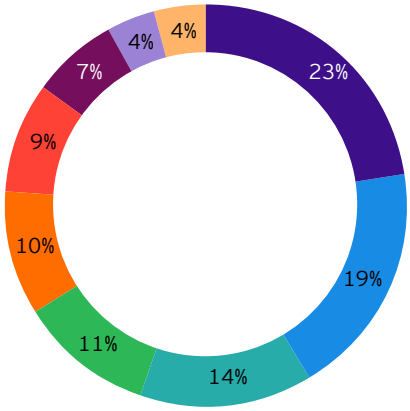
Figure 3
Gross domestic product (GDP), Per capita, (PPP) international dollar, ICP benchmarks 2017-2021



Source: World Economic Outlook Database (April 2026), IMF.

Chile's GDP per capita has grown significantly in recent decades. In PPP terms, it reached USD 34,114 in 2024 and USD 35,649 in 2025. This is one of the highest in South America and among the top in Latin America.

Figure 4
Share of gross domestic product by economic sector in 2025 (current prices in USD)



- Financial intermediation, real estate, business, renting and leasing activities
- Public administration, defense, compulsory social security, education, health and social services, and other community, social and personal services
- Mining and quarrying
- Wholesale and retail trade, repair of goods and hotels and restaurants
- Manufacturing industries
- Transportation, warehousing and communications
- Construction
- Agriculture, hunting,hunting, forestry, and fishing
- Electricity, gas and water supply

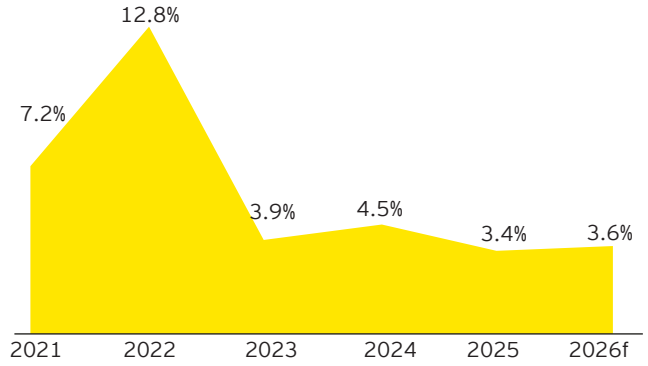
Source: CEPALSTAT (April 2026), ECLAC.

The sectors that contribute most to the Chilean GDP are financial services, real estate and rentals; followed by public administration, defense, healthcare, social security and personal services. Mining and retail follow in relevance.



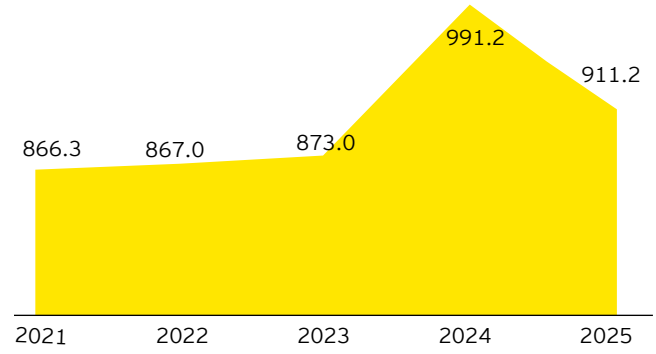
Figures 5 and 6:

Inflation (end of period consumer prices, % change)



Source: World Economic Outlook Database (April 2026), IMF.

Exchange rate of foreign currency (USD/CLP, end of period)

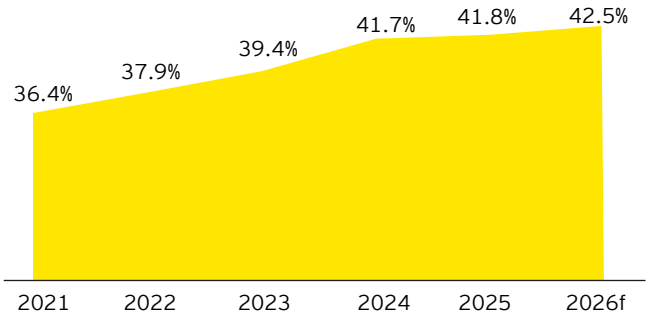


Source: Exchange Rates Database (April 2026), IMF.

While Chile had consistently met the 3% inflation target, elevated inflation was reached in 2021-2022. The Central Bank's policy brought inflation down to 4.53% in 2024 and 3.4% in 2025.
The Chilean peso depreciated significantly in 2024, closing at CLP 991.18 per USD from CLP 872.95 at 2023. It recovered strongly to CLP 911.2 per USD by 2025, due to high copper prices, a weak dollar, strong external flows, and a decline in domestic uncertainty, particularly toward the end of the year.

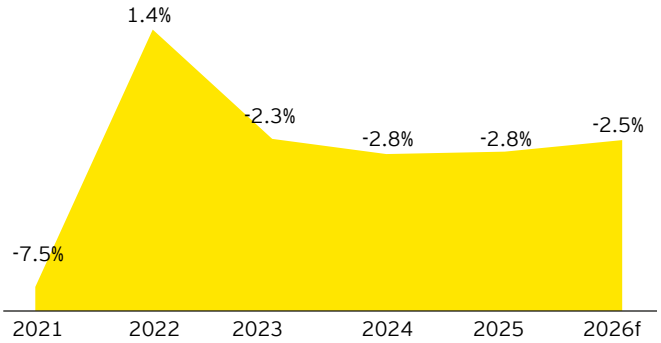
Figures 7 and 8:

Public debt (General government gross debt, % of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

Fiscal balance (net lending (+) or net borrowing (-) of general government, % of GDP)

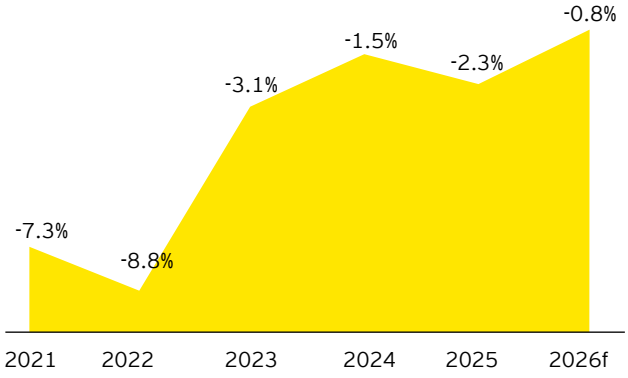


Source: World Economic Outlook Database (April 2026), IMF.

Public debt has continued its upward trend, reaching 41.8% of GDP in 2025.
Meanwhile, the fiscal balance remained at around 2.8% of GDP in 2024 and 2025 and is expected to slightly improve in 2026.

Figure 9:

Current account (% of GDP)

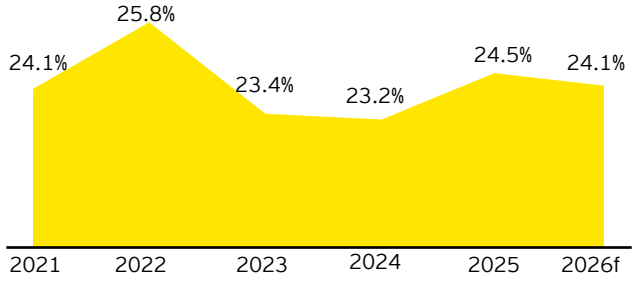


Source: World Economic Outlook Database (April 2026), IMF.

Chile's current account deficit narrowed significantly to 1.47% of GDP in 2024, from 3.13% in 2023, supported by strong export performance—particularly copper and lithium. However, the deficit is estimated to have widened to around 2.3% of GDP in 2025 as domestic demand recovered.

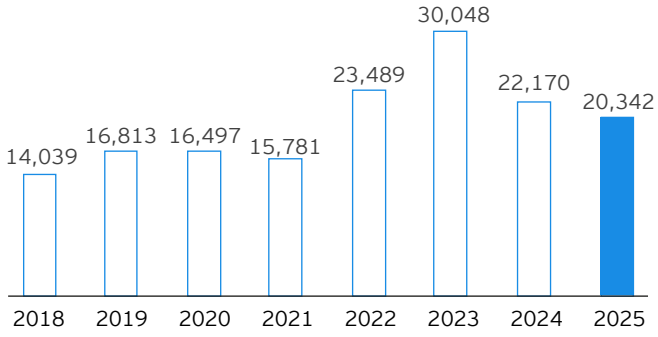
Figures 10 and 11:

Investment (% of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

FDI net inflows to Chile (USD millions)



Source: CEPALSTAT (2026), ECLAC.

Investment as a percentage of GDP was 23.24% in 2024, stable compared to 23.36% in 2023, reflecting a neutral investment environment amid ongoing energy and mining transition.
FDI net inflows into Chile fell to USD 22.170 billion in 2024 and to USD 20,342 in 2025 (from USD 30.048 billion in 2023), but the country remains a key recipient in South America, with investment concentrated in renewable energy, mining, and a mix of services and industrial sectors.

The Chilean economy is characterized by its political and macroeconomic stability, its significant natural resources, skilled human capital, and favorable business climate, making it an attractive destination for corporate development.

Chile is one of the most open countries in the world. Its clear rules, incentives for foreign investment, multiple trade agreements, and world-class infrastructure, make the country an excellent entry point for investors wanting to take advantage of the opportunities the region has to offer.

Establishing a business in the country

Chile has been a gateway to the region and a Latin American hub for many years due to its ongoing leadership, economic and political stability, number of economic treaties and openness to the world, free flow of capital, entrepreneurial leadership, talent availability among many other differentiating factors. The country offers many incentives and advantages, including a simple process for establishing and operating businesses.
Foreign investors can do business in Chile as individuals or through entities governed by the Commercial Code and other applicable legal standards. The types of entities most often used to do business in the country are detailed below:

1. Stock Corporations (S.A.)

Are composed of shareholders that raise common capital. Decisions are adopted through shareholders' meetings, and they are managed by a board of directors.

Characteristics:

- Shareholders: Formed by a minimum of 2 shareholders, with no maximum number of shareholders.
- Types: Stock corporations can be classified as open or closed.
- Open Stock Corporations (S.A.A.): Those that (i) offer their shares to the public, (ii) have more than 500 shareholders, or (iii) 10% of their capital is held by a minimum of 100 shareholders (excluding individual shareholders that exceed such percentage).
- Closed Stock Corporations: All other stock corporations that do not meet the criteria to be Open Stock Corporations (S.A.C.).
- Liability: The liability of the shareholders is limited to the amount of their shares.
- Administration: They must have a board of directors, composed of at least three essentially revocable members, that appoint an administrator and the chairman of the board.
- Oversight: Open Stock Corporations must register with the Registry of Securities Issuers and are subject to oversight by the Financial Market Commission (CMF - Comisión para el Mercado Financiero). Closed Stock Corporations are not subject to oversight.
- Transfer of shares: There is no legal limitation to the transfer of shares.
- Reserved business: There are certain businesses that are reserved for stock corporations, and which are overseen by the CMF or another sectorial Superintendency (banks, insurance companies, public works concessionaries, general funds administrators, etc.).

2. Limited Liability Companies

Limited liability companies are one of the most common business formats used by individuals and legal entities that carry out operations in Chile.
Characteristics:

- Partners: They are formed by a minimum of 2 and a maximum of 50 partners, which can be national or foreign, residents or non-residents, individuals or legal entities.
- Liability: The partners limit their liability to the amount of contributions made or up to a higher sum as long as it is expressly established, without any minimum capital requirement.
- Administration and oversight: The purpose, administration and oversight of the company can be freely agreed upon by the partners, except for operations reserved by law for Stock Corporations (S.A.).
- Transfer of equity rights: Unanimity is required for the transfer of equity rights.

3. Individual Limited Liability Company

An individual can acquire the status of a legal entity under the figure of an Individual Limited Liability Company (E.I.R.L.). Equity is limited to what is stated in the deed and the owner only responds with their personal property up to the capital contribution to the company and the company responds with all its assets.
EIRLs can carry out all types of civil and commercial transactions, except for those reserved by law for Stock Corporations (S.A.).

4. Joint-stock Corporation (SpA)

This type of corporation is a variation of stock corporations that is governed primarily by its bylaws, and the shareholders have some freedom in the establishment of their provisions. In the absence of bylaws or special standards that govern this type of company, they are governed by the standards for closed stock corporations.

Characteristics:

- Shareholders: minimum of one shareholder. The company must be transformed into a stock corporation and register with the CMF if it meets any of the qualifications to make it an open stock corporation.
- Liability: The liability of the shareholders is limited to the amount of their shares.
- Administration: The administration of an SpA can be freely agreed upon by its shareholders in its bylaws.
- Oversight: In the same manner as closed stock corporations, SpAs are not subject to oversight by the CMF.
- Transfer of shares: There are no legal limitations to the transfer of shares.

5. Branch or agency of a foreign branch

To establish branches of foreign companies in Chile, there is no need for formal approval from the government. A legal representative must be established on behalf of the foreign company, who must legalize certain documents before a Chilean Public Notary. These must be written in the original language and be accompanied by a Spanish translation. The documents are as follows:

- Proof that the company is legally established abroad.
- Certification that the company exists.
- An authentic copy of the company's current bylaws.
- A general power of attorney issued by the company to the legal representative that will represent it in Chile.

This power of attorney must clearly establish that the legal representative acts in Chile under the direct responsibility of the company and with ample powers to be able to act on its behalf.

Likewise, the legal representative must sign a public deed on behalf of the company.

They must subsequently register an extract of the deed in the Commercial Registry and publish such extract in the Official Gazette.



Tax Regime

1. General Overview

1.1. Corporate Income Tax (CIT) Rate: 27%. For further details, refer to Section

1.2. Capital Gains Tax Rate: 35%

1.3. Branch Tax Rate: 27%. For further details, refer to Section 2.

1.4. Withholding Tax (WHT) Rate:

1.4.1. Dividends: 35%

The 35% WHT applies to the amount of the gross dividend.

One hundred percent of the CIT paid by the company can be used as a credit against the WHT, with specific rules depending on the type of company and residence of the foreign shareholder or partner.

The tax is applicable to payments made to non-residents.

For further details, refer to Section 2.

1.4.2. Interest: 35%

A reduced rate of 4% applies to certain interest payments, including, but not limited to, interest paid on loans granted by foreign banks, insurance companies and financial institutions, as well as interest paid in connection with import operations. The tax applies to payments made to non-residents.

1.4.3. Royalties from Patents, Trademarks, Formulas and Similar Items 0% – 15% – 20% – 30%.

A 30% applies to royalty payments abroad no WHT is imposed on payments related to standard software, provided certain requirements are met.

A reduced 15% applies to payment related to invention patents, models, industrial drawings and designs, layout sketches or layouts of integrated circuits, new vegetable patents, and the use or exploitation of computer programs (software). The reduced tax rates do not apply to payments made to companies resident in jurisdictions considered preferential regimes; in such cases, the applicable WHT rate is 30%. A reduced WHT rate of 20% applies to payments for television broadcasting and cinematographic materials. The tax applies to payments made to non-residents.

1.4.4. Engineering, Professional, and Technical Services: 0% - 15% - 20%

A 15% rate applies to payments for engineering, technical assistance, professional and other technical services rendered in Chile or abroad. However, if payments are made to a company with a tax address in a jurisdiction considered a preferential regime, the applicable WHT rate is 20%. As an exception, payments made abroad as consideration for technical assistance may be exempt from WHT if Customs rules that the services are associated with exported services.

1.4.5. Other Fees and Compensation for Services Rendered Abroad: 35%

The tax applies to payments made to non-residents. Certain payments may be exempt from taxation, but a case-by-case analysis is required.

1.4.6. Branch Remittance Tax: 35%

The 35% tax applies to the amount of the gross dividend. One hundred percent of the CIT paid by the branch can be used as a credit against the WHT, subject to specific rules depending on the type of company and the residence of the foreign shareholder or partner. For further details, refer to Section 2.

1.4.7. Double Tax Treaties

The current 37 Double Tax Treaties in force to Chile may reduce the rates of WHT in case of interest, royalties and services, provided certain requirements are met.

1.5. Net Operating Losses (Years)

- Carryback - N/A
- Carryforward – Unlimited

2. Tax on rent and corporate income (CIT)

2.1. CIT

Entities resident in Chile, as well as branches of foreign entities operating within the country, are taxed on their worldwide income. An entity is considered to be a resident if it is incorporated in Chile.

CIT is levied annually on the net accrued income. However, income from foreign sources is usually calculated on a cash basis. The taxable profit of foreign branches and passive income from controlled foreign corporations are accounted for on an accrual basis.

2.1.1. Calculation of net taxable income (trading income):

- General: Taxable income, calculated in line with generally accepted accounting principles, encompasses all profits except for specific items exempt from taxation. Generally, all expenses capable of producing income, either in the relevant calendar year or in the future, and which are properly supported and justified, can be deducted to determine taxable income. This includes disbursements related to transactions between unrelated parties, either to prevent or settle litigation. Bad debts outstanding for over 365 days between unrelated parties are also deductible. Interest expenses incurred from investments in Chilean companies are deductible for CIT purposes. Typically, expenses are deducted on an accrual basis. However, cross-border payments to related foreign parties are deductible on a cash basis, provided that the corresponding WHT has been declared and paid. Royalty payments made to a related foreign party may be subject to further deductibility restrictions, based strictly on the context of this rule.
  Regarding inventory valuation, both the first-in, first-out (FIFO) method and the weighted average cost method are legally accepted. Additionally, a monetary correction must be applied to the cost for accurate valuation.
- Monetary correction: The Income Tax Law includes monetary adjustment rules, commonly referred to as monetary correction. These rules mandate the annual revaluation of specific assets and liabilities, accounting for changes in the consumer price index (CPI) and foreign exchange rates. The application of different rates for adjusting assets and liabilities can lead to taxable profits or losses. For monetary correction purposes, the following adjustments are necessary: The initial net value of fixed tangible assets must be restated according to the CPI changes, which are determined monthly by the National Statistical Service. Depreciation is then calculated based on the restated asset value. Inventories at the balance-sheet date need to be restated to reflect their replacement cost.
  Credits, rights, and liabilities in foreign currency or linked to price indices are adjusted based on changes in the relevant foreign-exchange rate or index. Investments in foreign entities are considered foreign-currency denominated assets and adjusted accordingly.
- Depreciation: A yearly depreciation quota for the use of tangible fixed assets is allowed as a deductible expense. The depreciation percentage is determined by applying a straight-line method on the useful life of the assets without considering a residual value as determined by the Chilean Tax Authority for each category of assets. Once fully depreciated, assets are recorded at a nominal value of CLP 1. According to the Income Tax Law, taxpayers are entitled to opt for an accelerated depreciation regime, understood as the establishment of a useful life for new or imported fixed assets, equivalent to one third (1/3) of the useful life established by the tax authority.
  Accelerated depreciation can only be used to compute the taxable income for CIT purposes. The excess depreciation, corresponding to the difference between the accelerated depreciation allowance and a notional normal depreciation allowance, is recaptured for purposes of Global Income Tax (GIT) or WHT applied to dividends or profits paid to shareholders, owners, or partners. Fixed assets that become unusable before the end of their expected useful life may be depreciated twice as fast as originally contemplated under their applicable regime.
- R&D incentives: Under Law No. 20,241, Chile offers tax incentives for CIT taxpayers investing in research and development (R&D) through 2035. These incentives include a tax credit equal to 35% of certified R&D expenses, capped at 15,000 monthly tax units (Unidad Tributaria Mensual, UTM) per year. This credit is non refundable but may be carried forward to future years. In addition, a tax deduction is available for the remaining 65% of R&D expenses, which may be deducted even if the expenses are not directly necessary for income generation, with a deduction period of up to 10 years. R&D activities may be carried out internally or through third parties, provid-

ed that at least 50% of the expenses are incurred in Chile. Taxpayers may initiate projects through a pre approval affidavit submitted to the Chilean Economic Development Agency (Corporación de Fomento de la Producción, CORFO), with a period of up to 18 months to formalize the project. Tax incentives are claimed annually through the company's tax filings, following CORFO's approval.

- Relief for losses: Losses derived from the commercial activities of the Chilean entity in the relevant commercial year, may be deducted as an expense for tax purposes.
  Accumulated tax losses, duly adjusted by inflation, may be carried forward indefinitely. If there is a qualified change of ownership, the accumulated tax losses may not be deducted from income generated after the ownership change. No qualified change of ownership occurs between entities belonging to the same economic group. The Internal Revenue Service and Supreme Court rulings have also established that tax loss audit faculties to be exercised by the Chilean Tax Authority are not subject to any statute of limitation.

2.2. Rates of CIT

As a general rule, a 27% CIT rate applies to annual net income. Under the Partially Integrated Regime, shareholders, owners or partners are taxed only upon effective distribution of dividends or profits, through WHT at 35% for foreign residents or GIT at progressive rates between 0% and 40% for Chilean resident individuals. For micro, small and medium-sized enterprises, a 25% CIT rate applies if specific requirements are met. Law No. 21.578 temporarily reduced the CIT rate for SMEs to 10% for the year 2024; for 2025 to 2028, the rate is 12.5%, and from 2029 the rate will be 15%. The 25% rate applies to non-profit entities such as foundations, unions and similar organizations.

2.3. Dividends

The distribution of dividends or profits among CIT taxpayers is not subject to incremental CIT. The CIT regime allows shareholders, owners and partners subject to WHT or GIT to use the CIT paid by the entity distributing such dividends or profits as credit in the WHT or GIT determination. In general, 65% of the CIT paid by the entity distributing dividends or profits may be used as a credit to offset the amount of WHT or GIT payable. As a result, the higher overall income tax burden would be 44.45%. In the case of foreign shareholders, owners or partners resident in a country that has a Double Taxation Treaty (DTT) in force with Chile, 100% of the CIT paid over the distributed dividends or profits would be available as CIT credit against the WHT or applicable on dividends or profit distributions if: (i) qualifies as a tax resident in a DTT Country and is able to obtain a tax residence certificate from the tax authorities; (ii) is not considered a fiscally transparent entity; and (iii) is the beneficial owner of the dividends.

2.4. Mining tax/ specific taxes per industry (list)

- Mining tax
  Effective January 1, 2024, a new Mining Royalty Law applies to mining operator and consists of two components:
  - Ad Valorem Component: A 1% tax rate on annual copper sales over 50,000 metric tons of fine copper (TFC), excluding sales from other minerals. This component is adjusted against any negative Adjusted Mining Operational Taxable Income (RIOMA). The sales calculation considers a six-year average, including sales to related parties as defined by the Chilean Tax Code.
  - Mining Margin Component: This applies to exploiters with at least 50% income from copper sales and over 50,000 TFC in sales. The tax rate varies from 8% to 26% based on the Mining Operating Margin (MOM). Different rates apply to exploiters with less than 50% income from copper, with exemptions and progressive rates based on annual sales. Additionally, a maximum tax burden cap is set, combining the CIT, Mining Royalty, and shareholder taxation. This cap is 46.5% for sales equal or greater than 80,000 TFC and 45.5% for lower sales. Mining exploiters must file the Mining Royalty annually and make provisional monthly payments based on gross income from mining product sales. They are also required to report annual financial statements, including a note on company ownership, to the Chilean Financial Market Commission and conduct external audits.



2.5. Capital gains (direct and indirect)

For corporate taxpayers, capital gains are treated as ordinary income and taxed at the applicable CIT rate. For Chilean resident individuals, GIT applies on an accrual basis at progressive rates between 0% and 40%, subject to specific exemptions depending on the asset type. Sales of publicly traded shares may be subject to a sole 10% tax rate if statutory conditions are met, unless the sale is carried out by an institutional investor, in such case no income tax is applicable. Foreign residents are generally subject to a 35% WHT on capital gains from Chilean assets, although reduced rates may apply under tax treaties.

2.6. Administration

In Chile, the Constitution mandates that tax revenues cannot be earmarked for specific purposes and only the executive branch can propose tax system changes. Taxes are mostly national, with the exception of the Municipal License Tax. The tax administration is handled by three main agencies: the Chilean Tax Administration (Servicio de Impuestos Internos, SII) for tax compliance and enforcement, the National Customs Service (Servicio Nacional de Aduanas) for customs duties on cross-border trade, and the Treasury for collecting outstanding tax debts. Accounting periods end on December 31, with income taxes payable in April. Additionally, taxpayers make provisional monthly payments towards their annual income tax.

3. International Tax

3.1. Foreign tax relief

Chilean income tax law provides that foreign income tax paid or owed can be used as credit against against Chilean income tax (CIT, WHT, and GIT). The tax credit may be claimed up to a limit of 35% of the foreign-source income, depending on the nature of the income and the existence of a DTT.

3.2. Foreign-exchange controls

Under the provisions of Chapter XIV of the Compendium of Foreign Exchange Regulations of the Central Bank of Chile (Chapter XIV), foreign investors may bring capital into Chile under the terms and considerations applicable to foreign loans, deposits, investments, and capital contributions.

For fund inflows from external credits exceeding one million dollars, it's essential to process them through an entity of the Formal Exchange Market (M.C.F.). For these purposes, MCF must be understood as composed by banks and other financial entities designated by the Central Bank of Chile in accordance with the powers granted by its Organic Constitutional Law.

Additionally, when capital contributions in Chilean pesos from abroad are received, the investment recipient must report the transaction.This reporting requirement specifically applies to capital contributions in Chilean pesos resulting in the foreign investor achieving or maintaining at least a 10% stake in the rights or shares of the recipient entity.

It must be noted that most of the reporting obligations are carried-out by the bank or financial company assisting in the transfer of funds through the Formal Exchange Market.

3.3. Transfer pricing

Chilean Transfer Pricing regulations, consistent with OECD guidelines, offer several methods for assessing transactions between related parties.

These methods include: (i) Comparable uncontrolled price; (ii) Resale price; (iii) Cost-plus; (iv) Profit-split; and (v) Transactional net margin.

An alternative method can be used if none of the above are applicable, with the choice depending on each transaction's specific details.

Taxpayers are required to file annual sworn statements with the SII, detailing related party transactions, the transfer- pricing methods used, and other pertinent information. They must also maintain comprehensive documentation to support compliance with these rules.

Since 2017, Chile has enforced Country-by-Country (CbC) regulations. These regulations require the submission of CbC, Master File, and Local File Sworn Statements to the SII under certain conditions. The Local File requirement includes additional supporting information such as agreements, functional organization charts, group structures, and loan payment schedules.

3.4. Debt-to-equity rules

Excess indebtedness exists if the "debt" of a Chilean entity exceeds three times its tax equity (capital propio tributario; financial equity with certain adjustments). "Debt" includes all debt, regardless of whether it is foreign or local or related or unrelated, as well as the debt at the level of the company's permanent establishments abroad.

If excess indebtedness is triggered, a 35% surtax applies on interest if both of the following circumstances exist:

- The interest is paid abroad due to related-party (or deemed related-party) debt.
- The interest benefits from a reduced WHT rate (4% under domestic law or tax treaty rate).

In this case, the applied WHT may be used as a credit by the Chilean debtor who must bear the 35% penalty tax. The concept of relationship also includes any type of guarantee.

3.5. Controlled foreign corporations

In general, foreign-source income is taxed on a cash basis. However, under the controlled foreign corporation (CFC) rules, Chilean resident taxpayers are taxed on an accrual basis on passive income received or accrued by a CFC. Under the CFC rules, passive income includes the following:

- Dividends or profit distributions from non-controlled entities
- Interest (unless the controlled entity is a bank or financial institution)
- Royalties (unless derived from research and development projects)
- Capital gains
- Income from the lease of real property (unless the exploitation of real property is the principal activity of the controlled entity)
- Income from the assignment of certain assets
- Income obtained by foreign controlled entities from transactions made with Chilean related parties and provided some requirements are met.

Specified Chilean-source income Control of a foreign entity is deemed to exist in any of the following circumstances:

- 50% or more of the capital, profit or voting rights is directly or indirectly owned by a Chilean taxpayer.
- The Chilean taxpayer has a decisive influence on the administration of the foreign entity.
- The foreign entity's tax address is located in a country or territory with a preferential tax regime, unless proven otherwise (that is, a foreign entity is deemed controlled if its tax address is in a tax haven or preferred jurisdiction, unless the Chilean taxpayer demonstrates that it does not control the entity).

3.6. Preferential tax jurisdictions

A territory or jurisdiction is deemed to have a preferential tax regime under this law if it satisfies this two of the following jointly: a) no valid information exchange agreement with Chile, or, if there is one in force, it contains limitations that do not allow an effective exchange of information; and b) fails to meet standards for transparency and information exchange based on the qualifications set by the Global Forum on Transparency and Exchange of Tax Information, or any other international organization that may replace the latter provided Chile is a permanent member. The Chilean tax authority update the list of countries deemed as preferential jurisdiction based on the above.

Engaging in transactions or executing contracts with countries identified as having preferential tax regimes can restrict certain tax benefits for taxpayers. This includes limitations on recognizing losses from derivative instruments, constraints on preferential withholding tax rates, and implications for determining excess indebtedness, among other effects.

Please consider these considerations shall be in force as of January 1, 2025.

4. Value-added tax (VAT)

VAT is generally levied at a rate of 19% on the habitual sale of goods, certain fixed assets and real estate (excluding land), the provision of services, imports and other taxable transactions. VAT paid on the acquisition of goods, services and imports entitles the purchaser to a VAT credit, provided the taxpayer engages in VAT taxable activities. This credit equals the VAT charged on invoices and may be offset against VAT debits generated on taxable sales. Any excess VAT credit may be carried forward indefinitely.

Exports of goods are generally exempt from VAT, and exporters are entitled to recover VAT incurred in connection with export activities through specific pre and post export recovery mechanisms.
VAT taxpayers maintaining VAT credits for at least two months arising from fixed asset acquisitions or related services may either offset such credits against tax liabilities or request a cash refund.
Foreign remote service providers supplying services to non-VAT taxable persons and or individuals in Chile must register for the simplified VAT regime set by the Chilean tax authority and charge VAT at the standard 19% rate.
VAT exemptions apply to imported capital goods destined for large scale investment projects in sectors such as mining, energy, infrastructure, telecommunications, research and technology, provided the investment equals or exceeds USD 5 million.
Notwithstanding the above, imports of goods made by non-taxable persons (non-VAT taxpayers) are exempt from VAT if the amount of the import is less than USD 500, provided the remote sale regime through online platform or marketplace accounts for and files the VAT in the simplified platform set by the Chilean tax authority.

5. Other

5.1. Green taxes

Chile's Green Tax applies to fixed sources emitting 100 or more tons of particulate matter annually or 25,000 or more tons of CO. Taxpayers may offset emissions through approved environmental offset projects. The tax is payable annually and is calculated based on pollutant type and emission levels.

5.2. Customs duties

Customs duties generally apply at a 6% rate on the CIF value of imports, though free trade agreements reduce the effective rate for most goods. Chile operates free trade zones and allows temporary admission and bonded warehouse regimes, offering significant customs and VAT benefits.

5.3. Investment and saving incentives

VAT exemptions apply to imported capital goods for qualifying investment projects exceeding USD 5 million. Taxpayers may also offset or request refunds of accumulated VAT credits arising from fixed asset investments. Accelerated depreciation regimes are available for new or imported fixed assets.

5.4. Stamp Tax (ST)

Stamp Tax applies to monetary credit operations and is levied on the principal amount at variable rates depending on maturity. ST is payable once per loan and is deductible for CIT purposes.

5.5. Other taxes

5.5.1. Tax on fuels

A specific tax applies to fuels based on fixed and variable components, with refund mechanisms available in certain cases.

5.5.2. Property Tax

Property Tax applies annually at rates ranging from 1% to 1.4%, subject to surtaxes and exemptions depending on property type and value.

5.5.3. Contribution for Regional Development

A 1% tax applies to qualifying fixed asset investments exceeding USD 10 million, payable once operating profits begin.

5.6. GAAR

The Chilean GAAR is a set of provisions designed to disregard the tax effects arising from legal acts or transactions undertaken by taxpayers. It enables the tax requalification of such acts, imposing tax obligations that align with their legal and economic substance, recognizing the substance-over-form approach to transactions.
The objective grounds for applying the Chilean GAAR are the abuse of legal forms and tax simulation. The declaration of these grounds must be made by a Tax and Customs Court, upon request by the SII after a formal tax audit process.

Labor Regime

1. Labor Law

1.1. Classification of employment contracts based on their duration.

Labor law allows a classification of employment contracts in terms of their duration, including an indefinite contract, a fixed-term contract, and a contract for specific work, as follows:

- Indefinite Contract: A contract that does not have a set period or predetermined term of duration and, for the same reason, grants greater job stability, since the employee has the right to keep their employment until an event occurs that constitutes legal cause for termination. This type of contract is most common in Chile.
- Fixed term contract: Its duration or validity is limited to a specific term agreed between the parties, which can be expressed in days, weeks, months, years, or by establishing a start date and an end date. As a general rule, the duration of this contract cannot be longer than one year (or two years, in case of managers or employees with a professional or technical degree).
- Contract for a determined work: Under this type of contract the employee is required to execute a specific and determined project or intellectual work for the respective employer, and the validity of the contract is circumscribed and limited to the duration of such work.

1.2. Working hours and rests

Since April 26, 2026, there is a limit of 42 working hours per week (40 hours from April 2028), which must be distributed between a minimum of 5 days and a maximum of 6 days (from 2028 the minimum will be 4 days). There are some employees that are exempt from the maximum weekly hours limit mentioned above in accordance with the Labor Code.

Under exceptional circumstances, it is possible to agree on overtime, which cannot exceed 2 hours (generally) per day and must be authorized by the employer only for resolving temporary situations in the company. As a general rule, overtime must be paid at a regular hourly rate with a 50% increase.
In general terms, employees are entitled to different rest periods, which can be summarized as follows:

- Rest between working hours: The workday shall be divided into two periods, leaving between them at least 30 minutes per day for lunch.
- Daily rest: Employees with established working hours have the right to a rest between one working day and the next with a duration equivalent to at least the period worked.
- Weekly rest period: As a general rule, Sundays and official holidays are rest days.

1.3. Law on remote work, telework and international aspects

Law No. 21,220 about remote work and teleworking allows employees to provide their services in a different place than the premises of the employer, which may be their home or another place, and/or through technological, digital or telecommunications channels. The provision of services under this modality requires a written agreement between the parties.
As a rule, remote work or teleworking is subject to weekly working hours. However, the regulation allows for a more flexible distribution of hours or even the exclusion of the weekly hours limit in the case of teleworking. Other legal obligations have to be met by the employer, such as providing equipment, tools and materials and ensuring safety and health conditions.

1.4. Non-waivable employment benefits

In Chile, employees are entitled to, among others, the following mandatory and non-waivable employment benefits:

- Minimum monthly salary: As of May 1st, 2026, the minimum monthly wage is CLP 553.553. A new adjustment will be made in January 2027 according to changes in the consumer price index (CPI).

- Annual Leave: Employees with more than one year of service are entitled to an annual paid leave of 15 working days.
  Employees who render services in extreme regions are entitled to an annual leave of 20 working days.
- Profit sharing: By law, certain companies are required to distribute a percentage of their profits to their employees. The employer, in order to comply with this obligation, may choose between two alternatives contemplated in the Labor Code.
- Social security: According to the Chilean social security system, all dependent employees have the obligation to contribute to the social security system. The Chilean pension system includes mandatory contributions of 7% of the monthly remuneration for health insurance and 10% of the monthly remuneration for the pension fund, including a commission that varies according to each administrator. For 2026, there is a monthly cap on such contributions of 90 units of account (Unidad de Fomento, UF).
  Additionally, there is a mandatory contribution for disability and survivors' insurance equivalent to 2.0% of the employee's gross monthly remuneration, a contribution for occupational accidents and diseases insurance with a basic rate of 0.90%, which can be increased up to 3.4% depending on the level of risk of the activities carried out within the company, and a contribution for children accompaniment insurance, also called "SANNA Law", which amounts to 0.03% of the employee's remuneration. All these contributions are borne by the employer and the basis for these contributions has a monthly limit of UF 90. Additionally an employer-paid pension contribution is applicable at a total rate of 1%, of which 0.1% is allocated to individual pension accounts and 0.9% to life expectancy compensation. As of August 2026, the employer contribution increases to 3.5%, and the disability and survivors Insurance (SIS) begins to be administered by the Social Security System, consolidating an employer contribution of 2.5% allocated to life expectancy compensation and SIS financing.
  Thereafter, the employer contribution rate will increase gradually until it reaches 8.5% of the employee's taxable salary in August 2033.
  There are also contributions for unemployment insurance. As a general rule, the employee contributes 0.6% of their gross monthly remuneration and the employer contributes 2.4%. For 2026, the gross monthly remuneration that serves as the basis for these contributions has a monthly limit of UF 135.2.

1.5. Expiration or termination of the employment relationship

According to Chilean Labor Law, the employer can only terminate the employment contract invoking certain specific causes that are established by law, mainly detailed in articles 159, 160 and 161 of the Labor Code.
Legal causes for termination include resignation, death of the employee, mutual agreement, certain faults incurred by the employee, dismissal for business needs, dismissal of representatives with administrative powers, among others.
It is important to keep in mind that the cause(s) invoked for the termination of the employment contract must be supported by facts.
Mandatory payments such as severance and indemnities may be triggered, depending on, among other factors, the cause invoked.
Once the employment contract has been terminated (regardless of the cause), a severance payment ("finiquito") must be granted by the employer and the respective amounts must be made available to the employee within ten business days (excluding Sundays and holidays) counted from termination. The objective of the finiquito is to establish the end of the employment relationship and settle all pending obligations between the parties regarding the employment contract that was terminated.

1.6. Employees' rights and protection

In Chilean legislation, labor law is structured around principles that aim to balance the relationship between employers and employees, promoting fair working conditions with a focus on protection to the latter.

Among the main aspects with regard to this matter, it is worth highlighting the labor rights that are non-waivable for the parties, such as the principle of employment stability (which, among other conditions, requires the employer to terminate the employment contract only through a cause that is expressly established by law) and the principle of the primacy of reality, which gives priority to what has occurred in practice over what the parties have agreed to in document.
From a health and safety perspective, the employer is required to take all necessary measures to effectively protect the life and health of its employees, informing them of potential risks and maintaining adequate hygiene and safety conditions in the workplace, as well as the necessary actions to prevent occupational accidents and diseases.
Likewise, all labor relationships shall be based on a non-violent treatment, which has to be compatible with the dignity of a human person and with gender perspective; in this regard, workplace harassment, sexual harassment and violence at work must be prevented by the employer.

1.7. Labor unions

1.7.1. Incorporation requirements and mode of operation

Labor unions can exist in a company when they are created by virtue of a voluntary act of the employees (members) in accordance with the respective formalities, procedures and quorums required by law. In general terms, legally constituted unions have the power to bargain collectively according to certain procedural rules. If the union initiates this type of collective bargaining, the employer is obliged to engage in such bargaining.
Nonetheless, collective bargaining could also be voluntarily initiated between one or more employers and one or more unions at any time and without restrictions of any nature.



1.7.2. Collective Bargaining Agreements ("CBA")

According to the Chilean Labor Code, a CBA is a contract between employers and employees to establish common working conditions and remunerations for a certain period in accordance with the rules provided in the Labor Code. Parties are free to agree on the conditions they so decide, provided that the rights and obligations established by labor legislation are not violated.

2. Considerations for foreign employees

2.1. Legal considerations regarding foreign employees

In labor matters, Chilean and foreign employees have the same rights and obligations. Without prejudice to the above, it is important to keep in mind that there are certain particularities when hiring foreign individuals, including a legal limitation on foreign hires, among others.

In this sense, the Labor Code establishes that at least 85% of the employees' providing services for the same employer must be Chilean, except for those companies that do not have more than twenty-five employees. There are certain specific rules applicable for purposes of computing the indicated percentage.

2.2. Immigration regulations

Regarding this matter, it should be noted that Immigration Law 21,325 regulates the entry, stay, residence and exit of foreigners from the country, as well as the exercise of rights and duties, without prejudice to those contained in other legal regulations.

As a general rule, this permit does not allow the performance of remunerated activities.

The main immigration categories are:

- Transitory Permanence: It is the permit granted by the National Immigration Service to foreigners who enter the country without intention of settlement, authorizing them to stay in national territory for a limited period. As a general rule, this permit does not allow the performance of remunerated activities.
- Temporary Residence: It is the permit granted by the National Immigration Service to foreigners who intend to settle in Chile for a limited time.
- Definitive Residence: It is a permit to reside in Chile indefinitely, authorizing the execution of any legal activity, with no limitations other than those established by the legal and regulatory provisions.

  The general rule in Chile is that foreigners are not authorized to carry out remunerated activities in the country unless they have a residence permit or special authorization issued by the competent immigration authority.

3. Taxes levied on wages

The general rule applicable to taxation on personal income is contained in Article 3 of the Income Tax Law, which establishes that "[...] Unless otherwise stated in this law, any resident of Chile shall pay taxes on their income from any origin, regardless of whether the source of income is located in the country or abroad, and taxpayers who are not Chilean residents are subject to taxation on their income if it is sourced within Chile". However, during the first three years of residence in Chile, foreign individuals are only taxed on their Chilean sourced income.

Both residents and non-residents have the obligation to pay taxes on salaries, bonuses, allowances, and any other similar concept of compensation they receive for services rendered in the country.

The remuneration received by individuals that are Chilean tax residents for the provision labor services is classified as "employment income" and is subject to Second Category Tax, which is calculated monthly based on progressive rates from 0% to 40%. Income received by taxpayers without residence in Chile is subject to Additional Tax, paid as a single tax, at a general rate of 35% (without prejudice to the exceptions established by law), with no deductions allowed.

Financial Reporting

1. Publicly traded companies
Publicly traded companies, except for certain entities operating in financial services, are required to publish quarterly and annual financial information under IFRS as issued by the IASB.

2. Publicly and regulated companies
Other entities regulated by the Chilean Commission for the Financial Market (CMF), except for certain entities operating in financial services, are also required to publish financial information under IFRS as issued by the IASB.

3. Special cases
For certain banking and insurance entities, full IFRS is not applied in Chile. Certain IFRS standards are not applied in Chile but rather regulation of the CMF is used for certain items within the financial statements.

4. Other considerations
No regulated entities can issue their financial statements under either IFRS as issued by the IASB or IFRS for SMEs.



Colombia



Message from EY Colombia's Country Managing Partner

Colombia's strategic geographic location, with access to both the Atlantic and Pacific Oceans, supports its role as a connectivity platform within Latin America. This position has been recognized by multinational companies that have established regional operations and shared services centers in the country. Combined with ongoing investments in logistics and infrastructure, Colombia provides a stable and competitive base for international operations.

Its connectivity with North America and the Andean region, together with a network of 17 active trade agreements, including those with the United States, the European Union, Canada, South Korea, and the Pacific Alliance, provides investors with preferential access to key markets and diversified value chains. This framework is complemented by a solid network of double taxation treaties, bilateral investment protection and promotion agreements, and Colombia's participation in key regional and multilateral integration mechanisms, including the Pacific Alliance, the World Trade Organization (WTO), and the Andean Community.

Colombia's endowment of natural resources continues to represent a structural advantage across sectors such as agribusiness and energy. At the same time, the country is progressing steadily in its participation in the energy transition, supporting long term sustainability objectives and investment diversification.

In a global environment characterized by the reconfiguration of value chains, increased focus on risk management, and the pursuit of operational efficiency, Colombia continues to consolidate its position as a platform that combines strategic location, regional scale, and adaptability.

The services sector continues to gain relevance, particularly in technology enabled activities, digital financial services, and business services. This development is supported by increasingly consolidated innovation ecosystems and a growing pool of qualified talent.

Despite global and domestic challenges, Colombia has demonstrated resilience, with the private sector remaining a key driver of economic activity. More than 1.5 million active companies operate across the country, generating over half of formal employment and playing a central role in national tax revenues.

As the country enters 2026, Colombia does so within a political cycle marked by legislative and presidential elections. While election periods tend to increase short term market sensitivity, Colombia's institutional framework, macroeconomic management, and policy continuity remain relevant anchors for investor confidence. The newly elected President of the Republic will begin a four year term on August 7, 2026.

Looking ahead, Colombia continues to offer a diversified portfolio of investment opportunities. Access to qualified talent, competitive operating costs, a broad productive base, and established institutional frameworks support medium and long term investment strategies. Based on market consensus and projections from national authorities and multilateral institutions, GDP growth in 2026 is expected to be around 2.5%–2.8%, reflecting a gradual recovery and an economy undergoing sectoral reconfiguration. Agribusiness, trade, and consumer related activities continue to perform solidly, while infrastructure and construction show signs of recovery.

This guide provides an overview of Colombia's economic, legal, and business environment, designed to support informed investment decision making and to highlight the country's medium term potential as a destination for sustainable and long term investment.

Kind regards,

Ximena Zuluaga

President and Country Managing Partner,
EY Colombia



Overview

Colombia, located in South America, has Caribbean and Pacific coasts, as well as a diverse geography of mountains, jungles, and plains. Bogota is the capital and most important city, followed by Medellin, noted for its innovation, and Cali, known for its cultural and sports scene. Its population reflects indigenous, African, and European influences, which can be seen in its music, dance, festivals, and gastronomy. Its main industries are oil and gas, mining, agriculture (especially coffee), textiles, and manufacturing. Colombia has sought economic openness with trade agreements, showing interest in innovation and economic diversification to strengthen its position in the global market. It has focused on improving infrastructure to boost sectors such as tourism and manufacturing.



Population
53,048,000 (2025)[1]
Urban[2]: 78.5% (2024)
Rural[2]: 21.5% (2024)



Main language
Spanish.
Other languages: Indigenous languages (including Wayuunaiki, Nasa Yuwe, Embera, Ticuna and Cofán), Creole languages (Palenquero and San Andrés Creole), and Romani.



Area[3]
1,109,500 km2



System of government[4]
Presidential Republic
President: Gustavo Petro
Next elections: 2026



Climate[3]
Tropical, with stable temperatures throughout the year. There are hardly any seasonal differences in temperature[4]



International Time[5]
GMT-5 (All Colombia)



Currency[6]
Colombian Peso
US$1 = COP 3,757.1 (Dec 31, 2025)



GDP current prices[2]
USD $457.4 Bn. (2025)



GDP per capita (PPP)[1]
USD $22,542.9 (2025)



Key sectors[7]
Colombia stands out in the production of textiles, food processing, oil, clothing and footwear, beverages, chemicals, cement, gold, coal, and emeralds. Its main agricultural products are coffee, flowers, bananas, rice, tobacco, corn, sugar cane, cocoa, oilseeds, vegetables, forest products, and shrimp.

Why invest in Colombia?

4th largest
GDP in Latin America in 2025[1]

3rd largest
population in Latin America[2]

Ranked 6th
in crude oil reserves, 4th in crude oil production, and 7th in natural gas production in Latin America[8].

Pioneer in sustainable investment frameworks, being the first country in Latin America to launch a Green Taxonomy[9].

Strategic geographic location connecting major markets, with access to both the Pacific and Atlantic oceans and a central position in the Americas enabling efficient logistics and trade flows[7].

Competitive export platform with strong agricultural specialization, including coffee, bananas, flowers, and avocados as key global export products in 2024–2025, supporting diversified trade flows[10].

A highly integrated economy with 17 active trade agreements and expanding international partnerships, strengthening access to key markets and supporting export-driven growth[9].

1. World Economic Outlook Database (April 2026), IMF.
2. DataBank, The World Bank Group.
3. Country information, DatosMundial.com., CountryReports.com.
4. Government - Politics, CountryReports.com.
5. World Time Directory, 24timezones.com.
6. Exchange Rates Database (April 2026), IMF.
7. Country information, Encyclopedia Britannica.
8. Annual Statistical Bulletin. OPEC. (2025).
9. Why invest in Colombia, investincolombia.com.co.
10. Comtrade Database, United Nations.

Country's economic outlook

Colombia is the fifth largest country in Latin America by area and the fourth largest by GDP. In 2025, GDP reached USD 457 billion, with growth of 2.6%, according to the IMF World Economic Outlook. The country has the third largest population in the region, with approximately 52.7 million people.

It is also one of the most economically and politically stable countries in the region, with a tradition of free market economy.

The Colombian economy rebounded strongly from the pandemic, growing 10.8% in 2021 and 7.26% in 2022, before slowing sharply to 0.84% in 2023 and remaining subdued at 1.49% in 2024, reflecting the lagged effects of monetary tightening and fiscal pressures. Growth recovered in 2025 to 2.6%, indicating a gradual normalization of economic activity.

Inflation, which had historically been low, surged to 5.7% in 2021 and peaked at 13.94% in 2022; the Central Bank's tight monetary policy brought it down to 9.32% in 2023 and 5.22% in 2024, closing at 5.1% in 2025 and continuing to converge toward the 3% target.

Nevertheless, during its consultation with Colombia, the IMF warned about the increase in the fiscal deficit and debt levels following the suspension of the fiscal rule.

The Colombian economy is diverse and comprises a range of sectors that contribute to its dynamism. Among the most important of these are public and personal services, financial services, retail and manufacturing.

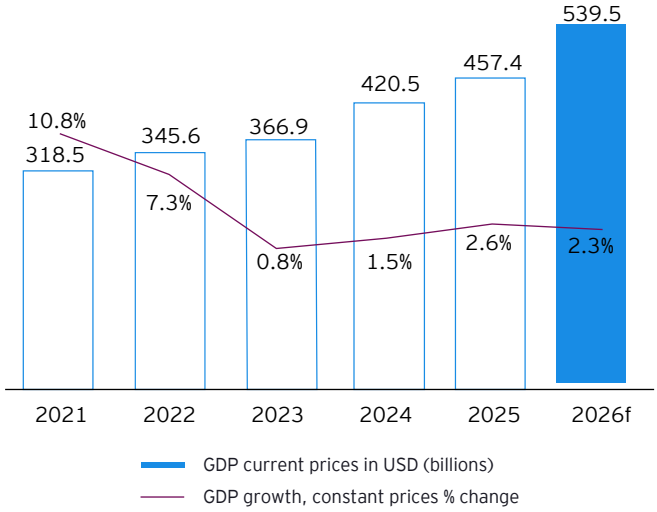
The Oil and Gas industry plays a crucial role in the Colombian economy, accounting for a high percentage of exports. The country is also one of the top exporters of coffee, bananas, and flowers. Likewise, tourism is an area in full development thanks to the rich culture, history, and nature that the country has to offer.

Table 1

Main Indicators	Colombia
GDP current prices USD bn. (2025)[1]	$457.4
GDP growth, constant prices % change (2025)[1]	2.6%
Gross domestic product per capita, current prices USD (PPP) (2025)[1]	$22,542.9
Inflation, year-end consumer prices (2025)[1]	5.1%
Fiscal balance (net lending (+) or net borrowing (-) of general government; % of GDP) (2025)[1]	-5.7%
Public debt (General government gross debt, % of GDP) (2025)[1]	59.9%
Current account (% of GDP) (2025)[1]	-2.4%
Investment (% of GDP) (2025)[1]	16.7%
Poverty headcount ratio at $8.30 a day (2021 PPP) (% of population) (2024)[2]	37.0%

Sources: 1. World Economic Outlook Database (April 2026), IMF; 2.The World Bank Group.

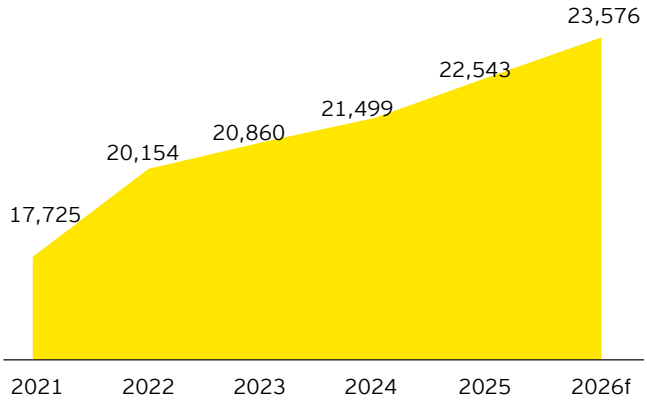
Figure 2:
Gross domestic product, levels and growth



Source: World Economic Outlook Database (April 2026), IMF.

Colombia's economic expansion decelerated to 0.84% in 2023 and 1.49% in 2024, reflecting the impact of high interest rates, fiscal tightening, and weaker domestic demand. Growth recovered in 2025 to 2.64%, confirming a gradual rebound in economic activity. Looking ahead, the IMF expects growth of around 2.3% in 2026, supported by monetary easing and improved external conditions, as inflation continues to converge toward its target.

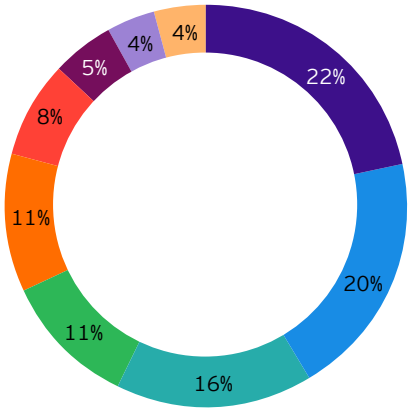
Figure 3
Gross domestic product (GDP), Per capita, (PPP) international dollar, ICP benchmarks 2017-2021



Sources: World Economic Outlook Database (April 2026), IMF.

Colombia's GDP per capita in PPP terms reached USD 20,860 in 2023, USD 21,499 in 2024, and USD 22,543 in 2025, reflecting modest but sustained improvement in living standards. This upward trend in GDP per capita has remained consistent and is expected to continue into 2026.

Figure 4
Share of gross domestic product by economic sector in 2025 (current prices in USD)



- Public administration, defense, compulsory social security, education, health and social services, and other community, social and personal services
- Financial intermediation, real estate, business, renting and leasing activities
- Wholesale and retail trade, repair of goods and hotels and restaurants
- Agriculture, hunting, forestry and fishing
- Manufacturing industries
- Transportation, warehousing and communications
- Construction
- Electricity, gas and water supply
- Mining and quarrying

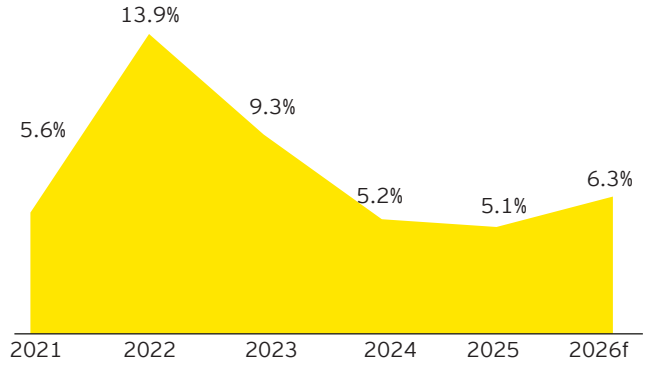
Source: CEPALSTAT (April 2026), ECLAC.

The sectors that contribute most to the GDP are those related public administration, defense, compulsory social security, education, health and social services, and other community, social and personal services. The next sectors are the financial and real estate services, as well as wholesale, retail and hotels and restaurants. Agriculture is also highly relevant to the country, as well as manufacturing.



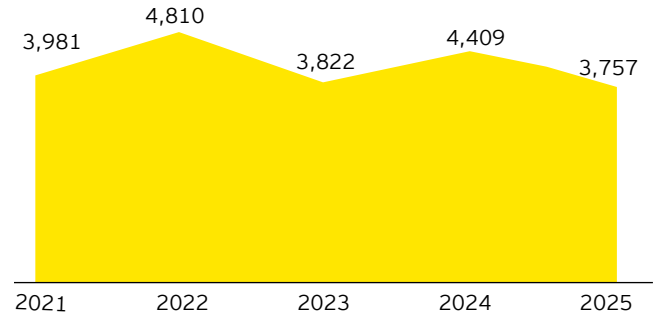
Figures 5 and 6:

Inflation (end of period consumer prices, % change)



Source: World Economic Outlook Database (April 2026), IMF.

Exchange rate of foreign currency (USD/COP, end of period)

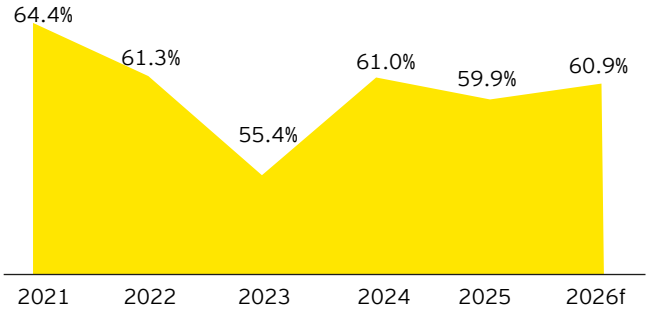


Source: Exchange Rates Database (April 2026), IMF.

Inflation declined significantly from its peak of 13.94% in 2022 to 9.32% in 2023 and 5.22% in 2024, reaching 5.1% in 2025, within reach of the central bank's target range, and is expected to increase moderately to 6.3% in 2026.
The peso ended 2024 at COP 4,409 per USD, and then appreciated during 2023, closing at COP 3,822 per USD. This trend reversed in 2024, with the peso depreciating to COP 4,409 per USD, reflecting fiscal concerns and global dollar strength. It recovered to COP 3,757 by 2025.

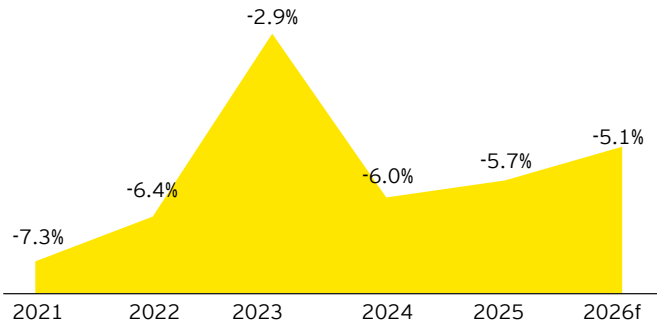
Figures 7 and 8:

Public debt (General government gross debt, % of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

Fiscal balance (net lending (+) or net borrowing (-) of general government, % of GDP)

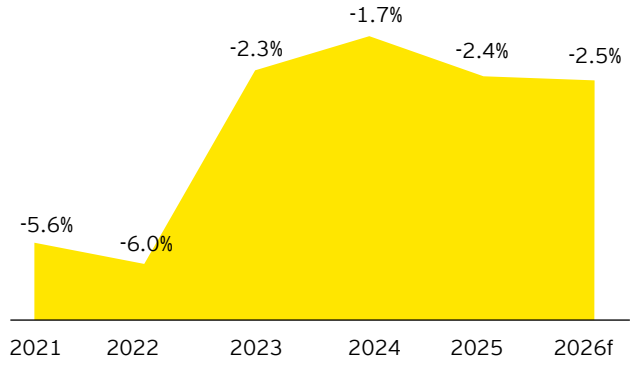


Source: World Economic Outlook Database (April 2026), IMF.

Public debt rose to 61.01% of GDP from 55.36% in 2023, before declining to 59.9% in 2025, with further reductions estimated to 50.9% in 2026.
Colombia's fiscal position deteriorated in 2024, with the deficit growing to 6.04% of GDP from 2.92% in 2023, before narrowing to -5.7% in 2025, with a further reduction to -5.1% estimated for 2026.

Figure 9:

Current account (% of GDP)

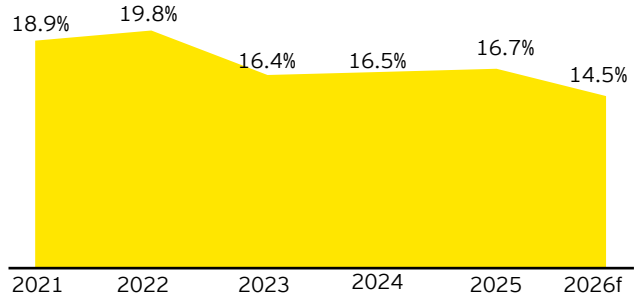


Source: World Economic Outlook Database (April 2026), IMF.

The current account deficit narrowed to 1.67% of GDP in 2024 from 2.27% in 2023, supported by strong commodity revenues and contained import demand amid subdued domestic activity. The deficit widened slightly to around 2.4% in 2025 and will remain broadly stable thereafter, according to the IMF projections.

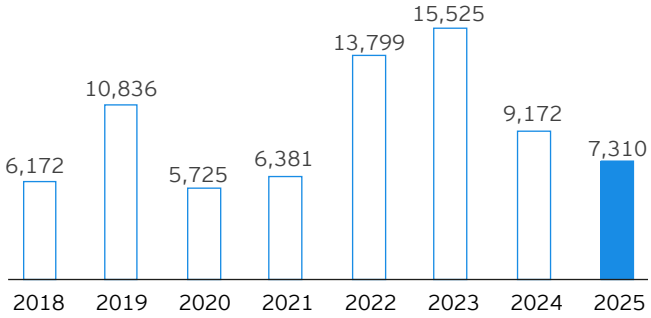
Figures 10 and 11:

Investment (% of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

FDI net inflows to Colombia (USD millions)



Source: CEPALSTAT (2026), ECLAC.

Investment as a percentage of GDP was 16.47% in 2024, broadly stable compared to 16.38% in 2023, reflecting limited new capital expenditure amid high financing costs and policy uncertainty. This behavior continued in 2025, and it is expected to persist in 2026.

FDI net inflows into Colombia declined to USD 9.2 billion in 2024 from USD 15.5 billion in 2023, according to CEPALSTA. The decline reflects policy uncertainty and fiscal pressures, though energy, mining, and services continue to attract foreign capital. In 2025, FDI narrowed slightly compared to 2024.

Colombia has become an attractive destination for investors from around the world. The fourth-largest economy in Latin America offers economic and political stability, an internal market of 52 million people, a wide diversity of sectors, and a strategic geographical location that provides easy access to markets in North America, South America, and Europe.

In addition to its economic dynamism, the country has demonstrated an ongoing commitment to attracting foreign investment by implementing proactive policies and incentive programs to promote business growth.

Establishing a business in the country

1. Investment Regulation and Promotion Agencies

1.1. Foreign Exchange Regime

The Colombian Foreign Exchange Regime and the International Investment Regime are regulated under Colombian law. Their compliance is jointly supervised and controlled by the Superintendence of Companies (international investments and loans), the Superintendence of Finance (activity of the intermediaries of the exchange control market), and the Colombian Tax and Customs Authority (Autoridad Tributaria y Aduanera, acronym DIAN") (import and exports of goods and residual competence).

1.2. International Investments

In accordance with foreign exchange regulations, foreign investors in Colombia must properly carry out their operations through the foreign exchange market and register their investments before the Central Bank. With this information the Central Bank can supervise, for statistical purposes, investment flows and protect foreign exchange rights.
The Foreign Exchange Regime classifies foreign investment in Colombia into two main groups, foreign direct investment ("FDI") and portfolio investment.

1.3. Foreign Direct Investment in Colombia (FDI)

Refers to the direct investment made by foreign resident investors in Colombian companies. FDI is freely allowed in all sectors of the economy except in the following activities:

- Defense and national security
- Processing and disposal of hazardous or radioactive products not produced in Colombia.
- The most commons targets recognized as FDI by the Foreign Exchange Regime
- Domestic companies: capital contribution of a company through the acquisition of shares or quotas.
- Real estate: The acquisition of real estate, directly or through a trust agreement.
- Shares registered before the National Registry of Securities Issuers ("RNVE") declared for permanence purposes.
- Trusts: The acquisition of rights in trust agreements with trust companies supervised by the Superintendence of Finance.

1.4. Portfolio investments

A direct foreign investment in any of the following assets is considered to be a portfolio investment:

- Securities registered before the RNVE or listed in Foreign Securities Quotation Systems.
- Share in collective investment funds.
- Share in negotiable depository receipt programs of securities.

1.5. Special Foreign Exchange Regime

The Colombian foreign exchange regimen provides a set of special rules that may be applicable to branches of foreign companies that:

- Execute activities in the oil and gas and mining industries.
- Provide services that are inherent to the hydrocarbon sector and are exclusively devoted to this kind of service.
- In general, the Branches that choose to operate in the special regime do not have access to the Colombian foreign exchange market. This means that these branches may not freely purchase foreign currency through the FX control market nor execute all types of operations, only authorized transactions. Additionally, these branches are not allowed to open or hold accounts abroad registered with the Central Bank under the compensation modality.

1.6. Foreign exchange rights and its protection

A foreign investment duly registered before the Central Bank grants the foreign investor the following rights:

- Transfer of dividends.
- Reinvesting or capitalizing dividends and any income derived from the investment.
- Transfer abroad of any income derived from the sale of the investment, the liquidation of the company or portfolio or the reduction of the company's capital.

1.7. Legal vehicles

Colombian commercial law provides for different types of legal vehicles by means of which investors can establish a permanent business presence in Colombia. Currently, the most common legal vehicles are: Simplified Share Companies (Sociedad por Acciones

Simplificada), and branch offices of foreign companies (Sucursal). Traditional legal entities such as Corporations (Sociedad Anónima) and Limited Liability Companies (Sociedad de Responsabilidad Limitada) are still used but have been replaced in general by Simplified Share Companies.

1.8. Simplified Share Companies (Sociedades por Acciones Simplificada or "S.A.S.")

S.A.S. are the legal vehicle of choice for both local and foreign investors, regardless of the industry or the size of the business to be undertaken, due to its simplified scheme, which allows greater ease in the administration and management of companies, with emphasis on the will of the shareholders expressed through the bylaws, its primary source of regulation.

This type of entity allows for flexibility in several aspects such as the negotiation of shares and the payment of capital, and is therefore, a convenient vehicle for the pursuit of incorporating joint ventures.

1.9. Branch offices of foreign companies (Sucursal)

Branch offices are going concerns or commercial establishments opened in Colombia by a foreign company for the development of its corporate businesses or part of it. The branch office and its home office are deemed to be one and the same legal entity, and therefore, the branch office cannot have a different or greater legal capacity than its home office; and it is not legally possible to execute contracts between the home office and its branch office in Colombia. Nevertheless, for foreign exchange, customs and tax purposes branch offices and their home offices are treated as separate entities, being allowed to make and receive payments for imports and exports of goods. Colombian commercial laws provide that if a foreign company undertakes a permanent activity in Colombia, such foreign company must register a branch office in Colombia with the purpose of carrying out those activities in the country.



Tax Regime

1. General overview

1.1. **Corporate income tax rate:** The general corporate income tax rate is 35% in 2026.

1.2. **Capital gains tax:** A 15% rate is generally applied over capital gains.

1.3. **Withholding taxes:** Generally, any payment made abroad that qualifies as Colombian sourced income for the recipient is subject to withholding tax.

Most relevant withholding taxes on outbound transactions

Activity	Rate
Consulting services, technical services, and technical assistance services	20%
Management and direction services	33%
Interest paid to international lenders	15% (one year or more) or 20% (less than one year) or 5% for infrastructure projects under the Public-Private Partnerships scheme within the framework of Law 1508 of 2012.

- **Dividends**
  - Dividend distributions to non-residents (entities or individuals) are subject to dividend tax at a rate of 20%, which is collected via withholding tax.
  - On a dividend distribution, if the relevant profits were subject to taxation at the corporate level only the 20% dividend tax is applicable. Otherwise, if the dividend distribution is made out of profits that were not subject to taxation at the corporate level, the dividends will be subject to recapture income tax at the rate applicable for the period of the distribution (for 2026, 35%).
  - A 10% dividend withholding tax applies on distributions between Colombian companies, unless the distribution is made between an enterprise group of companies.

Note. Tax rates may be reduced when a double taxation agreement is in place.

1.4. **Controlled foreign companies ("CFC")**
The CFC regime applies to Colombian tax residents (individuals or entities) that directly or indirectly hold an interest equal to or greater than 10% of the capital or of the profits of a foreign entity that is considered a CFC.

1.5. **Colombian holding company regime ("CHC")**
CHC regime applies for Colombian entities whose main corporate purpose includes holding securities or shares in national or foreign entities, and/or the managements of said investments. Entities may apply to the CHC regime to the extent they comply with certain requirements, namely having at least 10% of the capital of two or more Colombian and/or foreign entities for a 12-month period, having three or more employees and having human and material resources in Colombia. Inclusion in the CHC regime must be requested to the Tax Authority.

1.6. **Payment of taxes in kind**
There is the possibility that taxpayers that obtain gross income equal to or greater than 33.610 Tax Value Units (approx. USD 476,000) could pay up to 50% of the tax due via an investment in works / infrastructure that benefit the so-called ZOMAC or PDET. The taxpayer must follow a specific process and obtain the required approvals.

1.7. **Tax credit for VAT paid on productive fixed assets**
VAT paid on the acquisition or construction of productive fixed assets (even if the acquisition is made via a leasing agreement with an irrevocable purchase option) can be applied as a credit against the income tax liability. The credit can be claimed in the year of the acquisition of the asset, or in the case of a construction, in the year in which it is completed and the VAT has already fully paid. Any excess credit may be carried forward without limitation.

1.8. **Foreign tax relief**
For national companies and resident individuals, a credit for foreign taxes paid on foreign-source income is granted, up to the amount of Colombian income tax due on the foreign-source income.

1.9. **Significant Economic Presence**
Non-resident individuals or entities (for tax purposes) pay income tax in Colombia on revenue from the sale of goods and/ or provision of services to customers and/ or users located in the country. This is paid via withholding tax at a 10% rate when the non-resident entity does not have a Tax Identification Number (TIN) in Colombia or 3% on gross revenue if the non-resident registers if the non-resident obtains a Tax ID ("RUT") and obtains a Colombian TIN.

1.10. **Net Tax Rate – NTR/ minimum tax**
Colombian entities (including branches) have to pay a Top-Up tax as defined in the law on income that has an effective tax rate (ETR) below the 15% minimum rate.

1.11. **R&D+I**
Research, Development and Innovation is an option for obtaining benefits in Colombia considering the amount approved by the Government for investments every year.

2. Other taxes and considerations

2.1. **Equity tax**
Some foreign entities and individuals are subject to this tax if their net equity for tax purposes is equal to or higher than 72,000 Tax Value Units (approx. USD 969,470), as of January 1, 2026. The applicable rates range from 0,5% to 1,5%. The 1.5% rate will apply until 2026 and, as from 2027, the highest tax rate will be 1%. An equity tax return must be filed annually.
A temporary equity tax has been established for Colombian companies or Colombian branches if their net equity for tax purposes is equal to or higher than 200.000 UVT as of March 1st 2026 for companies and March 31st 2026 for branches (approx. USD 2.8M). This temporary tax should be applicable and pay only for 2026 unless it is implemented through a tax reform. Also, this is a rule under review by the Constitutional Court.

2.2. **Financial transactions tax (FTT)**
The FTT tax rate is 4x1000 (0.4%) and applies on the total amount of the transaction. The withholding agents of the debit tax are the financial entities and the Central Bank.

2.3. **Value added tax – VAT**
The general VAT rate is 19%. This rate applies to all goods and services unless a specific provision allows a different tax rate.

2.4. **Tax on single-use plastics**
This tax is levied on the sale, self-consumption and importation of single-use plastics used for packaging, wrapping or packing goods. Producers and importers of single-use plastics are subject to this tax.

2.5. **Tax on sugary beverages**
This tax applies over ultra-processed sugary beverages, as well as concentrates, syrups, powders which, after being mixed or dissolved, result in sugary beverages.

2.6. **Tax on ultra-processed foods**
Some ultra-processed foods are subject to tax when they have added sugar, salt, sodium and/or fats. The tax rate is set to be increased progressively from 10% (FY 2023), to 15% (FY2024) and to 20% (from FY2025 onwards).

2.7. **Industry and commerce tax / turnover tax**
The Turnover Tax ("ICA") is a municipal tax that is applied on gross revenue earned from industrial, commercial or service activities in any municipality and specific property located therein, regardless of whether the activity is permanent or occasional. The ICA rate varies depending on the municipality, ranging from 0.2% and 1.4%.
The paid Turnover corporate income tax can be treated as 100% deduction against the TAX.

2.8. **SIMPLE regime**
The SIMPLE rate ranges from 1.2% to 8.3% of a small business's gross revenue, depending on the business's economic activity and the amount of gross revenue.

2.9. **Registration tax**
The registration tax is levied on all documentary acts, contracts or legal business to be registered with the Chambers of Commerce or with the public instrument registration offices. Tax rates range from 0.1% to 1% depending on the nature of the act or contract contained in the document to be registered.

2.10. Tax procedural matters

For FY 2024, 2025 and 2026 income tax returns there is an "audit benefit" which reduces the statute of limitation to six months or 12 months, if the income tax liability is increased by 35% or 25%, respectively, in comparison to the prior year's income tax liability.

2.11. Transfer pricing

Transfer pricing rules were first implemented in Colombia on January 1, 2004 and follow OECD principles. Transfer pricing rules are applicable to all the taxpayers that carry out transactions with related parties abroad, related parties located in a free-trade zones or any entity located in tax havens or in a preferential tax regime. Colombian transfer pricing rules establish formal duties, mostly following the OECD BEPS Action 13 requirements for the documentation of transfer pricing transactions.

2.12. Double taxation treaties

Colombia has double taxation treaties in place with Canada, Andrean Pact, Chile, Czech Republic, India, Italy, France, Mexico, Japan, Spain, South Korea, Portugal, Switzerland, and the United Kingdom.

2.13. Colombian Government establishes temporary taxes amid State of Internal Unrest

Based on the special powers granted under the State of Internal Unrest, declared through Legislative Decree 150 of 2026, the Colombian Government issued Decrees 173 and 240 of 2026 on 11 February 2026. These decrees introduces temporary tax measures effective from 24 February 2026, until 31 December 2026. The main measures from a stand tax point of view are:

2.13.1. Consumption Tax on online gaming

Online gambling will besubject to 16% consumption tax from the 12th of March 2026, until the 31st of December, 2026. The Consumption Tax will apply to deposits made into the player's account held by the online gambling operator and enabling the player to place bets. For the Consumption Tax to apply, the player must be a Colombian resident of should be domiciled or have a permanent establishment or economic activity in Colombia. Foreign online gambling operators are also required to collect this Consumption Tax.

2.13.2. Temporary net-equity tax for Colombian companies and branches

A temporary equity tax has been established for Colombian companies or Colombian branches if their net equity for tax purposes is equal to or higher than 200.000 UVT as of March 1st for companies and March 31st for branches (approx. USD 2.8M).
This temporary tax should be applicable only for 2026 unless it is implemented through a tax reform.


"Aquí se baila un son
y se escucha una canción
Abierto: Viernes, Sábados
Los esperamos con la
música del recuer
312 486 9853

Labor Regime

* A labor reform bill is currently taking course in the Congress. The bill was already approved in the first debate in the House of Representatives and is currently coursing debate before the Senate.

1. Labor law

1.1. Territoriality and labor law

Labor laws apply to all the inhabitants of Colombian territory, regardless of their nationality, who have been hired through an employment agreement in Colombia. Therefore, any employment agreement entered into abroad and performed outside Colombian territory is not covered by the Colombian labor legislation.

1.2. Employment agreements

An employment agreement exists whenever an individual agrees to render a personal service to another individual or legal entity, in exchange for a remuneration. The existence of a labor relationship does not require a special formalization and is presumed when the following conditions are met:

- The services are rendered personally by the employee.
- There is continued dependence or subordination of the employer.
- The services are rendered in exchange for a salary (remuneration).

1.3. Salary

For 2024, the minimum legal monthly salary is COP 1,300,000 (approx. USD 330), and no employer can pay a salary below this amount.

1.4. Ordinary salary, fringe benefits and vacations

- Legal services bonus: Every employer must pay a bonus equal to one month of salary per year of service (in two installments, one half in June and the second half before December 20) to all employees who have worked all the respective semester or pro rata to the time worked.
- Paid annual leave: The employee is entitled to enjoy 15 working days per year worked or in proportion to the fraction worked for resting and recreation purposes.
- Severance payment: Employees are entitled to a severance payment consisting of one month of salary for every year of service (and pro rata for fractions thereof), which must be calculated up to December 31. If the salary is variable (e.g., if it includes commissions or incentive bonuses) or has changed in the last three months, the base for calculating the severance payment is the monthly average salary of the prior year. Severance payment must be directed to the severance fund chosen by the employee before February 15.
- Interest on severance payment: In cases where severance interests apply, a 12% annual rate must be paid directly to the employee once a year, in January.
- Footwear and work attire: Employers shall deliver every four months, free of charge, one pair of shoes and work clothing to employees who earn up to twice the legal monthly salary. It is supplied on April 30, August 31 and December 20.
- Transportation aid: Employers must pay, on a monthly basis, transportation aid to employees who earn up to twice the legal monthly salary. When the employee works remotely, this transport aid is changed to a connectivity aid.

1.5. Family day

The family day must be guaranteed as part of a workday without affecting mandatory rests. This obligation will no longer be applicable after July 15, 2026.

1.6. Working hours

Currently, the maximum number of working hours per week will diminished based on Law 2101, 2021 as follows: for year 2024 – 46 hours, for year 2025 – 44 hours; for year 2025-42 hours.

1.7. Right to disconnect

Generally, employees have the right to disengage from work during non-work hours. The employer has the obligation to guarantee the right to disconnection from work and any clause or agreement that goes against or violates that right shall be ineffective. Likewise, the Law requires employers to have a disconnection policy. Failure to observe the right to disconnect from work may constitute workplace harassment.

1.8. Maternity leave

Maternity leave is granted to all employed pregnant or adoptive mothers in Colombia for a period of eighteen weeks. According to Colombian labor law, mothers are entitled to maternity leave of two weeks prenatal and 16 weeks postnatal. The mother may choose to allocate the two prenatal weeks to the postnatal period, meaning that maternity leave will last seventeen weeks after childbirth.

1.9. Collective dismissal

Employers must obtain prior authorization from the Ministry of Labor for all collective dismissals. Without such approval, the termination of employment agreements will be deemed ineffective.

1.10. Workplace harassment

Any persistent and demonstrable conduct before an employee by another employee or employer, seeking to infuse fear, intimidation, terror, distress, cause labor demotivation or lead to the employee's resignation is deemed as workplace harassment. The Law considers the following conducts as workplace harassment:

- Labor mistreatment
- Labor persecution
- Labor discrimination
- Labor obstruction
- Labor inequity and labor deprotection

1.11. Social security

The social security system encompasses the pensions, health and labor risks systems and payroll tax contributions. Every employer is obligated to register its employees in the social security system and make the corresponding monthly contributions in a timely manner.

	Basis	Rate	Employer	Employee
Pension	Salary + 1.41 + 1.4.2	16%	12%	4%
Health	Salary + 1.41 + 1.4.2	12.5%	8.5%	4%
Solidarity fund	Salary + 1.41 + 1.4.2 +1.4.3	0.522%	0.522%	1% -2%
Labor Risk	Salary + 1.41 + 1.4.2 +1.4.4	-6.9%	-6.9%	N/A
SENA, ICBF, Family Compensation Fund (payroll taxes)	Salary + 1.4.5	9%	9%	N/A

Financial Reporting

1. Accounting standards

Since 2009, Colombia adopted a new framework of accounting, financial information and information assurance rules aligned with International Financial Reporting Standards ("IFRS").

However, IFRS are not adopted automatically upon issuance by the International Accounting Standards Board (IASB). Instead, their application is implemented through governmental decrees, following a prior technical assessment and endorsement by the Colombian Technical Council of Public Accounting (CTCP). Consequently, there may be timing differences between the effective date of IFRS standards or amendments internationally and their enforceability in Colombia, which can result in temporary differences in the application of IFRS requirements.

2. Financial statements

All businesses (either legal entities, branch offices or individuals) are required to keep accounting records in Spanish following IFRS.

The financial statements are presented in Colombian pesos.

3. Simplified accounting for small companies

Eligible small companies may keep simplified accounting records, prepare and issue abbreviated financial statements and disclosures or apply moderate levels of assurance in the review of financial statements.

The Colombian Government shall determine the criteria to qualify for such treatment, based on the level of income and assets, number of employees, legal type, or special socioeconomic conditions.

4. Functional currency

IAS 21 allows for each entity to define a functional currency that measures the economic effects of its operation and serves as a basis to prepare its financial statements. This standard defines certain guidelines to determine which should be the applicable functional currency, such as: (i) the currency at which the sales prices of the goods and services commercialized by the Company are rated; (ii) the factors of the country which in a great extent affect those sale prices; (iii) the currency that influences operating costs to a higher extent; and on a subsidiary basis (iv) the currency with which the company obtains most of its financing, always considering the economic reality of the operation of each company.

5. Electronic documents

Companies must generate and receive electronic documents (electronic invoices, electronic support of transactions carried out with counterparties that are not required by law to issue invoices, as well as acknowledgment for the receipt of invoice or of goods and/or services). Local laws contain the framework and requirements for e-invoicing, including the requirements to correctly evidence all costs and expenses within the accounting books and the annual CIT.

On the other hand, companies are required to deliver, through a technological provider, the XML file, the document that serves as supporting information for transactions carried out with third parties that are not required by law to issue electronic invoices.

6. Publicly and Non-publicly traded companies

The following requirements apply to traded companies:

- Statutory accounting books must be maintained under IFRS, including the general ledger and posting journal.
- Accounting records must be kept in Spanish and in Colombian pesos. If the functional currency is different from the Colombian peso, a conversion process is required.
- Third-party records are required.
- Annual individual Financial Statements report (as at December) with disclosures must be approved at the Annual Shareholders' Meeting and be signed by an accountant certified in Colombia.
- Companies that are under common control or management by one or more parts (Business Groups) must prepare Consolidated Financial Statements.
- Companies that are part of an economic group, where the parent or controlling company is domiciled abroad and there is a situation of control, must prepare Combined Financial Statements.
- Companies must report their financial statements as at December 31 in XML format, when required by the regulatory body or when they reach the threshold defined by each Superintendence.

  Decree 2420 issued in 2015 specifies that financial statements must be prepared in accordance with IFRS, differentiating between three different groups of entities:
- Public entities, entities of public interest and large companies must report under Full IFRS standards.

- Medium and small enterprises which are not public entities or public interest entities may report under International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs).
- Small & Micro entities which are not public entities or public interest entities may report under Simplified IFRS.

7. Special cases

A Company must verify the obligation to report the financial statements to the control entities according to its business sector, among the most common:

- Superintendence of Companies, National Superintendence of Health, Superintendence of Finance, Superintendence of Transportation.
- Financial Statement for Companies that do not meet the going oncern must be prepared under the bases contained in Decree 2101 of 2016.
- Companies that are not required by any Superintendence must deposit their financial statements with the Chamber of Commerce in their jurisdiction within one month following the date of approval of the financial statements.
- The application of IFRS in Colombia is subject to certain exceptions established by the regulator contained in Decree 2420 issued in 2015 and the amendments thereto. These exceptions vary depending on the type of entity. For example, banking establishments, financial corporations, financing companies, financial cooperatives, higher-level cooperative organizations and insurance entities, have a specific treatment of the credit portfolio and its impairment, the classification and valuation of investments, which will continue to be applied in accordance with the requirements of the Basic Accounting and Financial Circular of the SFC (Financial Superintendence of Colombia).

8. Other considerations

A Statutory Auditor is required for:

- A Company with gross assets, as at December 31, equal to or greater than 5,000 SMMLV (approx. USD 1,512,000).
- A Company with gross income, during the year, equal to or greater than 3,000 SMMLV (approx. USD 907,000).
- Branches of foreign companies.





Costa Rica

Message from EY Costa Rica Country Managing Partner

Costa Rica has established itself as one of the most attractive destinations for doing business in Latin America, thanks to its democratic stability, strong institutions, and its consistent commitment to sustainable development, innovation, and human talent.

Our country combines a solid political and macroeconomic environment with an economy open to international trade and an extensive network of trade agreements that facilitate access to the world's major markets. This openness, together with a transparent business climate and clear rules, has enabled Costa Rica to position itself as a regional hub for high value-added operations, particularly in sectors such as corporate services, technology, life sciences, advanced manufacturing, and renewable energy.

In recent years, Costa Rica has further strengthened its value proposition for investors by leveraging a highly skilled, multilingual workforce recognized for its productivity, as well as a strong commitment to sustainability and the decarbonization of the economy. These attributes have been key to attracting high-quality foreign direct investment, fostering innovation, and promoting resilient and inclusive economic growth.

The country continues to demonstrate its capacity for adaptation and its long-term vision, advancing initiatives in digital transformation, institutional modernization, and continuous improvement of the business environment, strategically positioning itself to capitalize on the opportunities arising from new trade dynamics, nearshoring, and the green economy.

I invite you to explore Costa Rica and to gain an understanding of the elements that today shape its business environment and its long-term outlook.

Juan Rafael Campos

Country Managing Partner
EY Costa Rica



Overview

Costa Rica is located in Central America, between the Caribbean Sea and the Pacific Ocean, with San José as its main economic hub alongside Alajuela, Heredia, and Cartago. Its population is known for its democratic values, peaceful tradition, and the "pura vida" lifestyle, reflected in its culture and close connection with nature. The country benefits from rich biodiversity and strong renewable energy resources, supporting sectors such as tourism, agriculture, medical devices, corporate services, and technology. Recognized for its political stability, sustainability, and skilled workforce, Costa Rica has positioned itself as a regional hub for high value-added investment, supported by an open economy, trade agreements, and a business-friendly environment.



Population
5,370,000 (2025)[1]
Urban[2]: 79.3% (2024)
Rural[2]: 20.7% (2024)



Main language[3]
Spanish.
Other languages: Bribri, Cabécar, Maléku, Ngäbere, Buglere, Naso and Mekatelyu (Limón Creole English)



Extensión[2]
51,060 km[2]



System of government[4]
Presidential Republic
President: Laura Fernández Delgado
Next elections: 2030



Climate[3]
Tropical climate, with warm to hot temperatures year-round and high humidity; the northwest (Guanacaste) is hotter and drier, the Central Valley enjoys milder conditions, while highland areas such as Cartago are cooler.



International Time[5]
GMT-6



Currency[6]
Costa Rican Colón
US$1 = CRC 510.68 (Dec 31, 2025)



GDP current prices[1]
USD 102.9 bn



GDP per capita (PPP)[1]
USD $32,335.0 (2025)



Key sectors[7]
Costa Rica's economy is driven by services (tourism and business services), supported by manufacturing (electronics, chemicals, food processing) and a strong agricultural base (coffee, bananas, pineapples, sugar, and beef).

Why invest in Costa Rica?

Stable and reliable environment:

Oldest democracy in Latin America and OECD member, ensuring strong institutions and predictability[8].

Costa Rica ranks

among the top countries in Latin America in human development.[10]

Highly open economy:

Access to a market of over 50 million consumers in Central America and the Dominican Republic, expanding to more than 380 million when including the United States, positioning CAFTA-DR as a key platform for regional integration and export growth[9].

Regional hub for high value-added activities:

Costa Rica has positioned itself as a leading destination for sophisticated operations, including corporate services, technology, life sciences, advanced manufacturing, renewable energy, and innovation-driven industries[11].

Special regimes

for international investors and Free Trade Zone regime offers tax exemptions (income tax, VAT, customs duties)[13].

The country's strong commitment to sustainability, decarbonization, digital transformation, and institutional modernization positions Costa Rica to capitalize on emerging opportunities related to nearshoring, new trade dynamics, and the green economy[12].

1. World Economic Outlook Database (April 2026), IMF.
2. DataBank, The World Bank Group.
3. Country information, DatosMundial.com.
4. Government - Politics, CountryReports.com.
5. World Time Directory, 24timezones.com.
6. Exchange Rates Database (April 2026), IMF
7. Country information, Encyclopedia Britannica
8. OECD Public Governance Reviews
9. U.S. Department of Agriculture
10. HDI (Human Development Index), UDP, CINDE
11. OECD Economic Surveys: Costa Rica 2025, US Department of state; https://www.euronews.com
12. OECD Economic Surveys: Costa Rica 2025; Greener Economy Tracker, OECD AI Policy Observatory
13. PROCOMER

Country's economic outlook

Costa Rica has established itself as one of the most stable and attractive economies in Latin America, supported by strong institutions, high human development, and a growing specialization in knowledge-intensive activities. GDP reached USD 96.7 billion in 2024 and USD 102.9 billion in 2025, according to the IMF World Economic Outlook. Economic growth rebounded strongly following the pandemic, expanding 8.2% in 2021 and moderating to 5.5% in 2022, 4.8% in 2023, 4.1% in 2024, and 4.6% in 2025. The IMF projects growth of 4.2% in 2026, reflecting sustained resilience supported by exports, services, and free trade zone activity.

Inflation turned negative in 2023 (-1.8%) amid a strong disinflation process, before returning to low levels at 0.8% in 2024 and 1.2% in 2025. For 2026, inflation is expected to gradually normalize to 2.0%, remaining among the lowest in Latin America.

The Costa Rican Colón has been one of the best-performing currencies in the region in recent years, supported by strong FDI inflows and export performance. It appreciated significantly, closing at CRC 528.07 per USD in 2023, CRC 510.00 in 2024, and CRC 510.68 in 2025.

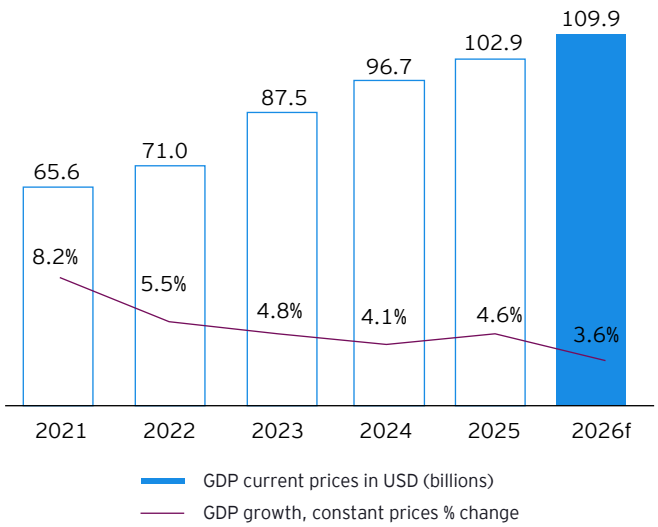
Costa Rica offers a stable, business-friendly environment supported by strong institutions and a commitment to sustainability. Its diversified, knowledge-based economy has made it a regional hub for advanced manufacturing, services, and technology. As a leading exporter of medical devices and key agricultural products, the country provides a competitive platform for high-value investment, backed by renewable energy and an attractive free trade zone regime.

Table 1

Main Indicators	Costa Rica
GDP current prices USD bn. (2025)[1]	$102.9
GDP growth, constant prices % change (2025)[1]	4.6%
Gross domestic product per capita, current prices USD (PPP) (2025)[1]	$32,335.0
Inflation, year-end consumer prices (2025)[1]	-1.2%
Fiscal balance (net lending (+) or net borrowing (-) of general government; % of GDP) (2025)[1]	-3.4%
Public debt (General government gross debt, % of GDP) (2025)[1]	60.4%
Current account (% of GDP) (2025)[1]	-0.7%
Investment (% of GDP) (2025)[1]	15.8%
Poverty headcount ratio at $8.30 a day (2021 PPP) (% of population) (2024)[2]	12.6%

Sources: 1. World Economic Outlook Database (April 2026), IMF; 2.The World Bank Group.

Figure 2:
Gross domestic product, levels and growth



Source: World Economic Outlook Database (April 2026), IMF.

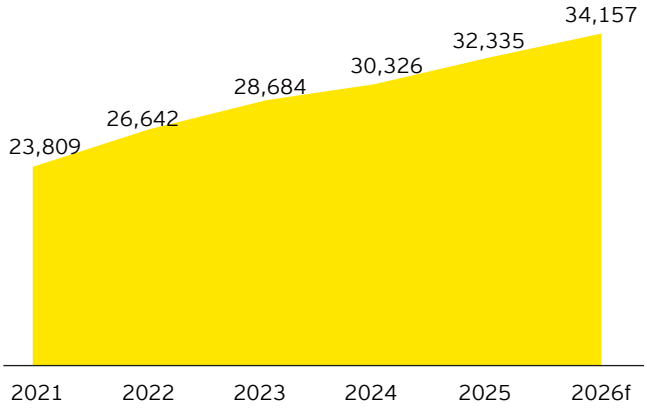
Costa Rica stands out for its strong institutional framework, political stability, and commitment to sustainability, providing a reliable and business friendly environment.

It has developed a diversified, knowledge intensive economy and positioned itself as a regional hub for advanced manufacturing, shared services, and technology.

After the strong post-pandemic rebound, Costa Rica's economy maintained solid momentum. In 2024, GDP grew 4.1%, supported by record FDI inflows of USD 5.1 billion and continued expansion of the free trade zone sector.

In 2025, growth reached 4.6%, supported by strong FDI, resilient exports, and improving fiscal fundamentals. For 2026, a 3.7% expansion is expected.

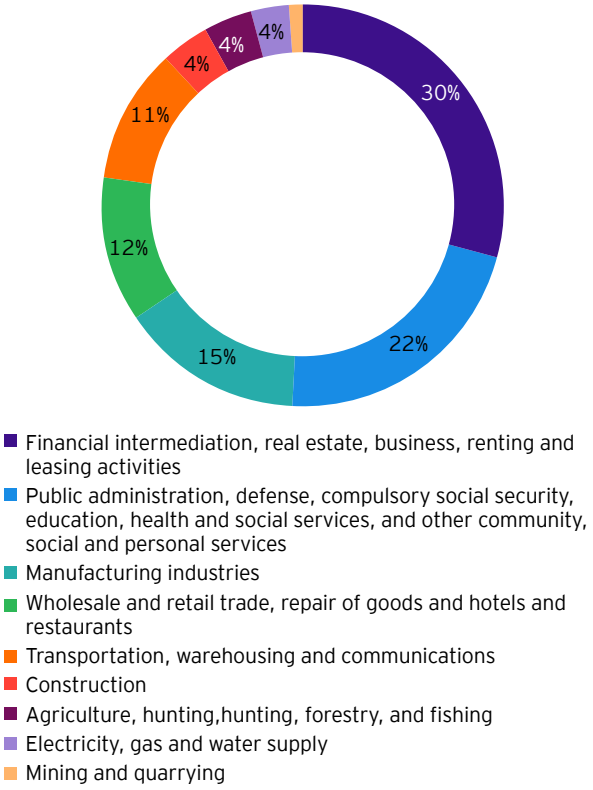
Figure 3
Gross domestic product (GDP), Per capita, (PPP) international dollar, ICP benchmarks 2017-2021



Source: World Economic Outlook Database (April 2026), IMF.

GDP per capita in PPP terms reached USD 30,326 in 2024 and USD 32,335 in 2025 – the highest in Central America – reflecting the country's advanced level of development. For 2026, the IMF projects will reach USD 34,228.

Figure 4
Share of gross domestic product by economic sector in 2025 (current prices in USD)

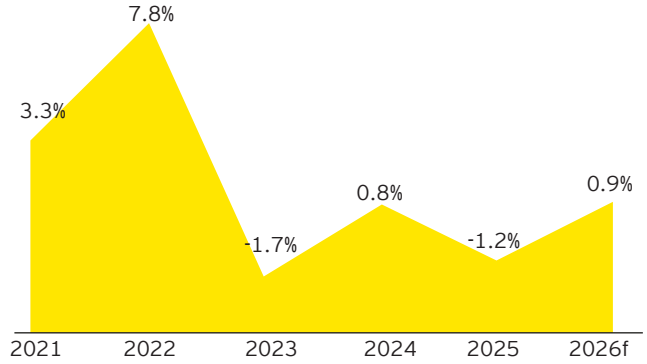


Source: CEPALSTAT (April 2026), ECLAC.

The sectors that contribute most to Costa Rica's GDP are financial intermediation, real estate, and business services (30%), followed by public administration, defense, healthcare, and social services (22%). Manufacturing industries account for 15% and wholesale and retail trade and hotels and restaurants account for 12%. Transportation and communications follow in relevance.

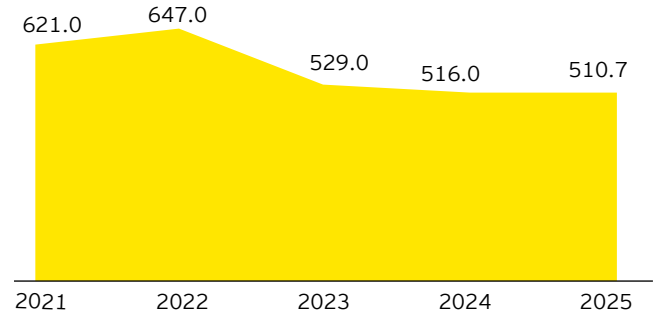
Figures 5 and 6:

Inflation, end of period consumer prices1



SourcesSource: World Economic Outlook Database (April 2026), IMF.

Exchange rate of foreign currency (USD/CRC, end of period)

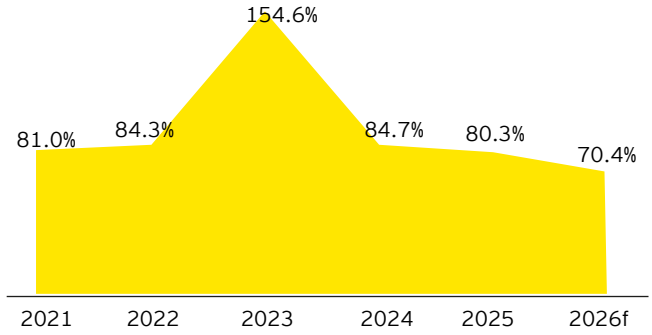


Source: Exchange Rates Database (April 2026), IMF.

Inflation in Costa Rica was -1.8% in 2023, returned to 0.8% in 2024, and reached 1.2% in 2025. For 2026, the IMF projects almost 1%.
The Costa Rican Colon closed 2023 at CRC 528.07, 2024 at CRC 510.00, and 2025 at CRC 510.68 per USD. For 2026, the IMF projects continued stability. Costa Rica's dollarized sectors and export-oriented economy have maintained price stability. The Colon's strength reflects the country's solid fundamentals and investor confidence.

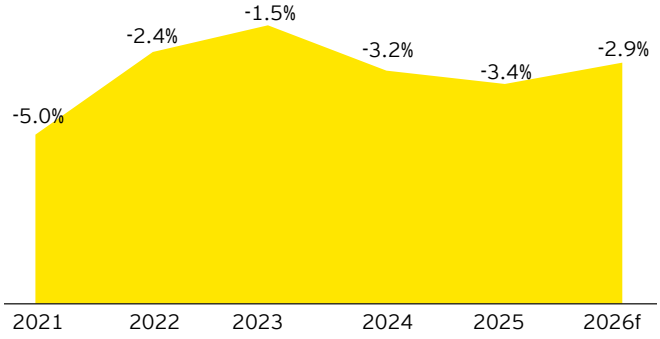
Figures 7 and 8:

Public debt (General government gross debt, % of GDP)



SourcesSource: World Economic Outlook Database (April 2026), IMF.

Fiscal balance (net lending (+) or net borrowing (-) of general government, % of GDP)

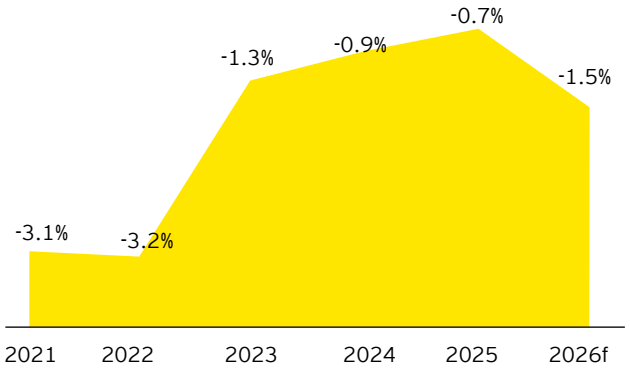


SourcesSource: World Economic Outlook Database (April 2026), IMF.

Public debt in Costa Rica showed a sharp decline over the period, falling from 154.6% of GDP in 2023 to 84.65% in 2024, followed by a continued reduction to 80.31% in 2025. The downward trend is expected to persist, with projections indicating a further decrease to 70.40% in 2026. This trajectory reflects a significant fiscal adjustment and improving debt dynamics, strengthening the country's macroeconomic outlook.
The fiscal deficit narrowed from 3.7% of GDP in 2024 to 3.2% in 2025, reflecting continued fiscal consolidation. Public debt also declined, from 58.9% of GDP in 2024 to 57.2% in 2025, supported by strong revenue performance.
In its latest Article IV consultation, the IMF commended the authorities' fiscal discipline and encouraged them to maintain their commitment to the fiscal rule.

Figure 9:

Current account (% of GDP)

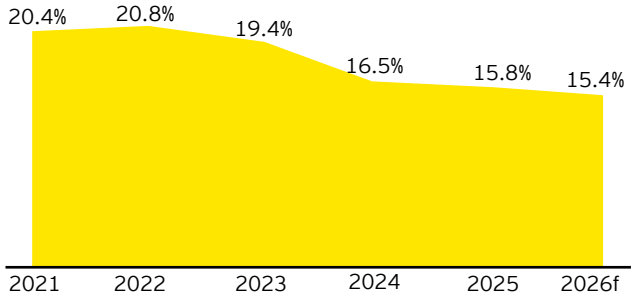


Source: World Economic Outlook Database (April 2026), IMF.

The current account deficit narrowed to 0.9% of GDP in 2024 from 1.3% in 2023, supported by strong medical device exports and resilient tourism revenues. In 2025, the deficit was 0.7%. For 2026, the IMF projects a current account of -1.5%.

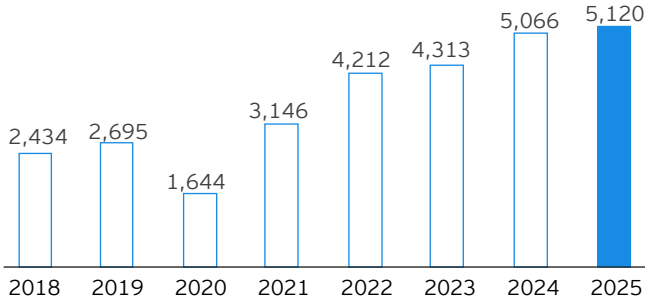
Figures 10 and 11:

Investment (% of GDP)



SourcesSource: World Economic Outlook Database (April 2026), IMF.

FDI net inflows to Costa Rica (USD millions)



SourcesSource: CEPALSTAT (April 2026), ECLAC.

Investment as a percentage of GDP was 16.5% in 2024 and 15.8% in 2025. FDI net inflows into Costa Rica reached USD 5.1 billion in 2024, up from USD 4.3 billion in 2023, according to CEPALSTAT, a record driven by medical device and technology investments. 2025 was once again a strong year for Costa Rica's FDI, driven by multinational reinvestment according to the Central Bank.

Costa Rica stands out for its strong institutional framework, political stability, and commitment to sustainability, providing a reliable and business friendly environment.

The country is a global leader in medical device exports and a top exporter of agricultural products such as pineapples, bananas, and coffee. Supported by a renewable energy matrix exceeding 99% and a robust free trade zone regime, Costa Rica offers a competitive and sustainable platform for high value added investment.

Establishing a business in the country

Costa Rica provides a solid and transparent institutional framework for investors. Although administrative procedures can be rigorous, the country offers legal certainty, attractive investment incentives, and strong political stability.
Below is an expanded explanation of each key element that companies must understand when establishing operations in Costa Rica.

1.1 General Framework

To legally operate in Costa Rica, all companies foreign or domestic must register before the National Registry (Registro Nacional). This process formalizes the existence of the business and allows it to engage in commercial activities, hold assets, hire employees, open bank accounts, and comply with tax obligations.
Costa Rica also counts on several specialized governmental agencies that support investment and operation:

1.1.1 PROCOMER (Promotora del Comercio Exterior)

PROCOMER is the leading institution for export promotion and administration of the Free Trade Zone Regime. It assists companies throughout the application, compliance, and ongoing reporting phases. For companies intending to export goods or services, PROCOMER acts as the primary regulatory counterpart.

1.1.2 CINDE (Costa Rican Investment Promotion Agency)

CINDE is a private, non profit organization recognized internationally for its role in attracting foreign direct investment. It guides companies through feasibility analysis, sector information, cost structures, talent availability, and site selection. Although it does not regulate, it is a strategic partner for investors.

1.1.3 COMEX (Ministry of Foreign Trade)

COMEX establishes public policy related to trade agreements, international market access, and investment promotion. It provides the regulatory foundation that supports the country's competitiveness and international integration.
Together, these institutions create a coordinated ecosystem that facilitates investor success and reduces entry barriers.

1.2 Activities with Specific Regulation or Incentives

Certain economic sectors in Costa Rica operate under specialized regulatory schemes. Understanding these frameworks is essential to ensure compliance and assess eligibility for incentives.

1.2.1 Financial and Banking Sector

Banks, credit institutions, and financial intermediaries require the supervision and approval of the General Superintendency of Financial Entities (SUGEF).
SUGEF ensures adequate liquidity, solvency, and risk management, and oversees compliance with anti money laundering regulations. Operating in this sector involves periodic reporting, capital adequacy rules, and corporate governance controls.

1.2.2 Insurance Sector

Insurance and reinsurance companies must be licensed by the General Superintendency of Insurance (SUGESE).
This includes:

- Compliance with solvency and reserve requirements
- Approval of insurance products
- Periodic financial reporting
- Market conduct regulations

1.2.3 Telecommunications Sector

Telecommunications companies require concessions administered by SUTEL, which regulates spectrum use, tariffs, quality of service standards, and interconnection rules. Although the sector is open to private operators, parts of the infrastructure remain operated by the state-owned entity ICE.



1.2.3.1 Competition and Consumer Protection

- Law 7472 promotes free competition, prohibits anti competitive behavior, and protects consumer rights.
- Law 8220 ensures that administrative procedures are streamlined, transparent, and accessible. It obliges public institutions to publish all requirements in the Official Gazette and avoid excessive bureaucracy.

1.2.4 Free Trade Zones (FTZs)

The FTZ regime stands out as the most powerful incentive tool for export-oriented firms. It offers tax, customs, and operational benefits (detailed later in this document). The regime requires adherence to investment thresholds, employment commitments, and strict reporting obligations.

1.2.5 Sectors requiring special licenses

Industries such as health services, pharmaceuticals, food production, agriculture, and energy must obtain sector specific authorizations from:

- Ministry of Health
- Ministry of Agriculture
- Energy regulators
- Environmental authorities (SETENA)

These licenses ensure alignment with safety, quality, and environmental standards.

1.3 Main Types of Business Entities

Costa Rica offers four principal corporate structures, each with distinct governance and liability characteristics:

1.3.1 Corporation (Sociedad Anónima, S.A.)

- The most common form for medium and large enterprises.
- Capital is divided into shares, which may be transferred freely unless restricted.
- Requires at least two initial shareholders.
- Managed by a Board of Directors (minimum of three members unless bylaws specify otherwise).
- Must appoint at least one resident legal representative.
- Suitable for companies planning to scale or operate with multiple shareholders.

1.3.2 Limited Liability Company (S.R.L. or LTDA.)

- Preferred by small and medium businesses due to their simpler structure.
- Ownership is represented by quotas, which cannot be transferred without approval from existing partners.
- Can be managed by one or several managers.
- Partners' liability is limited to their contributions.
- Recommended for closely held businesses.

1.3.3 General Partnership (S.N.C.)

- Partners are jointly and fully liable for the company's debts.
- Often used for professional services or family-owned businesses.
- Less common due to unlimited liability exposure.

1.3.4 Limited Partnership (S.C.S.)

- Composed of managing partners with unlimited liability and silent partners with limited liability.
- Suitable for investors who prefer a passive role.
- Rarely used in modern commercial operations but remain legally available.

Tax Regime

1.1 General Overview

Costa Rica applies a central tax system, administered mainly by the General Directorate of Taxation (DGT). The system is stable, rules-based, and aligned with international standards, although compliance requires accurate accounting and timely reporting.

1.1.1 Corporate Income Tax (CIT)

Corporate income tax applies to Costa Rican source income. Rates depend on annual gross income:

- Small taxpayers benefit from a progressive rate between 5% and 20%.
- Large taxpayers are subject to the standard 30% rate.

Free Trade Zone companies may qualify for reduced or fully exempt CIT for defined periods.

1.1.2 Capital Gains Tax

Capital gains are generally taxed at 15%. This applies to:

- Sale of assets
- Sales of real estate (under specific rules)
- Transfer of investments or shares

Some exemptions exist, especially for habitual business activities or FTZ operations.

1.1.3 Branch Tax Rate: Branch income shall be subject to taxation at the applicable CIT rates. Furthermore, a WHT at the rate of 15% shall be imposed on branch profits remitted to the foreign parent entity.

1.1.4 Withholding Taxes

Cross border payments may be subject to withholding:

1.1.4.1 Dividends: 15%
1.1.4.2 Interest: typically, 15%, potentially higher depending on risk classification
1.1.4.3 Royalties: 25%
1.1.4.4 Technical services: 15%–25% depending on nature and characterization
1.1.4.5 General service imports: 15% unless exempted under FTZ or double tax treaty considerations

This system ensures Costa Rica collects tax when profits flow abroad.

1.2 Taxes under the Free Trade Zone Regime

1.2.1 Companies approved under Law 7210 may obtain:

- 100% exemption on import duties
- Exemption from VAT and excise taxes related to FTZ activities
- Income tax exemption for 8–12 years, followed by reduced rates
- Simplified customs processes and on site inspections

1.2.2 Minimum investment requirements apply:

- USD 150,000 inside the Greater Metropolitan Area (GAM).
- USD 100,000 outside the GAM.

FTZ companies must present annual compliance reports and undergo periodic audits.

1.3 International Tax

1.3.1 Foreign tax relief: Foreign-source income is generally not taxable in Costa Rica, in line with the country's territorial income tax system.

Exception – passive foreign-source income

As an exception, certain passive income derived from foreign sources may be subject to taxation when all the following conditions are met:

- The income is generated from assets located abroad or rights economically used outside Costa Rica.
- The income is obtained by an entity that forms part of a multinational enterprise group; and
- The entity qualifies as a non-qualified entity in accordance with the provisions of Article 1 of the Costa Rican Income Tax Law.

When these conditions are satisfied, the following categories of foreign-source passive income are subject to Costa Rican income tax:

- Dividends
- Interest
- Royalties
- Capital gains
- Real estate capital income
- Other personal capital income

1.3.2 Transfer pricing: On 25 July 2025, the Costa Rican Tax Administration issued Resolution No. MH DGT RES 0026 2025, published in the Official Gazette, regulating

the submission of the Transfer Pricing Informative Return (Declaración Informativa en Materia de Precios de Transferencia). The Resolution sets out the formal requirements and compliance obligations applicable to taxpayers subject to this filing and became effective on 4 August 2025.

Under the guidelines issued by the Tax Administration, the obligation to file the Informative Transfer Pricing Return on an annual basis applies to the following corporate income taxpayers:

- Large National Taxpayers engaged in domestic or cross border transactions with related parties.
- Taxpayers operating under the Free Trade Zone Regime that carry out domestic or cross border related party transactions.
- Taxpayers conducting related party transactions, whether domestic or cross border, when the total value of such transactions during the fiscal year exceeds 1,000 base salaries, either on an individual or aggregated basis.

The Informative Transfer Pricing Return must be filed within six months following the close of the taxpayer's authorized fiscal year and must report all related party transactions carried out during the relevant corporate income tax (CIT) period.
For the 2024 tax year, the filing deadline is 31 March 2026, applicable regardless of whether the taxpayer operates under a regular fiscal year (ending on 31 December 2025) or a special fiscal year.
For the 2025 tax year, the Informative Transfer Pricing Return must be submitted by 30 June 2026, irrespective of whether the taxpayer reports under a regular fiscal year or a special fiscal year ending prior to 31 December 2025.

1.4 Value-added tax

Value Added Tax (VAT) is an indirect tax levied on the sale of goods and the provision of services in Costa Rica. VAT entered into force on 1 July 2019, replacing the former General Sales Tax (GST). VAT applies to the sale price of goods and services, including tangible goods as well as digital and other intangible services, irrespective of whether they are domestically supplied or imported.

1.4.1 VAT rates

The standard VAT rate is 13%. However, certain goods and services are subject to reduced rates or preferential treatment, as outlined below:

- Private health services: 4%
- Domestic air transportation (national flights): 4%
- Medicines: 2%
- Private education services: 2%
- Private insurance premiums: 2%
- Basic consumption goods: 1%
- Organic agricultural products and inputs: 0.5%

1.4.2 VAT credit mechanism

Registered taxpayers may credit VAT paid on the acquisition of goods and services (input VAT) against the VAT charged on taxable supplies (output VAT), provided that the expenses are directly related to the taxpayer's taxable activity.

1.4.3 Reverse-charge mechanism

When the provider of a service or supplier of an intangible good is not domiciled in Costa Rica, the reverse-charge mechanism applies. In these cases:

- The local taxpayer is required to assess the VAT;
- The taxpayer must issue the corresponding electronic voucher.
- The tax must be reported as VAT payable (output VAT) in the VAT return corresponding to the acquisition; and
- VAT may be claimed as input VAT in the same period, provided it is creditable under general VAT rules.

1.5 Other Relevant Taxes

1.5.1 VAT (13%): applied to most goods and services.

1.5.2 Municipal License Tax: paid to the local government based on gross revenue.

1.5.3 Real Estate Tax: 0.25% of registered property value.

1.5.4 Selective Consumption Tax: levied on luxury or specific goods.

1.5.5 Customs Duties: generally, between 1% and 15%, depending on tariff classification.



Labor Regime

Costa Rica's labor system is grounded in principles of fairness, worker protection, and social security coverage. Compliance is essential for operational continuity.

1.1 Employment Contracts

Contracts may be written or verbal, but written contracts are strongly recommended and often mandatory. Types include:

- Indefinite-term contracts – the standard and most stable form.
- Fixed-term contracts – allowed when justified by temporary need.
- Specific-task or project-based contracts – tied to a defined deliverable.

Each contract must outline essential employment conditions, such as salary, working hours, job responsibilities, and workplace location.

1.1.1 Minimum Salary

The government periodically updates minimum salary tables.

As of the latest decree, the minimum monthly salary for an unskilled worker is approximately USD 800. Other categories (technical roles, professionals, specialized workers) have higher mandatory minimums.

1.1.2 Working Hours

Costa Rica applies strict work hour regulations:

- Day shift: up to 8 hours/day and 48 hours/week
- Night shift: up to 6 hours/day
- Mixed shift: up to 7 hours/day

Overtime is permitted only under specific circumstances and must be paid at 150% of ordinary salary.

1.1.3 Social Security Obligations: Employers must register and contribute to:



1.1.4 CCSS (Caja Costarricense de Seguro Social): Provides:
- Health insurance
- Maternity protection
- Pensions
- Disability and old-age benefits

1.1.5 INS (Instituto Nacional de Seguros): Companies must acquire occupational risk insurance, which covers workplace accidents and occupational diseases.

1.1.6 Worker Protections: Costa Rican labor law includes enhanced protections for:
- Pregnant workers (prohibition of dismissal, maternity leave)
- Workers facing discrimination
- Minors (strict rules and restrictions on employment of persons under 18)

Workers may also access free legal assistance under certain conditions.

1.1.7 Conflict Resolution and Workplace Conduct

Labor Procedural Reform modernized the judicial process, making it faster and more accessible. It also created robust mechanisms to address:
- Workplace harassment
- Discrimination
- Unfair dismissal

Employers must implement preventive policies, maintain documentation, and promote compliance.

1.2 Environmental Regulations

Costa Rica is globally recognized for its commitment to environmental protection. Environmental compliance forms a core part of legal requirements for operating businesses.

1.2.1 Legal Framework

Key elements include:
- Political Constitution Article 50: establishes the right to a healthy environment.
- Organic Environmental Law (Law 7554): it governs environmental management and establishes institutional roles.
- General Health Law: complement environmental rules through sanitary regulations.

1.2.2 Environmental Impact Assessment (EIA) – SETENA

Projects with potential environmental impact must undergo assessment by the National Technical Environmental Secretariat (SETENA).

SETENA evaluates:
- Environmental risks
- Required mitigation measures
- Monitoring obligations
- Project category (which determines the depth of analysis)

Approval is required prior to beginning construction or operations.

1.2.3 Water and Waste Management

Companies must:
- Obtain authorization for wastewater discharge
- Follow the Integral Waste Management Law (Law 8839)
- Register hazardous waste activity with SIGREP, the national waste reporting system

Proper water and waste management is essential for environmental compliance and community impact mitigation.

1.2.4 Penalties

Failure to comply with environmental obligations may result in:
- Administrative fines
- Suspension or revocation of permits
- Civil damages
- Criminal liability in severe pollution cases

Costa Rica applies a precautionary environmental approach, and enforcement has increased in recent years.

Financial Reporting

1. **Requirements and regulations for the preparation and presentation of financial information**
   In Costa Rica, the preparation and presentation of financial information are governed by the Commercial Code, the Income Tax Law, and regulations issued by supervisory authorities, depending on the nature of the entity. Accounting and auditing standards are overseen by the Colegio de Contadores Públicos de Costa Rica (CCPCR), which has formally adopted International Financial Reporting Standards (IFRS) as the primary accounting framework.
   Entities operating in Costa Rica are required to maintain proper accounting records, supporting documentation, and financial statements prepared on a consistent accrual basis. Financial information serves multiple purposes, including tax compliance, regulatory oversight, external audits, and internal management decision making.

2. **Publicly traded companies**
   Publicly traded companies in Costa Rica—those whose securities are listed or publicly offered—are subject to supervision by the Superintendencia General de Valores (SUGEVAL).
   These entities are required to:
   - Prepare financial statements under full IFRS.
   - Submit periodic financial reports (quarterly and annually) to SUGEVAL.
   - Publish audited annual financial statements, prepared by independent external auditors registered with the relevant authorities.
   - Comply with enhanced disclosure and transparency requirements, including information on governance, risk management, and material events.

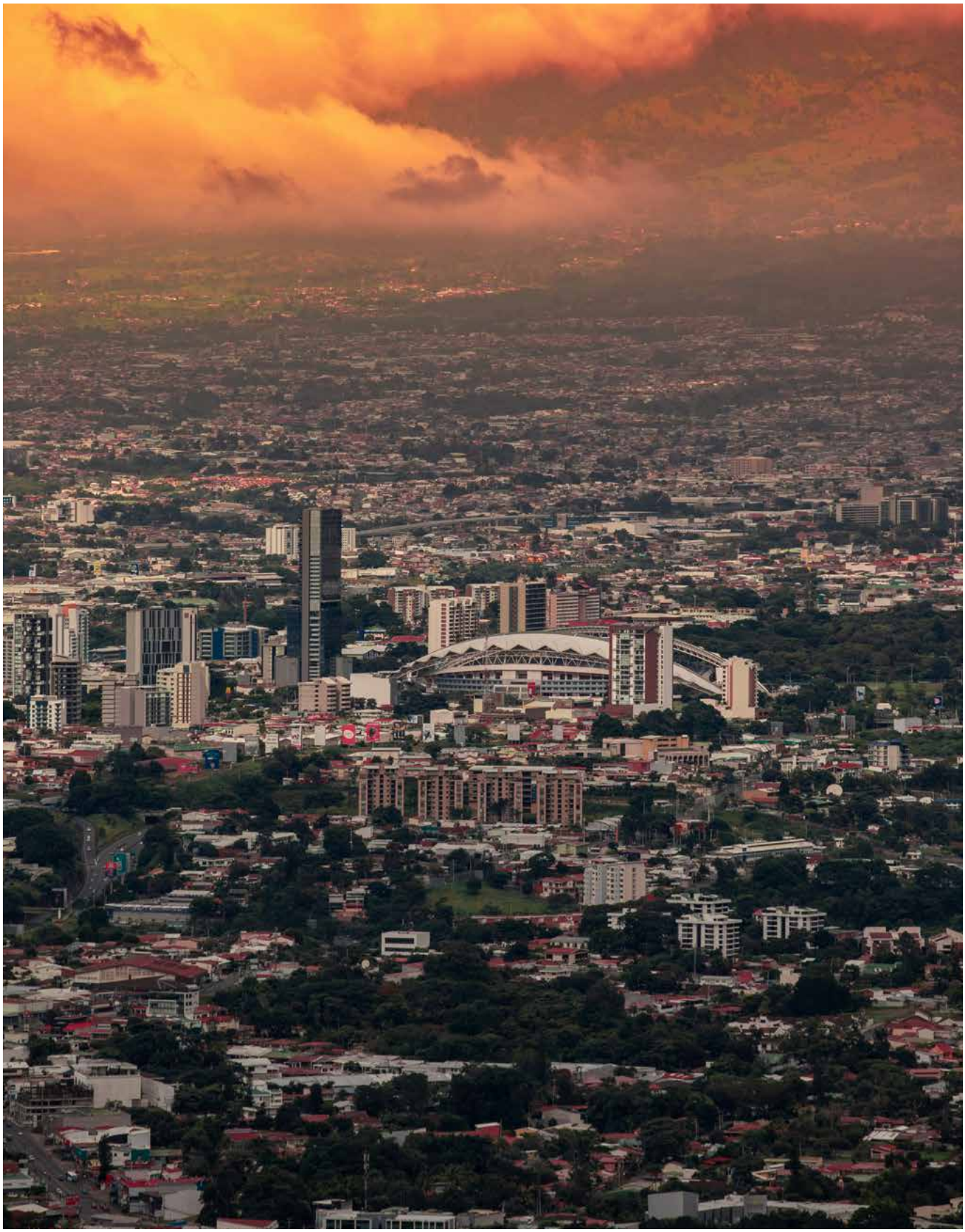
   The objective of these requirements is to protect investors, ensure market transparency, and support confidence in the Costa Rican capital market.

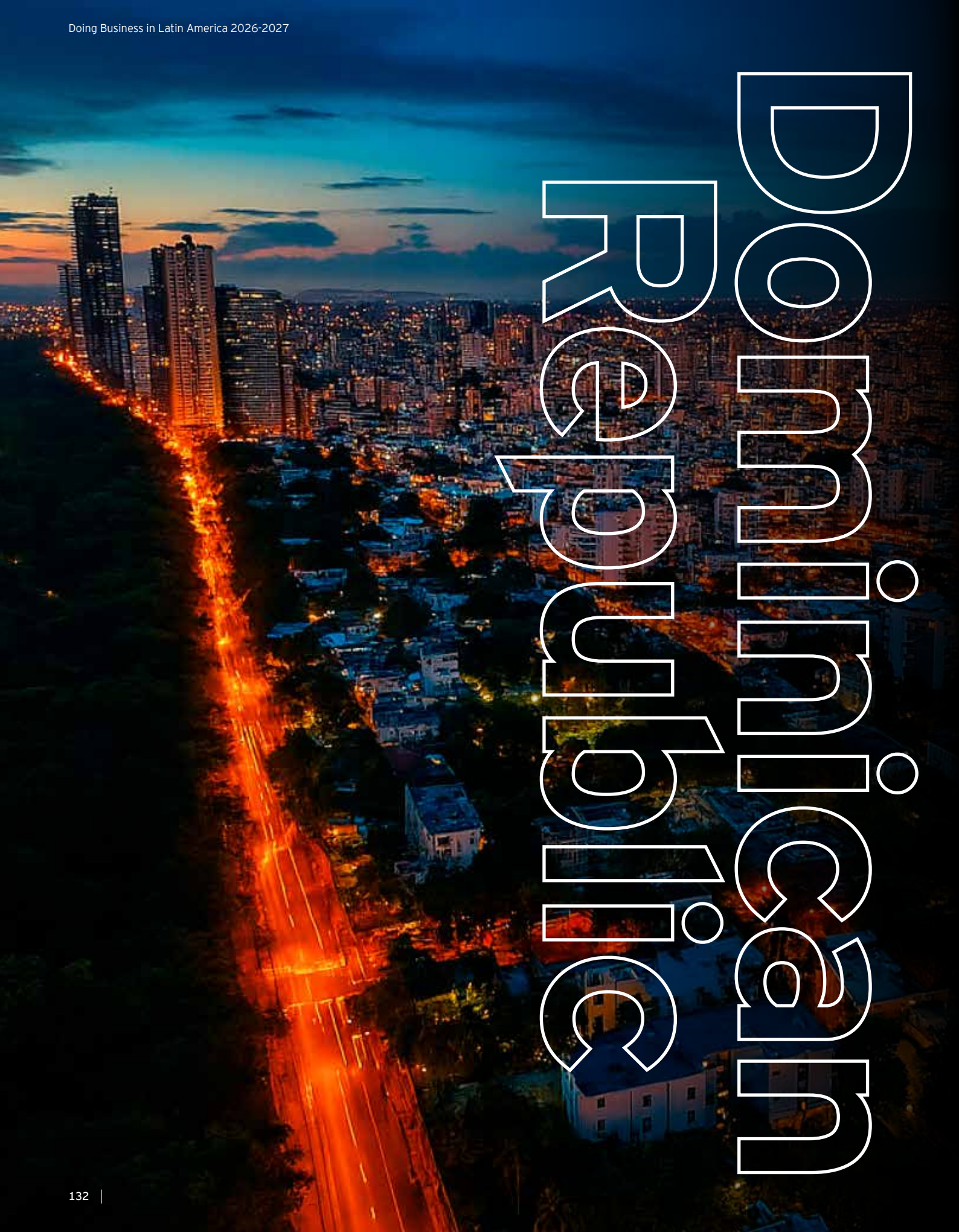
3. **Publicly regulated companies**
   Companies operating in regulated sectors are subject to additional financial reporting obligations, imposed by the corresponding supervisory entities. Key regulated sectors include:
   - Banking, financial institutions, pension funds, and insurers, supervised by the Superintendencia General de Entidades Financieras (SUGEF), SUPEN, and SUGESE.
   - Utilities, telecommunications, and energy companies, supervised by sector specific regulators such as ARESEP and SUTEL.

   These entities must generally:
   - Prepare financial statements in accordance with full IFRS, supplemented by sector specific accounting rules.
   - Submit monthly, quarterly, and annual financial information to regulators.
   - Undergo mandatory annual external audits.
   - Comply with prudential reporting requirements, including capital adequacy, liquidity, provisioning, and solvency ratios.

   Failure to comply may result in administrative sanctions, operational restrictions, or regulatory intervention.

4. **Special cases**
   Certain entities in Costa Rica may be subject to differentiated financial reporting frameworks, including:
   - Small and Medium Sized Enterprises (SMEs): SMEs may apply IFRS for SMEs, which reduces complexity while maintaining international comparability.
   - Entities operating under the Free Trade Zone Regime:
     While benefiting from tax incentives, these companies are required to maintain full accounting records and submit financial information to both tax authorities and the Free Trade Zone authorities to support compliance with regime conditions.
   - Non profit organizations and cooperatives:
     These entities prepare financial information focused on accountability and transparency, often using adapted IFRS standards or sector specific guidance.
   - Subsidiaries of multinational groups:
     These entities must comply with local Costa Rican reporting requirements while also meeting group consolidation and reporting standards, which may involve reconciliations between IFRS and other frameworks such as US GAAP.





Dominican Republic

Message from EY Dominican Republic Country Managing Partner

The Dominican Republic has become one of the most dynamic and vibrant markets in the Caribbean and Latin America. Its ability to grow consistently, attract capital, and accelerate projects positions it as an economy in motion, one where opportunities not only exist, but are effectively executed.

The country stands out for its economic momentum, driven by sectors that combine scale, diversification, and international reach. Industry, tourism, energy, trade, manufacturing, and services coexist in an environment that fosters business activity and enables ideas to be transformed into concrete operations. This combination has consolidated the Dominican Republic as a magnet for companies seeking sustained growth and regional presence.

Beyond the numbers, the Dominican Republic distinguishes itself by its ability to activate investment and sustain economic dynamism across different cycles. This constant traction has strengthened its business ecosystem and created an environment where decision-making finds fertile ground to move forward.

Within a diverse regional context, the country offers a clear value proposition: growth, momentum, and execution. Understanding how its business environment operates, its rules and its key sectors, is essential to identifying real opportunities and maximizing potential.

I invite you to explore this guide and discover why the Dominican Republic has established itself as an economy that never stands still.



Maylen Guerrero

Country Managing Partner
EY República Dominicana

Overview

The Dominican Republic is located in the Caribbean, sharing the island of Hispaniola with Haiti, with Santo Domingo as its main economic and cultural hub, followed by Santiago, a key industrial center, and Punta Cana, a leading tourism destination. Its population reflects a rich blend of Spanish, African, and Caribbean influences, expressed through its culture, music, and traditions. The economy is dynamic and diversified, with tourism as a central growth driver alongside manufacturing (free trade zones), trade, energy, and logistics. Supported by sustained economic growth and increasing foreign investment, the country has established itself as one of the most dynamic economies in the region.



Population
10,885,000 (2025)[1]
Urban[2]: 72.4% (2024)
Rural[2]: 27.6% (2024)



Main language
Spanish



Extension[2]
48,198 km^2



System of government[4]
Presidential Republic
President: Luis Abinader
Next elections: 2028



Climate[3]
The north coast has a warm and humid climate; the central mountains, a cooler temperate climate; the eastern and southern coasts, a tropical climate; while the south-west has a drier semi-arid climate.



International Time[5]
GMT-4



Currency[6]
Dominican Peso
US$1 = DOP 63.30 (Dec 31, 2025)



GDP current prices[1]
USD 127.9 bn.



GDP per capita (PPP)[1]
USD $30,407.2 (2025)



Key sectors[7]
The Dominican Republic thrives across a diversified set of sectors, including agriculture (sugar, coffee, cocoa, tobacco, and tropical fruits), mining (gold, nickel, and other minerals), manufacturing (textiles, food processing, cement, and chemicals), and a dynamic services sector driven by tourism, trade, and finance.

Why invest in Dominican Republic?

Provides access to over 1.2 billion

consumers through trade agreements such as CAFTA DR and the EU Economic Partnership Agreement, positioning the country as a key gateway between North America, Europe, and Latin America[9, 10].

Top agricultural exporter:

12th of tobacco, 13th of bananas & avocados, 15th of cocoa, 18th of medical instruments in 2024[8].

The Dominican Free Trade Zone system is one of the most established in the region, offering clear tax incentives, strong infrastructure, and experienced labor pools[9].

It has one of the most developed transport

systems in the region, supported by modern ports, airports, and road networks, facilitating efficient trade and connectivity[9].

Strategic geographic location at the crossroads of the Americas and Europe, the Dominican Republic serves as a natural logistics and trade hub[9].

A longstanding leader

in attracting foreign direct investment (FDI) in the Caribbean[10].

1. World Economic Outlook Database (April 2026), IMF.
2. DataBank, The World Bank Group.
3. Country information, DatosMundial.com.
4. Government - Politics, CountryReports.com.
5. World Time Directory, 24timezones.com.
6. Exchange Rates Database (April 2026), IMF.
7. Country information, Encyclopedia Britannica.
8. Comtrade Database, United Nations.
9. ProDominicana, 2026
10. Economic Commission for Latin America and the Caribbean, ECLAC.

Country's economic outlook

The Dominican Republic has established itself as one of the most dynamic economies in Latin America and the largest in the Caribbean, supported by strong performance in tourism, manufacturing, and services. GDP reached USD 124.6 billion in 2024 and USD 127.9 billion in 2025, according to the IMF World Economic Outlook.

Following a strong post-pandemic rebound of 14.0% in 2021, growth moderated to 5.2% in 2022 and 2.2% in 2023, before recovering to 5.0% in 2024 and 5.2% in 2025. The IMF projects growth of 5.0% in 2026, maintaining the country's position among the fastest-growing economies in the Caribbean.

Inflation declined from 8.5% in 2021 to 3.6% in 2023 and 3.3% in 2024, before rising slightly to 4.0% in 2025, within the central bank's target range. This reflects effective monetary tightening initiated in 2021, followed by a gradual easing cycle as inflation pressures subsided. Inflation is projected to remain at 4.0% in 2026.

The Dominican peso depreciated moderately from DOP 58.26 per USD in 2023 to DOP 61.32 in 2024 and DOP 63.30 in 2025, broadly in line with global dollar strength. The currency has remained relatively stable compared to regional peers, supported by strong inflows from tourism and remittances.

On the fiscal front, the country has maintained prudent management. The fiscal deficit narrowed from 3.3% of GDP in 2023 to 3.1% in 2024, while public debt declined from 60.5% to 58.8% of GDP. Looking ahead, continued fiscal consolidation and structural reforms will be key to sustaining growth and reducing external vulnerabilities. Supported by strong fundamentals, increasing investment, and a diversified economic base, the Dominican Republic is well positioned to consolidate its role as a leading growth engine in the Caribbean and a strategic destination for investment in Latin America.

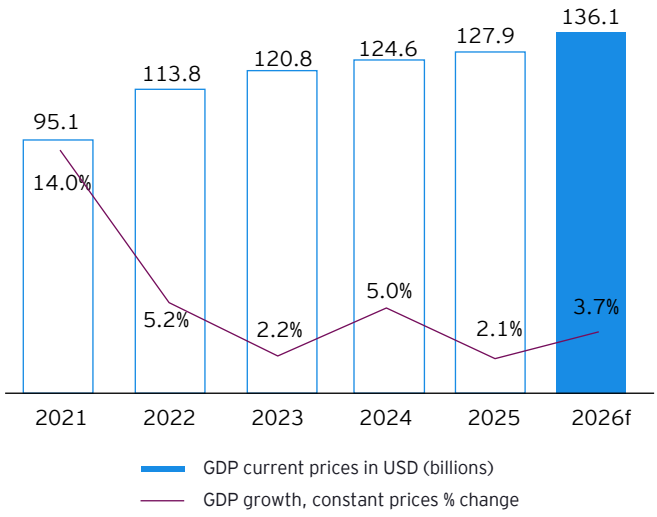
The Dominican Republic is the 8th largest economy in Latin America, with GDP reaching USD 124.6 billion in 2024, according to the IMF World Economic Outlook. In 2025, GDP reached USD 127.9 billion. It is the largest economy in the Caribbean, known for its dynamic tourism, manufacturing, and services sectors.

Table 1

Main Indicators	Dominican Republic
GDP current prices USD bn. (2025)[1]	$127.9
GDP growth, constant prices % change (2025)[1]	2.1%
Gross domestic product per capita, current prices USD (PPP) (2025)[1]	$30,407.2
Inflation, year-end consumer prices (2025)[1]	5.0%
Fiscal balance (net lending (+) or net borrowing (-) of general government; % of GDP) (2025)[1]	-3.6%
Public debt (General government gross debt, % of GDP) (2025)[1]	59.0%
Current account (% of GDP) (2025)[1]	-1.2%
Investment (% of GDP) (2025)[1]	24.7%
Poverty headcount ratio at $8.30 a day (2021 PPP) (% of population) (2024)[2]	14.0%

Sources: 1. World Economic Outlook Database (April 2026), IMF; 2.The World Bank Group

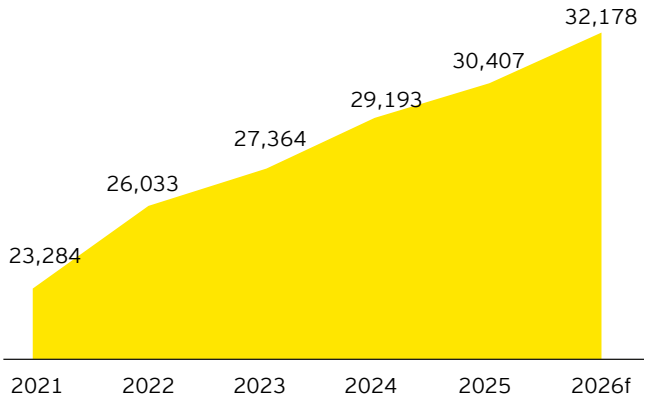
Figure 2:
Gross domestic product, levels and growth



SourcesSource: World Economic Outlook Database (April 2026), IMF.

After strong post-pandemic growth, the Dominican economy maintained momentum with 5.0% expansion in 2024, reflecting the resilience of its diversified economic model anchored by tourism, remittances, and free trade zones.
In 2025, growth continued to be solid, supported by tourism, remittances, and free trade zone exports. The country remains one of the most dynamic economies in the Caribbean and Central America.

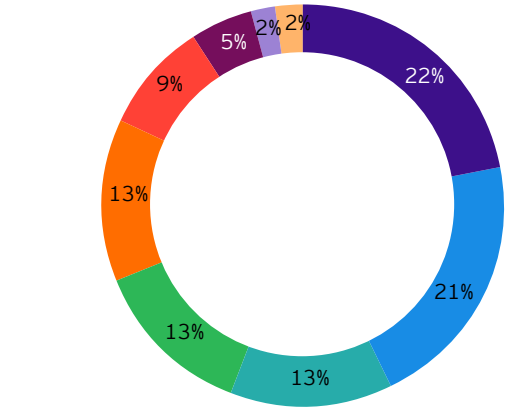
Figure 3
Gross domestic product (GDP), Per capita, (PPP) international dollar, ICP benchmarks 2017-2021



Source: World Economic Outlook Database (April 2026), IMF.

The Dominican Republic's GDP reached USD 120.8 billion in 2023 and grew to USD 124.6 billion in 2024. GDP per capita in PPP terms reached USD 29,193 in 2024 and USD 30,407 in 2025, reflecting sustained improvements in living standards. For 2026, the IMF projects USD 31,893.

Figure 4
Share of gross domestic product by economic sector in 2025 (current prices in USD)



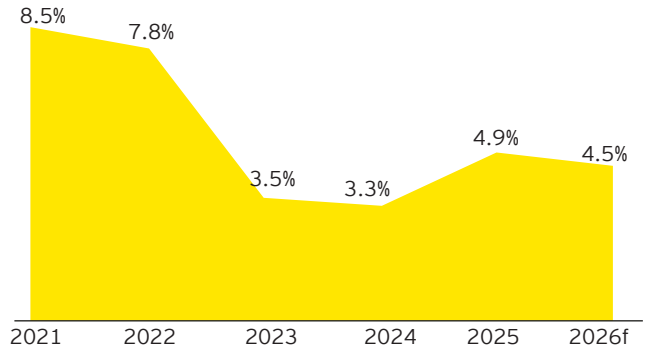
- Wholesale and retail trade, repair of goods and hotels and restaurants
- Public administration, defense, compulsory social security, education, health and social services, and other community, social and personal services
- Construction
- Manufacturing industries
- Financial intermediation, real estate, business, renting and leasing activities
- Transportation, warehousing and communications
- Agriculture, hunting,hunting, forestry, and fishing
- Mining and quarrying
- Electricity, gas and water supply

1- CEPALSTAT (April 2026), ECLAC.

The sectors that contribute most to the Dominican Republic's GDP are wholesale and retail trade and hotels and restaurants (22%), followed by public administration, defense, healthcare, and social services (21%). Construction accounts for 13% and manufacturing for 13%. Financial intermediation and real estate follow in relevance.

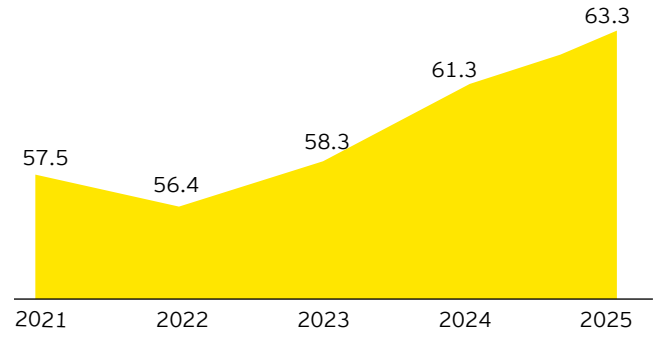
Figures 5 and 6:

Inflation, end of period consumer prices



Source: World Economic Outlook Database (April 2026), IMF.

Exchange rate of foreign currency (USD/DOP, end of period)

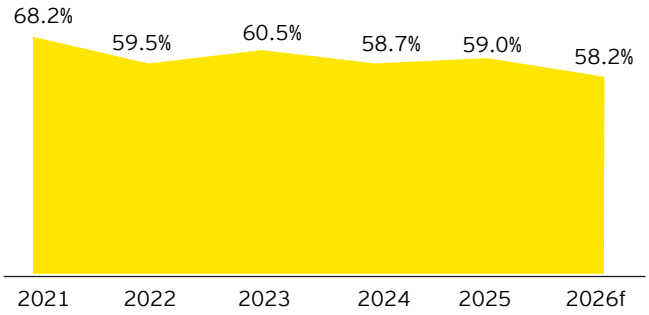


Source: Exchange Rates Database (April 2026), IMF.

Inflation declined from 8.5% in 2021 to 3.6% in 2023 and 3.3% in 2024. In 2025, inflation was 4.%, within the central bank's target range. For 2026, the IMF projects 4.0%.
The Dominican peso depreciated from DOP 58.26 per USD in 2023 to DOP 61.32 in 2024 and DOP 63.30 in 2025, reflecting gradual dollar strength. For 2026, the IMF projects continued gradual depreciation.

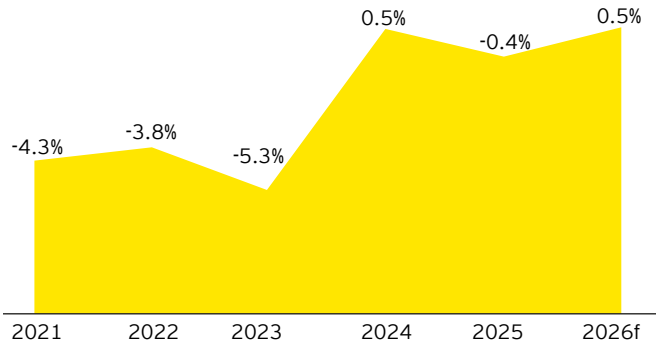
Figures 7 and 8:

Public debt (General government gross debt, % of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

Fiscal balance (net lending (+) or net borrowing (-) of general government, % of GDP)

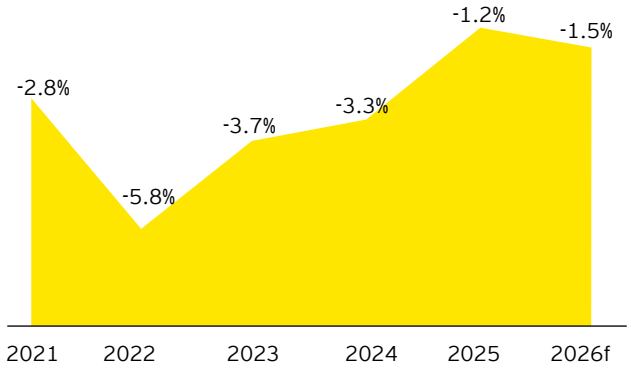


Source: World Economic Outlook Database (April 2026), IMF.

Public debt in the Dominican Republic declined from 68.2% of GDP in 2021 to 59.0% in 2025 and is projected to further decrease to 58.2% in 2026.
In 2024 fiscal balance showed a surplus of 0.5%. In 2025 it fell to a 0.4% deficit but is expected to return to a 0.5% surplus this year.
These trends reflect an improving fiscal position and ongoing efforts to consolidate public finance.

Figure 9:

Current account (% of GDP)

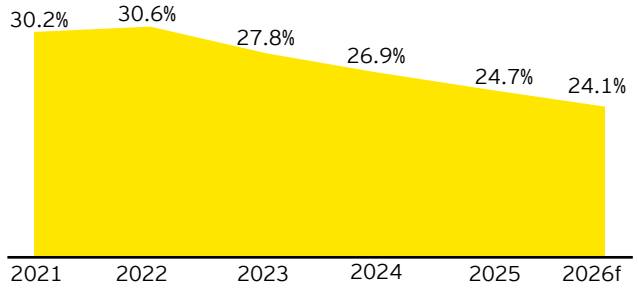


Source: World Economic Outlook Database (April 2026), IMF.

The current account deficit narrowed from 3.7% of GDP in 2023 to 3.3% in 2024, supported by strong tourism revenues. It improved further to 1.2% in 2025, with the IMF projecting a moderate widening to 1.5% in 2026.

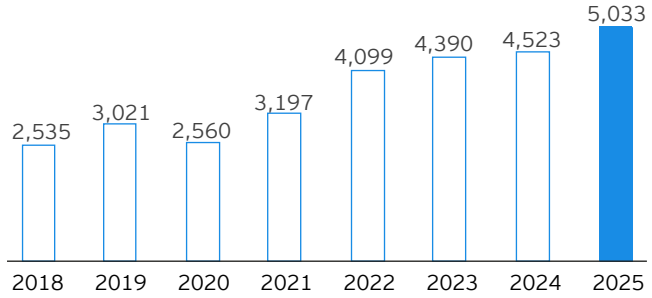
Figures 10 and 11:

Investment (% of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

FDI net inflows to Dominican Republic (USD millions)



Source: CEPALSTAT (April 2026), ECLAC.

Investment in the Dominican Republic decreased from 30.2% of GDP in 2021 to 24.7% in 2025, following a sustained downward trend since 2022. Meanwhile, foreign direct investment (FDI) inflows remained resilient, reaching USD 4.5 billion in 2024, broadly stable compared to USD 4.4 billion in 2023, and rising to USD 5.03 billion in 2025, underscoring sustained investor confidence despite the temporary slowdown in overall investment levels.

The Dominican economy is diversified across tourism, manufacturing, agriculture, and services and hosts one of the largest free trade zone networks in the Caribbean. The country has significant natural resources including fertile agricultural land, minerals, and a long coastline that supports a world-class tourism industry with over 10 million visitors annually.

Additionally, the Dominican Republic has invested heavily in infrastructure development to support sustained economic growth and attract foreign investment.

Establishing a business in the country

The Dominican Republic has positioned itself as one of the most attractive destinations for investment in the Caribbean and Latin America, supported by sustained economic growth, macroeconomic stability, and a comprehensive legal framework that promotes business development. The country offers favorable conditions for both domestic and foreign investors, combining strategic geographic location, access to international markets, competitive labor costs, and a diversified incentive system.

Establishing a business in the Dominican Republic is governed by a solid regulatory and institutional framework that ensures equal treatment between foreign and local investors, legal certainty, and protection of property rights. Key legislation, including the Foreign Investment Law, provides guarantees such as the free repatriation of capital and profits, access to sector-specific tax incentives, and streamlined administrative procedures through investment facilitation mechanisms.

In addition, the Dominican Republic has developed specialized regimes such as free trade zones and incentive programs for strategic industries including tourism, manufacturing, energy, and services that enhance its competitiveness as a regional hub for investment, production, and export-oriented activities. Together, these factors create a business-friendly environment that supports the establishment and expansion of operations across multiple sectors.

1.1 General Incentives

The Dominican Republic offers a comprehensive system of incentives aimed at promoting investment, enhancing competitiveness, and supporting business establishment across strategic sectors of the economy. The incentive framework includes tax, customs, and administrative benefits designed to facilitate both domestic and foreign investment under conditions of legal certainty and equal treatment.

In addition, the country has implemented special incentive regimes for priority sectors such as free trade zones, tourism, energy, manufacturing, and infrastructure projects, which further strengthen its position as an attractive destination for investment in the Caribbean region.

1.2 Industries with special incentives

1.2.1 Free Trade Zones (FTZs)

The Free Trade Zone regime is one of the country's most prominent incentive frameworks and is regulated by Law No. 8-90 and its implementing regulations. It is designed to promote export-oriented activities and international services. The country hosts over 286 free trade zones, accommodating approximately 843 companies, which account for a significant share of national exports.

- Eligible activities include industrial manufacturing, logistics, data processing, customer support services, and international commercial services.
- Incentives include: Exemption from corporate income tax for up to 15 years (depending on location). Exemption from import duties on raw materials, equipment, and machinery. Exemption from value-added tax (ITBIS) on goods and services used in production.

1.2.1.1 Requirements and application process

To access the regime, companies must comply with an installation request: submit a proposal to the National Free Zones Export Council. The approval process includes evaluating the application and issuing an operating permit. The estimated approval time varies depending on the nature of the project.

1.2.1.2 Considerations for investors

The Dominican Republic offers a free zone regime with competitive advantages, including a strategic location, favorable trade agreements, and competitive labor costs. However, companies must ensure compliance with the established regulations to operate under this regime. This regulatory framework provides a flexible structure for manufacturing and export-oriented services. Assessing the regulations and available incentives is essential to maximizing the benefits of operating within the country's free zones.



1.2.2 Tourism and Hospitality
Tourism is a strategic sector for the Dominican Republic and benefits from a robust incentive framework aimed at expanding hotel infrastructure, tourism services, and real estate development linked to tourism. Projects in this sector benefit from tax exemptions and fiscal incentives under special tourism legislation.

1.2.3 Manufacturing and Export-Oriented Industries
Manufacturing activities, particularly those linked to exports and operating under special regimes, receive targeted incentives to enhance competitiveness.
- These industries benefit from:
  - Tax exemptions.
  - Preferential access to international markets through trade agreements such as DR-CAFTA.

1.2.4 Renewable Energy and Environmental Projects
The Dominican Republic promotes renewable energy development through a specific regulatory and incentive framework that encourages sustainable investment. Incentives are available for projects in solar, wind, and other renewable sources, as well as for energy efficiency initiatives. Environmental projects are subject to licensing and environmental impact assessments but benefit from tax incentives established under renewable energy legislation.

1.3 Types of Entities for Establishing a Business in the Country

The Dominican Republic offers several legal entity structures that allow both local and foreign investors to establish and operate businesses in the country. According to the business and legal framework described in the EY Business Outlook – Dominican Republic, the most commonly used types of entities are the following:

1.3.1 Partnerships: Traditional business associations generally used for commercial activities where partners jointly manage the business and share liabilities according to their agreed participation.

1.3.2 Limited Partnerships: Business structures composed of managing partners with unlimited liability and limited partners whose liability is restricted to their capital contributions.

1.3.3 Limited Joint-Stock Partnerships: Hybrid entities that combine features of partnerships and corporations, allowing participation through shares while maintaining partnership-type management structures.

1.3.4 Limited Liability Companies (LLC / SRL): One of the most widely used legal forms in the country, particularly among small and medium-sized enterprises. This structure limits the liability of the partners to the amount of their capital contributions and offers operational flexibility.

1.3.5 Corporations (SA): Entities typically used by larger companies and significant investment projects. Corporations are suitable for businesses requiring more complex governance structures and broader access to financing.

1.3.6 Simplified Corporations (SAS): A modern and flexible corporate structure designed to facilitate business creation and operation. The SAS allows simplified incorporation procedures and more adaptable management and governance arrangements.

Tax Regime

1.1 General Overview

1.1.1 Corporate Income Tax Rate (%): 27%, applicable to legal entities on net taxable income.

1.1.2 Capital Gains Tax Rate (%): Capital gains are generally taxed at the same rate as corporate income tax (27%) for legal entities.

1.1.3 Branch Tax Rate: Branch profits are subject to corporate income tax at the same rate applicable to resident companies. In addition, a 10% withholding tax applies as a final tax on profits remitted abroad. Likewise, Free Trade Zone (FTZ) entities are required to apply a 10% withholding tax on profit distributions made to shareholders or parent entities.

1.1.4 Withholding Tax

1.1.4.1 Dividends: 10% withholding tax on dividends distributed to individuals; different treatment may apply for corporate shareholders.

1.1.4.2 Interest: Interest income is treated as part of the taxable income base. When such income is paid to non resident or non domiciled taxpayers, the corresponding tax obligation is settled through the application of a withholding tax (WHT) at source.

1.1.4.3 Royalties from Patents, Trademarks, Formulas and Similar Items: Royalty income forms part of the taxable income base. When royalties are paid to non resident or non domiciled taxpayers, the related tax liability is satisfied through a withholding tax (WHT) applied at source.

1.1.4.4 Technical Services: Payments to non-domiciled service providers are subject to withholding tax.

1.2 Tax on Rent and Corporate Income

1.2.1 Corporate income tax: Tax imposed on net taxable income at 27%.

1.2.1.1 Determination of the net taxable income (trading income)

- General: Based on gross income minus deductible expenses.
- Depreciation: Depreciation allowances on fixed assets are determined by the declining-balance method at the following rates:

Assets	Depreciation rate (%)
Buildings	5
Office furniture, fixtures, computers, light vehicles, etc.	25
Other assets not specified	15

The tax book value of assets is updated annually to reflect inflation, ensuring that their fiscal value remains aligned with changes in purchasing power.
The amortisation of intangible assets such as patents, copyrights, technical drawings, franchises and contracts without a fixed expiration date) is deductible for tax purposes. When the useful life of an intangible asset can be determined, amortisation must be carried out over that period using the straight line method, so that the deduction reflects the economic life of the asset.

- R&D incentives: Exist under specific incentive laws, not general tax law.
- Relief for losses: Loss carryforward permitted, no carryback.

1.2.2 Rates of corporate tax: 27% flat rate.

1.3 International Tax

1.3.1 Foreign tax relief: Dominican resident companies, branches and permanent establishments (PEs) are generally subject to taxation on income derived from Dominican sources. As a rule, the Dominican tax system follows a territorial approach, under which most foreign source income is not subject to local taxation.
An exception applies to certain foreign source income arising from investments and financial gains obtained by Dominican residents, which may be taxable in the Dominican Republic. In such cases, foreign taxes effectively paid in the country where the income originates may be credited, up to the amount of Dominican tax attributable to the same income.

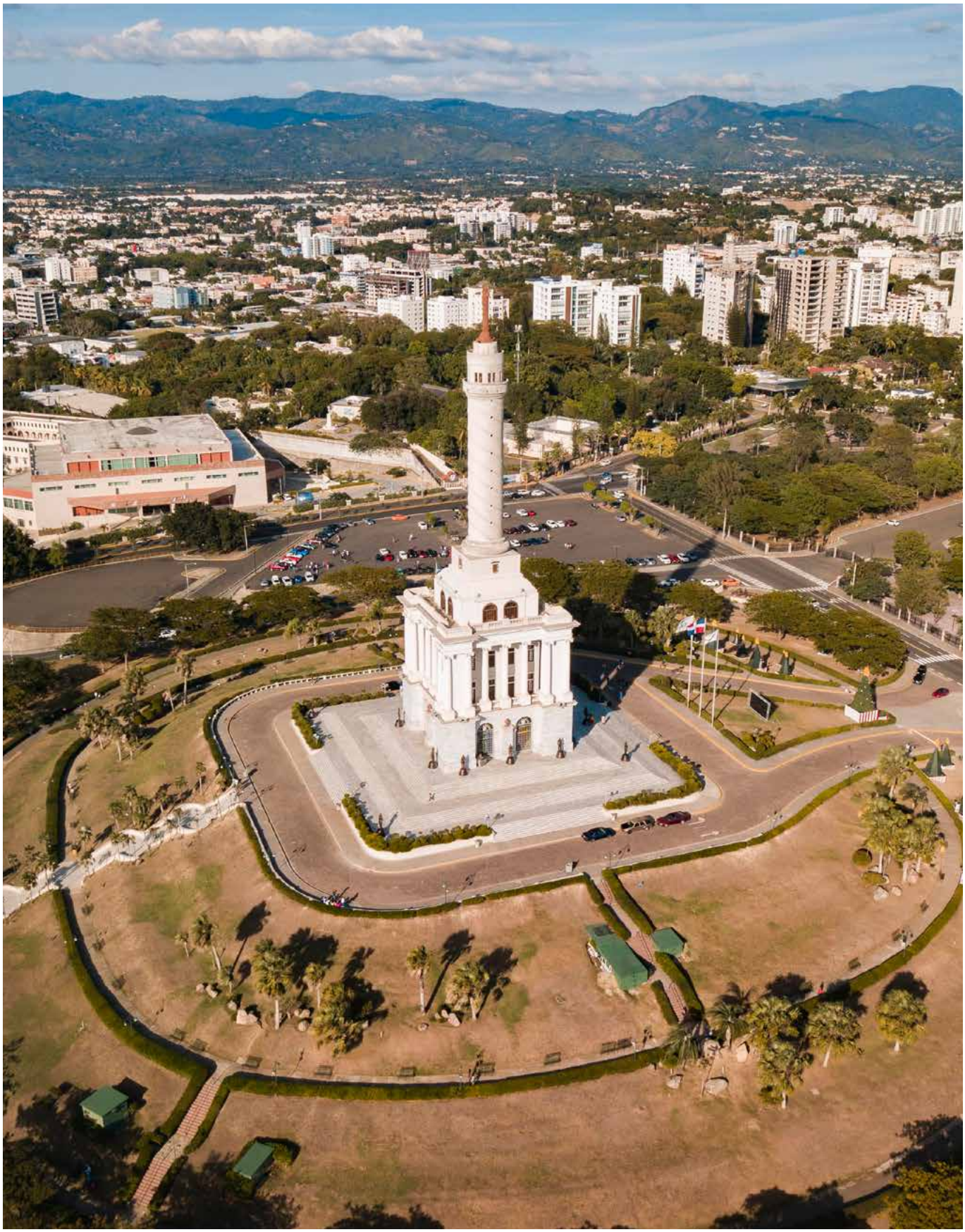
1.3.2 Foreign-exchange controls: No strict exchange controls, governed by monetary and exchange regulations.

1.3.3 Transfer pricing: Under the Dominican Tax Code (DTC), transactions carried out between related parties must be conducted in accordance with the arm's length principle, meaning that the prices agreed for the transfer of goods or services should reflect those that would have been agreed between independent parties under comparable circumstances. These rules apply to transactions between Dominican entities, regardless of whether they are foreign owned, as well as to transactions with entities located in low tax or no tax jurisdictions.
The transfer pricing provisions also extend to transactions between Dominican companies and related entities located in countries that benefit from a preferential tax regime. The tax authorities are empowered to review and adjust the values reported by taxpayers when, as a result of audit, verification, or investigation procedures, such values are found to either not reflect the economic substance of the transaction or materially differ from conditions observed between independent parties.
For transfer pricing purposes, parties are considered related when there is a relationship of ownership, control, or significant influence, whether direct or indirect. This includes situations where one party participates in the management, control, or capital of another; where the same individuals or entities participate in the management, control, or capital of multiple parties; or where a person or entity is able to influence key business decisions. In cases where participation is measured through share capital or voting rights, a direct or indirect holding of at least 25% is generally required.
The Dominican legislation also provides for an Advance Pricing Agreement (APA) mechanism, under which taxpayers may request prior approval of the pricing methodology applicable to transactions between related parties. An APA may be approved, rejected, or modified by the tax authorities and, once approved, is generally valid for up to 36 months. Subsequent agreements may also cover periods of up to 36 months, and where an agreement expires without a new APA being approved, the existing agreement remains in effect until a new one is authorized. The tax authorities may challenge values reported under an APA if they do not comply with the agreed terms, applying the penalties established in the DTC.
For certain economic sectors with a high degree of integration or interdependence among related parties, the tax authorities may establish minimum prices or profit margins. In such cases, taxpayers covered by these rules are treated as operating under market conditions, and the minimum price or margin may be determined based on factors such as total income, assets employed, total costs and expenses, and other relevant sector specific indicators.
Finally, taxpayers engaged in related party transactions are required to submit an annual informative transfer pricing return, providing detailed information on each transaction, the identification of the related parties involved, the transfer pricing method applied, and other relevant data.

1.3.4 Debt-to-equity rules: There are no specific thin capitalization rules or statutory debt-to-equity limitations expressly established under Dominican tax law.

1.4. Value-added tax

The Dominican value-added tax, known as ITBIS, applies to the transfer and importation of industrialized goods and to the provision of services at a standard rate of 18%, subject to exemptions established by law.
ITBIS exemptions apply to basic and essential goods, including staple foods, agricultural inputs, medicines, educational materials, books, and certain medical devices. Exempt services include education, healthcare, financial and insurance services, pensions, ground transportation, utilities, residential rentals, personal care services, and exported services.
A 0% rate applies to exports, including transactions with Free Trade Zones (FTZs), allowing exporters to benefit from zero-rated treatment.



Labor Regime

1.1. Labor Law

1.1.1 Labor Law Framework: The labor system in the Dominican Republic is governed by the Labor Code (Law No. 16-92), which establishes the rights and obligations of employers and workers, as well as the principles that govern labor relations in the country. Its objective is to ensure fair and balanced working conditions for both parties, promoting stability in the business sector. The employment contract can be indefinite, for a specific project or service, or for a fixed term, but in most cases, it is presumed to be indefinite unless proven otherwise. To ensure compliance with labor regulations, companies must register their workers and adhere to the provisions regarding social security and labor protection.

1.1.1.1 Minimum Salary

Private Entities – Non Sectorized Private Sector

Category	Monthly salary (DOP)	Monthly salary (USD)
Large companies	29,988.00	504.00
Medium sized companies	27,489.60	462.01
Small companies	18,421.20	309.60
Micro enterprises	16,993.20	285.60
Security guards employed by private security firms	24,633.00	414.00
Agricultural workers (8 hour workday)	714.60	12.01

Private Entities – Free Trade Zones (FTZs)

Category	Monthly salary (DOP)	Monthly salary (USD)
Free Trade Zone workers	20,875.00	350.84

Private Entities – Hotels and Casinos

Company size	Monthly salary (DOP)	Monthly salary (USD)*
151 employees or more	21,840.00	367.06
150 employees or fewer	18,409.30	309.40

Private Entities – Food and Beverage Establishments

Company size	Monthly salary (DOP)	Monthly salary (USD)*
151 employees or more	21,000.00	352.94
150 employees or fewer	17,701.25	297.50

1.1.2 Classification of Employment Contracts: Employment contracts in the Dominican Republic may be classified as follows:

- Indefinite-term contracts, which are presumed to exist unless proven otherwise.
- Contracts for a specific project or service applicable when the nature of the work is limited to a defined task.
- Fixed-term contracts, used for employment relationships with a predetermined duration.

1.1.3 Working hours and breaks

- Maximum regular working time is 8 hours per day and 44 hours per week.
- Night shifts are limited to 36 hours per week.

1.1.4 Principles governing employment
Employment relationships are governed by the following principles:

- Minimum wage, periodically set by the National Salary Committee and varying by economic sector.
- Mandatory labor benefits, including:
  - Paid annual vacations
  - Christmas bonus (13th salary)
  - Statutory severance and termination benefits
- Maternity protection, granting 12 weeks of pre- and postnatal leave and protection against dismissal due to pregnancy.
- Mandatory social security enrollment, providing access to healthcare and pension systems.

1.1.5 Expiration or termination of the employment relationship
The Dominican Labor Code establishes a regulated framework governing the expiration and termination of employment relationships, aimed at protecting both employers and workers while ensuring legal certainty.
Termination of employment must be grounded on recognized causes defined by labor legislation and must follow established procedures. The framework distinguishes between different forms of termination depending on the circumstances and the nature of the employment relationship.



In cases of termination, the Labor Code requires the employer to comply with mandatory severance and termination payments, which vary according to the cause of termination, and the type of employment contract in force.
These payments are intended to safeguard workers' acquired rights and ensure fair treatment upon the conclusion of the employment relationship. The regulation of termination procedures seeks to prevent arbitrary dismissals and to promote stability and predictability in labor relations.

1.1.6 Worker's rights and protection
The Dominican labor framework provides a system of workers' rights and protection mechanisms designed to promote employment stability and balanced labor relations.
Workers benefit from employment stability protections, which aim to prevent unjustified termination and ensure continuity of employment under lawful conditions. These protections reinforce the principle of fairness in employer-employee relationships and provide a degree of security to the workforce.
Additionally, the labor system incorporates labor dispute resolution mechanisms, allowing conflicts arising from employment relationships to be addressed through conciliation, and arbitration.
These mechanisms provide structured, legally recognized alternatives for resolving labor disputes, reducing the need for prolonged litigation and contributing to more efficient and predictable resolution of conflicts between employers and employees.

1.2 Considerations for foreign workers

1.2.1 Immigration regulations
The Dominican Republic provides immigration facilitation mechanisms for foreign investors, executives, and key personnel, including special visas and residence permits intended to support foreign investment and business operations.

1.3 Corporate Law

The regulatory framework for commerce in the Dominican Republic is based on the Commercial Code, which governs commercial transactions, the incorporation of businesses, and merchant activities. This code, supplemented by modern regulations, establishes the legal foundations for conducting business in the country, ensuring a regulated and predictable environment for investors and entrepreneurs.

Anyone or any entity wishing to operate commercially must register with the Mercantile Registry, administered by the Chamber of Commerce and Production. This formalizes businesses and grants them legal existence certificates. This registration is mandatory for individual merchants and commercial companies, ensuring legal recognition and access to financing and public contracting mechanisms.

The commercial regulation covers several fundamental aspects:

- Formation and operation of companies: Businesses can be structured under different legal forms, including corporations, limited liability companies, and partnerships.
- Credit instruments and commercial guarantees: The law regulates financial instruments such as promissory notes, bills of exchange, and checks to ensure reliable payment mechanisms.
- Commercial contracts: Legal guidelines govern agreements such as sales, commercial representation, and distribution.
- Bankruptcy and liquidation regime: The legal framework defines procedures for corporate reorganization and dissolution in case of insolvency.
- Competition protection: There are regulations to prevent monopolies and promote market fairness.

Foreign trade is also regulated by provisions that guarantee the country's integration into international markets, with regulations that facilitate the import and export of goods. Despite having an established regulatory framework, the country faces challenges in modernizing procedures and digitalizing administrative processes, which may create obstacles for new entrepreneurs. However, in recent years, reforms have been implemented to strengthen legal security and improve the ease of doing business in the Dominican Republic.

Commercial law in the Dominican Republic is governed by the Commercial Code and Law No. 479-08, regulating companies, contracts, and credit instruments. This legislation covers corporate governance, mergers, e-commerce, and intellectual property.

The trust (fideicomiso), under Law No. 189-11, includes modalities such as investment, real estate, and guarantee trusts, facilitating financing and protecting creditors. Its use optimizes asset management and avoids prolonged judicial processes.

1.4 Environmental Regulations

Environmental management in the Dominican Republic is regulated by the General Law on Environment and Natural Resources (Law No. 64-00), which establishes the principles and regulations for the conservation, protection, and sustainable use of natural resources. This legislation aims to ensure a balance between economic development and environmental preservation by setting specific requirements for companies and projects with potential environmental impacts.

The regulatory framework for renewable energy in the Dominican Republic includes the General Electricity Law No. 125-01 and Law No. 57-07, which promote the development of renewable sources through tax incentives. Other key regulations include Law No. 64-00 on environmental conservation and Law No. 12-21, which provides tax exemptions for companies operating in border areas.

1.4.1 Key requirements for operation

All economic activities with environmental impact must comply with the provisions established by the Ministry of Environment and Natural Resources, the entity responsible for enforcing environmental regulations in the country.

- Environmental permit and license: Any project with potential environmental impact must obtain an environmental license or permit before execution. These documents ensure that the activity complies with environmental regulations and has implemented appropriate mitigation measures.

- Environmental Impact Assessment (EIA): Projects that may generate significant environmental impacts must undergo an Environmental Impact Assessment (EIA) process, which must be approved by the Ministry of Environment before operations can begin.
- Sustainable use of natural resources: The regulations mandate the rational use of natural resources, imposing restrictions on activities in protected areas and vulnerable ecosystems. Additionally, biodiversity conservation and water body protection are promoted.
- Pollution control and waste management: The discharge of pollutants into water bodies without proper treatment is prohibited, and companies must adequately manage their waste, complying with specific regulations for hazardous waste and contaminant substances.

1.4.2 Compliance and sanctions

Non-compliance with environmental regulations may result in penalties such as fines, suspension of activities, and permit revocation. The Ministry of Environment is responsible for supervision and the enforcement of corrective measures. Compliance with environmental regulations in the Dominican Republic is essential for the legal and operational viability of businesses.

1.5 Foreign Investment Regulation

The Dominican Republic offers a solid legal framework for foreign investment, ensuring legal security and fairness. Law No. 16-95 on Foreign Investment and its Implementing Regulation (Decree No. 214-04) establish the guidelines for foreign investment in the country.

1.5.1 Guarantees and Rights for Investors

The legislation ensures favorable conditions for foreign investors:

- Equal treatment: Same rights and obligations as national investors.
- Free transfer of funds: Possibility of repatriating capital and dividends without restrictions, complying with tax obligations.
- Protection of private property: Guaranteed right to acquire assets, with exceptions in strategic sectors.
- No arbitrary expropriation: Expropriations only for public utility, with fair compensation.

1.5.2 Registration and regulations

Investors must register their investment with ProDominicana (Center for Export and Investment of the Dominican Republic), submitting the corresponding financial and legal documentation. Such registration provides legal certainty and access to applicable investment benefits and incentives. Certain activities, such as hazardous waste disposal and the production of defense materials, require special authorization.

1.5.3 Investment incentives

The Dominican Republic offers multiple incentives:

- Tax and customs exemptions: Benefits for free zones and strategic sectors such as tourism and manufacturing.
- Tax stability agreements: Maintain favorable tax conditions.
- Migration facilitation: Special visas and permits for investors and executives.

1.5.4 Administrative facilitation

The country has implemented a One-Stop Investment Window, streamlining procedures and permits, reducing the time required to establish and operate foreign businesses.

With this regulatory framework, the Dominican Republic strengthens its position as an attractive destination for foreign investment, offering stability, incentives, and a favorable environment for business development.

Additionally, Law 189-11 provides tax benefits for real estate projects, and Law No. 47-20 promotes public-private partnerships for the development of infrastructure and socially beneficial services.

Financial Reporting

1.1 Requirements and regulations for the preparation and presentation of financial information

In the Dominican Republic, the preparation and presentation of financial statements must be carried out in accordance with accounting standards adopted by the Instituto de Contadores Públicos Autorizados de la República Dominicana (ICPARD), the legally recognized accounting standard-setting body in the country.

The ICPARD has formally adopted the International Financial Reporting Standards (IFRS) as the applicable accounting framework, including IFRS for Small and Medium-Sized Entities (IFRS for SMEs). This adoption aligns financial reporting practices in the Dominican Republic with internationally recognized standards.

The legal framework governing financial reporting is established by the Ley No. 479-08 sobre Sociedades Comerciales, which requires companies to prepare financial statements in accordance with applicable accounting standards, without mandating a specific framework directly.

1.2 Publicly traded companies

Companies whose securities are listed on the Bolsa de Valores de la República Dominicana (BVRD) are required to prepare and present their financial statements in full compliance with IFRS. These entities are supervised by the Superintendencia del Mercado de Valores (SIMV), which requires the periodic submission and public disclosure of audited financial statements prepared under IFRS, ensuring transparency and investor protection.

1.3 Publicly regulated companies

Entities subject to sector specific regulation—such as banks, financial institutions, insurance companies, and other regulated entities—must comply with accounting standards established by their respective regulators, notably the Superintendencia de Bancos (SB) and the SIMV. While IFRS serve as the underlying reference framework, regulated entities may be required to apply regulatory accounting rules or adaptations specifically issued by the competent supervisory authority. Financial statements of regulated entities are subject to regulatory review and must be audited in accordance with applicable standards.

1.4 Special cases

Small and Medium Sized Enterprises (SMEs) that are not listed and are not considered public interest entities may apply IFRS for SMEs, as adopted by the ICPARD. This simplified framework is designed to reduce complexity while maintaining consistency with international financial reporting standards.

In sectors subject to customized regulatory frameworks (such as financial services), accounting treatments may differ from full IFRS to reflect prudential or supervisory requirements imposed by the relevant regulator.





Ecuador

Message from EY Ecuador's Country Managing Partner

Ecuador stands out as a prime destination for investment, thanks to its wide diversity of climates and abundant natural resources, which allow it to offer opportunities across multiple economic sectors throughout the year. Additionally, it is distinguished in the region by having a stable democracy, supported by a dollarized monetary system that provides predictability and confidence to the business environment.

Our country features a broad range of climates and natural resources, making it a highly attractive environment for investment in oil exploration and production, gold and copper mining, fishing activities such as shrimp farming, and agricultural exports with key products such as bananas, cocoa, and coffee, among others.

Ecuador's main cities offer comprehensive coverage of basic services, along with a population characterized by high levels of entrepreneurship and digital literacy. These factors contribute to the creation of a favorable environment for investment and sustainable business growth.

With the aim of providing a comprehensive understanding of the opportunities the country offers, EY has developed this Business and Investment Guide. This document provides guidelines to identify opportunities and supports both local and foreign investors in making informed decisions aimed at maximizing the success of their investments.

We trust that this guide will be a valuable tool and invite you to explore the investment potential that Ecuador has to offer.

Kind Regards,



Javier Salazar

Country Managing Partner
EY Ecuador

Overview

Ecuador is in northwestern South America and stretches from the Pacific coast to the Amazon jungle and the Andes. The capital of Quito is located in the Andes; Guayaquil is the largest port city; and Cuenca is famous for its architecture. The population includes mestizos, Amerindians, Afro-Ecuadorians, and a white minority, reflecting their culture through music, dance, art, and colorful festivals. Natural resources such as oil, minerals, fisheries, agriculture, and its biodiversity drive major industries such as agriculture (banana, cocoa, coffee, flowers), fishing, oil, tourism, and manufacturing. Its presence in the global economy has been strengthened through trade agreements such as the Free Trade Agreement with the European Union and bilateral treaties with China and the United States.



Population
18,104,000 (2025)[1]
Urban[2]: 63.2% (2024)
Rural[2]: 36.8% (2024)



Main language
Spanish.
Other languages: Kichwa, Shuar, and other Indigenous languages.



Area[6]
248,360 km^2



System of government[5]
Democratic and unitary republic
President: Daniel Noboa
Next elections: 2025



Climate[3]
Tropical on the coast, temperate in the highlands, and hot and humid in the Amazon region[5]



International time[5]
GMT-5 (All Ecuador).



Currency
US Dollar



GDP current prices[4]
USD $130.3 Bn. (2025)



GDP per capita (PPP)[5]
USD $16,934.9 (2025)



Key sectors[6]
Ecuador's key sectors include oil and mining, fishing, agriculture and food (including shrimp, bananas and plantains, cocoa and processed by-products, tuna and fish, and coffee and processed by-products), construction, and hospitality.

Why invest in Ecuador?

Tax and tariff incentives through investment contracts[7].

Dollarized economy: low inflation.

Clean energy generation, with more than 97% coverage of electricity service throughout the country[8].

Leader in exports: 1st of bananas & crustaceans, 3rd of cocoa beans & flowers, 4th of fish & seafood, 5th of trees, plants and flowers in 2024[9].

Ranked 3rd in crude oil reserves and 6th in crude oil production in Latin America[10].

Exports of mineral concentrates (lead and copper) increased 54.6%, while gold exports grew 48.6% in early 2026, reflecting expansion in extractive industries[11].

Proactively strengthening its trade relations by removing commercial barriers with neighboring countries, facilitating cross-border trade, and reducing customs tariffs to enhance market openness and economic integration[7].

1. World Economic Outlook Database (April 2026), IMF.
2. DataBank, The World Bank Group.
3. Country information, DatosMundial.com
4. Government - Politics, CountryReports.com.
5. World Time Directory, 24timezones.com.
6. Country information, Encyclopedia Britannica.
7. Pro Ecuador
8. Why invest in Ecuador?, Ministry of Tourism of Ecuador
9. Comtrade Database, United Nations.
10. Annual Statistical Bulletin 2025. OPEC.
11. Boletín Comercio Exterior Mnisterio de Producción, Comercio exterior e Inversión, Ecuador.

Country's economic outlook

Ecuador's economy is characterized by its reliance on natural resources, particularly oil, its dollarized monetary regime, and an ongoing reform process aimed at strengthening macroeconomic stability and fostering sustainable growth. The country has shown notable resilience in the face of recent shocks, supported by improving external balances, rising non-oil exports, and a gradual recovery in domestic demand. Supported by an IMF-backed reform program, Ecuador continues to advance in restoring fiscal sustainability, rebuilding buffers, and enhancing investor confidence, although it remains exposed to external risks such as oil price volatility.

Ecuador's use of the U.S. dollar as its official currency simplifies financial transactions and reduces currency risk, contributing to macroeconomic stability and providing a favorable environment for investment, although it constrains monetary policy flexibility.

Growth slowed to 1.83% in 2023 and the economy contracted by around 2.0% in 2024. However, economic activity rebounded in 2025, with growth reaching approximately 3.7%, supported by stronger domestic demand and record non-oil exports, in line with IMF assessments.

In May 2024, the IMF Executive Board approved a 48-month Extended Fund Facility (EFF) arrangement for Ecuador, which has since been expanded, providing total access of about USD 5 billion. The program has supported significant progress in fiscal consolidation, with the deficit narrowing to around 1.4% of GDP in 2024 but widening to 2.9% in 2025.

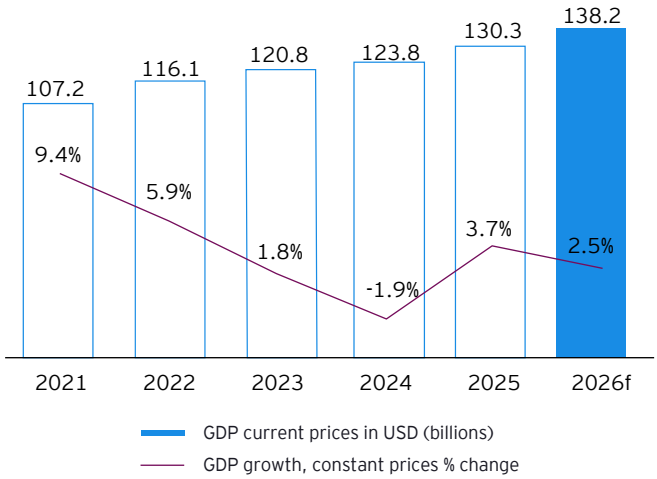
Ecuador also benefits from a growing middle class, supporting demand for a wide range of goods and services, as well as significant untapped potential in tourism, driven by its natural and cultural assets, including the Galapagos Islands.

Table 1

Main Indicators	Ecuador
GDP current prices USD bn. (2025)[1]	$130.3
GDP growth, constant prices % change (2025)[1]	3.7%
Gross domestic product per capita, current prices USD (PPP) (2025)[1]	$16,934.9
Inflation, year-end consumer prices (2025)[1]	1.9%
Fiscal balance (net lending (+) or net borrowing (-) of general government; % of GDP) (2025)[1]	-2.9%
Public debt (General government gross debt, % of GDP) (2025)[1]	54.4%
Current account (% of GDP) (2025)[1]	5.8%
Investment (% of GDP) (2025)[1]	19.6%
Poverty headcount ratio at $8.30 a day (2021 PPP) (% of population) (2024)[2]	32.6%

Sources: 1. World Economic Outlook Database (April 2026), IMF; 2.The World Bank Group.

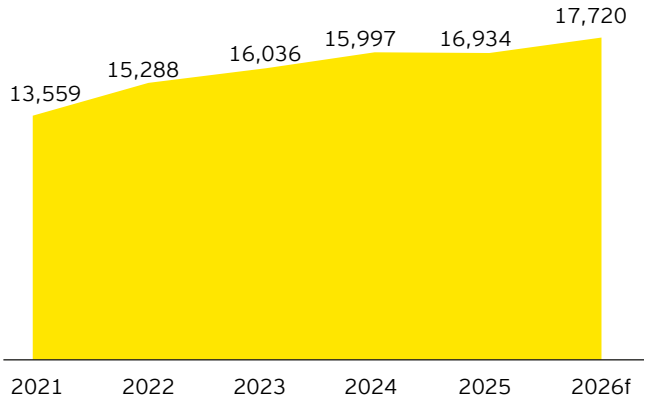
Figure 2:
Gross domestic product, levels and growth



Source: World Economic Outlook Database (April 2026), IMF.

Following a contraction in 2024, Ecuador's GDP grew by 3.7%, reaching USD 130.3 billion. Growth is expected to continue in 2026, with an expansion of 2.5%.

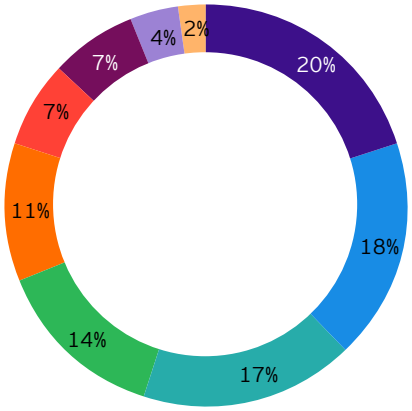
Figure 3
Gross domestic product (GDP), Per capita, (PPP) international dollar, ICP benchmarks 2017-2021



Source: World Economic Outlook Database (April 2026), IMF.

With growth rebound in 2025, GDP per capita reached USD 16,935, surpassing pre-contraction levels seen before the 2024 downturn. It is expected to continue its upward trend in 2026.

Figure 4
Share of gross domestic product by economic sector in 2025 (current prices in USD)



- Financial intermediation, real estate, business, renting and leasing activities
- Public administration, defense, compulsory social security, education, health and social services, and other community, social and personal services
- Wholesale and retail trade, repair of goods and hotels and restaurants
- Manufacturing industries
- Agriculture, hunting,hunting, forestry, and fishing
- Mining and quarrying
- Transportation, warehousing and communications
- Construction
- Electricity, gas and water supply

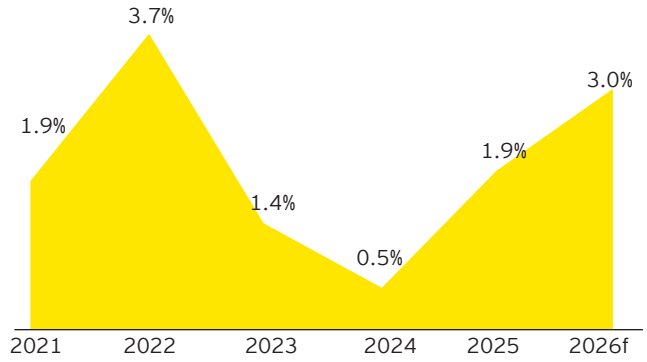
Source: CEPALSTAT (April 2026), ECLAC.

The sectors that contribute most to Ecuador's GDP are financial intermediation, real estate, and business services (20%), followed by public administration, defense, healthcare, and social services (18%). Wholesale and retail trade and hotels and restaurants account for 17%, and manufacturing for 14%. Mining and agriculture follow in relevance.



Figure 5:

Inflation (end of period consumer prices, % change)

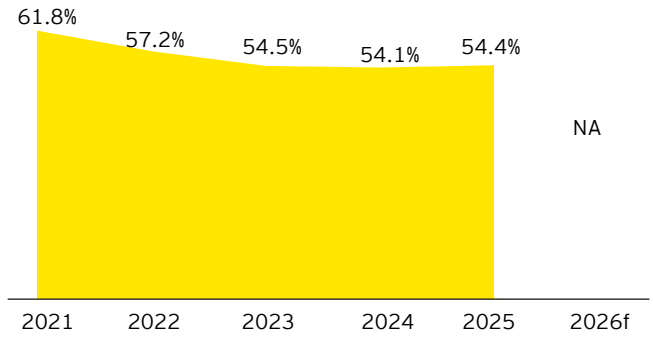


Source: World Economic Outlook Database (April 2026), IMF.

Ecuador, with its dollarized economy since 2000, has experienced consistently low inflation. In 2024, prices rose just 0.53%, significantly below the regional average, supported by the monetary discipline of dollarization. Inflation closed 2025 at 1.9% and is expected to increase in 2026, reaching around 3%.

Figures 6 an 7:

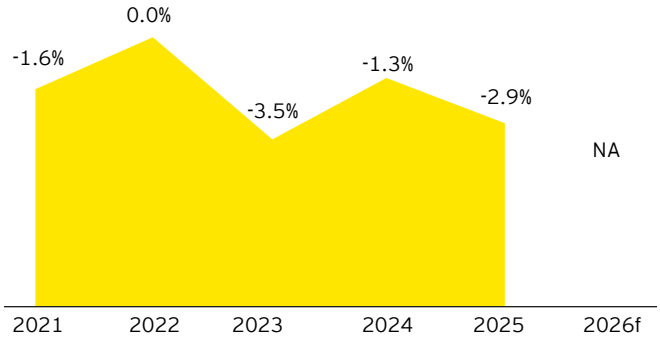
Public debt (General government gross debt, % of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

Public debt stood at 54.13% of GDP in 2024. The IMF considers Ecuador's public debt sustainable under the EFF program, which includes commitments to put debt on a downward trajectory.

Fiscal balance (net lending (+) or net borrowing (-) of general government, % of GDP)

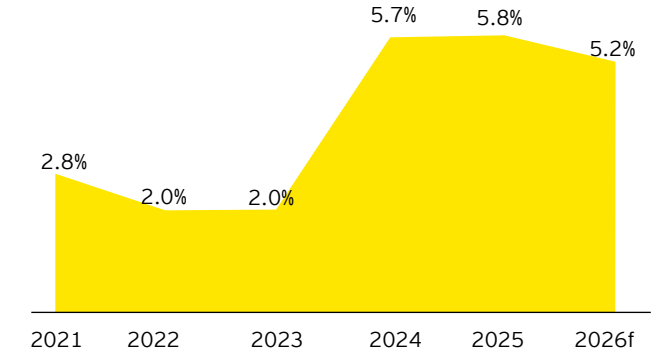


Source: World Economic Outlook Database (April 2026), IMF.

Ecuador's public debt declined from 54.49% of GDP in 2023 to 54.13% in 2024 and 54,4% supported by fiscal consolidation under the IMF program. Following a near-balanced fiscal position in 2022, the deficit widened to 3.49% of GDP in 2023. In 2024, it narrowed significantly to 1.29% of GDP, driven by expenditure controls and improved revenue collection under the IMF program, before widening again to 2.9% of GDP in 2025.

Figure 8:

Current account (% of GDP)

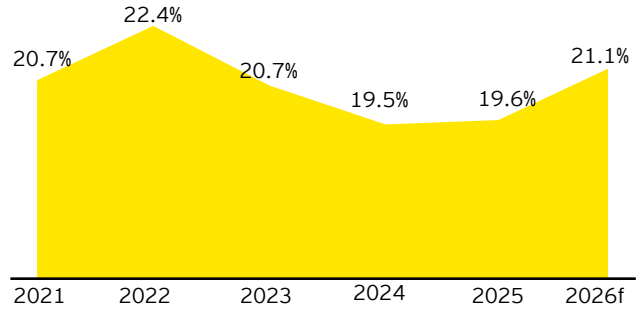


Source: World Economic Outlook Database (April 2026), IMF.

Ecuador's current account improved markedly, reaching a surplus of 5.69% of GDP in 2024, up from 1.99% in 2023, driven by lower import demand amid the economic contraction and continued strong agricultural and shrimp exports. The surplus remained elevated at 5.8% of GDP in 2025 and is expected to moderate slightly to 5.2% in 2026.

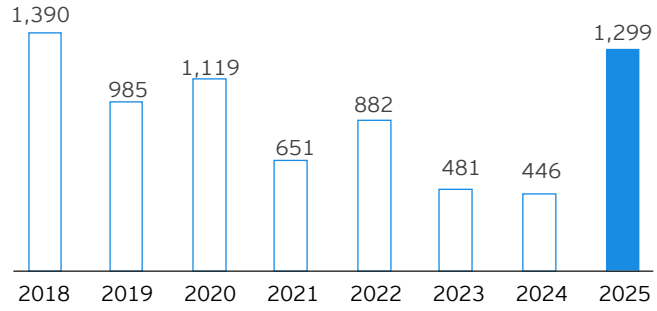
Figures 9 and 10:

Investment (% of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

FDI net inflows to Ecuador (USD millions)



Source: CEPALSTAT (2026), ECLAC.

Investment as a share of GDP declined significantly from its peak of 22.4% in 2022. It fell to 19.5% in 2024 and remained broadly stable at 19.6% in 2025. Investment is expected to recover to 21.1% of GDP in 2026, reflecting a gradual improvement in economic conditions and investor confidence.

FDI net inflows into Ecuador remained limited at USD 450 million in 2024, slightly below USD 480 million in 2023, according to CEPALSTAT. The security crisis and political uncertainty have constrained foreign investor appetite despite the country's natural resource wealth. As the situation improved, FDI rose to USD 1,299 million in 2025.

Ecuador offers a unique investment landscape due to its strategic location, which provides easy access to both North and South American markets, and its use of the U.S. dollar as the official currency, reducing currency exchange risks for foreign investors.

The country has made strides in recent years to improve its infrastructure, especially in transportation and energy sectors, facilitating smoother trade and operational efficiency for businesses.

Establishing a business in the country

1. Investment Regulation and Promotion Agencies

1.1. General Incentives

Ecuador has recognized the importance of foreign investment as a driver for economic growth and development. To this end, the country has established a comprehensive legal framework designed to attract and protect foreign investors. The government has made efforts to streamline processes, provide incentives, and ensure a stable investment climate.

1.1.1. Tax Incentives

To take full advantage of these opportunities, foreign investors are encouraged to engage with local agencies such as ProEcuador and the Ministry of Production, Foreign Trade, Investments, and Fisheries. These agencies can provide tailored information and support to navigate the investment landscape in Ecuador.

Ecuador's tax incentives are designed to reduce the overall cost of investment and enhance profitability for foreign businesses. These incentives include:

- Income Tax Reduction: Investors can benefit from a reduction in income tax rates, subject to certain conditions and the nature of the investment.
- Remittance Tax Exemption: For specific cases, such as the import of capital goods or repatriation of profits, investors may be exempt from the currency outflow tax.
- VAT Exemptions: The import of certain capital goods may be exempt from VAT, reducing the initial investment costs.

1.2. Industries with special incentives

- Renewable Energy: The country is rich in renewable energy resources, and the government offers incentives for projects that harness solar, wind, geothermal, and biomass energy. These incentives may include tax benefits, expedited permits, and access to land.
- Tourism: Recognizing the potential of its diverse landscapes and cultural heritage, Ecuador provides incentives for investments in tourism infrastructure, such as hotels, resorts, and eco-tourism projects. These may include tax holidays and import duty exemptions for tourism-related goods.
- Agriculture and Agroindustry: To promote modernization and value addition in the agricultural sector, the government offers incentives for investments in technology, innovation, and infrastructure. This includes tax benefits and support for research and development.
- Mining and Petroleum: Ecuador's mining and petroleum sectors are open to foreign investment, with special regimes in place for exploration and exploitation activities. These regimes provide fiscal stability and regulatory incentives to encourage investment in these sectors.

2. Doing Business

2.1. Characteristics for each type of entity

2.2.1.Sociedad Anónima (S.A.)

- Ownership: Minimum of two shareholders required, no maximum limit. The company may subsist with one shareholder.
- Subtypes of Entities: Can be "abiertas" (publicly traded) or "cerradas" (privately held).
- Liability: Limited to the amount of capital contributed.
- Administration: Board of Directors and a General Manager required; Board meetings at least annually.
- Oversight: Supervised by the Superintendencia de Compañías, Valores y Seguros.
- Transfer of Shares: Restrictions may apply in privately held companies as per bylaws.
- Other Important Aspects: Must maintain a legal reserve fund.

2.2.2. Compañía Limitada (Ltda.)

- Ownership: Between two and 15 partners. The company may subsist with one shareholder.
- Subtypes of Entities: No subtypes.
- Liability: Limited to the amount of capital contributed.
- Administration: Managed by a Manager; no Board of Directors required.
- Oversight: Supervised by the Superintendencia de Compañías, Valores y Seguros.
- Transfer of Shares: Approval from the majority of partners required for transfer.
- Other Important Aspects: "Compañía Limitada" or "Ltda." must be included in the company name.

2.2.3. Sociedad por Acciones Simplificadas (S.A.S.)

- Ownership: At least one shareholder, no maximum limit.
- Subtypes of Entities: No subtypes; designed for flexibility.
- Liability: Limited to the amount of capital contributed.
- Administration: Flexible management structure can have a single manager or a board of managers.
- Oversight: Subject to fewer regulatory requirements; supervised by the Superintendencia de Compañías, Valores y Seguros.
- Transfer of Shares: Customizable according to the company's bylaws.
- Other Important Aspects: Simplified establishment process and reduced formalities.

2.2.4. Sucursal de Empresa Extranjera (Branch of a Foreign Company)

- Ownership: Not applicable, as it's an extension of the parent company.
- Subtypes of Entities: Not applicable.
- Liability: Parent company fully liable for branch's actions and obligations.
- Administration: Managed by a legal representative of the parent company.
- Oversight: Registration with the Superintendencia de Compañías, Valores y Seguros required.
- Transfer of Shares: Not applicable.
- Other Important Aspects: Separate capital allocation and accounting required for Ecuadorian operations.

3. General Incentives

Foreign companies doing business in Ecuador or deriving income from Ecuadorian sources need to be aware of the country's international taxation rules and compliance requirements. Here are some key points:

- Corporate Income Tax: Non-resident companies are subject to income tax on Ecuadorian-sourced income. The current rate may vary, and it is essential to verify the applicable rate with local tax authorities or advisors.
- Withholding Tax: Payments made to foreign entities from sources within Ecuador are subject to withholding tax at varying rates, depending on the nature of the payment and the existence of any applicable double taxation treaties.
- Indirect Taxes: Value-added tax (VAT) may apply to goods and services provided within Ecuador. Foreign companies should assess their VAT obligations and registration requirements.
- Transfer Pricing: Transactions between related parties must comply with transfer pricing regulations, ensuring that they are conducted at arm's length.
- Permanent Establishment: Foreign entities should be cautious of activities that may create a permanent establishment in Ecuador, as this could trigger additional tax liabilities and reporting obligations.
- Tax Treaties: Ecuador has entered double taxation treaties with several countries. These treaties may provide relief from double taxation and should be considered when structuring cross-border transactions.
- Reporting Requirements: Non-resident entities may have reporting obligations, including the filing of tax returns for income sourced in Ecuador.
- Beneficial Owner: Entities, with no exception, must reveal and disclose the complete corporate composition and designate an individual as beneficial owner.
- Customs Duties: Importation of goods may be subject to customs duties and import taxes. Proper classification and valuation of goods are crucial for compliance.
  Ecuador has signed Foreign Trade Agreemens with several countries establishing some preferential duties.
- Remittance Tax: A tax on currency leaving the country (5% rate) may apply to certain transactions, although exemptions may exist for specific cases or under international agreements.

Tax Regime

1. General Overview

1.1. Corporate Income Tax Rate: 25% - 28%

1.2. Capital Gains Tax Rate: 10%

1.3. Branch Tax Rate: 25% - 28%

1.4. Withholding Tax Rate:

- Dividends: 10% (non residents), 12% (local tax resident) or 14% (tax haven resident and ultimate beneficial owner is tax resident)
- Interests: 0% to 25%
- Royalties: 25% to 37%
- Technical Services: 25% to 37%
- Other fees and compensation for services rendered abroad: 25% to 37%
- Branch remittance tax: 10% (profits as dividends)

Please note 37% applies for cross border payments to tax haven jurisdictions (except for interest payments).

1.5. Net Operation Losses (years): Companies, individuals required to keep accounting records, and undivided estates that are obligated to maintain accounting records can offset losses incurred in a tax year against taxable profits earned within the following five tax periods, provided that the offset does not exceed 25% of the profits obtained in each period. For this purpose, profits or losses are understood as the differences resulting between taxable income that is not exempt, minus deductible costs and expenses.

2. Tax on rent and corporate income

2.1. Corporate Income Tax

2.1.1. Determination of the net taxable income (trading income)

In Ecuador, the net taxable income for corporate income tax purposes is determined based on the company's trading income. This encompasses all revenues derived from the company's ordinary business activities, after adjusting for allowable deductions, exemptions, and any specific adjustments as mandated by Ecuadorian tax law.

- General: The determination of net taxable income for corporate income tax purposes is based on a company's global income, adhering to the worldwide income principle. This encompasses all revenue streams, including sales, services, royalties, and interest, irrespective of where the income was generated. To be eligible for deductions, expenses must be directly related to the income-producing activities of the business and must be thoroughly documented and justified with appropriate records such as invoices, receipts, and contracts. It is important to note that the tax system disallows deductions for certain types of expenses, including those that are personal in nature, fines, penalties, and costs associated with tax-exempt income.
- Monetary correction: Ecuador does not currently apply a system of monetary correction for tax purposes. This means that inflationary adjustments to the financial statements are not recognized for the calculation of taxable income.
- Depreciation: General Rule: Fixed assets used in the business can be depreciated over their useful life, providing a deduction against taxable income. The rates and methods of depreciation are specified by tax regulations.
- R&D incentives: Ecuador offers incentives for research and development (R&D) activities aimed at fostering innovation and technological advancement. These incentives may include tax credits or deductions for expenditures on qualifying R&D projects. Companies engaging in R&D activities should carefully document their expenditures to qualify for these incentives. It is possible to apply for a potential 10%, 8% or 6% reduction in the corporate income tax rate.
- Relief for losses: Businesses can carry forward tax net operating losses for up to five years to offset against future taxable income. The offset is limited to 25% of the taxable profits in any given year.

2.1.2. Rates of corporate tax

Corporate Income Tax rate is 25%, although, it can be increased in 3 percentage points (28%) when the following occurs:

- The company's shareholder structure is not disclosed.
- In the corporate structure to the tax authority there is a resident beneficial owner, established or protected in a tax haven, and the beneficial owner is a tax resident in Ecuador.

2.1.3. Dividends

Dividends distributed by Ecuadorian companies to both resident and non-resident shareholders are generally subject to income tax. The effective tax rate is 10%, 12% or 14% and conditions can vary depending on depending on who receives the dividend and their tax residence status. Dividends paid to Ecuadorian tax residents are subject to a 12% rate, while dividends paid directly to non-residents are taxed at a 10% rate. However, if the recipient is a non-resident but the final beneficial owner of the dividend is an Ecuadorian tax resident, the withholding increases to 12%. The highest rate, 14%, applies in more complex ownership structures where a tax haven resident appears at any level of the ownership chain, and the effective beneficiary is an Ecuadorian resident.
For non-resident shareholders, dividends are typically subject to withholding tax at the source in Ecuador. However, if a double taxation treaty is in place between Ecuador and the recipient's country of residence, the treaty may provide for a reduced withholding tax rate.

2.1.4. Mining tax / specific taxes per industry (list)

Mining supervision and control fees are applicable. These fees, calculated as a percentage of basic wage per mining hectare, vary by mining regime and project phase, with a fixed fee for commercialization licenses.
The mining industry in Ecuador is subject to several taxes, including:

- Royalties: Mining companies must pay royalties based on a percentage of the sales value of the minerals extracted. The rate can vary depending on the type of mineral and the volume of production.
- Environmental Taxes: Companies may be subject to taxes aimed at environmental conservation and to cover the costs of mitigating environmental impacts.

2.1.5. Specific Taxes per Industry

- Oil & Gas: The oil and gas sector is subject to a variety of taxes, including royalties, profit-sharing with the state, and environmental taxes. The specific rates and conditions are often determined by the contracts between the state and the oil companies.
- Telecommunications: Telecommunication companies may be subject to a special contribution for the regulation and control of telecommunications.
- Banana Industry: There is a specific tax on the export of bananas, which is calculated per metric ton.
- Financial Sector: Banks and financial institutions are subject to a special tax based on their total assets (cash or investments) kept abroad.
- Alcoholic Beverages and Tobacco: These products are subject to excise taxes, which are levied on the production and importation of these goods.

2.1.6. Capital gains (direct and indirect)

Capital gains derived from direct or indirect transfers of shares of Ecuadorian entities are subject to 10% flat-rate income tax. Indirect transfers are taxable if both of the following conditions are met:

- At any time during the tax year in which the transfer is performed, the real value of the shares of the Ecuadorian entity or permanent establishment represents directly or indirectly 20% or more of the real value of the nonresident company's shares.
- In the same fiscal year or 12 months before the transaction, the transfer of shares of the nonresident company by the same seller directly or indirectly corresponds to an aggregate amount exceeding 300 basic fractions of income tax for individuals (USD$ 3,660,00.00 for the 2026 fiscal year). This amount is increased to 1,000 basic fractions of income tax for individuals(USD$ 12,081,000 for the 202 fiscal year) if the transaction does not exceed the 10% of the total share capital.

2.1.7 Advance payment on retained earnings

Starting in 2025, retained earnings from prior fiscal years that are neither distributed nor capitalized by July 31 of each year are subject to an advance payment of Income Tax. This advance is calculated using a progressive tax table issued by the Tax Administration, with rates ranging from 0% to 2.5% applied to such retained earnings, as detailed below.

Bracket	From	To	Rate
1	-	USD 100,000.00	0.00%
2	USD 100,000.01	USD 1,000,000.00	0.75%
3	USD 1,000,000.01	USD 10,000,000.00	1.25%
4	USD 10,000,000.01	USD 100,000,000.00	1.75%
5	USD 100,000,000.01	USD 500,000,000.00	2.25%
6	USD 500,000,000.01	And above	2.50%

Any amount paid as part of this advance may later be credited against: (i) withholding taxes applied to dividend distributions, provided that the earnings are distributed within the following two (2) years; or (ii) the company's Income Tax when the earnings are distributed or capitalized within the same period.
In the case of capitalization of earnings, the credit may be applied only if capitalization is allocated to one of the following specific purposes: the acquisition of productive assets, the acquisition of inventories, or the generation of employment.

Any remaining unused balance of the tax credit may be refunded starting from the deadline for filing the tax return for the fiscal year in which the dividend distribution or capitalization took place.
In the specific case of holding companies, a refund may be requested starting on the first day of the month following the distribution and up to three (3) years thereafter.
If the company does not distribute or capitalize the earnings within the two (2) fiscal years following the payment of the advance, any unused credit balance is forfeited and must be recorded as a non deductible expense.

The payment of this advance is made during the month of August each year. The payment may be deferred into up to three (3) monthly installments payable in August, September, and October of each year.

3. International Tax

3.1. Foreign tax relief

Ecuador provides foreign tax relief to avoid double taxation on income that residents earn abroad. This relief typically comes in the form of a tax credit, where the income tax paid in a foreign country can be credited against the Ecuadorian tax liability on the same income. The amount of credit is usually limited to the amount of Ecuadorian tax payable on the foreign income. Taxpayers should verify the existence of any tax treaties that might provide additional relief.

3.2. Foreign-exchange controls

Ecuador does not currently have stringent foreign-exchange controls, as it uses the US dollar as its official currency. This dollarization facilitates free movement of capital in and out of the country. However, certain reporting requirements may exist for significant transactions, and a remittance tax (5%) is imposed on certain remittances to abroad.

3.3. Transfer pricing

Transfer pricing rules in Ecuador require that transactions between related parties, both domestic and international, be conducted at arm's length. This means that the prices charged in intercompany transactions should be consistent with prices charged between independent entities under similar circumstances. Companies must maintain documentation to support their transfer pricing policies and may be required to file an annual transfer pricing report after exceeding USD$ 10 million in transactions.

3.4. Debt-to-equity rules

In Ecuador, the tax legislation limits the amount of interest that can be deducted between related parties by considering the company's EBITDA. The rules typically specify that the deductible interest cannot exceed a certain percentage of the company's EBITDA for the fiscal year. This is to ensure that the interest deductions are in line with the company's operational earnings capacity and to limit the ability to erode the tax base through interest payments.



The specific percentage and how it is applied can vary and may be subject to change with new tax laws or amendments. As of the latest information available, the interest deduction was limited to an amount not exceeding 20% of the company's EBITDA. It's important for companies to verify the current regulations and calculate their allowable interest deductions accordingly.

3.5. Controlled foreign corporations

Ecuador's tax law includes CFC rules aimed at preventing tax avoidance using foreign entities controlled by Ecuadorian residents. Under these rules, passive income earned by a controlled foreign corporation may be attributed to the Ecuadorian resident and subject to tax in Ecuador, regardless of whether the income is distributed.

3.6. Preferential tax jurisdictions

Ecuador has provisions to counteract the effects of transactions with entities located in preferential tax jurisdictions, commonly known as tax havens. Transactions with entities in these jurisdictions are subject to increased scrutiny and may face adverse tax consequences, such as non-deductibility of expenses and increased withholding tax rates.

Ecuador has implemented a rule regarding preferential tax jurisdictions that focuses on the effective tax rate applied in those jurisdictions. The rule is designed to discourage transactions with entities located in jurisdictions where the effective tax rate is significantly lower than in Ecuador.

The specific rule states that a jurisdiction is considered to be a preferential tax jurisdiction (or tax haven) if it imposes an effective income tax rate that is less than 60% of the effective rate that would be charged in Ecuador. This means that if the corporate income tax rate in Ecuador is 25%, a foreign jurisdiction with an effective tax rate lower than 15% (which is 60% of 25%) could be classified as a preferential tax jurisdiction.

4. Value Added Tax

In Ecuador, the Value Added Tax (VAT) is a crucial component of the tax system, applied to the value added at each stage in the production and distribution of goods and services. Currently, by law, the standard VAT rate stands at 13%, applicable to most transactions involving goods and services within the country. Businesses engaged in providing taxable goods or services are required to register for VAT, issue VAT invoices, file periodic VAT returns, and remit the collected VAT to the tax authorities. Certain goods and services, such as basic foodstuffs, education, and healthcare, may be exempt from VAT or subject to a zero rate, particularly in the case of exports where VAT is charged at 0% but allows for the recovery of input VAT.

However, since 2024, the Ecuadorian government decreed an increase in the VAT rate to 15%, which is still applicable for the 2026 fiscal year. This adjustment necessitates businesses to adapt by revising their pricing strategies, updating accounting and billing systems to accommodate the new rate, and managing cash flow implications due to the collection and remittance of a higher VAT amount. Clear communication with customers about the VAT rate change will be essential to maintain transparency and manage expectations during this period.

The Value Added Tax (VAT) credit system is a key component of the VAT framework that allows businesses to offset the VAT they have paid on their eligible purchases and operational expenses against the VAT they have collected from their sales. This mechanism prevents double taxation and ensures that the tax is ultimately borne by the end consumer.

When a VAT-registered business makes purchases of goods or services necessary for its commercial activities, it pays VAT on these purchases, known as input VAT. Conversely, when the business sells goods or services, it collects VAT from its customers, known as output VAT. The VAT tax credit allows the business to subtract the input VAT from the output VAT. If the VAT collected on sales exceeds the VAT paid on purchases, the business must remit the difference to the tax authorities. If the VAT paid on purchases is greater than the VAT collected on sales, the business may have a credit balance, which can be used to offset future VAT payments or, in some cases, request a refund.

5. Other

5.1. Green taxes

Ecuador has implemented environmental or "green" taxes aimed at promoting sustainable practices and reducing environmental impact. These taxes may include levies on plastic bags, emissions, and pollutants, as well as incentives for eco-friendly initiatives and technologies.

5.1.1. Tax for plastic bags

- Triggering event: transfer of plastic bags
- Rate: USD$ 0.08 per plastic bag.

5.1.2. Tax on plastic bottles

- Triggering event: bottling beverages in non-returnable plastic bottles.
- Rate: USD$ 0.02 per bottle

Motor Vehicle Contribution

- Triggering event: Ownership of an internal combustion vehicle.
- Rate: 1% of the value of the vehicle registration.

5.2. Customs duties

Customs duties are taxes imposed on goods imported into Ecuador. The rates of customs duties can vary depending on the type of goods and their country of origin. Ecuador may apply preferential rates for goods imported from countries with which it has trade agreements. Additionally, certain goods may be subject to additional import taxes or tariffs.

5.3. Investment and saving incentives

Investments may apply for a 3% points reduction in the corporate income tax or even a 5% reduction subject to an Investment Agreement with the Ecuadorian Government.
In case of applying for an Investment Agreement, there is a limit in the application of incentives subject to the tax expenditure limit in each fiscal year.

Each investor may access up to 10% of the cap, subject to a weighted evaluation based on criteria such as job creation, company size, use of clean technology, environmental certifications, and gender-equality commitments. As a result, the effective incentive may be lower depending on the project's characteristics and financial projections. For 2025, the maximum amount to be received in incentives for each Investment Agreement is USD $10.4 million until the coming Presidential Possession. From that point forward, the maximum amount shall be increased to USD $14.7 million.

5.4. Other taxes

Ecuador imposes several other taxes, which may include municipal taxes, property taxes, and vehicle taxes. These taxes are typically administered at the local level and can vary by jurisdiction. Businesses and individuals should be aware of the local tax obligations in the areas where they operate or reside.

5.5. GAAR

The General Anti-Avoidance Rule (GAAR) is a principle in tax law designed to prevent tax avoidance strategies that, while legal, are considered abusive or contrary to the intent of the tax laws. Ecuador's tax authorities may invoke GAAR to challenge and disallow transactions or arrangements that are deemed to have been implemented primarily for the purpose of obtaining a tax advantage without a substantial economic or commercial justification.



Labor Regime

1. Labor Law

1.1. Classification of employment contracts based on their duration nature

- Permanent contracts: In Ecuador most employment contracts must be signed on a permanent basis (there are no fixed-time contracts) with a 90-days probation period to be used to verify employees' performance to accomplish with the position assigned and determine their continuity in the company as well. If a termination occurs within the 90-days period, no severance payments shall be performed. Permanent contracts must be registered in the Ministry of Labor portal during the first 30 days from the employment date.
- Youth contract: This type of contract is created to employ young people aged from 18 to 29 years.
- Productive contract: This type of contract is used in the Productive Sector, which can be continuous or discontinuous. The contract will be signed for a maximum term of one year and can be renewed twice for the same term. It cannot exceed 3 years in total. This type of contract must be registered in the Ministry of Labor during the first 15 days from employment date.
- Emergency contract: An individual employment contract for a defined time that can be used for the sustainability of production and revenues in an emergency or for new investments or business, modification of business or in the case of needs of greater demand for production or services. The termination of the contract before the expiration of the term by the employer will trigger severance payments. The contract shall be entered into for a maximum term of one year and may be renewed for an additional one-year period. Upon completion of the second year, it shall convert into a permanent contract.
- There are other types of contracts that could be used, however they usually refer to a specific labor with a start and end date.

1.2. Working hours and breaks

The maximum working hours are eight per day and these must not exceed 40 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.

1.2.1 Distribution of the Efficient Working Schedule for Development

The efficient working schedule enables the distribution of the 40-hour workweek across up to five days, with daily shifts not exceeding 10 hours, under on-site, remote, or hybrid modalities. Its implementation is voluntary, requires mutual agreement between the parties, provides for statutory overtime premiums, and must be duly registered with the Ministry of Labour.

1.2.2 Supplementary hours: Up to 4 hours per day and a maximum of 12 hours per week. If these hours take place during the day up to midnight, a 50% surcharge must be applied to the normal hourly rate. From midnight to 6 a.m., the surcharge increases to 100%. Calculation base: Daytime hourly wage.

1.2.3 Extraordinary hours: Hours worked on weekends or holidays are subject to a 100% surcharge.

1.3. Law on remote work, teleworking and international labor

The parties may agree, at the beginning or during the labor relationship, the teleworking mode in the employment contract, such as: self-employed, mobile, part-time or occasional. For new contracts, it is mandatory to register the contract on the Ministry of Labor portal during the first 30 days from the employment date. For current contracts, the registration must not exceed 15 days from its modification.

The amounts paid to the worker for services associated with Teleworking (telephone or Internet) shall be considered as work tools and shall not be part of the employee´s salary or wage. Employees who work on teleworking mode will have all individual and collective rights, as well as social benefits.

1.4. Principles governing employment

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) as well as any other compensation associated to the industry or service. For the year 2026, the monthly minimum wage is USD 482.

Labor benefits that are exempt from income tax and social security contribution purposes, are detailed as follows:

- Thirteenth and Fourteenth Remunerations: Employees are entitled to receive the thirteenth remuneration equivalent to the 12th portion of the annual remuneration, payable on a monthly basis or one-time payment up to December 24th. The fourteenth remuneration is equivalent to one basic salary, it is payable on a monthly basis or one-time payment up to March 15th for Coast Region or up to August 15th for Andean and Amazonian Regions. Payment methods will depend on employee's choice.
- Reserve Funds: From the beginning of the second year of employment, employees are entitled to receive 8.33% of their remuneration on a monthly basis. This amount could be paid to the employee or directly to the Ecuadorian Social Security Institute every month, depending on the employee's choice. If the benefit is accrued through the Ecuadorian Social Security Institution, employees shall be allowed to request this payment in three years.
- Vacations: Employees are entitled to an annual uninterrupted period of 15 days of rest, including non-working days, as of the first year of employment. Employees who have worked for more than five years in the same company, will have the right to one additional day of vacation for each year up to 30 days. These exceeding additional 15 days can be received in cash as an employer decision.
- Maternity Leave: Every working woman is entitled to eighty-four (84) days or 12 weeks of paid leave due to the birth of her child. In the case of multiple births, the period is extended for ten additional days. Absence from work must be justified by presenting a medical certificate duly validated by the Ecuadorian Social Security Institute.
- Profit Sharing: Employees are entitled to participate in the profits of the employer for every fiscal year (from January 1st to December 31st). The percentage is equivalent to 15% of the company's profit: 10% will be split for the employees and the 5% will be delivered directly to the employees in proportion to their family dependents. Regarding workers linked to the linked to the hydrocarbon sector activity, they will receive 3% of the profit sharing and the remaining 12% will be paid to the State and to the Autonomous Decentralized Governments, which will allocate it to social investment projects and territorial development in the areas where mining activities are carried out. Profit sharing must be paid until From April 1st to 15th of every year and shall be subject to Income Tax.

1.5. Expiration or termination of the employment relationship

In general terms, the labor relationship may end by mutual agreement, untimely dismissal or by justified termination. In case of mutual agreement the employee will be entitled to receive a compensation bonus for eviction, equivalent to 25% of the last monthly income received in payroll (includes salary, commissions, overtime among others) for the years worked.

In addition, employees terminated under untimely dismissal shall receive a severance compensation corresponding to one month of remuneration for every worked year (not only entire years). In cases where the individual had worked less than three years, they will receive at least three months of remuneration. The remuneration to be applied to calculate this compensation will be the last one received, provided it is the most beneficial to the employee. Thus, preference will be always given to the most recent and best remuneration between the one received in the previous month and the month in which the dismissal occurs. Moreover, 25% eviction bonus must be paid based on the same condition stated for severance compensation.

1.6. Workers rights and protection

The Constitution mandates that the State guarantees workers full respect for their dignity, a decent life, fair remuneration and compensation, and the performance of healthy work that is freely chosen or accepted. Equal opportunities at work are a fundamental principle.

Any form of precarious employment relationship is prohibited, including the elimination of outsourcing and labor intermediation in activities that are part of the company's core business.

1.6.1 Employer's obligation to provide 40 hours of annual training to employees

Employers are required to implement training programs with a minimum duration of 40 hours per year for all employees, focusing on labor rights, gender equality, non-discrimination, and the principle of equal pay for work of equal value.

1.7. Labor unions

- Incorporation requirements and mode of operation: Employees, without any distinction or need for prior authorization, have the right to form professional associations or unions as they deem appropriate, to join them or to withdraw from them.

  Labor unions have legal status by virtue of their establishment in accordance with the law and their registration with the Regional Labor Directorate. The existence of a union shall be proven by the Ministry of Labor.
- Collective bargaining: Trade unions have the right to form federations, confederations, or any other trade union groupings, as well as to join or withdraw from them or from international organizations of workers or employers.

2. Considerations for foreign workers

2.1. Legal considerations regarding foreigner workers

Foreign workers engaged in a labor relationship must receive all labor benefits similar than the national ones. Foreigners must be also enrolled in the mandatory Social Security regime, even if they do not have an Ecuadorian ID. They must instead request an affiliation code from Social Security entity to be affiliated from the first day of work. The hiring process is the same as for local workers, but a legal immigration status shall be also required.

Employers are required to keep a record of each foreign worker and register the labor contract in the Ministry of Labor system. Compliance with this requirement will be verified by the Ministry of Labor through the Regional Offices of Labor.

The authorities will impose penalties to any company, whether legal or natural persons, in the event of non-affiliation of the foreign worker to the mandatory Social Security, as well as for non-payment of at least one Unified Basic Salary.

2.2. Immigration regulations

Foreign nationals must obtain the appropriate visas in order to carry out any work activity in Ecuador. Temporary residence visas are valid for two years and may be renewed multiple times, at the discretion of the Ministry of Foreign Affairs. The visa application is submitted through the platform of the Ministry of Foreign Affairs of Ecuador.

Depending on the conditions of the assignment, foreign nationals may apply for a temporary residence visa under an employment contract, legal representation, the Mercosur Agreement, among others. After 21 months, they will be eligible to apply for a permanent residence visa, in accordance with the guidelines established in the Organic Law on Human Mobility.

It should be noted that all foreign nationals who hold temporary or permanent residence may obtain an Ecuadorian ID, once the corresponding visa has been granted.

It is important to mention that the Business Visa will be issued for 180 days only and is not renewable, this type of visa is not applicable to obtain an ecuadorian ID.

Nationals of 44 countries, for example China, India and Venezuela, among others, cannot enter Ecuador without a visa (including tourism).

It is important to note that once the visa application has been submitted, in accordance with the Human Mobility Law, the immigration authorities have 60 business days to issue a decision on the process.

3. Taxes levied on wages

Ecuadorians and foreigners being residents in Ecuador are subject to tax on their worldwide income. Nonresidents are subject to tax on Ecuadorian-source income only, regardless of where it is paid. In both cases Income Tax is calculated based on the tax progressive rates from 0% to 37% (see the rates on the chart at the end of the text).

Ecuadorians and foreign residents who receive income from business activities or professional, commercial or any other services performed in Ecuador are subject to Income Tax. The mandatory tax withholding to be performed by the company is equivalent to 10%.

Taxable income includes income from services rendered under a verbal or written contract of employment, regardless of whether the income is received in cash, in services, or benefits in kind. Dividends, benefits derived from stocks options and any other kind of income received from local companies or capital gains derived from sales or shares by individual or companies are subject to a 10% withholding tax.

Tax on income from wages is withheld at source by employers. Taxpayers must file returns between March 10th and 28th, depending on the ninth digit of the individual's taxpayer identification number (see the rates on the chart at the end of the text).

Income from wages shall be also subject to the employer social contribution equivalent to 12.15%, which is calculated over the taxable income and paid directly to the Ecuadorian Social Security Institute every month.

For income tax purposes, there are some applicable deductions, such as:

- Social security contributions assumed by individuals: 9.45% equivalent to the percentage for employees under labor relationship and 17.6% for Legal Representatives and professionals, if applicable.
- Personal expenses: individuals are entitled to a discount on their income tax triggered due to their personal expenses according to the following rule: an individual may apply a 18% discount over the income tax triggered based on the number of the family dependents and measured with basic basket (USD 821.80).
  To apply the deduction, individuals must have local receipts of expenses related to health, education, housing, clothing, food, domestic tourism and pets.

Number of family dependents	Number of BBU	Maximum amount for Personal Expenses (USD)	Maximum discount (USD)
0	7	5,752.60	1,035.47
1	9	7,396.20	1,331.32
2	11	9,039.80	1,627.16
3	14	11,505.20	2,070.94
4	17	13,970.60	2,514.71
5 or more	20	16,436.00	2,958.48
Catastrophic illnesses	100	82,180.00	14,792.40

- Third age deduction: individuals who are 65 or older can deduct one basic amount of USD 12,208 for income tax purposes.
- Disability deduction. individuals can claim a deduction corresponding to their percentage of disability (from 30% to 100% disability).

Basic portion (USD)	Excess portion (USD)	Basic portion Tax (USD)	Tax on Excess (%)
-	12,208	-	0%
12,208	15,549	-	5%
15,549	20,188	167	10%
20,188	26,700	631	12%
26,700	35,136	1,412	15%
35,136	46,575	2,678	20%
46,575	62,005	4,965	25%
62,005	82,679	8,823	30%
82,679	109,956	15,025	35%
109,956	And above	24,572	37%

Financial Reporting

1. Classification of companies

Ecuador uses the criteria from The Andean Community (Comunidad Andina, CAN) to establish the classification of companies, which are based on: total gross sales, total assets and number of workers. This classification is distributed as follows: microenterprises, Small and Medium-sized Enterprises (SMEs) and large companies.

2. Regulatory bodies:

- Superintendency of Companies Exchanges and Insurance: A body in charge of the regulation and control of companies operating in the country, supervising a wide range of companies. Among which are: Public Limited Company (Inc.), Limited Liability Companies (LLC.), Associative companies such as consortiums and temporary unions, Companies in specific sectors such as insurance, securities (stock exchange), and other non-banking financial entities and Branches of foreign companies operating in Ecuador.
  In Ecuador, companies that meet the following criteria are required to carry out an external audit:
  - Companies with assets above USD$100,000. It applies to national mixed economy companies, corporations with the participation of public or private entities with social or public purposes, branches of foreign companies and associations between them and national companies operating in the country;
  - Companies with assets above USD$500,000. It applies to national corporations, limited by shares and limited liability companies;
  - Companies that must present consolidated balance sheets and public-interest companies defined in the applicable regulations.
    The rotation of external auditor in Ecuador is required every five years except for public interest companies, among which are mainly: Companies registered in the Public Registry of securities, insurance companies, risk rating agencies, external auditors, vehicle companies, among others whose rotation is every three years.
- Superintendency of Banks: Entity in charge of the regulation, control and supervision of the country's financial system.
- Superintendency of Enconomy Popular and Solidary: Body in charge of the regulation, control, supervision and promotion of organizations in the popular economy sector, as well as the popular and solidarity financial sector. The companies under its control include Cooperatives, Associations, Mutual Societies, Savings Banks, Communal Banks and Cooperative Insurance.

3. Accounting Regulations:

By means of resolution No. 08.G.DSC issued in 2008, Superintendency of Companies Exchanges and Insurance established that in 2009 the transition process to International Financial Reporting Standards (IFRS) will be carried out in a phased manner for the different types of entities subject to its control and regulation.
Larger companies, including those listed on the stock exchange, were early adopters of IFRS, while for small and medium-sized enterprises (SMEs) a simplified accounting framework known as IFRS for SMEs was established.

4. Listed entities:

Companies listed on the stock exchange are registered in the Public Registry of the Stock Market and in their respective stock exchange to which they report.
Companies are required to submit financial statements signed by the accountant and legal representative once every six months. In addition, audited annual financial statements prepared in accordance with IFRS, the latest filing date is 120 days after December 31 of each year.
Entities listed on the stock exchange are classified as public interest companies, in accordance with the regulations of the Superintendency of Companies Exchanges and Insurance. Accordingly, these companies are required to adhere to certain specific regulations, including the restriction of not employing the services of the same external audit firm for the review of their financial statements for more than three consecutive years.

5. Regulated entities:

Entities under the control of the Superintendency of Banks of Ecuador prepare their Financial Statements in accordance with accounting standards established by the Financial Policy and Regulation Board and the Superintendency of Banks of Ecuador. Entities under this scheme present daily and monthly financial statements. In addition, entities submit audited annual financial statements

Insurance companies, reinsurance companies, insurance adjusters and insurance producing advisors are regulated by the Superintendency of Companies Exchanges and Insurance and submit their financial information according to IFRS with external auditor rotation every three years.

6. Special cases

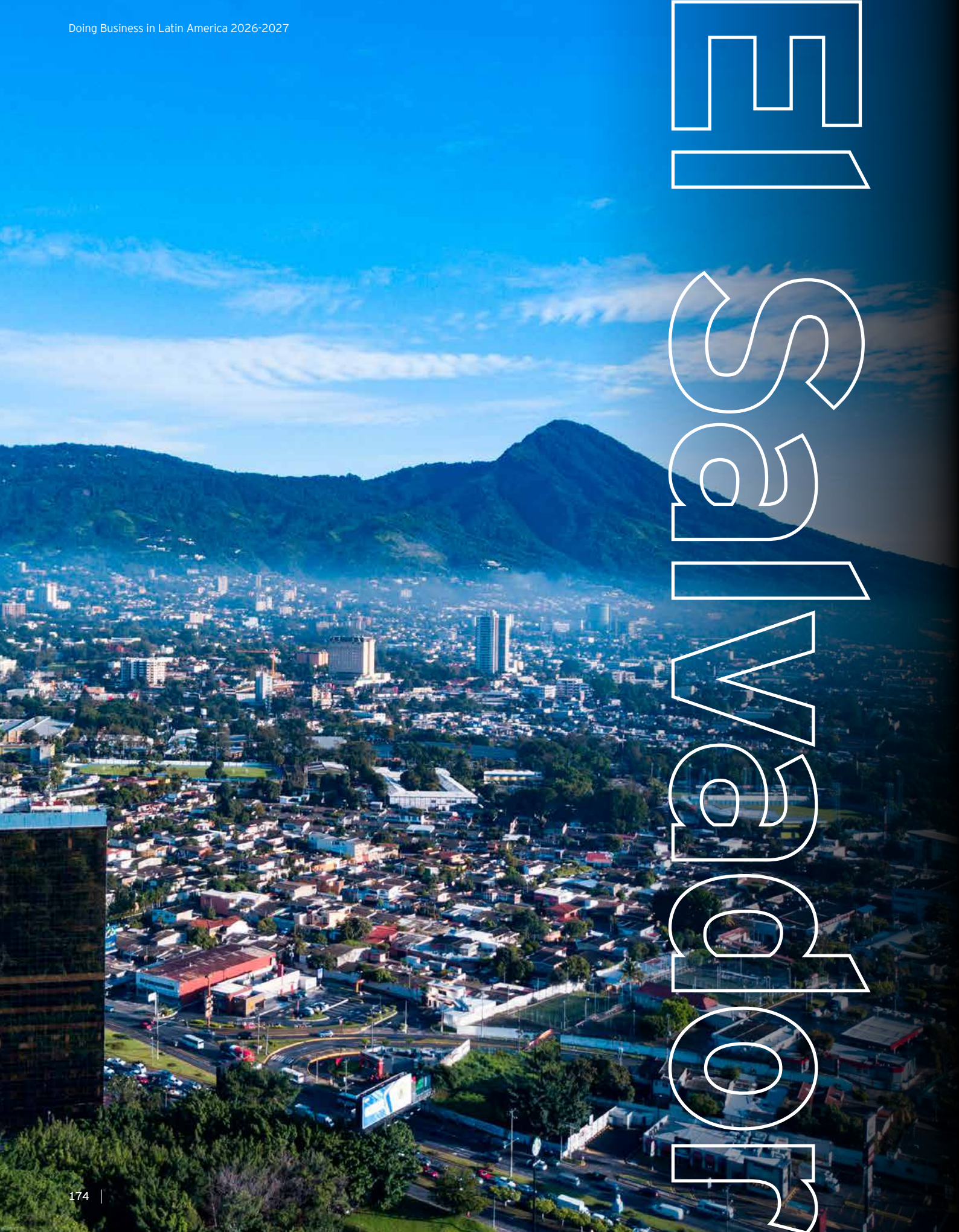
The entities regulated by the Superintendendency of Enconomy Popular and Solidary present their financial statements in accordance with the accounting standards established by the Superintendendency of Enconomy Popular and Solidary and regulations established by the Junta de Política y Regulación Monetaria y Financiera.

7. Other country-specific aspects

Tax Compliance Report (TCR): It must be submitted by companies required to carry out a financial audit; therefore, the Tax Administration will define the scope of the review to be carried out by the auditor and the content of the corresponding reports. The latest filing date is until July 31 of each year, according to the ninth digit of the local TAX ID (RUC).



Panama



Message from EY El Salvador Country Managing Partner

El Salvador is at a turning point that has reshaped how the country is perceived and assessed by investors and businesses at both regional and global levels. In a short period of time, the operating environment has undergone significant changes that are redefining the conditions for doing business and planning long-term operations.

Today, El Salvador is a country that attracts attention and generates discussion in the markets, not only because of the reforms adopted, but also due to the speed of their implementation and their impact on the day-to-day functioning of the economy. This new context has created opportunities for different sectors to reassess the country from a perspective distinct from the past.

The Salvadoran economy presents distinctive features that give it a unique profile in the region: a fully dollarized market, greater operational predictability, and a growing capacity to execute productive, logistics, and service projects. These conditions allow both local and foreign companies to reconsider the country as a viable platform to develop, reorganize, or scale operations.

At the same time, El Salvador faces the challenge of consolidating these changes and translating them into sustained growth, stronger economic institutions, and the attraction of high-quality investment. In this process, understanding the regulatory, fiscal, labor, and financial framework is key to informed and responsible decision-making.

We invite you to rediscover El Salvador from an informed and up-to-date perspective, understanding the context that is reshaping its business environment and the opportunities emerging from this new phase.



René Arce

Country Managing Partner
EY El Salvador

Overview

El Salvador is located in Central America along the Pacific coast, bordered by Guatemala and Honduras. San Salvador is the capital and main economic center, followed by Santa Ana, known for its commercial activity, and San Miguel, a key regional hub. The population reflects a strong cultural identity shaped by Indigenous and Spanish influences, expressed through traditions, gastronomy, and festivals.

The economy is supported by services, manufacturing (textiles and light industry), trade, and a growing logistics sector, with remittances playing an important role in domestic demand. Full dollarization provides monetary stability and operational predictability, supporting business activity.



Population
6,383,000 (2025)[1]
Urban[2]: 75.1% (2024)
Rural[2]: 24.9% (2024)



Main language
Spanish.
Other languages: Nawat (Pipil).



Extension[3]
20,720 km^2



System of government[4]
Presidential Republic
President: Nayib Bukele
Next elections: 2029



Climate[3]
El Salvador has a tropical climate with warm temperatures throughout the year. Coastal areas are generally hot and humid, while higher elevations enjoy milder temperatures. The country has two distinct seasons: a rainy season from May to October and a dry season from November to April.



International Time[5]
GMT-6



Currency[6]
US Dollar



GDP current prices[1]
USD $37.3 billion (2025)



GDP per capita (PPP)[1]
USD $14,067.0 (2025)



Key sectors[7]
El Salvador's economy is diversified across several sectors, including agriculture (notably coffee, sugar, and basic grains), manufacturing (textiles, apparel, and food processing), and services, particularly commerce and tourism. The country has also developed a significant export-oriented maquila industry, supported by trade integration and proximity to major markets.

Why invest in El Salvador?

Highly open economy:

Access to a market of over 50 million consumers in Central America and the Dominican Republic, expanding to more than 380 million when including the United States, positioning CAFTA DR as a key platform for regional integration and export growth[9].

Dollarized economy, a territorial tax system, and legal protections that grant foreign investors equal treatment with local entities[8].

Significant improvements in public security,

positioning the country among the safest in Latin America and strengthening business confidence[8].

Full or partial exemptions on income tax, import duties, and municipal taxes under multiple investment promotion laws across sectors[8].

The country combines a young workforce, improving security conditions, pro investment regimes and cost competitive operations, making it an attractive base for regional growth and long term investment[8].

Strategic location and market access:

Located at the heart of Central America, El Salvador provides efficient access to regional and international markets[8].

1. World Economic Outlook Database (April 2026), IMF.
2. DataBank, The World Bank Group.
3. Country information, DatosMundial.com.
4. Government - Politics, CountryReports.com.
5. World Time Directory, 24timezones.com.
6. Exchange Rates Database (April 2026), IMF.
7. Country information, Encyclopedia Britannica.
8. Invest in El Salvador, 2026
9. U.S. Department of Agriculture

Country's economic outlook

El Salvador has emerged as a rapidly evolving economy in Central America, supported by its dollarized framework, strategic location, and improving business environment. GDP reached USD 35.4 billion in 2024 and USD 37.3 billion in 2025, according to the IMF World Economic Outlook. Following a strong rebound of 11.9% in 2021, growth moderated to 3.0% in 2022 and 3.5% in 2023, before slowing to 2.6% in 2024 and recovering to 3.0% in 2025. The IMF projects growth of 3.2% in 2026, reflecting gradual stabilization.

The fully dollarized economy has supported very low and stable inflation, which stood at 1.2% in 2023, 0.3% in 2024, and 1.5% in 2025, with projections of 2.0% in 2026. The use of the U.S. dollar eliminates exchange rate risk and enhances price stability, reducing business costs and supporting investor confidence.

Recent improvements in public security and the operating environment have strengthened stability and facilitated business activity, contributing to a more favorable investment climate.

On the fiscal side, public debt remains elevated at 87.4% of GDP in 2024, among the highest in Central America. The IMF has highlighted the need for continued fiscal consolidation, and a program agreed in 2024 aims to address fiscal risks and support macroeconomic stability.

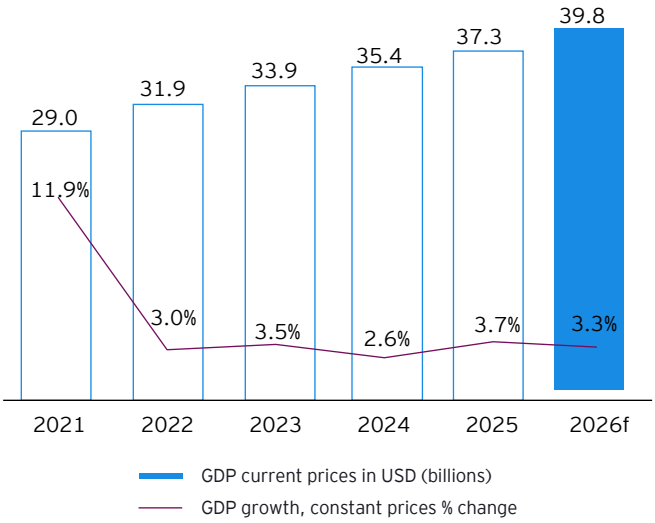
Looking ahead, the combination of monetary stability, ongoing reforms, and improving security conditions positions El Salvador as an emerging platform for investment, with potential to strengthen growth and enhance its role within regional supply chains.

Table 1

Main Indicators	El Salvador
GDP current prices USD bn. (2025)[1]	$37.3
GDP growth, constant prices % change (2025)[1]	3.7%
Gross domestic product per capita, current prices USD (PPP) (2025)[1]	$14,067.0
Inflation, year-end consumer prices (2025)[1]	0.9%
Fiscal balance (net lending (+) or net borrowing (-) of general government; % of GDP) (2025)[1]	-2.8%
Public debt (General government gross debt, % of GDP) (2025)[1]	87.2%
Current account (% of GDP) (2025)[1]	-3.9%
Investment (% of GDP) (2025)[1]	25.2%
Poverty headcount ratio at $8.30 a day (2021 PPP) (% of population) (2023)[2]	29.9%

Sources: 1. World Economic Outlook Database (April 2026), IMF; 2.The World Bank Group

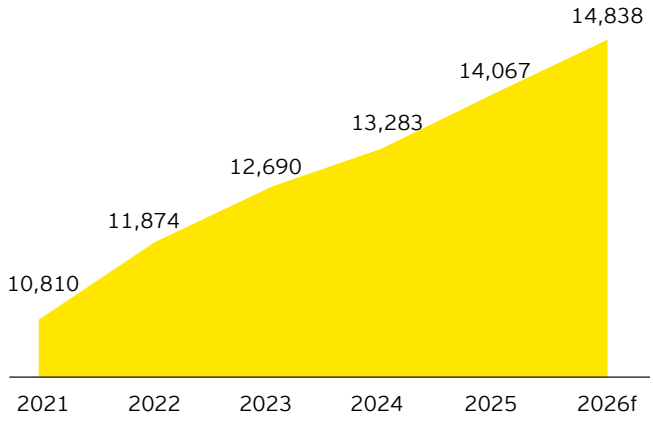
Figure 2:
Gross domestic product, levels and growth



Source: World Economic Outlook Database (April 2026), IMF.

After the strong post-pandemic recovery, El Salvador has maintained moderate but stable growth. The security transformation has been the most visible change, creating new economic opportunities in tourism and manufacturing.
Growth reached 3.7% in 2025 and for 2026, is expected to stand at 3.3%. The country's security improvements and dollarized economy provide a favorable foundation, macroeconomic imbalances are being corrected.

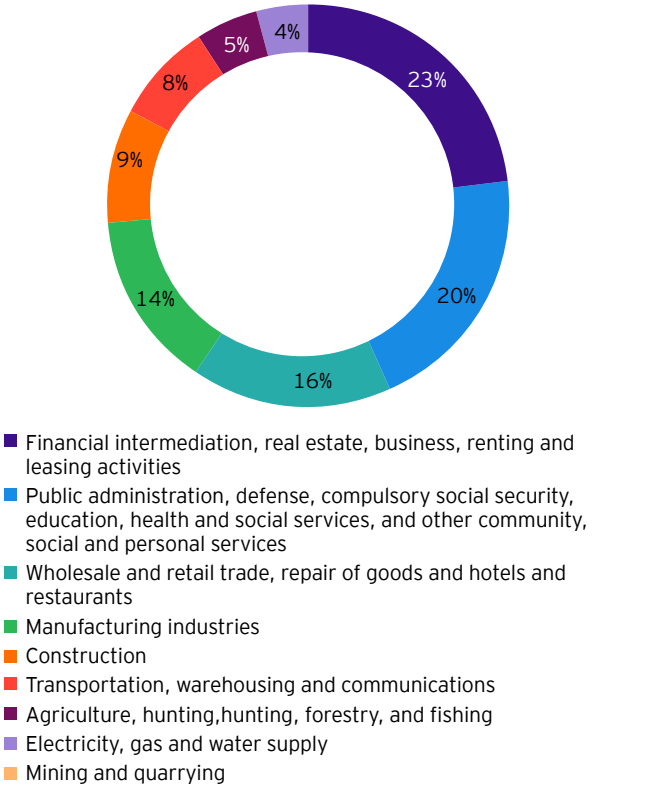
Figure 3
Gross domestic product (GDP), Per capita, (PPP) international dollar, ICP benchmarks 2017-2021



SourcesSource: World Economic Outlook Database (April 2026), IMF.

El Salvador's GDP reached USD 33.9 billion in 2023 and grew to USD 35.4 billion in 2024. GDP per capita in PPP terms reached USD 13,283 in 2024 and USD 14,067 in 2025, reflecting steady but moderate improvements in living standards. For 2026, the IMF projects USD 14,753.

Figure 4
Share of gross domestic product by economic sector in 2025 (current prices in USD)

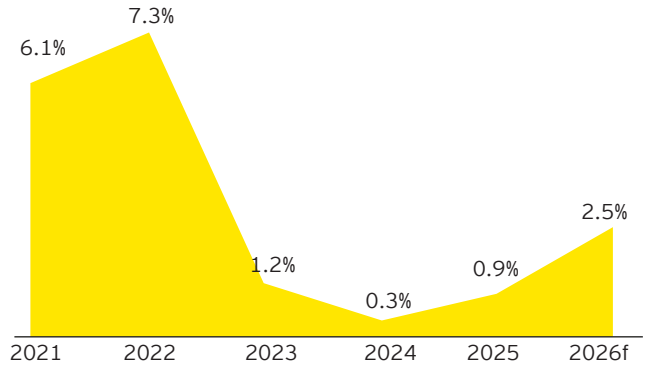


1- CEPALSTAT (April 2026), ECLAC.

The sectors that contribute most to El Salvador's GDP are financial intermediation, real estate, and business services (23%), followed by public administration, defense, healthcare, and social services (20%). Wholesale and retail trade and hotels and restaurants account for 16% and manufacturing for 14%. Construction and transportation follow in relevance.

Figure 5:

Inflation, end of period consumer prices1



Source: World Economic Outlook Database (April 2026), IMF.

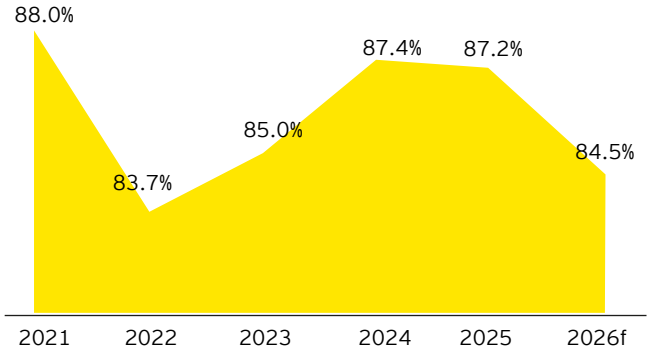
Inflation in El Salvador was just 1.2% in 2023, declined to 0.3% in 2024, and returned to 0.9% in 2025. For 2026, the IMF projects 2.5%. The dollarized economy provides inherent price stability.

El Salvador has been dollarized since 2001, with the U.S. dollar as the official currency at a 1:1 exchange rate.

The dollarized monetary framework has provided El Salvador with price stability and certainty. In 2024, Bitcoin remained legal tender alongside the dollar, though practical adoption has been limited.

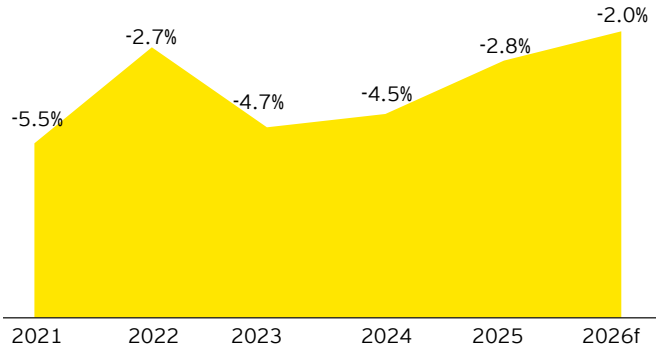
Figures 6 and 7:

Public debt (General government gross debt, % of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

Fiscal balance (net lending (+) or net borrowing (-) of general government, % of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

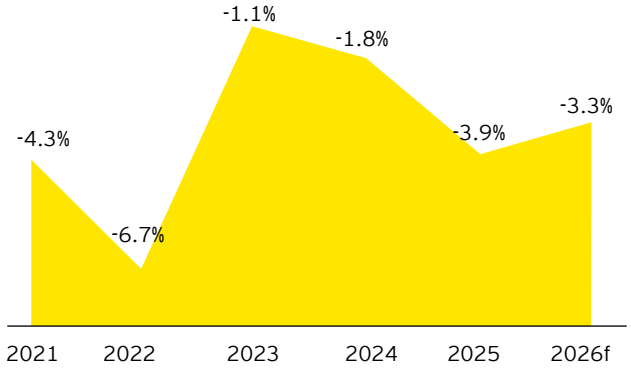
Public debt remained elevated at 87.4% in 2024 and 86.0% in 2025. However, a significant reduction is projected for 2026.

The fiscal deficit was 4.7% of GDP in 2023, narrowing to 4.5% in 2024 and 2.8% in 2025. Is expected to reach -2% in 2026.

El Salvador reached a new IMF program in 2024, supporting fiscal consolidation and structural reforms, providing external financing and policy guidance to put public debt on a sustainable path.

Figure 8:

Current account (% of GDP)

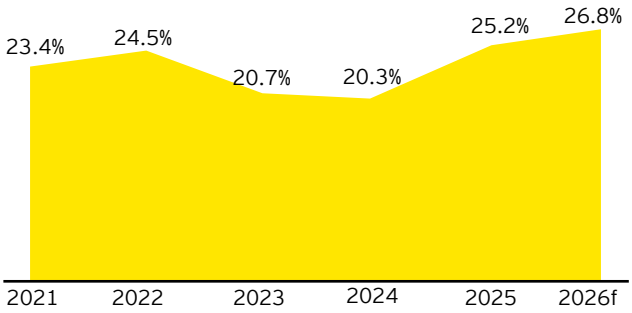


Source: World Economic Outlook Database (April 2026), IMF.

The current account deficit was 1.8% of GDP in 2024 but widened to 3.9% in 2025. For 2026, the IMF projects a deficit of 3.3%.

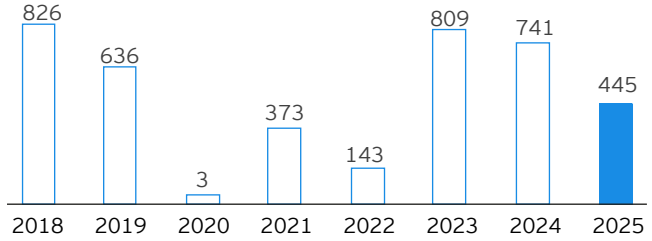
Figures 9 and 10:

Investment (% of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

FDI net inflows to El Salvador (USD millions)



Source: CEPALSTAT (April 2026), ECLAC.

FDI net inflows into El Salvador were USD 740 million in 2024, slightly below USD 810 million in 2023, according to CEPALSTAT. In 2025 net Inflows decreased to USD 445 million, mainly driven by significant profit repatriation by foreign firms.

El Salvador is an emerging economy in Central America, supported by a diversified base of manufacturing, agriculture, and a large services sector. Remittances from Salvadorans abroad play a critical role, supporting domestic consumption.

At the same time, significant improvements in public security have enhanced the business environment and quality of life, contributing to renewed investor interest and positioning El Salvador as an increasingly attractive destination for investment.

Establishing a business in the country

El Salvador has positioned itself as an attractive destination for investment and business establishment in Central America, supported by its macroeconomic stability, dollarized economy, strategic geographic location, and a legal framework designed to promote both domestic and foreign investment. In recent years, the country has implemented initiatives aimed at improving the business climate, streamlining company formation processes, and strengthening legal certainty for investors.

Establishing a business in El Salvador requires an understanding of the legal, labor, tax, and regulatory requirements that govern commercial activities. From selecting the appropriate legal entity and completing registration procedures with the relevant authorities, to complying with labor, environmental, and data protection regulations, a comprehensive view of the regulatory environment is essential for operating efficiently and sustainably.

This section provides an overview of the key legal and regulatory considerations for starting operations in El Salvador, offering investors and companies practical guidance to make informed decisions and leverage the opportunities the country offers as a platform for business development and regional expansion.

1.1 General Framework

Commercial activities in El Salvador are primarily governed by the Commercial Code, the Labor Code, environmental legislation, and investment specific laws. To operate legally, businesses must comply with commercial registration, labor obligations, and regulatory oversight applicable to their activities.

Registration with the Commercial Registry is mandatory and constitutes the legal basis for operating, contracting, and engaging in commercial transactions. Companies must formalize their articles of incorporation, submit certified financial statements and balances, and comply with relevant disclosure requirements.

1.2 Activities with Specific Regulation or Incentives

Certain activities in El Salvador are subject to additional regulation or special provisions:

1.2.1 Competition and Commercial Transparency: Commercial legislation promotes transparency and fairness through regulations governing negotiable instruments, commercial contracts, company liquidation, mergers, and dissolution. Operating without compliance may result in penalties.

1.2.2 Reserved Activities: Certain small scale commercial, industrial, and service activities, as well as artisanal fishing, are reserved for Salvadorans by birth or Central American citizens, as established in the Commercial Code and Investment Law.

1.2.3 Incentives for SMEs: El Salvador complements its commercial framework with laws that promote competitiveness, including incentives for small and medium sized enterprises (SMEs) and simplified procedures for initiating commercial operations. Nevertheless, administrative formalities may pose challenges, particularly in regions with limited institutional capacity.

1.2.4 Free Trade Zone Regime

El Salvador's Free Trade Zone Regime, regulated by the Law on Industrial and Commercial Free Trade Zones, is a cornerstone of industrial and export oriented development.

1.2.4.1 Eligible Sectors: The regime supports companies engaged in:

- Manufacturing and assembly for export
- Logistics, warehousing, and transportation services
- Commercial activities linked to innovative industrial goods


UNION

1.2.4.2 Tax and Operational Benefits: Companies operating under this regime may benefit from:

- Income tax exemption for up to 20 years
- Elimination of import tariffs on raw materials, machinery, and equipment
- Exemption from taxes on the transfer of real estate used for incentivized operations

1.2.4.3 Application Requirements and Process: To qualify, companies must demonstrate:

- Minimum investment of USD 500,000 in fixed assets, or USD 100,000 for commercial activities
- Creation of at least 50 permanent jobs (or 5 jobs for commercial traders)

Applications are submitted to the Ministry of Economy, including feasibility studies and financial projections. Approval generally takes 2 to 3 months.

1.2.4.4 Investor Considerations: El Salvador combines macroeconomic stability, favorable trade agreements, and a strategic geographic location, positioning it as a regional logistics hub. The Free Trade Zone Regime allows cost optimization, promotes technology transfer, and strengthens productive linkages. Currently, El Salvador has 18 free trade zones, hosting 170 companies and generating approximately 54.270 direct jobs.

1.3 Types of Entities for Establishing a Business in the Country

The Salvadoran Commercial Code recognizes five principal types of business entities:

1.3.1 Collective Partnerships (Collective Corporations): This entity is formed by partners who jointly manage the business and assume unlimited and joint liability for the company's obligations. It is typically used in businesses where there is a high level of trust among partners, as personal assets may be exposed to business debts.

1.3.2 Limited Partnerships (Simple Limited Partnerships): This structure includes two types of partners: general partners, who manage the company and have unlimited liability, and limited partners, whose liability is restricted to their capital contributions and who do not participate in management. It is suitable for investors seeking limited risk without operational involvement.

1.3.3 Limited Liability Companies (LLC): An LLC limits the liability of its partners to the amount of their contributions. It offers flexible management structures and fewer formalities than corporations, making it a popular option for small and medium-sized enterprises.

1.3.4 Corporations (Sociedades Anónimas): Corporations are legal entities with capital divided into shares. Shareholders' liability is limited to their shareholdings, and management is vested in a board of directors. This structure is commonly used for larger businesses and is well suited for attracting investment.

1.3.5 Partnerships Limited by Shares: This hybrid entity combines elements of partnerships and corporations. It includes at least one general partner with unlimited liability and shareholders whose liability is limited to their share capital. It allows for capital raising while retaining concentrated management control.

Each structure offers different governance models, capital requirements, and liability regimes, allowing investors to select the most suitable vehicle for their operations.

Tax Regime

1.1 General Overview

1.1.1 Corporate Income Tax Rate (%):

- Standard rate: 30% on Salvadoran-source income.
- Reduced rate: 25% applies to smaller taxpayers below statutory income thresholds.

1.1.2 Capital Gains Tax Rate (%): 10% on net capital gains derived from the sale of assets located in El Salvador (e.g., real estate, shares)

1.1.3 Branch Tax Rate: In El Salvador, branches are subject to the same income tax rates as locally incorporated companies. Dividends or profit distributions made or credited by head offices, branches, subsidiaries, agencies, or other entities not domiciled in El Salvador are generally subject to a 5% withholding tax, which increases to 25% when payments are made to entities located in jurisdictions classified as tax havens by the Salvadoran tax authorities.
Salvadoran tax legislation does not establish a separate tax regime for administrative or representative offices operating in the country.
According to the applicable regulations, branches, agencies, or permanent establishments that operate on an ongoing basis in El Salvador (maintaining owned or leased facilities, employing local personnel, and carrying out economic activities in a tangible and identifiable manner within the territory) are treated as resident companies and are therefore subject to the same tax obligations as entities formally incorporated under Salvadoran law.

1.1.4 Withholding Tax

1.1.4.1 Dividends:

- 5% withholding tax when paid
- 25% if paid to entities located in tax havens or preferential tax regimes

1.1.4.2 Interest: Interest income is taxable in El Salvador when the entity paying the interest is resident in El Salvador and when the capital is invested in the country.

1.1.4.3 Royalties from Patents, Trademarks, Formulas and Similar Items: Rent and royalties income is taxable if it is Salvadorian-source income; nevertheless, no specific provisions exist in El Salvador regarding rent and royalties income.

1.2 Tax on Rent and Corporate Income

1.2.1 Corporate income tax: Taxable income is determined on a net basis, based on accounting profits adjusted for tax deductible and non deductible items. Only El Salvador source income is taxable under the territorial principle.

1.2.1.1 Determination of the net taxable income (trading income)

- Depreciation: Tax depreciation is calculated using straight line methods, with statutory useful lives depending on asset type. Accelerated depreciation may apply under incentive regimes.
- R&D incentives: No general R&D tax credit exists; however, Free Trade Zone and investment incentive regimes may grant income tax exemptions or accelerated deductions.
- Relief for losses: Tax losses may be carried forward for up to five years. No carryback is permitted.

1.2.2 Rates of corporate tax: 25% or 30%, depending on taxpayer classification. Free Trade Zone entities: income tax exemptions for 15 to 20 years

1.3 International Tax

1.3.1 Foreign tax relief: As El Salvador applies a territorial tax system, foreign source income is generally exempt, and foreign tax credits are typically unnecessary.

1.3.2 Foreign-exchange controls: No foreign exchange controls. Free repatriation of capital, dividends, and profits in USD.

1.3.3 Transfer pricing: In El Salvador, taxpayers that engage in transactions with related parties or with entities located in tax havens are required to conduct those transactions in accordance with the arm's length principle.
Tax administration is empowered to reassess and adjust the value of such transactions by applying market based pricing methods whenever it determines that the conditions agreed by the parties do not reflect those that would have been established between independent entities.

1.4 Value-added tax

Value Added Tax (VAT), known locally as Impuesto al Valor Agregado (IVA), is imposed in El Salvador at a standard rate of 13% on the taxable base. In general terms, the taxable amount corresponds to the consideration agreed between the parties. In the case of imports, VAT is assessed on the customs value of the goods.
VAT applies to transactions carried out within Salvadoran territory, including the sale or transfer of tangible movable goods, the withdrawal of inventory for personal use by shareholders, directors, or employees, as well as the importation of goods and services. In addition, VAT covers a broad range of services such as professional and technical services; leasing or subleasing movable assets; commercial leases of real estate; construction and building contracts; freight and transportation services by land, air, or sea; auctions; and the licensing or use of trademarks and similar rights.
Certain imports are expressly exempt from VAT. These exemptions include goods imported by diplomatic and consular missions under international agreements, imports by international organizations to which El Salvador is a party, travelers' personal luggage in accordance with customs rules, and donations made to non-profit entities. Exemptions also apply to imports by municipalities for public use, machinery incorporated as fixed assets by duly registered taxpayers, public transportation vehicles subject to minimum holding periods, and specific medicines for the treatment of HIV/AIDS imported by authorized public health institutions.
VAT exemptions also extend to specific services. These include public health services, residential leasing of real estate, employment-related services and public-sector labor, authorized cultural events, and educational services provided by entities officially recognized by the Ministry of Education. Financial income such as interest on deposits and loans granted by local financial institutions or entities registered with the Central Reserve Bank is also exempt, as is interest in publicly traded securities. Other exempt services include public water supply, public transportation, certain insurance premiums related to individuals, pension fund administration commissions paid by employers, activities of the national charity lottery, and drinking water services provided for non-profit or domestic use in rural communities under regulated schemes.
Exports of goods and services are subject to a zero VAT rate, while income derived from foreign sources remains outside the scope of Salvadoran VAT.
Registered taxpayers may offset VAT paid on purchases (input VAT) against VAT charged on sales (output VAT) through a credit mechanism. VAT returns must be filed monthly, within the first ten business days following the end of the corresponding tax period.



Labor Regime

1.1 Labor Law

El Salvador's labor framework is governed by the Labor Code, which seeks to balance employer and employee interests while promoting fair and equitable working conditions. Compliance with labor regulations is essential for investors and employers operating in the country.

1.2 Employment Contracts

Employment contracts may be verbal or written and must clearly define the rights and obligations of both parties. Employers are required to register workplaces with the Ministry of Labor and Social Welfare (MTPS) to ensure compliance with labor regulations.

1.3 Minimum Salary

The minimum monthly wage is USD 408.80 for industry, commerce, and services; USD 402.32 for the textile and apparel sector; and USD 305.23 for agricultural activities. Minimum wages vary by economic sector and are periodically determined by the National Minimum Wage Council. Employers must comply with these rates to guarantee workers a dignified standard of living.

1.4 Working Hours

- Maximum regular working day: 8 hours per day
- Maximum regular working week: 44 hours per week

Hours exceeding these limits are considered overtime and must be compensated with a 100% surcharge over the regular salary.

1.5 Employee Benefits and Severance

Employees are entitled to the following mandatory benefits:

- Paid annual vacation
- Thirteenth month bonus (Aguinaldo)
- Paid public holidays

These benefits are non negotiable and are supervised by the Ministry of Labor and Social Welfare (MTPS).

1.6 Labor Oversight and Enforcement

The Ministry of Labor and Social Welfare is responsible for:

- Conducting workplace inspections
- Mediating labor disputes
- Promoting employment policies that ensure safe and fair work environments

Understanding and complying with labor obligations is essential for maintaining productive and legally compliant labor relations.



1.7 Maternity Protection and Early Childhood Regulations

1.7.1 Early Childhood Care Centers (CAPI)
El Salvador guarantees the full enjoyment of the rights of children and adolescents under the "Ley Crecer Juntos para la Protección Integral de la Primera Infancia, Niñez y Adolescencia" (Decree No. 431). Employers with 100 or more employees are required to establish an Early Childhood Care Center (CAPI).

1.7.2 Breastfeeding Rooms
Both public and private employers must provide breastfeeding rooms that are exclusive, private, hygienic, accessible, and comfortable. Employers must obtain authorization from the Ministry of Health, which maintains an official registry of approved facilities.
Additionally, employers must implement programs and actions to promote breastfeeding education and counseling, pursuant to the "Ley Amor Convertido en Alimento para el Fomento, Protección y Apoyo a la Lactancia Materna" (Decree No. 510). A lactation room is mandatory when 25 or more women work at or visit the workplace.

1.8 Trade Regulation

The Salvadoran trade framework is governed mainly by the Commercial Code, which defines merchants, commercial acts, and requirements for legal operation.

1.8.1 Commercial Registration and Compliance
Registration with the Commercial Registry is mandatory and a prerequisite for legal operation. Companies must formalize incorporation documents, submit certified financial information, and comply with reporting obligations.

1.8.2 Commercial Acts and Market Regulation
The Commercial Code regulates commercial acts by their mercantile nature and establishes penalties for non compliance. It also includes provisions on negotiable instruments, contracts, liquidation, mergers, and dissolution, ensuring continuity of rights and obligations vis à vis third parties.

1.9 Data Protection and Cybersecurity

1.9.1 Personal Data Protection
El Salvador has adopted its first comprehensive Personal Data Protection Law (Decree No. 144), which regulates the lawful, informed collection, processing, use, and storage of personal data. The law aims to safeguard privacy and informational self-determination.

1.9.2 Cybersecurity and Information Security
The Cybersecurity and Information Security Law (Decree No. 143) establish a robust framework to protect critical infrastructure and state information systems. The law introduces comprehensive cybersecurity risk management obligations, covering prevention, detection, and incident response, and identifies the entities subject to compliance.

1.10 Environmental Regulations: El Salvador

recognizes the right of all inhabitants to a healthy and balanced environment, as enshrined in its Constitution and regulated by the Environmental Law (Decree No. 233).

1.10.1 Importance of Legal Compliance:
Compliance with environmental regulations is a legal obligation and a strategic element of sustainable corporate governance. Failure to comply may result in fines, operational restrictions, or other sanctions. Environmentally responsible practices also enhance corporate reputation and long-term competitiveness.

1.10.2 Environmental Obligations for Projects

1.10.2.1 Environmental Permit:
Projects with potential environmental impact must obtain a prior environmental permit issued by the Ministry of Environment and Natural Resources (MARN).

1.10.2.2 Environmental Impact Assessment (EIA): Projects must undergo an Environmental Impact Assessment (EIA), which evaluates potential environmental effects and establishes execution conditions. Approval is required before initiating activities.

1.10.2.3 Environmental Improvement Program: Projects must implement environmental improvement programs aimed at mitigating negative impacts throughout each phase, subject to monitoring by authorities.

1.10.2.4 Sensitive Ecosystems: Activities in mangroves, aquifer recharge zones, and other sensitive ecosystems are subject to stricter regulations. Handling hazardous materials requires special permits.

1.11 Foreign Investment Regulation

Foreign investment in El Salvador is governed by the Investment Law (Legislative Decree No. 732), which establishes guarantees and procedural mechanisms to facilitate business establishment.

1.11.1 Guarantees and Rights

Foreign investors enjoy:

- Equal treatment with nationals
- Free transfer of capital, profits, and dividends through the banking system
- Protection against arbitrary expropriation, which is permitted only for public utility or social interest with fair compensation

1.11.2 Restrictions and Conditions

- Small scale commerce, industry, services, and artisanal fishing are reserved for nationals
- Foreign ownership of rural land is restricted, except for industrial purposes and subject to reciprocity

1.12 Administrative Facilitation – ONI

The National Investment Office (ONI), under the Ministry of Economy, functions as a one stop shop for investment registration and compliance. Foreign investments must be registered within 30 business days, granting investors an official certificate of recognition.

1.12.1 Key Aspects for Investors

- Minimum capital for foreign branches: USD 12,000
- Investors contributing more than 4,000 minimum wages may apply for Investor Residency within 30 days
- Activities reserved for nationals are expressly identified by law



Financial Reporting

1. Requirements and Regulations for the Preparation and Presentation of Financial Information

In El Salvador, the preparation and presentation of financial information is primarily governed by the Commercial Code, the Tax Code, and regulations issued by the Ministry of Finance and the relevant supervisory authorities. In general, all entities are required to maintain formal accounting records, prepare annual financial statements, and retain supporting documentation in accordance with statutory requirements.

Accounting records must be kept in Spanish, expressed in U.S. dollars, which is the country's official currency. Financial statements are typically prepared on an annual basis and must present the entity's financial position, results of operations, and cash flows. For tax purposes, entities are required to reconcile accounting results with taxable income in compliance with the Income Tax Law.

International Financial Reporting Standards (IFRS) are widely used in El Salvador, particularly by entities with public interest or foreign investors, although local regulatory adaptations may apply depending on the type of entity and level of supervision.

1.1.1 Publicly Traded Companies

Publicly traded companies in El Salvador are subject to the oversight of the Superintendence of the Financial System (SSF) and, where applicable, the Stock Exchange of El Salvador (Bolsa de Valores de El Salvador). These entities are required to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS).

In addition to annual audited financial statements, publicly traded companies must submit periodic financial information, including quarterly reports, and comply with disclosure requirements designed to ensure transparency and protection of investors. External audits must be conducted by independent auditors duly authorized under Salvadoran regulations.

1.1.2 Publicly Regulated Companies

Entities operating in regulated sectors—such as banking, insurance, pension funds, and other financial institutions—are subject to specific accounting, reporting, and disclosure requirements issued by the SSF and other sector specific regulators.

While IFRS generally serves as the baseline accounting framework, regulators may require prudential rules, accounting adjustments, or supplemental reports for supervisory purposes. These entities are also required to file financial statements on a more frequent basis (monthly or quarterly) and are subject to mandatory external audits and regulatory inspections.

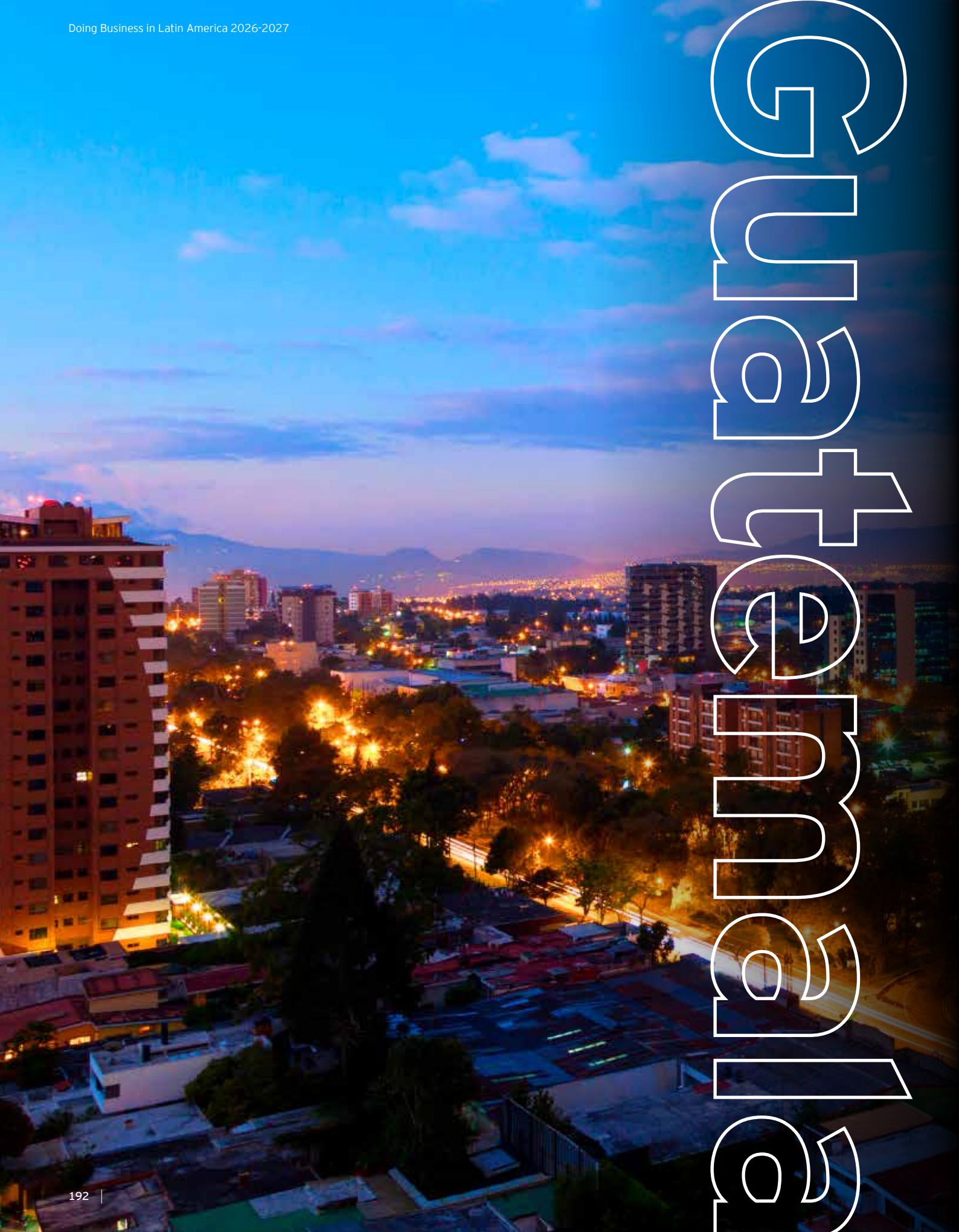
1.1.3 Special Cases

Certain entities fall under special financial reporting regimes due to their nature, size, or legal form. These may include:

- Small and medium sized entities (SMEs): Often apply simplified accounting standards, such as IFRS for SMEs, depending on stakeholder requirements and regulatory expectations.
- Branches or permanent establishments of foreign entities: Must keep accounting records locally and prepare financial statements reflecting their Salvadoran operations, which may need to be reconciled with head office accounts.
- Non profit organizations and foundations: Are subject to specific accounting and reporting obligations under their governing laws, particularly when receiving public funds, donations, or tax exempt benefits.

In all cases, entities must comply with keeping, reporting, and audit obligations established by applicable laws and regulators, ensuring that financial information is reliable, consistent, and available for tax and supervisory review.

Guatemala



Message from EY Guatemala Country Managing Partner

Guatemala holds a strategic position in Central America, establishing itself as a key market for business and investment in the region. Its economic size and privileged geographic location make the country a natural platform for regional operations, international trade, and business expansion.

It has a diversified economy, driven by sectors such as manufacturing, agro-industry, trade, services, energy, and infrastructure, as well as by the growing participation of activities linked to global value chains. Proximity to the main North American markets, together with an extensive network of trade agreements, reinforces Guatemala's attractiveness as a destination for companies seeking operational efficiency, market access, and opportunities for sustained growth.

Guatemala also offers a young, dynamic, and entrepreneurial population, which represents an important driver of economic development and innovation. This human capital, combined with competitive costs, macroeconomic stability, a solid local business base, and a constantly evolving productive ecosystem, provides favorable conditions for both local and foreign investment.

The country continues to demonstrate resilience and adaptability, advancing modernization processes, institutional strengthening, and improvements to the business climate, opening new perspectives for those seeking to invest with a long-term vision.

I invite you to view Guatemala from a renewed perspective and to explore the opportunities emerging from its business environment.



Manuel Ramírez Archila

Country Managing Partner
EY Guatemala

Overview

Guatemala is located in Central America, bordered by Mexico, Belize, Honduras, and El Salvador, with coastlines on both the Pacific Ocean and the Caribbean Sea. Guatemala City is the capital and main economic center, followed by Quetzaltenango and Escuintla as key hubs for commerce and industry. The population reflects a rich cultural heritage shaped by Mayan and Spanish influences.

The country benefits from fertile land, mineral resources, and a strategic geographic position, supporting sectors such as agriculture (coffee, sugar, bananas), manufacturing (textiles), food processing, mining, and energy. Proximity to North American markets and integration into global value chains support trade and investment.



Population
18,664,000[1]
Urban[2]: 56.0%
Rural[2]: 44.0%



Main language
Spanish.
Other languages: K'iche', Q'eqchi', Kaqchikel, Mam, Garifuna and Xinka.



Extension[2]
107,160 km2



System of government[4]
Presidential Republic
President: Bernardo Arévalo
Next elections: 2028



Climate[3]
The Pacific coast has a hot and humid tropical climate; the central highlands, a more temperate climate due to altitude; the northern Petén, a tropical lowland climate with high humidity; while the Caribbean coast is characterized by a warm and humid climate throughout the year.



International Time[5]
GMT-6



Currency[6]
Guatemalan Quetzal
US$1 = GTQ 7.67 (Dec 31, 2025)



GDP current prices[1]
USD $121.1 billion (2025)



GDP per capita (PPP)[1]
USD $15,194.4 (2025)



Key sectors[7]
Guatemala features a diversified economy across various sectors, particularly agriculture (coffee, sugar, bananas, cardamom, and other crops), natural resources (petroleum and mining of gold, silver, nickel, and other minerals), and manufacturing, including textiles, apparel, and food processing.

Why invest in Guatemala?

Strategic Geographic location: access to both the Atlantic and Pacific oceans and proximity to the United States[8,9].

Highly open economy:

Access to a market of over 50 million consumers in Central America and the Dominican Republic, expanding to more than 380 million when including the United States, positioning CAFTA-DR as a key platform for regional integration and export growth[11].

A strategic hub for

trade, nearshoring, and regional supply chains, with a strong geographic position and market access supporting manufacturing, logistics, and export-oriented services[8, 10].

A young, abundant, and cost competitive workforce, which represents a key advantage for nearshoring activities. Labor costs remain attractive compared to regional peers[8].

Top agricultural exporter: 5th of bananas, 12th of pineapple, 14th of coffee, 15th of sugars in 2024[12].

Highly competitive incentive

framework for foreign investors, anchored by three primary mechanisms: Free Trade Zones (FTZs), Special Public Economic Development Zones (ZDEEP), and the Maquila and Export Promotion Law (Decree 29-89) [8,10].

1. World Economic Outlook Database (April 2026), IMF.
2. DataBank, The World Bank Group.
3. Country information, DatosMundial.com.
4. Government - Politics, CountryReports.com.
5. World Time Directory, 24timezones.com.
6. Exchange Rates Database (April 2026), IMF.
7. Country information, Encyclopedia Britannica
8. Invert Guatemala 2026
9. US International Trade Administration
10. Central America Economic Review
11. US Department of Agriculture
12. UN Comtrade

Country's economic outlook

Guatemala has established itself as the largest economy in Central America and the ninth largest in Latin America, supported by strong agricultural exports, growing manufacturing activity, and significant remittance inflows. GDP reached USD 113.2 billion in 2024 and USD 121.1 billion in 2025, according to the IMF World Economic Outlook. Following a strong post-pandemic rebound of 8.0% in 2021, growth moderated to 4.2% in 2022 and 3.5% in 2023, before stabilizing at 3.7% in 2024 and strengthening to 4.1% in 2025. The IMF projects growth of 3.9% in 2026, maintaining a solid and consistent expansion relative to regional peers. Inflation rose to 9.2% in 2022 before declining to 4.2% in 2023 and 1.7% in 2024, then stabilizing at 1.65% in 2025, remaining within the central bank's target range. This reflects effective monetary tightening followed by a gradual normalization of policy as inflationary pressures eased. Nevertheless, inflation is projected to reach 3.8% in 2026.

The Guatemalan quetzal has remained one of the most stable currencies in the region, closing 2023 at GTQ 7.83 per USD and appreciating to GTQ 7.71 in 2024 and GTQ 7.67 in 2025, supported by strong remittance inflows and prudent monetary management.

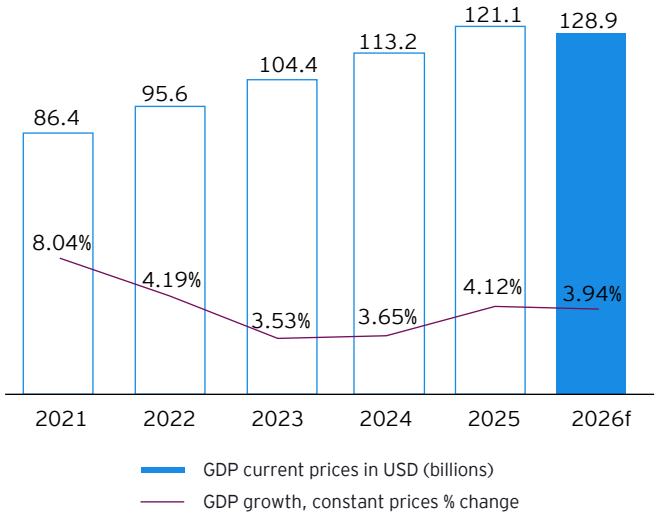
Looking ahead, continued fiscal prudence and efforts to strengthen revenue mobilization will be key to expanding public investment and sustaining long-term growth. Supported by macroeconomic stability, low public debt, and resilient external inflows, Guatemala is well positioned to consolidate its role as a stable and attractive destination for investment in Central America.

Table 1

Main Indicators	Guatemala
GDP current prices USD bn. (2025)[1]	121.1
GDP growth, constant prices % change (2025)[1]	4.1%
Gross domestic product per capita, current prices USD (PPP) (2025)[1]	15,194.4
Inflation, year-end consumer prices (2025)[1]	1.7%
Fiscal balance (net lending (+) or net borrowing (-) of general government; % of GDP) (2025)[1]	-1.9%
Public debt (General government gross debt, % of GDP) (2025)[1]	27.2%
Current account (% of GDP) (2025)[1]	4.8%
Investment (% of GDP) (2025)[1]	16.4%
Poverty headcount ratio at $8.30 a day (2021 PPP) (% of population) (2024)[2]	47.3%

Sources: 1. World Economic Outlook Database (April 2026), IMF; 2.The World Bank Group.Group

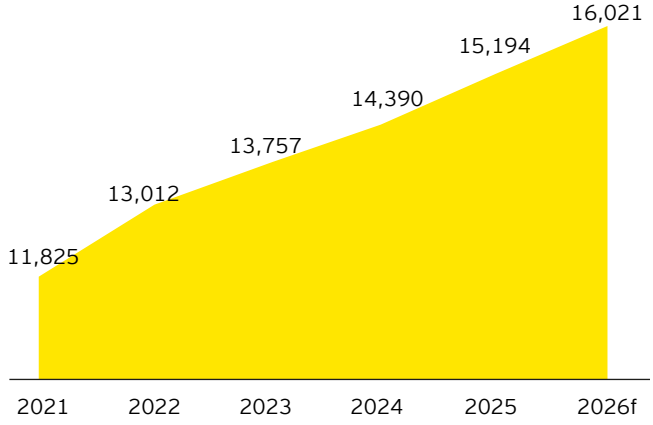
Figure 2:
Gross domestic product, levels and growth



Sources: World Economic Outlook Database (April 2026), IMF.

After a period of consistent growth, Guatemala's economy expanded by 3.7% in 2024, supported by strong agricultural exports, robust remittance inflows, and improving business confidence under the new Arévalo administration.
In 2025, growth reached 4.1%, according to the IMF World Economic Outlook. Strong macroeconomic fundamentals—including low public debt and resilient remittance inflows—provide a solid foundation.

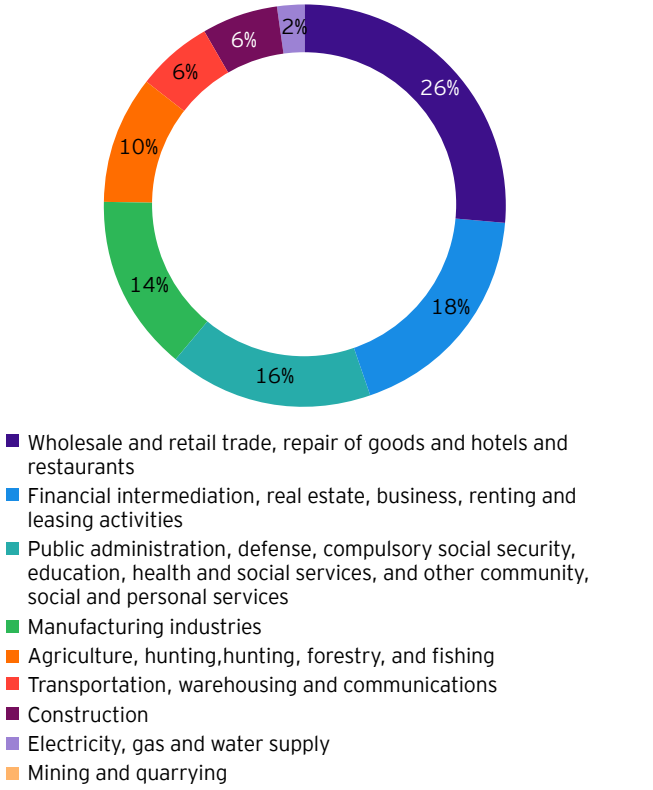
Figure 3
Gross domestic product (GDP), Per capita, (PPP) international dollar, ICP benchmarks 2017-2021



Sources: World Economic Outlook Database (April 2026), IMF.

Guatemala's GDP reached USD 104.4 billion in 2023 and grew to USD 113.2 billion in 2024. GDP per capita in PPP terms reached USD 14,390 in 2024 and USD 15,194 in 2025, reflecting modest but steady improvement in living standards. For 2026, the IMF projects USD 16,064.

Figure 4
Share of gross domestic product by economic sector in 2025 (current prices in USD)

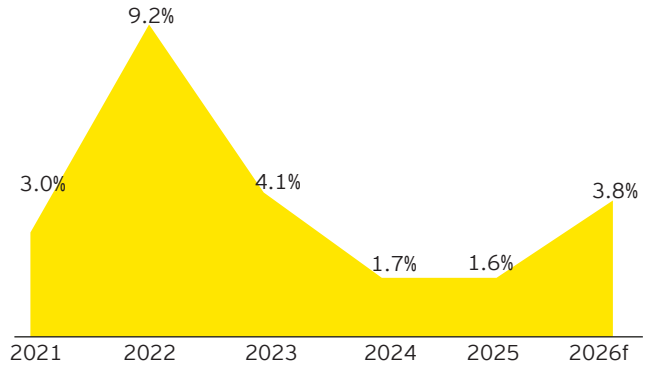


1- CEPALSTAT (April 2026), ECLAC.

The sectors that contribute most to Guatemala's GDP are wholesale and retail trade and hotels and restaurants (26%), followed by financial intermediation, real estate, and business services (18%). Public administration and social services account for 16% and manufacturing for 14%. Agriculture and transportation follow in relevance.

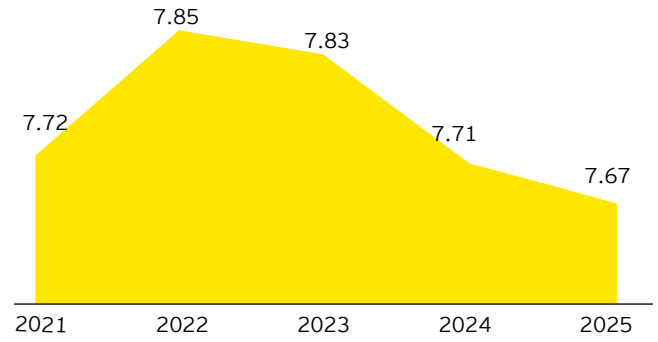
Figures 5 and 6:

Inflation, end of period consumer prices1



Sources: World Economic Outlook Database (April 2026), IMF.

Exchange rate of foreign currency (USD/GTQ, end of period)



Source: Exchange Rates Database (April 2026), IMF.

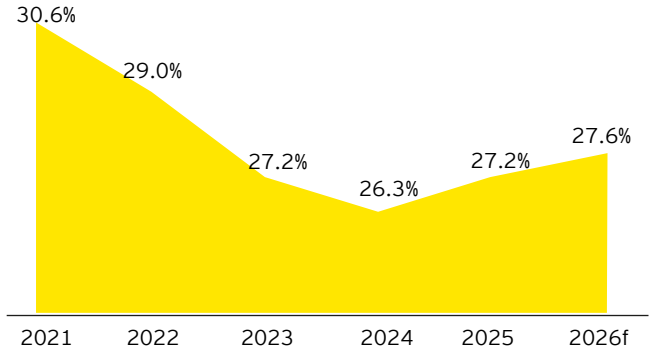
Inflation declined from 9.2% in 2022 to 4.2% in 2023, 1.7% in 2024, and 3.5% in 2025, within the central bank's target. For 2026, the IMF projects 3.8%, still well anchored within the central bank's target range of 4% ±1 percentage point.

The Guatemalan quetzal closed 2023 at GTQ 7.83 per USD, appreciated to GTQ 7.71 at 2024, and GTQ 7.67 at 2025, supported by strong remittances and prudent monetary management.

Guatemala's monetary policy has successfully maintained exchange rate stability and anchored inflation. The quetzal is one of the most stable currencies of the region.

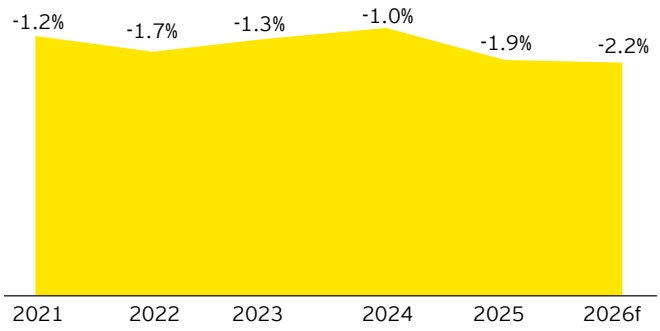
Figures 7 and 8:

Public debt (General government gross debt, % of GDP)



Sources: World Economic Outlook Database (April 2026), IMF.

Fiscal balance (net lending (+) or net borrowing (-) of general government, % of GDP)

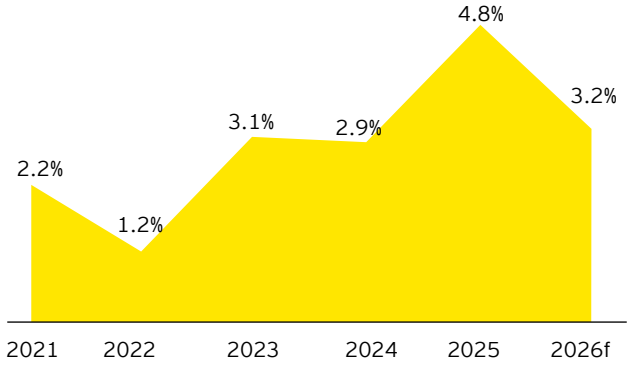


Source: World Economic Outlook Database (April 2026), IMF.

Guatemala's fiscal position is among the strongest in Central America, with a public debt that reached 27.2% in 2025. The deficit of 1.0% of GDP in 2024 widened to 1.9% in 2025. For 2026, the IMF projects a deficit of 2.2% and debt of 27.6%.

Figure 9:

Current account (% of GDP)

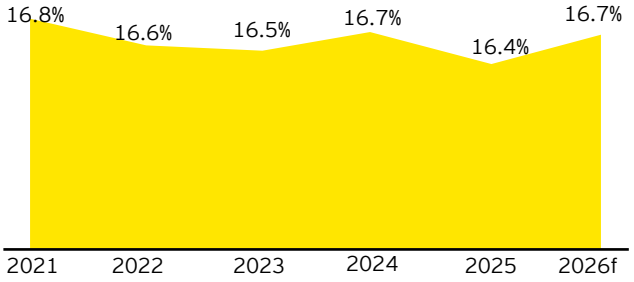


SourcesSource: World Economic Outlook Database (April 2026), IMF.

The current account recorded a surplus of 2.9% of GDP in 2024 and 4.8% in 2025, supported by strong remittances and agricultural exports. For 2026, the IMF projects 3.20%.

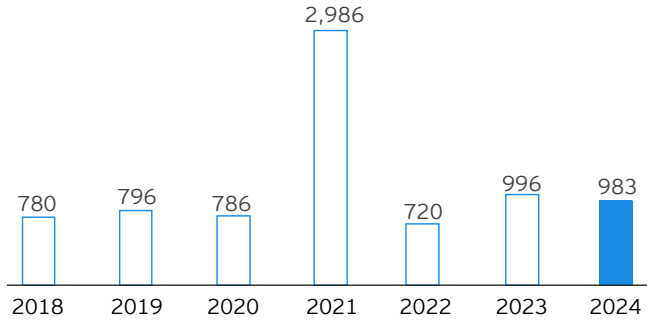
Figures 10 and 11:

Investment (% of GDP)



SourcesSource: World Economic Outlook Database (April 2026), IMF.

FDI net inflows to Guatemala (USD millions)



Sources: CEPALSTAT (April 2026), ECLAC.

FDI net inflows into Guatemala were USD 983 million in 2024, broadly stable compared to USD 996 million in 2023, according to CEPALSTAT, with investment concentrated in manufacturing, agribusiness, and services.

Guatemala is the largest economy in Central America in terms of both GDP and population. The country offers a compelling combination of stability and growth potential.

With a diversified economy supported by agriculture, manufacturing, and services, the country benefits from a young workforce and a strategic geographic location in Central America, serving as a key platform for trade, nearshoring, and access to major regional markets

Establishing a business in the country

Guatemala offers a favorable environment for establishing businesses, supported by macroeconomic stability, a strategic geographic location in Central America, and a legal framework that promotes both domestic and foreign investment. As the largest economy in Central America, Guatemala has maintained sustained economic growth over the past decade, averaging approximately 3.2%, with projections pointing to continued stability driven by remittances, private consumption, and export diversification.

1.1 General Incentives

Guatemala offers a range of incentives aimed at attracting investment, particularly for projects with significant economic and social impact. These incentives are mainly linked to special regimes and sector specific legislation rather than broad, across the board tax benefits. The government has emphasized policies to improve the business climate, streamline administrative procedures, and reduce bureaucratic barriers, including recent reforms focused on digitalization and procedural simplification.

1.2 Industries with special incentives

Guatemala provides targeted incentives to specific industries, primarily through special investment regimes and sector focused legislation, rather than through generalized incentives applicable to all economic activities. These incentives are designed to promote exports, job creation, foreign exchange generation, and economic diversification.

1.2.1 Free Trade Zone-Eligible Industries

One of the most relevant incentive mechanisms in Guatemala is the Free Trade Zone Regime, regulated by the Free Zones Law. Industries eligible to operate under this regime include:

- Manufacturing and industrial processing for export, including the transformation of industrial goods destined for international markets.
- Logistics, storage, and distribution services related to international trade operations.
- Commercial activities focused on the marketing and distribution of industrial goods, particularly those oriented towards export markets.

Companies operating within Free Trade Zones may benefit from:

- Temporary exemptions from corporate income tax.
- Exemptions from customs duties and taxes on the importation of machinery, equipment, and raw materials.
- Access to specialized infrastructure designed to facilitate export oriented activities.

As of the most recent data, Guatemala has 18 free trade zones, hosting approximately 96 companies, and generating around 2000 direct jobs and 6000 indirect jobs.

1.2.2 Strategic and High Potential Sectors

Beyond formal Free Trade Zones, the Guatemalan government actively promotes investment in strategic sectors identified for their growth and development potential, including:

- Nearshoring related industries, leveraging Guatemala's proximity to the United States and its integration into international value chains.
- Tourism and hospitality, supported by the country's natural resources, cultural assets, and geographic position within Central America.
- Light manufacturing and agro industrial exports, particularly products such as coffee, bananas, sugar, and other agricultural goods that have shown export growth and diversification.
- International trade related services, benefiting from Guatemala's trade agreements and export promotion policies.

1.2.3 Investment Promotion Focus

Special incentives for these industries are aligned with Guatemala's broader investment promotion strategy, including the National Strategy for Foreign Direct Investment Attraction 2024-2027, which prioritizes sectors capable of generating formal employment, technology transfer, and sustainable economic growth.



1.3 Types of Entities for Establishing a Business in the Country

Guatemala's commercial legal framework, primarily governed by the Commercial Code, recognizes several types of business entities that can be used to establish operations in the country. These legal forms provide flexibility for both local and foreign investors, depending on liability considerations, management structure, and business objectives.

According to the information presented in the document, the following types of companies are available in Guatemala:

1.3.1 Corporations: Corporations are legal entities with independent legal personality, commonly used for medium and large scale business operations in Guatemala. They allow participation by multiple shareholders and offer a structure that facilitates investment, business continuity, and long term growth.

1.3.2 Business Partnerships: Business Partnerships are entities based on the direct association of partners who typically participate actively in the management of the business. They are often used for small or closely held businesses where trust among partners and operational simplicity are key considerations.

1.3.3 Limited Partnerships: Combine two types of partners: managing partners who are involved in the operation of the business and limited partners who mainly contribute capital. This structure allows investors to participate financially without being involved in day to day management.

1.3.4 Limited Liability Companies: Are commonly used by small and medium sized enterprises due to their flexible structure. They provide a clear separation between the company and its members, offering a balance between simplified administration and business organization.

1.3.5 Partnerships with Shares: Are hybrid entities that combine features of partnerships and corporations. Their capital is divided into shares, enabling investment participation, while management may remain concentrated in specific partners.

All entities engaging in commercial activities must be registered with the Mercantile Registry, which is responsible for issuing commercial licenses and overseeing the legal acts related to the incorporation, modification, and dissolution of companies.

Foreign companies wishing to operate in Guatemala may do so either by incorporating a local entity or by registering as a foreign company, subject to additional requirements such as appointing a legal representative in the country and complying with registration and regulatory obligations established under Guatemalan law.

While the document lists the legally recognized entity types, it does not provide detailed comparative characteristics (such as liability, governance, or capital requirements). These aspects are typically assessed by investors when selecting the most appropriate legal structure for their operations.

Tax Regime

1.1 General Overview

1.1.1 Corporate Income Tax Rate (%):

- 25% on net taxable income under the Profit Based Regime.
- 5% to 7% on gross income under the Simplified Optional Regime.

1.1.2 Capital Gains Tax Rate (%): 10% on capital gains derived from the sale of movable or immovable property and other capital assets located in Guatemala.

1.1.3 Branch Tax Rate: In Guatemala, branches are taxed as any other legal entity. There are no specific taxes for branches.

1.1.4 Withholding Tax

1.1.4.1 Dividends: Dividends earnings and profits are subject to a 5% income tax.

1.1.4.2 Interest: All interest income is subject to a 10% income tax.

1.1.4.3 Royalties from Patents, Trademarks, Formulas and Similar Items: Royalties are taxed at a 15% WHT rate.

1.2 Tax on Rent and Corporate Income

1.2.1 Corporate income tax: Guatemala allows corporate taxpayers to choose between two regimes:

- Profit Based Regime (Net Income) – tax assessed on net taxable income.
- Simplified Optional Regime – tax assessed on gross income, with limited or no deductions.

1.2.1.1 Determination of the net taxable income (trading income)

- General: Taxpayers under the system on earnings from lucrative activities may deduct costs and expenses from gross income, including the following.
- Depreciation: Depreciation is calculated annually using the straight-line method. The tax authority may authorise a different method on request of the taxpayer. The annual maximum rates allowed as deductible expenses are the following:

Asset	Rate (%)
Building and improvements	5
Machinery and equipment	20
Furniture and fixtures	20
Vehicles	20
Tools	25
Tree and vegetable species	15
Computer equipment	33.33
Any other depreciable asset	10

1.2.2 Rates of corporate tax:

- 25% – Net income under the profit-based regime.
- 5% on gross income up to a statutory threshold and 7% on amounts exceeding that threshold under the simplified regime.

1.3 International Tax

1.3.1 Foreign tax relief: Foreign-source income received by a domestic corporation is non-taxable under Guatemalan income tax law, provided that it does not relate to a service or activity rendered in Guatemalan territory.

1.3.2 Foreign-exchange controls: ▸ There are no foreign exchange controls. Capital, dividends, and profits may be freely transferred abroad.

1.3.3 Transfer pricing: Companies that carry out cross border dealings with related parties are required to prepare a transfer pricing analysis to demonstrate that such transactions comply with the arm's length principle.
Under Guatemalan transfer pricing regulations, the valuation framework applies broadly to any transaction performed between a taxpayer established in Guatemala and a related party located outside the country, irrespective of the nature or type of transaction.
Guatemalan law authorizes the use of both traditional transaction methods and transactional profit methods, consistent with the OECD Transfer Pricing Guidelines. Additionally, the legislation includes a specific method applicable to import and export transactions, commonly referred to as the sixth method.
The legal framework also allows taxpayers to request advance pricing agreements (APAs). Moreover, the tax authorities are granted the power to recharacterize transactions based on their economic substance when the legal form does not reflect the actual nature of the activities, in accordance with the Tax Code.

1.3.4 Debt-to-equity rules: Guatemala applies limitations on the deductibility of interest in related party debt transactions. Thin capitalization considerations focus on economic substance and arm's length conditions rather than strict ratios.

1.4 Value-added tax

A 12% VAT is levied on the sale or transfer of merchandise and on non-personal services rendered or effected in Guatemala. The tax is payable to the government by way of the invoice method, whereby the tax charged to the customers is offset by the VAT paid over purchases, and the government collects the net resulting amount. The issuance and circulation of credit titles is VAT-exempt.



Labor Regime

1.1. Labor Law

Guatemala's labor framework is governed primarily by the Labor Code, which establishes the rights and obligations of both employers and workers. Employment contracts may be verbal or written, depending on the nature of the employment relationship. The law sets minimum standards for working conditions, occupational safety, and social protection, which are mandatory for all employers.

The standard working schedule is limited to 8 hours per day and 48 hours per week for daytime work, while nighttime work is limited to 6 hours per day and 36 hours per week. Employers are required to comply with the legally established minimum wage, which is set by the government according to economic activity.

All employees must be enrolled in the Guatemalan Social Security Institute (IGSS), providing access to healthcare and pension benefits. Mandatory labor benefits include paid vacations, Christmas bonus, annual bonus, and severance related benefits. Companies operating in priority sectors or specific regions may access government programs that promote employment generation.

1.1.1 Minimum Salary

Minimum Wage 2026 – CE1

Economic Circumscription 1: Department of Guatemala

Category	Total Amount (Q)	Amount in USD
Agricultural	Q4,041.20	USD 521.45
Non agricultural	Q4,252.28	USD 548.68
Export and maquila	Q3,659.73	USD 472.22

Minimum Wage 2026 – CE2

Economic Circumscription 2: All departments except Guatemala

Category	Total Amount (Q)	Amount in USD
Agricultural	Q3,875.89	USD 500.11
Non agricultural	Q4,066.90	USD 524.76
Export and maquila	Q3,471.10	USD 447.88

1.2 Considerations for foreign workers

Guatemalan legislation allows the employment of foreign workers, subject to compliance with labor and immigration regulations. There are no general mandatory quotas limiting the hiring of foreign personnel, although employers must ensure that foreign workers hold the appropriate immigration status and work authorization.

Foreign workers are subject to the same labor rights and obligations as local employees, including minimum wage requirements, working hours, and social security registration where applicable. Companies hiring foreign personnel must comply with administrative procedures related to residence permits, work authorizations, and documentation required by immigration authorities.

1.3 Corporate Law

Corporate activities in Guatemala are mainly regulated by the Commercial Code, which establishes the legal framework for conducting business in the country. This legislation defines who may engage in commerce, the available types of business entities, and the rules governing their incorporation, organization, modification, and dissolution.

To operate formally, all individuals and companies engaged in commercial activities must register with the Mercantile Registry, which issues commercial licenses and records corporate acts. Foreign companies wishing to operate in Guatemala must comply with additional requirements, including appointing a local legal representative and fulfilling specific registration obligations.

The Commercial Code also regulates commercial contracts, credit instruments, accounting and record keeping obligations, and protections against unfair competition. Recent legal reforms, such as the approval of the Competition Law and administrative simplification initiatives, aim to strengthen transparency, legal certainty, and the overall business environment.

1.4 Environmental Regulations

Guatemala has an environmental regulatory framework based on the Law for the Protection and Improvement of the Environment (Decree No. 68-86). This legislation sets guidelines to ensure the sustainability of natural resources and the protection of the environment in the development of economic and business activities.



1.4.1 Key requirements for operation

- Environmental Permit: Any activity or project with environmental impact must obtain prior environmental approval, which is regulated by the National Environmental Commission. This document certifies that the activity complies with the environmental standards set by the law.
- Environmental Impact Assessment (EIA): Before developing projects with potential ecological impacts, it is mandatory to conduct an Environmental Impact Assessment (EIA). This study must be approved by the competent authority and ensure that measures are implemented to prevent or mitigate negative effects.
- Sustainable use of natural resources: The law establishes that the use of resources such as water, soil, and forests must be rational, avoiding pollution and environmental degradation. There are restrictions on activities in ecologically sensitive areas, such as water sources and nature reserves.
- Pollution control and waste management:
  - The discharge of pollutants into bodies of water without prior treatment is prohibited.
  - Specific regulations must be followed for the disposal of solid and hazardous waste.
  - The importation of toxic or polluting waste from other countries is prohibited.

1.4.2 Compliance and sanctions

Failure to comply with environmental regulations can lead to administrative sanctions, ranging from fines to the suspension of activities. The National Environmental Commission is empowered to inspect, sanction, and issue guidelines for compliance with the law.

Complying with environmental regulations in Guatemala is essential to avoid sanctions and ensure the continued operation of projects and businesses in the country.

1.5 Foreign Investment Regulation

Guatemala offers a favorable legal framework for foreign investment, ensuring equitable and transparent conditions for both domestic and international investors. The Foreign Investment Law (Decree 9-98) establishes the main guidelines, ensuring equal treatment for foreign and national investors in order to promote economic growth and technology transfer.

The law allows investment in any lawful economic sector and ensures that foreign investors enjoy the same rights and guarantees as national investors. However, there are limitations in certain strategic sectors regulated by specific regulations. Additionally, the Regulations of the Foreign Investment Law (Government Agreement 893-98) outline the administrative and operational procedures to facilitate foreign investment.

To streamline investment processes, the Single Window for Investments was created under the Ministry of Economy.

This entity centralizes investment promotion and simplifies registration procedures, advising investors on legal requirements and business opportunities in the country.

The Guatemalan regulatory framework establishes various provisions for the security and operability of foreign investment:

- There are no restrictions on the percentage of company ownership for foreign investors, except in sectors with specific regulations.
- The free transfer of capital, profits, and dividends abroad is guaranteed, as well as the convertibility of currencies.
- Expropriation only occurs in cases of public utility, ensuring fair and prior compensation for the investor.
- No performance requirements are imposed, such as mandatory technology transfers or local employment quotas, except as stipulated in specific labor laws.
- Investors can access dispute resolution mechanisms, including international arbitration, in accordance with treaties signed by Guatemala.

In addition to these benefits, the Foreign Capital Investment Promotion Law offers specific incentives for investment in high-impact economic projects, establishing operational timelines and tax benefits based on the amount and nature of the investment.

With this regulatory framework, Guatemala seeks to strengthen its competitiveness and attract foreign capital, ensuring clear and predictable conditions for those wishing to establish and expand their businesses in the country.

Financial Reporting

1.1 Requirements and regulations for the preparation and presentation of financial information

Financial reporting requirements in Guatemala are primarily established by the Commercial Code (Decree No. 2-70), which obligates all commercial entities to maintain accounting records and prepare financial statements in accordance with Generally Accepted Accounting Principles in Guatemala (Guatemalan GAAP).

While Guatemalan GAAP is not explicitly defined in the Commercial Code, the Colegio de Contadores Públicos y Auditores de Guatemala (CCPAG) has formally adopted International Financial Reporting Standards (IFRS) as the reference accounting framework since 2007, and IFRS for Small and Medium-sized Entities (IFRS for SMEs) since 2010. In practice, financial statements prepared for general-purpose reporting are typically prepared under IFRS or IFRS for SMEs, while tax-based accounting may apply for tax compliance and special-purpose reporting requirements. (Tax Legislation Decree No. 10 2012)

Medium and large-sized companies are generally required to prepare annual financial statements, which may be subject to audit depending on their size, sector, and regulatory oversight.

1.2 Publicly traded companies

Guatemala does not have a highly developed stock exchange compared to other jurisdictions; however, companies with publicly listed debt instruments or securities are supervised by the National Stock Exchange (Bolsa de Valores Nacional – BVNSA).

Publicly traded companies are permitted, but not legally required, to prepare their financial statements under full IFRS. In practice, IFRS is commonly applied to facilitate transparency and comparability for investors and creditors.

Financial statements of publicly traded entities are generally required to be audited by independent auditors in accordance with International Standards on Auditing (ISA), as adopted by the CCPAG.

1.3 Publicly regulated companies

Companies operating in regulated sectors, particularly those under the supervision of the Superintendence of Banks (SIB)—such as banks, financial institutions, insurance companies, and other entities within the financial system—are subject to specific accounting and reporting requirements.

These entities must prepare financial statements in accordance with the SIB Accounting Manual, which differs in certain respects from IFRS. For matters not addressed by the SIB framework, IFRS standards apply on a supplementary basis.

1.4 Special cases

Special financial reporting requirements apply in certain situations, including:

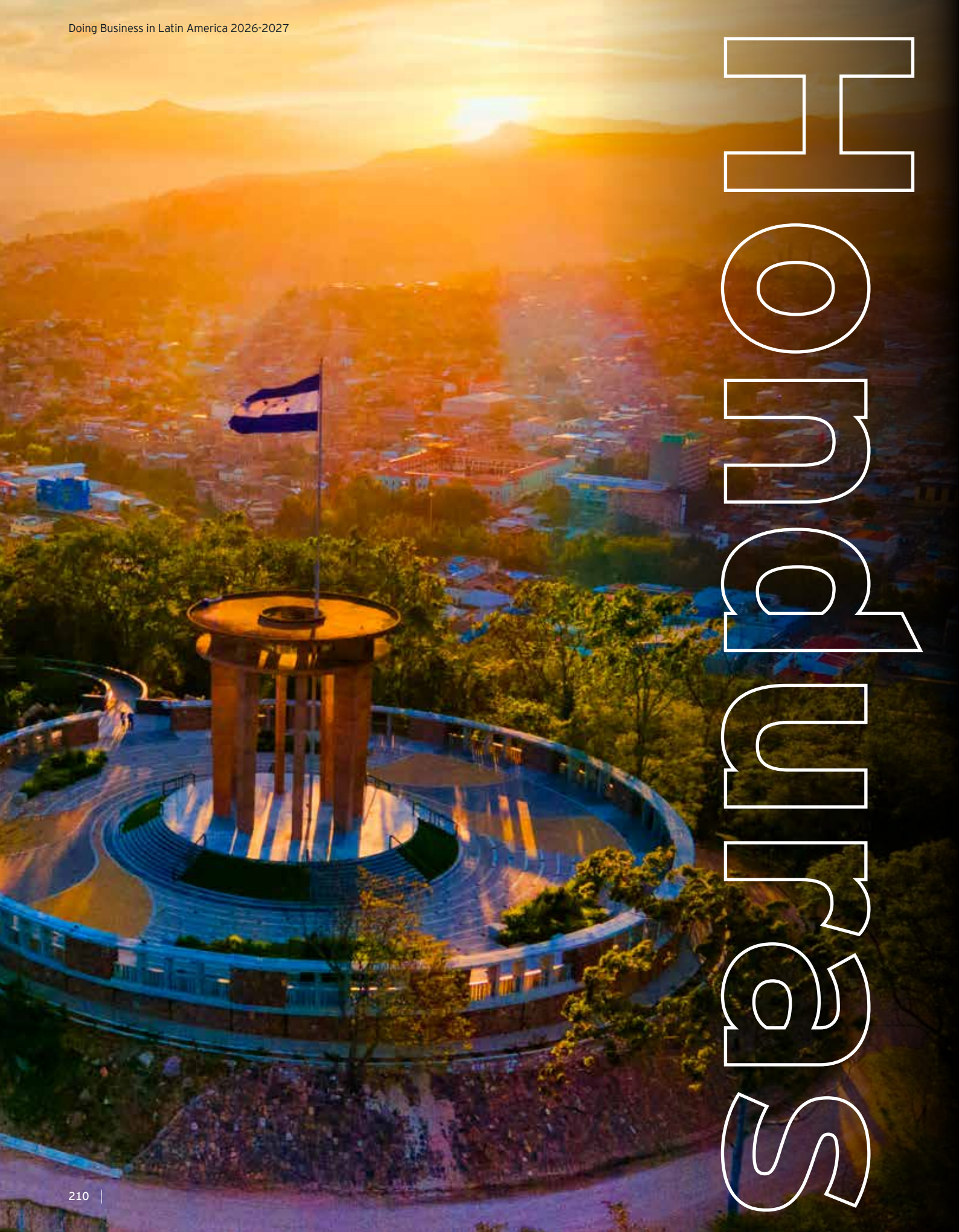
1.4.1 Small and Medium Sized Entities (SMEs): SMEs may apply IFRS for SMEs, which is formally adopted in Guatemala and designed to simplify reporting and disclosure requirements relative to full IFRS.

1.4.2 Tax Purpose Financial Statements: Financial statements prepared exclusively in accordance with income tax regulations (Tax Legislation Decree No. 10 2012) are considered special purpose financial statements, mainly used for tax compliance and reconciliation with filings before the Superintendence of Tax Administration (SAT).

1.4.3 Foreign owned or multinational entities: These entities frequently prepare financial statements under full IFRS to meet group reporting, financing, or cross border compliance requirements, although this is not formally mandated by law.



Honduras



Message from EY Honduras Country Managing Partner

Honduras is a country with a clear productive vocation, deeply linked to the real economy. Its economic structure, based on manufacturing, agro-industry, and export-oriented activities, has positioned the country as a relevant player within regional and global supply chains.

Over the years, Honduras has developed solid industrial capabilities, particularly in sectors such as textile and apparel manufacturing, agro-exports, logistics, and services associated with productive activity. This positioning gives the economy a dynamic characterized by execution, operational scale, and integration with international markets.

The country combines a strong local business base with a sustained presence of foreign investment, creating an ecosystem where operational efficiency, productive expertise, and adaptability are key factors. In this context, Honduras continues to strengthen its productive infrastructure and regulatory environment to meet the demands of increasingly competitive markets.

Beyond the challenges inherent to the region, Honduras maintains a strategic role as a manufacturing and export platform, offering opportunities for companies seeking environments where operations, execution, and business continuity are priority elements.

I invite you to take a deeper look at Honduras's business environment and to understand the factors that drive its entrepreneurial activity.



Rolin Galo

Country Managing Director
EY Honduras

Overview

Honduras stretches across Central America, from the Caribbean Sea to the Pacific Ocean, with Tegucigalpa as the capital and San Pedro Sula as a key industrial and commercial hub. The population reflects a rich mix of Indigenous, African, and Spanish influences, expressed through traditions, cuisine, and vibrant local festivities.

The country is endowed with diverse natural resources, including fertile agricultural land and mineral deposits, supporting key sectors such as agriculture (coffee, bananas, palm oil), manufacturing (textiles and apparel), and mining (gold and silver). Honduras continues to advance efforts toward economic diversification and investment attraction.



Population
11,006,000[1]
Urban[2]: 58.8%
Rural[2]: 41.2%



Main language
Spanish.
Other language: Garifuna.



Extension[2]
111,890 km[2]



System of government[4]
Presidential Republic
President: Nasry Asfura
Next elections: 2030



Climate[3]
The Caribbean coast has a hot and humid tropical climate; the central highlands, a more temperate climate due to altitude; while the Pacific coast is warmer and drier, with higher temperatures and seasonal rainfall patterns.



International Time[5]
GMT-6



Currency[6]
Honduran Lempira
US$1 = HNL 26.37 (Dec 31, 2025)



GDP current prices[1]
USD 39.7 billion (2025)



GDP per capita (PPP)[1]
USD $7,864.0 (2025)



Key sectors[7]
Honduras features a diversified economy across several sectors, ranging from agriculture (bananas, coffee, pineapples, livestock, and fisheries), forestry, and natural resources (timber and mining of gold, silver, and other minerals), to manufacturing activities such as textiles, apparel, and food processing.

Why invest in Honduras?

Strong productive
and export oriented economic base: a productive structure anchored in manufacturing, agro-industry, and export-driven activities[8, 9].

Established industrial
capabilities and operational scale: The country has developed industrial expertise in textiles, apparel, agro exports, and production related services[8,9].

Puerto Cortés in Honduras
stands out as one of the three most important ports in Central America, particularly for regional trade and logistics integration with North America[9].

The most reliable
country for doing business in Central America according to the Global Business Complexity Index 2025[10].

Strong agricultural sector,
with Honduras consistently ranked among the top 10 global exporters of coffee (9th in 2024), pineapple (7th) and bananas (10th)[11].

Highly open economy:
Access to a market of over 50 million consumers in Central America and the Dominican Republic, expanding to more than 380 million when including the United States, positioning CAFTA DR as a key platform for regional integration and export growth[12].

1. World Economic Outlook Database (April 2026), IMF.
2. DataBank, The World Bank Group.
3. Country information, DatosMundial.com.
4. Government - Politics, CountryReports.com.
5. World Time Directory, 24timezones.com.
6. Exchange Rates Database (April 2026), IMF.
7. Country information, Encyclopedia Britannica.
8. World Bank, 2026
9. CNI – Consejo Nacional de Inversiones de Honduras, 2026)
10. TMF group
11. Comtrade Database, United Nations
12. U.S. Department of Agriculture

Country's economic outlook

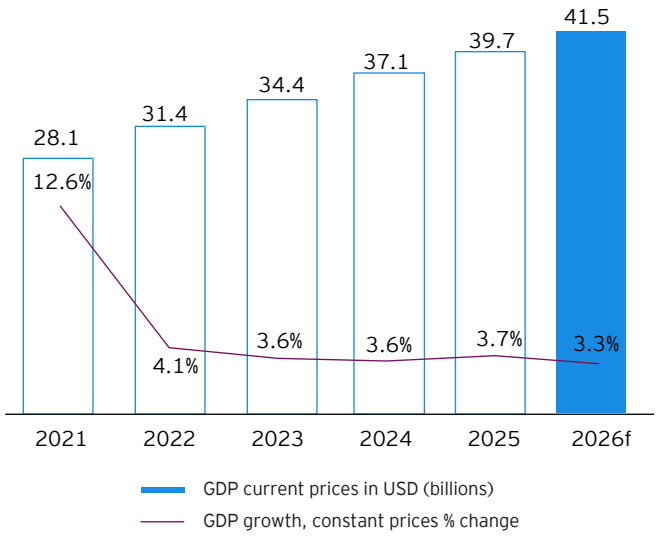
Honduras has established itself as an important economy in Central America, supported by strong performance in textile and apparel manufacturing, agricultural exports, and a well-developed free trade zone sector. GDP reached USD 37.1 billion in 2024 and USD 39.7 billion in 2025, according to the IMF World Economic Outlook.
Following a strong post-pandemic rebound of 12.6% in 2021, growth moderated to 4.1% in 2022 and 3.6% in 2023, remaining stable at 3.6% in 2024 and improving slightly to 3.7% in 2025. The IMF projects growth of 3.8% in 2026, signaling continued steady expansion supported by external demand and domestic consumption.
Inflation peaked at 9.8% in 2022 before declining to 5.2% in 2023 and 3.9% in 2024, rising moderately to 5.0% in 2025, within the central bank's target range. This reflects a gradual normalization following earlier monetary tightening, with inflation pressures stabilizing amid resilient demand. Inflation is projected to ease slightly to 4.2% in 2026.
The Honduran lempira has experienced a gradual and managed depreciation under a gradual and controlled exchange rate adjustment regime, moving from HNL 24.65 per USD in 2023 to HNL 25.38 in 2024 and HNL 26.37 in 2025, supporting export competitiveness while maintaining relative stability.
Looking ahead, continued fiscal consolidation and efforts to strengthen resilience to external shocks will be key to sustaining growth. Supported by stable macroeconomic fundamentals, strong remittance inflows, and export-oriented manufacturing, Honduras is well positioned to strengthen its role as an attractive destination for investment in Central America.

Table 1

Main Indicators	Honduras
GDP current prices USD bn. (2025)[1]	39.7
GDP growth, constant prices % change (2025)[1]	3.7%
Gross domestic product per capita, current prices USD (PPP) (2025)[1]	7,864.0
Inflation, year-end consumer prices (2025)[1]	5.0%
Fiscal balance (net lending (+) or net borrowing (-) of general government; % of GDP) (2025)[1]	-0.7%
Public debt (General government gross debt, % of GDP) (2025)[1]	41.2%
Current account (% of GDP) (2025)[1]	2.4%
Investment (% of GDP) (2025)[1]	21.6%
Poverty headcount ratio at $8.30 a day (2021 PPP) (% of population) (2024)[2]	49.8%

Sources: 1. World Economic Outlook Database (April 2026), IMF; 2.The World Bank Group.

Figure 2:
Gross domestic product, levels and growth

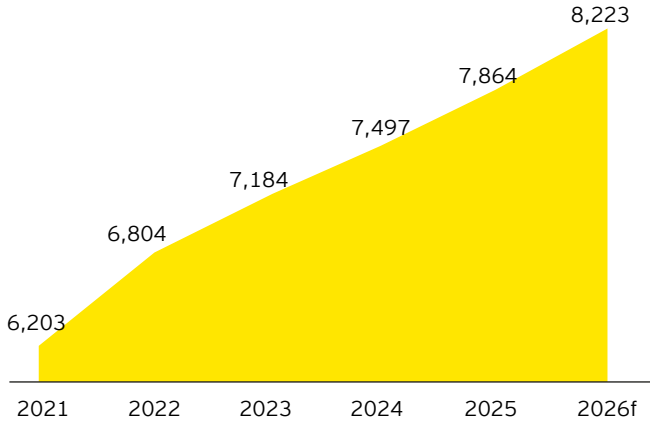


Source: World Economic Outlook Database (April 2026), IMF.

Honduras's economy expanded 3.6% in 2024, supported by strong remittance inflows and agricultural exports. The country has demonstrated resilience despite challenging security conditions and climate vulnerability. In 2025, growth stood at 3.7% and according to the IMF World Economic Outlook it will reach 3.3%.

Honduras's GDP rose from USD 34.4 billion in 2023 to USD 37.1 billion in 2024 and is projected at around USD 39.7% billion in 2025.

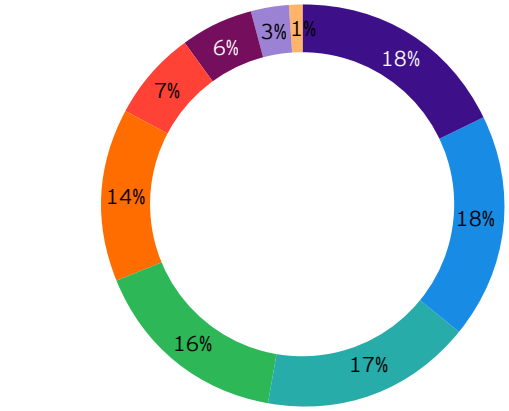
Figure 3
Gross domestic product (GDP), Per capita, (PPP) international dollar, ICP benchmarks 2017-2021



Source: World Economic Outlook Database (April 2026), IMF.

GDP per capita in PPP terms reached USD 7,497 in 2024 and USD 7,864 in 2025, reflecting steady improvement in living standards. For 2026, the IMF projects USD 8,223.

Figure 4
Share of gross domestic product by economic sector in 2025 (current prices in USD)

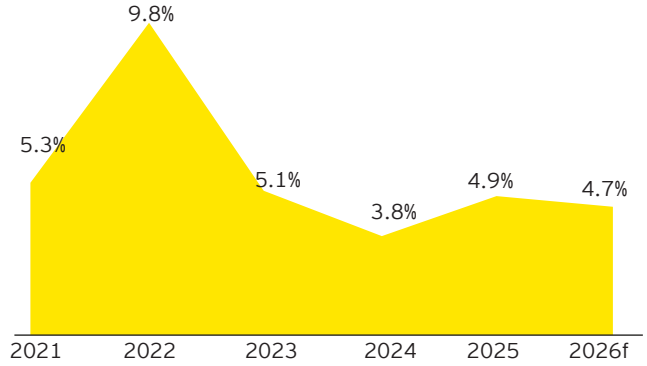


1- CEPALSTAT (April 2026), ECLAC.

The sectors that contribute most to Honduras's GDP are public administration, defense, healthcare, and social services (18%) and wholesale and retail trade and hotels and restaurants (18%), followed by financial intermediation and real estate (17%) and manufacturing industries (16%). Agriculture and fishing follow in relevance.

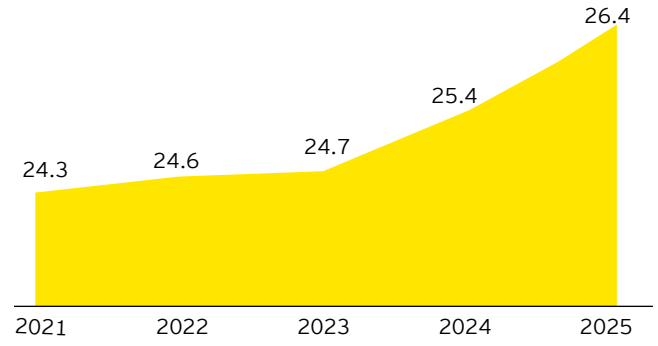
Figures 5 and 6:

Inflation, end of period consumer prices1



Sources: World Economic Outlook Database (April 2026), IMF.

Exchange rate of foreign currency (USD/HNL, end of period)



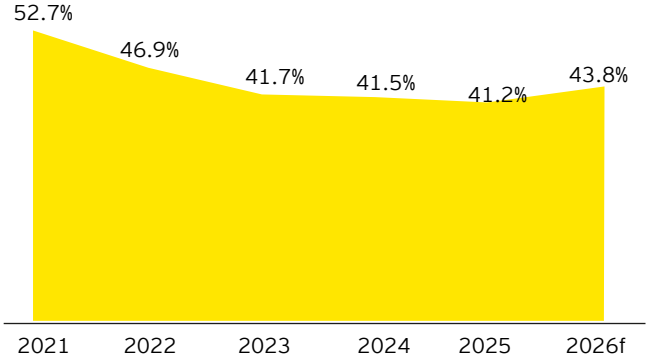
Source: Exchange Rates Database (April 2026), IMF.

Inflation in Honduras declined from 9.8% in 2022 to 5.2% in 2023, 3.9% in 2024. In 2025 inflation surged to almost 5% in 2025, but the IMF projects 4.8% for 2026.

The Honduran lempira closed 2023 at HNL 24.65, 2024 at HNL 25.38, and 2025 at HNL 26.37 per USD, reflecting gradual managed depreciation. For 2026, the IMF projects continued gradual adjustment. This exchange rate management has provided stability and predictability, supporting Honduras's manufacturing-for-export sector while maintaining gradual depreciation to preserve competitiveness.

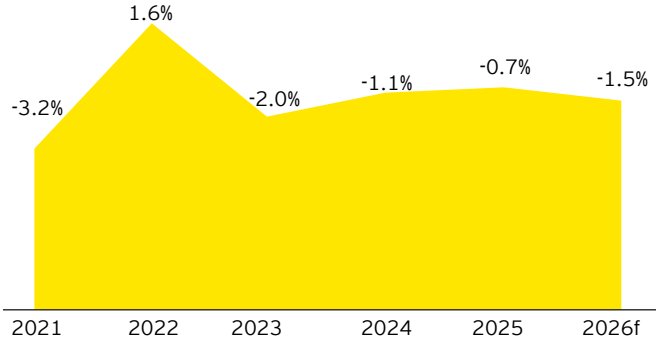
Figures 7 and 8:

Public debt (General government gross debt, % of GDP)



Sources: World Economic Outlook Database (April 2026), IMF.

Fiscal balance (net lending (+) or net borrowing (-) of general government, % of GDP)



Sources: World Economic Outlook Database (April 2026), IMF.

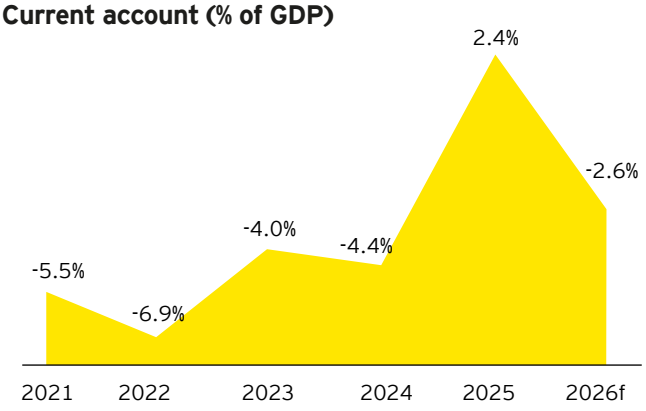
Public debt in Honduras reached 41.5% of GDP in 2024 and 41.2% in 2025 and is projected to increase to 43.8% in 2026.

Meanwhile, the fiscal balance narrowed its deficit to 1.1% of GDP in 2024 and further to 0.7% in 2025. The IMF expects a slight deterioration, with the deficit widening to -1.6% in 2026.

Honduras maintains an IMF-backed program that supports its macroeconomic policy framework, with recent progress in program reviews expected to unlock approximately USD 245 million in financing.

Figure 9:

Current account (% of GDP)

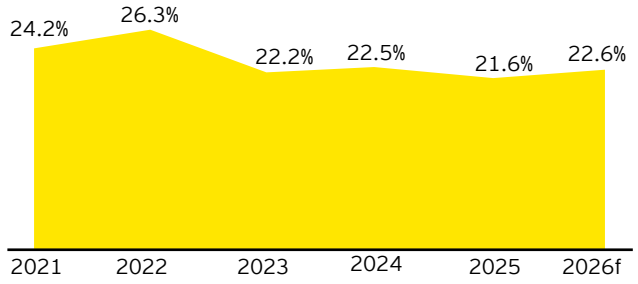


Sources: World Economic Outlook Database (April 2026), IMF.

The current account deficit widened slightly to 4.4% of GDP in 2024 from 4.0% in 2023. In 2025, the current account recorded a 2.4% surplus, but it is expected to revert to a deficit of -2.6%.

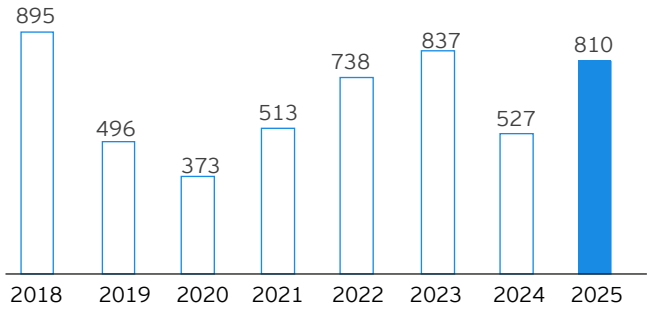
Figures 10 and 11:

Investment (% of GDP)



Sources: World Economic Outlook Database (April 2026), IMF.

FDI net inflows to Honduras (USD millions)



Sources: CEPALSTAT (April 2026), ECLAC.

FDI net inflows into Honduras declined to USD 530 million in 2024 from USD 840 million in 2023, according to CEPALSTAT, before rebounding to USD 810 million in 2025.

Honduras benefits from a strategically advantageous geographic location, an attractive tropical climate, a rich cultural and historical legacy, and abundant natural resources that support ecotourism.

These strengths, combined with highly competitive operating costs and a strong textile and apparel industry as a key export pillar, continue to underpin industrial development and attract foreign investment.

Establishing a business in the country

Honduras provides a legal framework designed to promote domestic and foreign investment, supported by its strategic location in Central America and access to international markets. Business activity is primarily governed by the Law for the Promotion and Protection of Investments, which grants foreign investors national treatment, guarantees the free transfer of capital and profits abroad, and allows access to international arbitration mechanisms in the event of disputes.

Commercial operations are regulated under the Commercial Code, which establishes the rules for incorporation, registration, and operation of entities. The most commonly used corporate structures are the Limited Liability Company (S. de R.L.) and the Corporation with Variable Capital (S.A. de C.V.), both of which permit foreign ownership and limit shareholder liability to capital contributions. Registration with the Public Commerce Registry is mandatory.

Honduras offers investment incentives through special regimes, particularly the Free Zone Regime, which provides tax and customs benefits for export oriented manufacturers, international service providers, and trading companies. Key sectors with investment potential include manufacturing and maquila, international services, agribusiness, logistics, and nearshoring activities. Large scale projects deemed of national interest may benefit from accelerated approval procedures.

While the country presents opportunities driven by public infrastructure investment and regional trade integration, investors should consider challenges related to regulatory stability and political uncertainty. Nonetheless, Honduras remains a relevant jurisdiction for establishing operations aimed at serving Central American and international markets.

1.1 General Incentives

Honduras provides a set of general incentives designed to attract and protect domestic and foreign investment. These incentives are mainly established under the Law for the Promotion and Protection of Investments, which guarantees national treatment to foreign investors, allowing them to operate under the same legal conditions as local investors in most economic sectors.

The law also ensures the free transfer abroad of capital, profits, dividends, royalties, and other investment-related income, subject to compliance with applicable regulations.

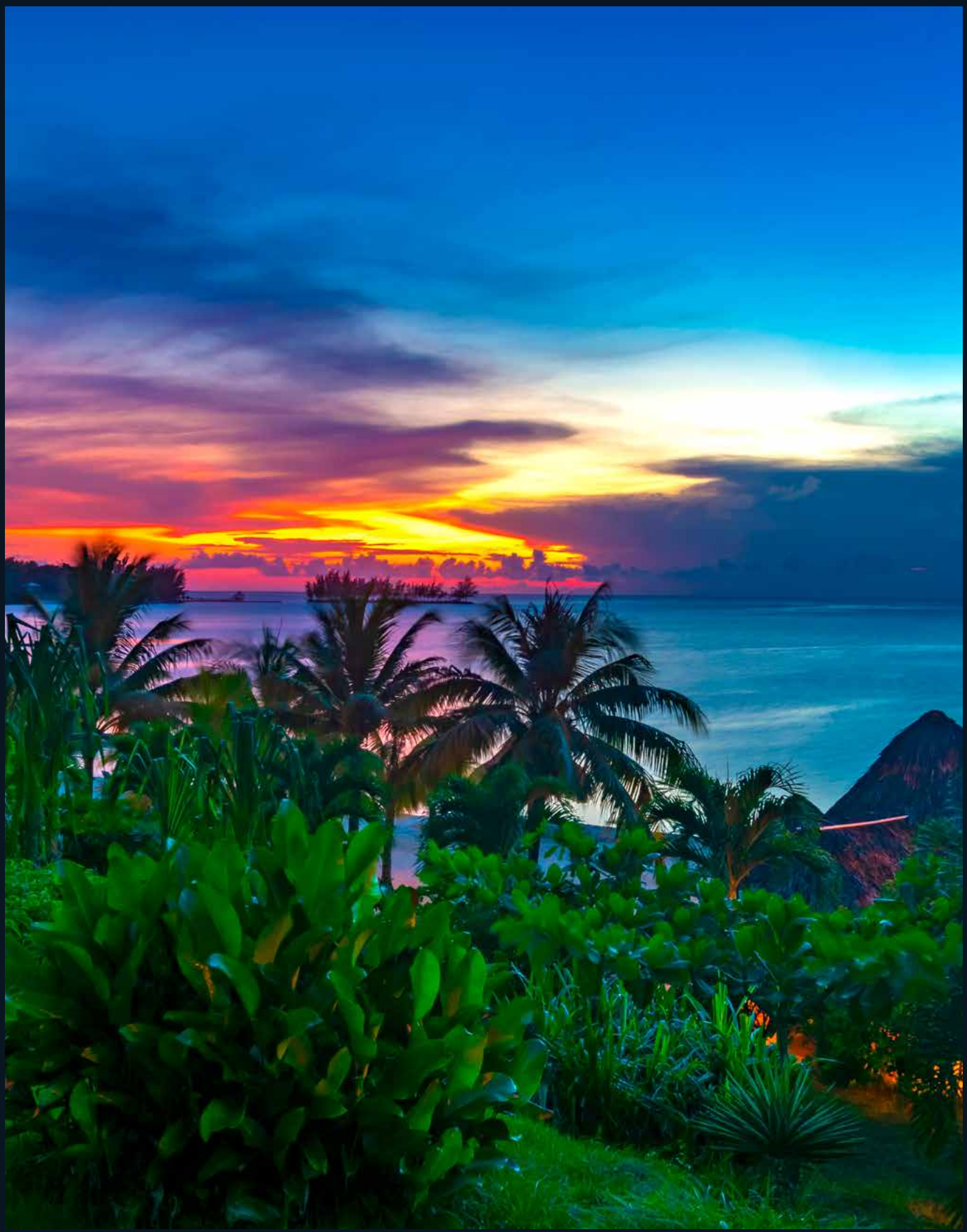
An important element of the Honduran incentive framework is the availability of international dispute resolution mechanisms, including access to international arbitration bodies such as ICSID, which strengthens investor confidence by providing neutral forums for dispute resolution. This legal protection is particularly relevant for large-scale and long-term investment projects.

1.2 Industries with special incentives

Special incentives in Honduras are primarily granted through the Free Zone Regime, regulated by the Free Zones Law and its implementing regulations. This regime is designed to promote export oriented activities, job creation, and foreign exchange generation by offering tax and customs incentives to eligible companies operating within authorized free zones.

Industries benefiting from special incentives include:

- Export oriented manufacturing and maquila operations, which may benefit from income tax exemptions for defined periods, as well as exemptions from import duties on machinery, equipment, raw materials, and intermediate goods used in production.
- International services, such as contact centers, data processing, shared service centers, and business process outsourcing (BPO), which have become increasingly relevant due to nearshoring trends and regional integration.
- Trading and re export companies, focused on the commercialization and redistribution of goods to international markets without being subject to standard customs and tax burdens.



These incentives are supported by public investment in transportation infrastructure, energy, and logistics, particularly projects aimed at improving connectivity with Puerto Cortés, Honduras' main port and a key logistics hub in Central America. As a result, free zones play a significant role in the Honduran economy. According to available data, the country has 151 free zones, hosting approximately 324 companies and generating 162.650 direct jobs, highlighting their importance in attracting foreign investment and supporting export driven growth.

1.3 Types of Entities for Establishing a Business in the Country

Commercial activities in Honduras may be carried out by individual merchants or corporate entities, in accordance with the Commercial Code, which regulates the incorporation, registration, and operation of business entities. Both local and foreign investors are allowed to establish and operate businesses, subject to compliance with legal and registration requirements.

The most commonly used legal entities for establishing a business in Honduras are the following:

1.3.1 Limited Liability Company (Sociedad de Responsabilidad Limitada – S. de R.L.) This type of entity is frequently used for small and medium sized businesses. Shareholders' liability is limited to their capital contributions, and foreign participation is permitted. The S. de R.L. offers a simpler corporate structure and management framework compared to corporations, making it suitable for closely held businesses.

1.3.2 Corporation with Variable Capital (Sociedad Anónima de Capital Variable – S.A. de C.V.) The S.A. de C.V. is the preferred entity for larger or more complex operations. It allows greater flexibility in capital structure and facilitates the entry of additional shareholders. Shareholder liability is limited to the amount of capital contributed, and the entity is subject to corporate governance rules established by the Commercial Code.

Regardless of the type of entity chosen, incorporation and registration with the Public Commerce Registry is mandatory in order to acquire legal personality and carry out commercial activities in Honduras.

Tax Regime

1.1 General Overview

1.1.1 Corporate Income Tax Rate (%): For resident companies, corporate income tax is assessed at a rate of 25%, calculated on net taxable profits.

1.1.2 Capital Gains Tax Rate (%): Capital gains obtained by resident or non resident entities are generally treated as ordinary income and taxed at the standard 25% corporate income tax rate, provided the gains arise from Honduran source assets or transactions.

1.1.3 Branch Tax Rate: Income attributable to a branch is subject to Honduran income tax on income derived from Honduran sources, at the rates applicable to corporate income.

1.1.4 Withholding Tax

1.1.4.1 Dividends: Dividend income is treated as a category of "other income" and, as such, it is not subject to the standard corporate income tax rates. However, dividends distributed by Honduran companies are subject to a 10% withholding tax, whether paid to resident individuals or entities or to non resident recipients.
Once dividends or profit distributions have been subject to the applicable 10% withholding tax, they are not subject to further taxation if redistributed.
With respect to stock dividends, these are generally not taxable when they represent a capitalization of retained earnings within the company. Nevertheless, the tax treatment of stock dividends must be assessed on a case by case basis, considering the specific characteristics and circumstances of each transaction.

1.1.4.2 Interest: Honduran Bank interests are subject to a 10% WHT at the moment the interest is given, when the sum is over L 50,000. Interests from abroad are considered as other income. For income tax reconciliation, interest income is considered non-taxable when subject to the 10% WHT.

1.1.4.3 Royalties from Patents, Trademarks, Formulas and Similar Items: When royalties are earned by a Honduran company or a local branch, they are included in taxable profits and subject to corporate income tax as ordinary income. Conversely, where royalties are paid to a non resident recipient, they are subject to a withholding tax of 25%, levied on the gross payment at source, in accordance with Article 5 of the Honduran Income Tax Law.

1.2 Tax on Rent and Corporate Income

1.2.1 Corporate income tax: Corporate income tax in Honduras is determined based on generally accepted accounting and commercial principles, subject to adjustments required under applicable tax legislation. Taxable income is calculated by reconciling accounting profits with tax deductible and non deductible items, in accordance with Honduran tax rules.

1.2.1.1 Determination of the net taxable income (trading income)

- General: Net taxable income is computed starting from accounting income prepared under accepted accounting principles, adjusted to reflect limitations, inclusions, or exclusions required by the Honduran Income Tax Law.
- Depreciation: Depreciation is generally calculated under the straight line method. Taxpayers may request approval from the tax authority to apply alternative depreciation methods. Once a depreciation method has been elected, it must be consistently applied in subsequent taxable periods. Under the straight line approach, specific annual depreciation rates are established for certain categories of commonly used assets.

Asset	Rate (%)
Buildings	2.5 to 10
Plant and machinery	10
Vehicles	10 to 33
Furniture and office equipment	10
Tools	25

- R&D incentives: Honduras does not provide specific tax incentives or enhanced deductions for research and development (R&D) expenses. R&D costs are deductible only as ordinary business expenses when properly justified.

1.2.2 Rates of corporate tax: 25% for resident companies on net taxable income. For companies with taxable income exceeding HNL 1 million, an additional 5% solidarity contribution applies, raising the effective rate to 30%. Non-resident companies are taxed only on income derived from Honduran sources.

1.3 International Tax

1.3.1 Foreign tax relief: Honduras applies a territorial tax system, under which foreign source income is not subject to Honduran income tax. As a result, there is no general foreign tax credit mechanism available for taxes paid abroad. Honduras also does not have an extensive network of double taxation treaties, which limits relief for international double taxation to specific cases expressly provided by law or international agreements.

1.3.2 Foreign-exchange controls: Honduras does not impose general restrictions on the repatriation of profits, dividends, or capital; however, foreign exchange transactions are subject to regulatory oversight by the Central Bank of Honduras (BCH) through an organized foreign exchange auction system. Access to foreign currency is managed via authorized exchange agents, and certain transactions require supporting documentation, particularly for large value transfers.

Honduras does not impose general restrictions on the repatriation of profits, dividends, or capital. However, foreign exchange transactions are subject to regulatory oversight by the Central Bank of Honduras (BCH). Access to foreign currency is managed through authorized exchange institutions, subject to applicable documentation and compliance requirements established by the BCH.

1.3.3 Transfer pricing: Honduras has enacted transfer pricing legislation consistent with the arm's length principle, applicable to transactions conducted between related parties, whether domestic or cross border. The transfer pricing framework was established under Decree No. 232 2011 and further developed through Transfer Pricing Regulations issued in 2015. Taxpayers engaged in related party transactions are required to document and support the arm's length nature of their pricing. Honduran tax authorities may adjust taxable income where prices do not reflect market conditions. The law also allows taxpayers to request Advance Pricing Agreements (APAs) for qualifying transactions.

1.3.4 Debt-to-equity rules: Honduran tax law does not currently establish formal thin capitalization or debt to equity ratios limiting the deductibility of interest. Consequently, there are no explicit statutory debt to equity rules applicable for corporate income tax purposes. However, interest deductions remain subject to general deductibility principles and may be challenged where financing arrangements lack economic substance or are not aligned with arm's length standards.

1.4 Value-added tax

Honduras levies a Value Added Tax (VAT) at a standard rate of 15%, applicable to the sale of goods, provision of services, and importation of goods. Certain basic goods, exports, and specific transactions are either zero rated or exempt, as established by tax law.



Labor Regime

1.1 Labor Law

Employment relations in Honduras are governed by the Labor Code, which establishes the rights and obligations of employers and employees, as well as the minimum standards applicable to labor relationships. The legal framework covers matters such as working conditions, minimum wages, employee benefits, occupational health and safety, and termination of employment.
The Labor Code defines maximum working hours, mandatory benefits (such as vacations, bonuses, and severance payments), and employer obligations related to social security and workplace safety. Compliance with labor regulations is supervised by the General Labor Inspectorate, which has authority to monitor, inspect, and sanction non compliance. The Honduran labor system emphasizes worker protection and compliance with statutory labor benefits as a core requirement for business operations.

1.1.1 Minimum Salary

In Honduras, where a scale of 12 categories applies, the average minimum wage amounts to 13,985.10 lempiras, approximately USD 526.

1.2 Considerations for foreign workers

Foreign workers may be employed in Honduras provided they comply with applicable immigration and employment regulations. Before commencing employment, foreign nationals must obtain the corresponding legal immigration status and work authorization issued by the competent authorities.
Employers hiring foreign personnel are responsible for ensuring compliance with immigration requirements and for formalizing employment relationships in accordance with Honduran labor legislation. Once legally authorized, foreign workers are generally subject to the same employment conditions, obligations, and protections as local workers, including compliance with labor and social security regulations.

Although the document does not establish explicit quotas or sector specific restrictions, companies should carefully assess immigration procedures, permit validity periods, and regulatory compliance when planning the employment of foreign staff.

1.3 Corporate Law

Corporate activities in Honduras are regulated by the Commercial Code, which governs the incorporation, registration, operation, and dissolution of business entities. Both domestic and foreign individuals or companies are legally permitted to engage in commercial activities, subject to compliance with legal formalities and registration requirements.
The Commercial Code establishes rules related to corporate governance, commercial contracts, negotiable instruments, and competition. All entities engaged in commerce must be registered with the Public Commerce Registry, which is a mandatory requirement to obtain legal personality and ensure the enforceability of commercial acts.
The Honduran corporate framework provides the legal basis for business operations in the country and is complemented by sector specific regulations and oversight by relevant authorities, offering a structured environment for conducting business activities.

1.4 Environmental Regulations

Honduras has an environmental regulatory framework based on the General Environment Law (Decree No. 104-93) and its regulations, which establish the guidelines for the protection, conservation, restoration, and sustainable management of the environment and natural resources. These regulations are mandatory for all economic activities that may impact the environment.

1.4.1 Key requirements for operation

- Required Environmental Permit: Any activity with environmental impact must have an environmental permit issued by the Secretariat of Natural Resources and Environment (SERNA) – MiAmbiente. This document certifies compliance with current regulations and sets specific conditions for the operation of projects and businesses.


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- Environmental Impact Assessment (EIA): Projects that may cause environmental damage must undergo an EIA. Approval of this study is mandatory before operations begin, and failure to comply may result in penalties or suspension of the project.
- Pollution control and waste management: The discharge of pollutants into water bodies without prior treatment is prohibited, and there are regulations for the disposal of solid and hazardous waste, including restrictions on the importation of harmful waste. Additionally, atmospheric emission standards and the handling of hazardous substances must be met.
- Sustainable use of natural resource: The law states that resource utilization must be carried out rationally to prevent environmental degradation, and it sets restrictions for projects in protected areas and sensitive ecosystems.

Complying with environmental regulations in Honduras is essential for ensuring the legal and operational viability of businesses. Adopting adequate environmental measures not only prevents sanctions but also allows operations to align with principles of sustainability and responsible development.

1.4.2 Compliance and sanctions

Failure to comply with environmental regulations may result in fines, revocation of permits, and, in severe cases, closure of operations. The Environmental Prosecutor's Office represents the State's interests in environmental matters, both administratively and judicially.

1.5 Foreign Investment Regulation

Honduras offers a favorable legal framework for attracting foreign investment, guaranteeing legal stability and competitive conditions to promote economic and social development. The Law for the Promotion and Protection of Investments is the regulatory backbone supporting these guarantees and outlines the rights and obligations of investors.

The legislation guarantees foreign investors equal treatment with nationals, allowing them to participate in any economic sector, except those restricted by the Constitution or special laws.

1.5.1 Specific Regulations

There are limitations in the sectors of disposal and waste of toxic, hazardous, or radioactive materials; activities that affect public health, small-scale industry and commerce; and the manufacture, import, distribution, and sale of weapons, ammunition, and similar items.

Key rights and guarantees among the main benefits offered by the Honduran legal framework are:

- National Treatment: Guarantees foreigners national treatment within the limitations established by law.
- Transfers Abroad: The right to make transfers abroad in currency or securities, at their choice, of the proceeds of their profits, dividends, etc.
- Tax Incentives: Possibility of enjoying tax benefits in priority activities defined by the State.
- Dispute Resolution: Access to international arbitration mechanisms, such as ICSID, to guarantee legal security in case of disputes.

1.5.2 Incentives for Large-Scale Investments

Projects considered of national interest, such as those with investments over $50 million, may request the application of an accelerated investment procedure.

Once the request is approved, it is forwarded to the Executive Power so that the President of the Republic in the Council of Ministers issues an Executive Decree containing a Certificate of Incorporation and Operational Viability. This Certificate will include all permits required under Honduran legislation.

Financial Reporting

1.1 Requirements and regulations for the preparation and presentation of financial information

The financial reporting framework in Honduras is primarily governed by the Commercial Code, the Accounting and Auditing Law No. 189 2004, and related tax regulations. Honduran companies are required to maintain accounting records and prepare annual financial statements in accordance with International Financial Reporting Standards (IFRS) or IFRS for Small and Medium sized Entities (IFRS for SMEs), as adopted by the national accounting standard setter, the Junta Técnica de Normas de Contabilidad y de Auditoría (JUNTEC). The adoption of IFRS in Honduras was formalized through Government Decree No. 189 2004 and reaffirmed by JUNTEC Resolution No. 001 2010, which extended mandatory application to IFRS for SMEs. In addition, the National Tax Code (Decree No. 170 2016) mandates the use of IFRS and IFRS for SMEs for tax and accounting purposes by all companies operating in the country.

1.1.1 Publicly traded companies

Publicly traded companies and participants in the securities market in Honduras are subject to additional reporting and disclosure requirements. These entities must prepare their financial statements in accordance with IFRS, as required by regulations issued by the National Banking and Insurance Commission (CNBS).

Companies listed on the securities market, as well as brokerage firms and stock exchanges, must comply with CNBS issued rules regarding the presentation, publication, and periodic disclosure of financial statements, including audited annual financial statements and interim reports. These requirements are designed to ensure transparency, comparability, and investor protection in the capital markets.

1.1.2 Publicly regulated companies

Publicly regulated entities (such as banks, financial institutions, insurance companies, pension funds, and other entities supervised by the CNBS) are required to prepare financial statements under IFRS as adapted by CNBS regulations.

CNBS has issued sectors specific accounting manuals and reporting frameworks based on IFRS, covering financial institutions, insurance companies, and market participants. These entities must submit periodic financial information to the CNBS and publish audited annual financial statements, together with explanatory notes and regulatory indicators, in accordance with applicable supervisory rules.

The CNBS also establishes rules regarding the frequency, format, and means of publication of financial statements, as well as the responsibilities of boards of directors and senior management with respect to financial reporting.





México

Message from EY Mexico's Country Managing Partner

As the global economy continues to evolve, Mexico is increasingly positioned as one of the most relevant and strategic markets in Latin America. In the context of shifting supply chains, geopolitical realignments, and a renewed focus on regionalization, the country has become a natural hub for investment and business expansion.

Mexico's strong trade integration, particularly within North America, its extensive network of trade agreements, and its industrial base continue to differentiate it across the region. At the same time, its connectivity with other Latin American markets reinforces its role not only as a destination for investment, but also as a platform for regional growth.

This growing relevance, however, comes with greater complexity. As companies evaluate opportunities in Mexico, they must also navigate an evolving regulatory environment, where tax, legal, and compliance considerations play an increasingly strategic role in business decision-making. At the same time, changes in tariff rates and international trade dynamics are challenging traditional operating models and supply chain structures. As organizations seek greater efficiency, resilience, and competitiveness, tax and legal considerations are becoming key enablers of strategic decision-making and business transformation.

This publication, developed by our Tax and Legal Services teams, provides a comprehensive overview of the key considerations for doing business in Mexico as a strategic market within the region. It is designed to support companies in understanding the opportunities and challenges of investing in one of the most dynamic economies in Latin America.

We hope you find this guide useful and look forward to supporting your business goals in Mexico and across the region.

Kind regards,



Manuel Solano

Country Managing Partner
EY Mexico

Overview

Mexico is located in North America and has a diverse geography with beaches, jungles, mountains, and deserts. Its capital, Mexico City, is also the largest city, followed by Guadalajara, a cultural and technological center, and Monterrey, renowned for its industry. The Mexican population has diverse roots: indigenous, European, and African, and its rich culture is manifested in music, art, gastronomy, and festivities such as the Day of the Dead. With abundant resources such as oil, silver, copper, and a unique biodiversity, its main sectors include manufacturing (automotive, electronics), oil, tourism, agriculture (corn, avocado, tequila), and mining. Mexico seeks integration into global trade through treaties such as the T-MEC and is committed to innovation and technology to strengthen its economy.



Population
133,367,000 (2025)[1]
Urban[2]: 79.8% (2024)
Rural[2]: 20.2% (2024)



Main language
Spanish.
Other languages: Nahuatl, Maya (Yucatec Maya), Mixtec, Zapotec, Otomí, Tzeltal, Tzotzil, Purépecha, and other Indigenous languages.



Area[2]
1,943,950 km[2]



System of government[4]
Federal Presidential Republic
President: Claudia Sheinbaum
Next elections: 2030



Climate[3]
The northwest is dry and warm, while the interior regions are more arid. South of Mexico City, the climate is tropical due to high temperatures and constant humidity[4]



International Time[5]
GMT-6 (Mexico City, Guadalajara, Monterrey, Leon)
GMT-5 (Cancun)
GMT-7 (Mazatlan)
Daylight saving time (summer):
- GMT-5 (Coahuila, Nuevo Leon, Tamaulipas, Chihuahua)
- GMT-7 (Tijuana, Mexicali)

Standard time (winter):
- GMT-6 (Coahuila, Nuevo Leon, Tamaulipas, Chihuahua)
- GMT-8 (Tijuana, Mexicali)



Currency[6]
Mexican Peso
US$1 = MXN 17.97 (Dec 31, 2025)



GDP current prices[1]
USD $1,832.6 Bn. (2025)



GDP per capita (PPP)[1]
USD $25,681.6 (2025)



Key sectors[7]
Mexico has strong industries in manufacturing (motor vehicles), oil, agriculture (crops and tropical fruits), food and beverages, tobacco, chemicals, iron and steel, mining (silver), textiles, apparel, consumer durables, and tourism.

Why invest in Mexico?

2nd largest
economy in Latin America and one of the top 15 economies worldwide[1].

15th largest
country in the world by field area[2].

11th recipient
of foreign direct investment in 2024[2].

Its network of trade agreements
gives it privileged access to 52 countries. Uniquely positioned to take advantage of nearshoring opportunities, thanks to its geographic location, business opportunities, and participation in the USMCA treaty.

World leader in exports:
2nd of fresh fruits, 3rd of fruit & nuts & beverages in 2024[8].

Ranked 4th
in crude oil reserves, 2nd in crude oil production, and 3rd in natural gas production in Latin America[9].

World leader in food:
2nd exporter of fresh fruits, 3rd exporter of fruits and nuts, 3rd exporter of beverages in 2022 (in trade value)[8].

Nearshoring
opportunities driven by proximity to the United States offer cost efficiencies, reduced lead times, and increased operational flexibility[10].

World's leading
producer of silver and a major global producer of gold, zinc, and lead, reinforcing its role in global mineral supply chains[11].

1. World Economic Outlook Database (April 2026), IMF.
2. DataBank, The World Bank Group.
3. Country information, DatosMundial.com., CountryReports.com.
4. Government - Politics, CountryReports.com.
5. World Time Directory, 24timezones.com.
6. Exchange Rates Database (April 2026), IMF.
7. Country information, Encyclopedia Britannica.
8. Comtrade Database, United Nations.
9. Annual Statistical Bulletin. OPEC. (2025).
10. Invest in Mexico
11. U.S. Geological Survey, Mineral Commodity Summaries 2026.

Country's economic outlook

Mexico is the second-largest economy in Latin America, with GDP reaching USD 1,830.5 billion in 2024 and USD 1,832.6 billion in 2025, according to the IMF World Economic Outlook. It ranks among the top 15 economies globally and is strategically positioned to benefit from nearshoring trends, supported by its integration into North American value chains.

Economic activity showed solid growth of 3.11% in 2023, completing a third consecutive year of expansion, before moderating to 1.35% in 2024 amid fiscal tightening and softer external demand, particularly from the United States. Growth slowed further to 0.6% in 2025, reflecting continued fiscal consolidation and trade policy uncertainty, although the economy remains supported by manufacturing exports and investment linked to supply chain relocation.

GDP per capita in PPP terms reached USD 25,681.6 in 2025, reflecting gradual improvements in living standards. Inflation continued its downward trend, declining from 7.82% in 2022 to 4.66% in 2023 and 4.21% in 2024, closing at 3.7% in 2025, within Banco de Mexico's 2–4% target range. In this context, the central bank initiated a monetary easing cycle in 2024, gradually reducing policy rates to support economic activity.

Fiscal accounts deteriorated in recent years, with the deficit widening to 5.78% of GDP in 2024 and narrowing to 4.9% in 2025 as consolidation efforts progressed under the new administration. Meanwhile, gross public debt increased from 52.75% of GDP in 2023 to 59.14% in 2024 and reached 61.8% in 2025, highlighting the need to balance fiscal discipline with growth objectives.

Mexico's economy remains closely tied to the United States and continues to benefit from the United States-Mexico-Canada Agreement (USMCA), which underpins trade flows, manufacturing activity, and nearshoring-driven investment.

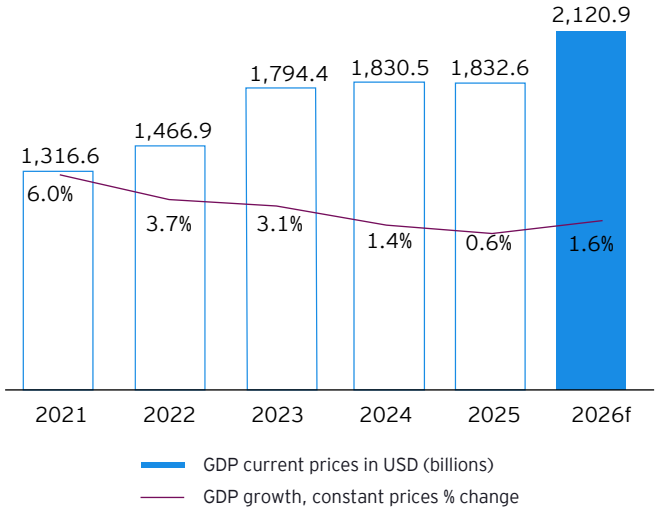
Ongoing nearshoring opportunities, a competitive manufacturing base, and strong export capabilities continue to position the country as a key hub for international investment and long-term business growth.

Table 1

Main Indicators	Mexico
GDP current prices USD bn. (2025)[1]	$1,832.6
GDP growth, constant prices % change (2025)[1]	0.6%
Gross domestic product per capita, current prices USD (PPP) (2025)[1]	$25,681.6
Inflation, year-end consumer prices (2025)[1]	3.7%
Fiscal balance (net lending (+) or net borrowing (-) of general government; % of GDP) (2025)[1]	-4.9%
Public debt (General government gross debt, % of GDP) (2025)[1]	61.8%
Current account (% of GDP) (2025)[1]	-0.4%
Investment (% of GDP) (2025)[1]	22.5%
Poverty headcount ratio at $8.30 a day (2021 PPP) (% of population) (2024)[2]	21.4%

Sources: World Economic Outlook Database (April 2026), IMF. Data Bank (April 2026), The World Bank Group.

Figure 2:
Gross domestic product, levels and growth

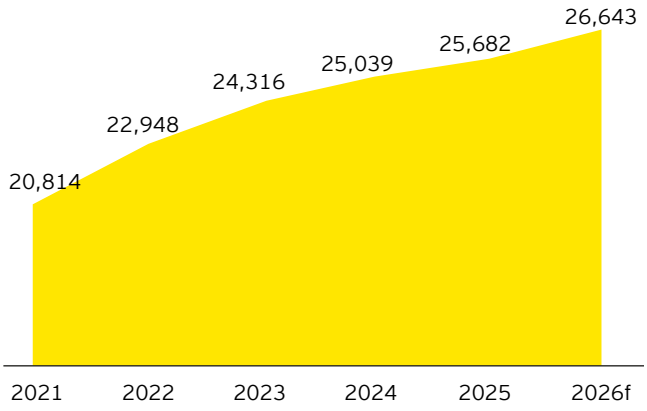


Source: World Economic Outlook Database (April 2026), IMF.

Mexico's economy showed solid expansion of 3.1% in 2023 for the third consecutive year, driven by nearshoring investment and resilient domestic consumption. In 2024, growth slowed to 1.4% as monetary policy remained restrictive and external demand softened.

For 2025, there was a growth of 0.6% for Mexico, a significant deceleration reflecting fiscal consolidation, elevated interest rates, and uncertainty related to the new U.S. trade policy environment. It is expected to grow to 1.6% in 2026.

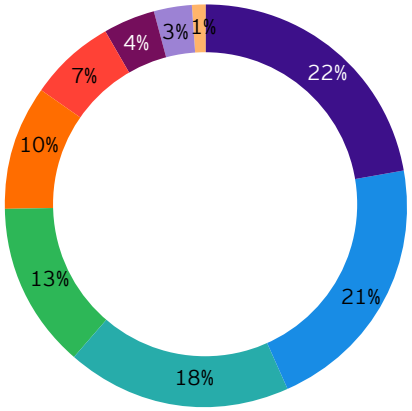
Figure 3
Gross domestic product (GDP), Per capita, (PPP) international dollar, ICP benchmarks 2017-2021



Source: World Economic Outlook Database (April 2026), IMF.

Mexico's GDP per capita has shown steady growth in recent years, increasing from USD 24,316 in 2023 to an estimated USD 26,643 in 2026. This upward trend reflects continued economic expansion and rising income levels, supporting Mexico's position as one of the largest and most dynamic economies in Latin America.

Figure 4
Share of gross domestic product by economic sector in 2025 (current prices in USD)



- Wholesale and retail trade, repair of goods and hotels and restaurants
- Manufacturing industries
- Financial intermediation, real estate, business, renting and leasing activities
- Public administration, defense, compulsory social security, education, health and social services, and other community, social and personal services
- Transportation, warehousing and communications
- Construction
- Agriculture, hunting,hunting, forestry, and fishing
- Mining and quarrying
- Electricity, gas and water supply

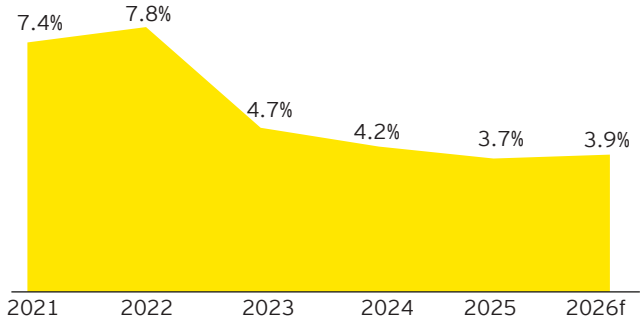
CEPALSTAT (April 2026), ECLAC.



The sectors that contribute most to Mexico's GDP are wholesale and retail trade and hotels and restaurants (22%), followed by manufacturing industries (21%). Financial intermediation, real estate, and business services account for 18%, and public administration and social services for 13%. Transportation and communications follow in relevance with 10%.

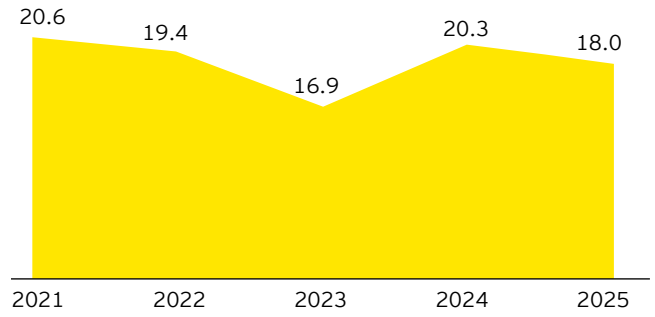
Figures 5 and 6:

Inflation (end of period consumer prices, % change)



Source: World Economic Outlook Database (April 2026), IMF.

Exchange rate of foreign currency (USD/MXN, end of period)

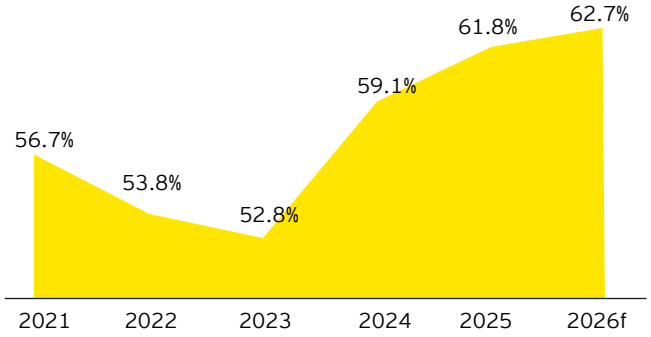


Source: Exchange Rates Database (April 2026), IMF.

Inflation in Mexico peaked at 7.82% in 2022. It declined to 4.66% in 2023 and further to 4.21% in 2024, supported by Banco de Mexico's restrictive monetary stance. Inflation continued to ease in 2025, closing at 3.7%, and is expected to increase moderately to 3.9% in 2026.
The Mexican peso closed 2023 at MXN 16.92 per USD. Post-election volatility and fiscal concerns led to a significant depreciation in 2024, with the peso closing at MXN 20.3 per USD, before recovering to around MXN 18.0 per USD in 2025.

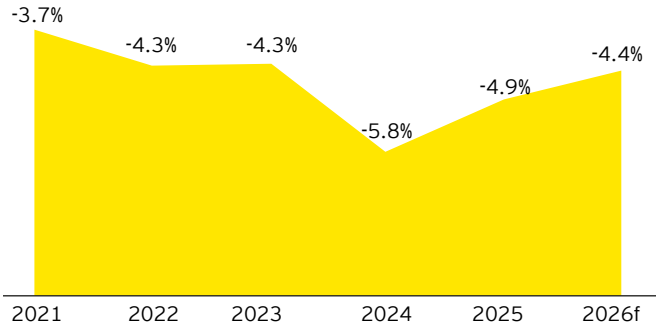
Figures 7 and 8:

Public debt (General government gross debt, % of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

Fiscal balance (net lending (+) or net borrowing (-) of general government, % of GDP)

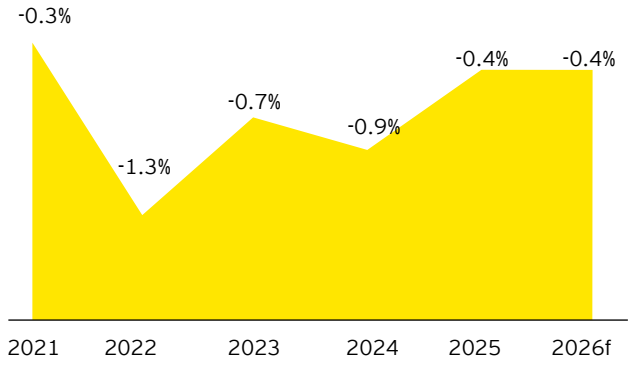


Source: World Economic Outlook Database (April 2026), IMF.

Mexico's gross public debt rose to 59.14% of GDP in 2024, up from 52.75% in 2023, reflecting the fiscal deficit of 5.78% of GDP. Public debt increased further to 61.8% of GDP in 2025 and is expected to rise to 62.7% in 2026, highlighting continued fiscal pressures despite consolidation efforts.
The fiscal deficit widened to 5.78% of GDP in 2024 from 4.30% in 2023. It narrowed to 4.9% of GDP in 2025 and is projected to decline further to 4.4% in 2026.

Figure 9:

Current account (% of GDP)

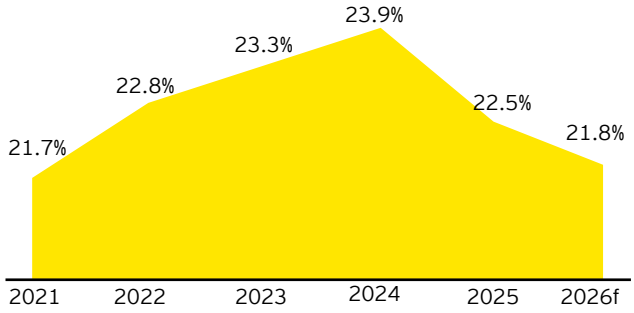


Source: World Economic Outlook Database (April 2026), IMF.

Mexico's current account deficit was 0.91% of GDP in 2024, slightly wider than 0.70% in 2023, reflecting higher services payments and moderate import demand. In 2025, it narrowed to -4.0%, the same level expected for 2026.

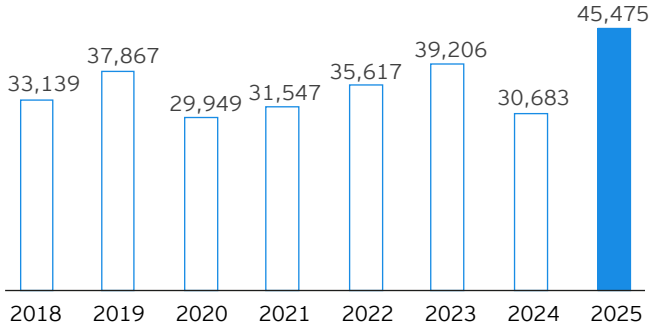
Figures 10 and 11:

Investment (% of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

FDI net inflows to Mexico (USD millions)



Source: CEPALSTAT (2026), ECLAC.

Investment as a percentage of GDP rose to 23.90% in 2024 from 23.31% in 2023. It declined to 22.5% in 2025 and is expected to moderate further to 21.8% in 2026.

FDI net inflows into Mexico reached USD 32.4 billion in 2024, up from USD 29.9 billion in 2023, according to CEPALSTAT. This amount remained almost constant in 2025.

With a stable, diversified, and steadily growing economy, Mexico stands as the second-largest economy in Latin America and one of the most significant emerging markets worldwide. Additionally, its expanding middle class represents an attractive consumer market, alongside a young and talented workforce.

Mexico also offers a strategic location for businesses seeking access to either the U.S. or Latin American markets, serving as a bridge between the two regions It boasts appealing tax incentives and numerous trade agreements, including the USMCA with the United States and Canada, facilitating access to major international markets.

Establishing a business in the country

Mexico has several benefits and incentives to promote trade and investment.

1. Tax benefits for Key Export Sectors

Tax benefits are granted to companies in the general regime or simplified trust regime and to individuals with business and professional activities who are engaged in the production, processing or industrial manufacturing and export in key sectors of the export industry such as semiconductors, automotive sector, pharmaceutical sector, among others.

1.1. Immediate deduction of investments in fixed assets (used for the first time in Mexico): ranging from 86% to 89% depending on the type of 3 asset, and from 56% to 88% depending on the activity in which the machinery and equipment are used.

1.2. Mechanism for immediate deduction in income tax prepayments, which benefits the companies' cash flows.

1.3. With regard to creditable VAT, the immediate deduction will be considered as a fully deductible expense.

1.4. Furthermore, eligible taxpayers will be granted a tax benefit consisting of an additional 25% deduction of the increase in training expenses.

2. Tax benefits to promote investment by taxpayers who carry out productive economic activities within the Development Poles for the Welfare of the Isthmus of Tehuantepec (PODEBI Decree).

These benefits include:

2.1. A tax credit equivalent to 100% of income tax

2.2. Immediate deduction of 100% of the original amount of the investment in assets, and tax credits equivalent to 100% of the value added tax (VAT) payable between companies' resident in the PODEBI.

2.3. For such purpose, taxpayers must obtain the certificate of compliance with the requirements and guidelines established in the PODEBI Decree.

2.4. Individuals in the business and professional activities regime, legal entities in the general regime and legal entities in the simplified trust regime who apply the benefits established in the Decree must make prepayments through specific tax returns according to their tax regime.

2.5. VAT incentive may be applied as of the date of issuance of the certificate of compliance and while the benefit is effective.

3. Other considerations

The following considerations are important for customs and trade aspects of the business operations including incentives and promotion programs, import duties, trade agreements followed by the value added taxes applicable to transactions within Mexico.

Incentives & Promotion programs	
IMMEX Intended for companies exporting at least US$500,000 or 10 percent of their production. Destined to conduct manufacturing, maquiladora, and export services. Allows the temporary importation of goods and provides the benefit of deferring duty payment on imports.	**PROSEC** Destined to companies conducting a manufacturing process within 24 listed sectors. Allows the importation of goods with reduced tariff rates regardless of their country of origin. The finished products can be either exported or sold in domestic market.
VAT & Excise Tax Certification Focused on companies that are compliant with their tax and customs obligations. Provides a fiscal credit over the VAT & Excise Tax payable upon temporary importations. Available for companies operating under IMMEX program, Automotive Bonded Warehouse and Strategic Bonded Warehouse.	**Strategic Bonded Warehouse** Intended for companies that have the legal use of facilities located within a Strategic bonded warehouse. Allows the temporary importation of goods for their handling, storage, custody, exhibition, sale, distribution, manufacturing or repair.

4. Legal aspects

Mexico's laws are generally favorable for investors and make it easier for companies to do business in the country. Certain considerations for setting up operations in Mexico are listed below.

4.1. Subsidiary or Branch

The common options for doing business in Mexico are through the incorporation of a Mexican entity or the registration of a branch (that may or may not create a permanent establishment (PE)). It is important to determine which is the convenient scheme, considering all applicable perspectives (e.g., legal-corporate, labor, tax, etc.).

- Branch: Lacking distinct legal personality from its head office, it operates as an extension thereof, with the head office assuming full responsibility for its obligations and liabilities.
- Subsidiary: It is an entity with an entirely independent legal personality from its equity holders and, consequently, it acts on its own behalf.

The most common types of Mexican entities are the Corporation (Sociedad Anónima – "SA") or Limited Liability Company (Sociedad de Responsabilidad Limitada – "SRL"), which require at least 2 shareholders/partners (either Mexican or foreign corporations or individuals).

4.2. Annual Corporate Obligations of Subsidiaries

From a strictly legal-corporate perspective, the annual obligations of Mexican companies are as follows:

- Holding an Annual Shareholders'/Partners' Meeting whereby the mandatory annual compliance matters will be addressed, including the discussion and, if applicable, the approval of (i) the report prepared by the Board of Directors/Managers of the company regarding the operations of the same during the prior year; and (ii) the financial statements of the prior year.
- If required under the bylaws of the company, holding an Annual Board Meeting whereby the corresponding annual compliance matters will be addressed.
- In accordance with Article 35 of the Foreign Investments Law, any company with foreign investment shall file the Annual Notice before the National Registry of Foreign Investments, if any of the corresponding thresholds is surpassed.
- Quarterly notices shall also be filed before the National Registry of Foreign Investments, if any of the corresponding thresholds is surpassed during a quarter.

4.3. Restrictions on Foreign Investments

Mexican legislation on Foreign Investments allows Mexican entities with foreign investment to engage in most of the sectors and economic activities. Exceptions to the foregoing include the following:

- Activities reserved to nationals: (i) national land transportation of passengers, tourism and cargo (excluding courier and parcel services); (ii) development banking; (iii) rendering certain technical and professional services, according to specific Mexican laws.
- Certain activities within the following strategic sectors are reserved to the Mexican Government: (i) exploration and extraction of oil and other hydrocarbons; (ii) planning and control of the national electricity system, as well as electrical energy activities; (iii) generation of nuclear energy; (iv) radioactive minerals; (v) telegraphs, radiotelegraphy and post mail; (vi) currency issuance and coinage; and (vii) control, monitoring and surveillance of airports, ports and heliports.
  Mexican Foreign Investments Law establishes restrictions on land ownership by foreign investors.
- Other activities with restrictions: Among others, (i) manufacture and sale of explosives, fireweapons, cartridges and ammunition; (ii) radio broadcast; (iii) printing and publication of newspapers for exclusive circulation in national territory; (iv) legal services; and (v) private preschool, elementary school, middle high school, high school and upper or combined education services.

4.4. Data Protection

Since 2010 Mexico has a comprehensive data protection legal framework, which is aligned to international standards on data privacy and is applicable to the processing of personal data of any individual (e.g., employees, clients, visitors, suppliers, ultimate beneficial owners, etc.), in the understanding that the collection, use, transfer, storage, dissemination and, in general, any action to exploit or dispose of the data is considered processing.

It is highlighted that said legal framework mainly aims to protect the personal data of individuals by establishing rules for the processing of the same, including the obligation to observe certain general principles during the processing, such as the principles of consent, proportionality, purpose and responsibility.

On March 2025 a new Federal Law on the Protection of Personal Data Held by Private Parties was formally issued and entered into force. Although the new law maintains the conceptual essence of its predecessor, there are some relevant differences that entail the need of revisiting the data protection compliance program of Mexican companies.

The Mexican authority currently in charge of the enforcement of the legislation on data protection applicable to private parties is the Ministry of Anticorruption and Good Governance (Secretaría de Anticorrupción y Buen Gobierno). It is noted that up to this date secondary legislation on data protection, such as the regulations of the aforementioned new law, is yet to be issued, discussed and approved.

In virtue of the foregoing, it is important for companies to create a or adjust the existing data protection program, as the case may be, to ensure compliance with the new applicable legislation.

4.5. Ultimate Beneficial Owners

As of January 2022 companies, trustors, beneficiaries or trustees, in the case of trusts, and contracting parties or members, in the case of any other legal figure/vehicle, are obliged to collect, verify and keep updated, reliable and complete information of their respective ultimate beneficial owner(s), as part of their bookkeeping, and to provide it to the Tax Administration Service (Servicio de Administración Tributaria in Spanish) when requested.

Further, it is highlighted that to fully comply with said new rules it is necessary to perform several actions, such as creating and implementing control procedures for obtaining and keeping the required information and documents; hence, Mexican entities/vehicles shall make efforts to comply with the referred obligations since its incorporation, so as to avoid fines and other types of sanctions.

4.6. Anti-money laundering

On July 2025 the Federal Law for the Prevention and Identification of Operations with Resources of Illicit Origin and Article 400 Bis of the Federal Criminal Code were amended. This reform represents a significant change in the Mexican regulatory framework for the prevention of money laundering. Thus, it is important for Mexican companies subject to AML compliance to adjust their compliance program to ensure compliance with the amended legislation.

4.7. Taxpayers Registry and Tax Representative

In order to obtain a Taxpayers Registry in Mexico, the subsidiary/branch will need to provide a tax domicile located in Mexico and the legal representative must be a Mexican resident for tax purposes and have a valid Taxpayers Registry in Mexico.

Corporations are considered residents of Mexico if their principal place of management is located in Mexico.

4.8. Opening Bank Accounts

Branch/subsidiary must open a bank account in Mexico and the legal representative to open bank accounts must be a Mexican or a foreigner resident with a valid migratory visa in Mexico (Mexican residency).

Financial institutions residing in Mexico or abroad with branches in Mexico undertake the procedures to identify foreign accounts or reportable accounts for the Automatic Exchange of Information on Financial Accounts for Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) purposes.


LIVE AQUA

Tax Regime

1. Income tax

Mexico has a standard income tax system. Corporations resident in Mexico are taxable on their worldwide income from all sources, including profits from business and property. Non-resident corporations in Mexico are subject to corporate income tax on income earned from carrying on business through a permanent establishment in Mexico or, in the absence thereof, on Mexican-source income. The income tax framework is divided into three main regimes: corporate income tax, individual income tax, and a withholding mechanism applicable to non residents.

1.1. Income tax rate (corporations): 30%

1.2. Income tax rate (individuals): up to 35%

1.3. Employees' profit sharing (PTU): 10% of taxable income, subject to a cap (three months of salary or the average PTU received in the prior three years, whichever is higher)

1.4. Carryforward (net operating losses): 10 years

1.5. Carryback (net operating losses): not allowed

1.6. Consolidated returns: not applicable; however, an optional group tax regime allows the deferral of income tax for up to three years.

2. International tax

Mexico maintains an extensive tax treaty network, currently encompassing 60 treaties in force. On June 7, 2017, Mexico signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI), which has since been ratified and entered into effect on January 1, 2024. Mexico's MLI position included 61 jurisdictions; to date, the MLI provisions have effectively amended 48 of these, with an additional 7 jurisdictions pending amendment upon completion of their respective ratification processes.

Mexico has already incorporated changes into its domestic law to address specific Base Erosion and Profit Shifting (BEPS) practices, with the latest revisions effective from January 1, 2020. Furthermore, its adherence to the MLI ensures coverage of BEPS recommendations.

2.1. **Capital gains tax rate:** 30% on gain if transferred (i.e., sale or disposition of investments) to a buyer by Mexican residents. 25% to gross proceeds if transferred by foreign shareholders or 35% on net gain, provided certain formal requirements are met.

2.2. **Branch tax rate**

Mexico does not impose a separate branch tax. Profits attributable to a permanent establishment are subject to the standard corporate income tax rate of 30%, under the regulations applicable to Mexican resident companies, with certain specific provisions.

2.3. **Withholding tax rates**

- Dividends: 10%
- Interest: 10%-35%
- Royalties and Technical Services: 5%-35%
- Branch profits: 0%
- Other Fees and Compensation for Services Rendered Abroad: 0%

2.4. **Pillar two**

Mexico has signed an agreement to implement a two-pillar solution addressing the fiscal implications of the digitalized global economy. This framework ensures that large multinational enterprises (with revenues exceeding EUR 750 million based on the previous four years) pay a minimum tax on income in each jurisdiction (known as Pillar Two), with the Global Anti-Base Erosion (GloBE) rules imposing a top-up tax where the effective tax rate is below 15%. While Mexico has not yet integrated these provisions into its domestic tax system, the adoption of Pillar Two is anticipated in the near future.

3. Foreign tax relief

Mexican corporations are taxed on foreign-source income when earned. Foreign tax credits can be used to reduce, or possibly eliminate, double taxation.

4. Payments to Preferential Tax Jurisdictions

International tax provisions increased deductibility limitations and higher withholding taxes on many cross-border transactions. Potentially any payments made by Mexican companies to related parties in jurisdictions subjecting the related parties to a tax rate lower than 22.5% can become non-deductible.

5. Controlled foreign corporation rules

Extensive anti-deferral rules are included within Mexican tax law and are based on an effective rate test for controlled foreign corporations or investments.

If a Mexican corporation does not distribute its profits of a controlled foreign subsidiary, the tax liability on such profits is deferred until dividends are paid. Companies with investments in vehicles or entities located in a low-tax jurisdiction or income subject to preferred tax regimes (PTRs), in which case income is generally taxable even if no distributions are received from those entities.

6. Thin capitalization rules

Interest deductions may be disallowed if the debt-to-equity ratio exceeds 3:1. This restriction only affects interest associated with foreign related parties, even though the debt-to-equity ratio calculation takes all interest-bearing debt of a company into account.

Taxpayers with interest expenses exceeding MxP$20 million (on a group-wide basis) are also subject to a 30% adjusted taxable income deduction cap. Where both rules apply, only the one producing the greater disallowance is enforced.

7. Financing/debt push-down limitations

Mexican tax law does not impose specific restrictions on debt push-down structures, which are typically implemented through mergers or the assignment of debt to Mexican acquisition vehicles; however, such structures are subject to economic substance requirements and general tax limitations. Interest deductions are limited to 30% of adjusted taxable income ("Tax EBITDA") when net interest expense exceeds MXN 20 million at the group level.

8. Corporate Income Tax

Mexican resident companies are subject to a 30% corporate income tax (CIT) rate on their taxable income (revenues less deductible expenses).

In the Northern and Southern border regions, certain taxpayers that obtain income exclusively from activities carried out within these regions may apply a reduced effective CIT rate of 20%, through the application of a tax credit under the border tax incentive regime. This benefit is currently in force until December 31, 2026. For companies initiating activities in the border regions, eligibility requires, among other conditions, the use of new fixed assets in the region that are directly related to the qualified activities. Taxpayers intending to apply the border tax incentives established by the Decrees published on December 31, 2018 (Northern Border Region), December 30, 2020 (Southern Border Region), and the subsequent extension published on December 31, 2025, must carefully review the applicable requirements and timely file the corresponding registration, renewal notice, or authorization request to apply the benefits.

9. Main formalities

9.1. **Corporate tax return:** filed annually, no later than March 31 of the following year.

9.2. **Tax Situation Information Return (ISSIF):** filed annually by March 31, applicable to taxpayers, among other situations, when taxable income exceeds the threshold established under Article 32 H (e.g., MXN 1,103.2 million for 2026) or when foreign payments exceed MXN 100 million; no CPA tax opinion required

9.3. **Tax report:** filed annually no later than May 15 of the following year, applicable to taxpayers, among other situations, when taxable income is at least MXN 2,013 million in the immediately preceding fiscal year

9.4. **Estimated monthly payments and withholdings:** filed monthly no later than the 17th day of the following month.

9.5. **Electronic Accounting Record (EAR):** filed monthly, during the next 3 business days of the second following month.

9.6. **Local and master file returns (required for some taxpayers):** filed annually, no later than May 15 of the following year.

9.7. **Informative return regarding the loans with foreign resident:** annually, no later than February 15 of the following year.

9.8. **Informative return regarding the transactions with foreign related parties:** annually, no later than May 15 of the following year.

9.9. **Report of significant transactions:** quarterly, May 31, August 31, November 30, February 28.

9.10. Disclosure of reportable tax planning schemes: following 30 working days from implementation.

9.11. Informative return regarding shareholders or partners (Form 96): filed annually, no later than February 15 of the following year, applicable when the company has foreign shareholders or partners.

10. Transfer pricing requirements in Mexico

Mexican taxpayers entering into transactions with foreign and domestic related parties should comply with the local transfer pricing rules which are largely in line with the OECD guidelines.

10.1. Annual Transfer Pricing Report

As per articles 76 sections IX of the MITL, taxpayers conducting related parties abroad are required to prepare and maintain contemporary transfer pricing documentation for the intercompany transactions carried out with foreign and domestic related parties.

10.2. Exhibit 9: Mexico's transfer pricing information tax return form

Appendix 9 of the tax return (DIM Appendix 9) fully discloses the results of transactions held with related parties.
Exhibit 9 must be filed no later than May 15 of the following year.

10.3. BEPS Returns

Article 76-A of the MITL establishes the obligation to submit the BEPS returns (Master File / Local File / CbCR) before 31 December for Master File and before 15 May for Local File of the following year when the following conditions are met:

- Revenues equivalent or greater than the amount sated within article 32-H of the Federal Tax Code. (Master/Local File).
- Taxpayers who are required to audit their financial statements for tax purposes and its related parties carrying on intercompany transactions.
- Listed and Parastatal entities.
- Permanent Establishments.
- Mexican holdings with revenues equivalent or greater than $12,000 Million of MXN (CbCR).

Taxpayers should use the official platforms issued by SAT for the submission of requirements 2, 3 and 4.

Penalties related to BEPS returns range from $199.6K - $284.2K MXN (per return) and cancellation of the import/export registry + disallowing the celebration of contracts with the government. Penalties related to Exhibit 9 range from $99.5K - $199.1K MXN. Noncompliance could result in the denial of deductions with related parties.

11. Indirect Taxes: VAT & IEPS

11.1. Value Added Tax (VAT) Applicability

Business entities and individuals that carry out, in Mexican territory, any of the taxable activities as described below are subject to VAT:

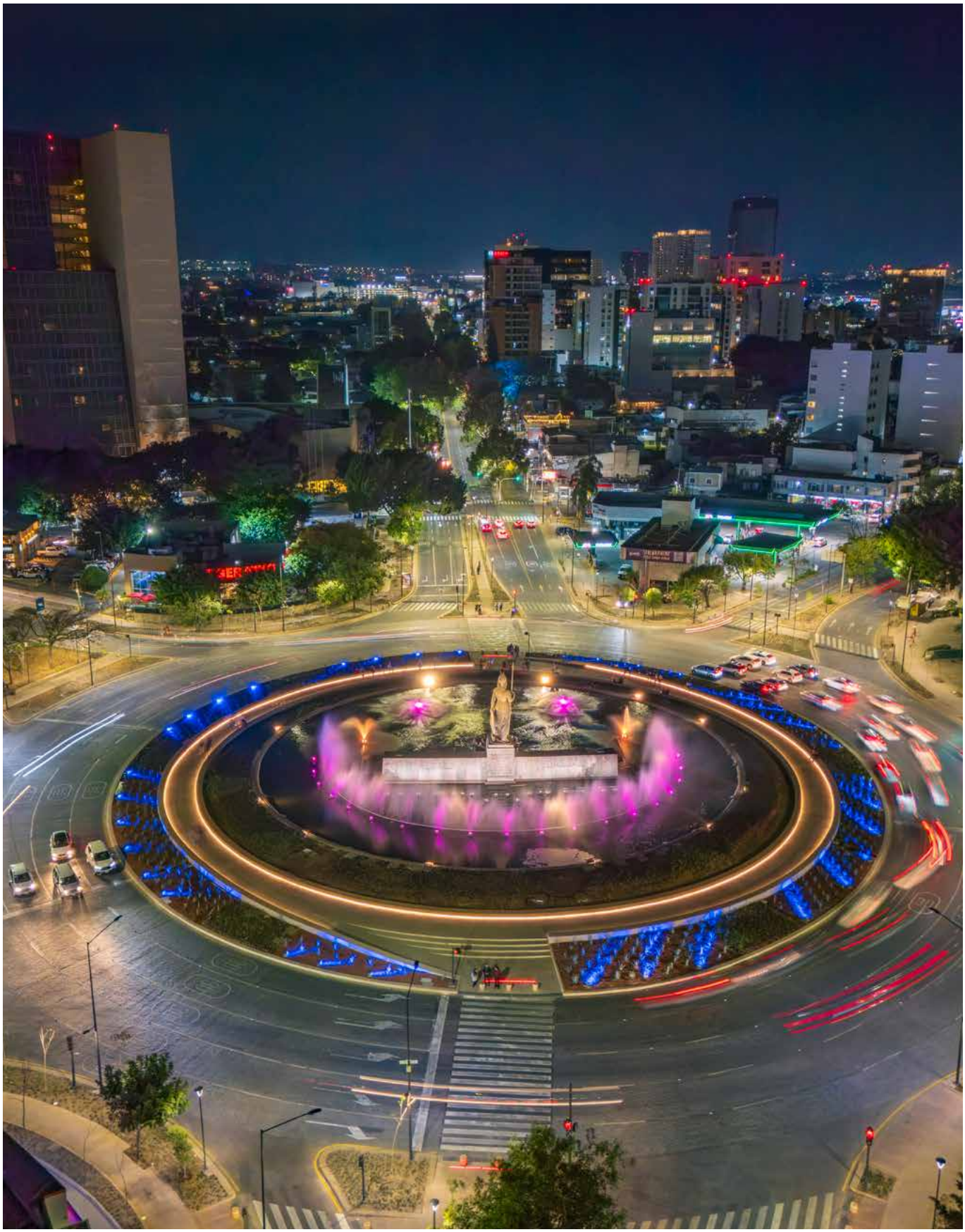
- Transfer of goods
  Even if the transferor reserves the ownership of the asset being transferred
- Rendering of independent services
  Affirmative covenant by one person to perform in favor of another person, regardless of the act/ classification given.

11.1.1 Special VAT Regime for Digital Services Provided by Foreign Taxpayers
For VAT purposes, digital services are classified as follows:

(ii) Direct digital services, such as streaming, e learning, gaming, and access to data or digital content; and
(ii) Digital intermediation services including platforms or marketplaces that facilitate transactions between third party suppliers and users.

Outlined below are certain obligations applicable to digital service providers:

- The supply of certain digital services provided by foreign residents through digital means or platforms is subject to VAT at a 16% rate in Mexico.
- Foreign digital service providers are required to register in Mexico for VAT purposes and to charge, collect, remit and, in some cases, withhold and file VAT.
- Digital services subject to VAT include streaming services; gaming activities; access to data, information, news, and weather; third-party intermediation services between providers and users of goods; access to online clubs and websites; and online educational services.
- Mexican individuals with business activity



that sell goods, provide services, or grant temporary use or enjoyment of goods, as well as foreign residents that render digital services through technological platforms, are subject to VAT and Mexican income tax withholding, as applicable, to be done by intermediary platforms.
- Foreign digital service providers must register before the Mexican tax authorities (SAT), obtain an RFC, appoint a legal representative, and comply with VAT reporting obligations.

Obligations of Digital Platforms Acting as Intermediaries

Mexican tax authorities have significantly strengthened enforcement and compliance requirements applicable to digital platforms. Intermediary platforms are required to:
- Disclose VAT separately to users;
- Issue or facilitate the issuance of electronic invoices (CFDI);
- Withhold VAT and income tax when applicable;
- Remit such withholdings to the tax authorities; and
- Comply with detailed reporting obligations.

Under Chapter III Bis of the VAT Law, intermediary platforms that collect payments on behalf of suppliers are required to withhold VAT in certain cases. As a general rule, these platforms must withhold 50% of the VAT, equivalent to 8% of the transaction, including to Mexican legal entities. In specific circumstances, such as when the supplier does not provide an RFC, payments are made to foreign bank accounts, or the transaction involves non-resident suppliers, the withholding may increase to 100% of the VAT, equivalent to 16%.

As of 2026, this framework is reinforced through an operational withholding scheme that standardizes the application of the 8% VAT withholding as the default mechanism, while maintaining the 16% withholding for cases considered higher risk or non-compliant under the criteria established by the tax authorities.

In addition, income tax withholding must be applied to Mexican individuals and corporations that act as sellers or service suppliers through digital platforms.

11.1.2. Real-Time Access and Compliance

Digital platforms and service providers are required to grant tax authorities online, permanent, and real-time access to transactional information, in accordance with administrative rules (including RMF 2026, Rule 2.9.21). Such information must be made available no later than the day following the relevant transaction and kept accessible on a permanent basis for a period of five years as from the date on which the information is made available to the tax authorities.

These obligations introduce increased compliance risks, including potential service blocking, penalties, and operational disruptions, and may also affect contractual arrangements with platforms, such as service level agreements (SLAs), data retention policies, audit rights, and information security requirements.
- Temporary use or enjoyment of goods (Usufruct or any other act, independently of the legal form used for said purpose, whereby one person allows another one to temporarily use or enjoy tangible goods in exchange of a consideration.)
- Importation of goods and services (The introduction of goods or services into the country, including services and intangibles effectively used or enjoyed in Mexico).

  The importation of services and intangibles effectively used or enjoyed in Mexico is subject to VAT under the reverse charge mechanism ("virtual VAT"). In practice, the Mexican recipient of the service is required to self assess VAT at the standard rate of 16% on the value of the consideration, reporting the output VAT and, when statutory requirements are met, claiming the corresponding input VAT credit within the same VAT return. While the net VAT effect may be neutral, proper recognition and reporting are mandatory.

  This treatment has direct implications for the VAT credit calculation, particularly where the taxpayer carries out exempt or non taxable activities, as the self assessed VAT must be considered in determining the VAT credit proportion. Additionally, imported services subject to the reverse charge mechanism must be properly reflected in the VAT information returns (DIOT), as well as reconciled with accounting records and

VAT workpapers, to ensure consistency and compliance with statutory reporting and control requirements.

11.2. VAT Determination

VAT is an indirect tax that is determined and triggered on a cash-flow basis. (i.e., deposit or payments, meaning when consideration is effectively collected or paid through any means that extinguishes the obligation).
VAT paid on the acquisition of goods and services is creditable based on a factor to be determined, which excludes expenses incurred to carry out out-of-scope and exempt activities, so long as the following requirements are fulfilled:

- VAT is paid on expenses strictly indispensable to carry out taxable activities.
- VAT must be expressly charged to taxpayers, and it must be described separately in the corresponding electronic invoice.
- VAT effectively paid in the month.
- VAT withholdings are filed, as applicable.

VAT creditability requires that the expense be directly related to taxable or zero-rated activities and supported by valid electronic invoices (CFDI).
In the case of importation of services or intangibles provided by foreign residents and used in Mexico, VAT must be calculated at 16% and may be creditable in the same return, subject to applicable requirements ("virtual VAT").
VAT is determined as follows:

	Payable VAT
-	Creditable VAT per creditable factor
=	Subtotal
-	VAT withheld by 3rd parties
+	VAT withheld to 3rd parties
=	PAYABLE VAT (FAVORABLE VAT)

11.3. VAT Rates

The following rates apply:

- Standard 16%.
- Reduced 8% rate on activities performed in the border region per tax incentive.
- 0% on specific activities- i.e., exported goods, patented medicines, unprocessed food.
- Exempt – i.e. housing, land, financial, educational and medical services, public events (subject to specific provisions and conditions set forth in the VAT Law).

*Out-of-scope activities are not subject to VAT, giving rise to similar crediting consequences as exempt activities.

11.4. VAT Returns

VAT Return is filed electronically through the tax authority's website, monthly, by the 17th day of the following month.
Informative return known as DIOT per its acronym in Spanish, which must contain information of transactions with suppliers, filed electronically, monthly, through the tax authority's website, by the last day of the following month.
Operational rules, including changes to filing platforms and reporting fields, may affect compliance requirements, particularly in cases involving importation of services.

Withholdings applicable when the payer is a Mexican legal entity	
Acquire waste materials ▸ VAT 16%	Acquisition or temporary use of tangible goods sold or granted by foreign residents without a PE in Mexico. ▸ VAT 16% Freight transportation services: ▸ VAT 4%

Withholdings from legal entities to individuals	
Provision of professional services: ▸ VAT 10.6667%	Granting the temporary use or enjoyment of goods (lease): ▸VAT 10.6667% Freight transportation services: ▸ VAT 4%
Provision of commission services: ▸ VAT 10.6667%	Acquisition or temporary use of tangible goods sold or granted by foreign residents without a PE in Mexico. ▸ VAT 16%
Digital intermediation platforms:	▸ Withhold from Mexican legal entities and individuals who sell goods or provide services an amount equivalent to 50% of the VAT collected. ▸ Failure to provide their Federal Taxpayer Registry (RFC) requires to apply a withholding of 100% of VAT.

11.5. Special Tax on Production and Services

Business entities and individuals that carry out, in Mexican territory, any of the taxable activities as described below are subject to IEPS:

- Transfer of goods. (i.e., alcoholic beverages, beers, tobacco products, fossil fuels, energy, and flavored drinks.)
- Rendering of independent services. (i.e., gaming and lottery, telecommunications networks.)

11.6. IEPS Determination

IEPS is an indirect tax that is determined and triggered on a cash-flow basis. (i.e., deposit or payments).

However, in practice IEPS is determined on a monthly basis over the transactions carried out in the period, associated with the sale, importation or provision of taxed goods and services, with limited crediting mechanisms depending on the category.

IEPS is paid without being able to credit any amounts, except in certain cases such as IEPS paid on the acquisition alcoholic beverages, fossil fuels, energy and flavored drinks, pesticides, and high-calorie food, subject to the fulfillment of certain requirements.

11.7. IEPS Rates and Fees

The most relevant transactions subject to IEPS are:

- Energy drinks 25%
- High-caloric food 8%
- Telecommunications 3%
- Gambling games and lottery 50%, including residents in Mexico and foreigners, that provide them through internet, electronic means, or digital intermediary platforms.
- Alcoholic beverages and beer:
  - With an alcoholic content of up to 14° G.L.:..... ..... 26.5%
  - With an alcoholic content of more than 14° and up to 20° G.L.....30%
  - With an alcoholic content of more than 20° G.L.....53%
- Cigars and other tobacco products: 200%
- Flavored beverages including low/non-calorie: The applicable excise quotas are MXN $3.0818 per liter for flavored beverages containing any type of added sugar, and MXN $1.5000 per liter for beverages containing any type of added sweeteners. For concentrates, powders, syrups, essences, or flavor extracts, the tax shall be calculated based on the number of liters of flavored beverages that can be produced according to the manufacturer's specifications.
- Video games containing violent, extreme, or adult content that is unsuitable for individuals under eighteen years of age are, in principle, subject to an 8% tax when commercialized through the sale of physical copies or through digital services that allow access, use, download, or any other form of electronic distribution. However, on December 23, 2025, a IEPS incentive was announced for the sale and provision of services related to violent, extreme, or adult-oriented video games applicable during 2026.
- Fossil fuels:
  - Propane: 10.1248 cents per liter
  - Butane: 13.1025 cents per liter
  - Gasoline and gas-jet: 17.7591 cents per liter

  Quotas are updated annually according to inflation and published in the Official Gazette (DOF). Additionally, weekly fiscal stimulus percentages may reduce the effective IEPS payable.

11.8. IEPS Return

IEPS Return is filed electronically through the tax authority's website, monthly, by the 17th day of the following month.

IEPS must be reported monthly, including both ad valorem and quota-based calculations depending on the type of goods or services.

12. Judiciary Reform

On September 15, 2024, the Decree reforming various articles of the Political Constitution of the United Mexican States that regulate the Federal Judicial Power (PJF) was published in the Official Gazette of the Federation. The main objective of the reform is to renew since 2025 the PJF so that judges, magistrates, and ministers are elected by popular vote. At the local level, it is indicated that congresses must implement similar processes of popular election for local judges.

Labor Regime

1. Labor law

In Mexico, employment relationships are regulated by the Federal Labor Law, which sets forth the rights and obligations of employers and employees. The employees in Mexico are entitled to the following rights and protections:

1.1. General Conditions

In general, employment relationships must abide by the following:

- Set forth an employment term defined as either:
  - Indefinite
  - Definite
  - By Season
  - By trial or training period
- A weekly work shift of maximum 48 hours.
- Maximum of 9 extra hours per week.
- Provide employees with a copy of their written employment agreement.
- In case the employee works more than 40% of their weekly work shift from home, abide by the NOM 037 teleworking regulations.
- Grant payment on a weekly or biweekly schedule.

1.2. Benefits

Employers must grant employees at least:

- Minimum Salary of $278.80 pesos daily on the general Mexican territory and $419.88 pesos daily on the border region.
- Yearly vacation period with full salary (see table).
- Vacation premium of 25% of the salary paid during the vacation period.
- Year-end bonus equivalent to 15 days' salary.
- Employee profit sharing.
  - Employee profit sharing is paid in May of each year and is calculated as 10% of the net profit reported by the Mexican entity for the previous fiscal year.
  - Profit sharing is allocated among the employees according to the days worked and salaries earned by each during the fiscal year.

Year	Vacation Days
1	12
2	14
3	16
4	18
5	20
10	22
Two additional days for every 5 years of seniority.	

1.3. Union Rights

Employees have the right to freely organize, to join the Union of their election, to switch from one Union to another or to not be a part of a Union.

If at least 30% of the employees choose to be represented by a Union, the Employer shall negotiate a Collective Bargaining Agreement (CBA) with such Union.

The CBA should be revised every year regarding salaries and every other year regarding benefits. For a CBA revision to be valid, it should be approved by the majority of employees.

1.4. Employment Termination

Employment relationships can end either by:

- Acts of no responsibility to the employer: Mutual consent, acts against company values, violent acts against employer or company personnel, abandonment, negligence, immoral acts/harassment/or sexual acts against employer or company personnel, revealing company's secrets, 3 or more absences in a period of 30 days, amongst others.

  This is a special procedure that needs to be activated, it's not automatic.

  Employer must give "finiquito" or termination payment which consists of vacation, vacation premium, holiday bonus, seniority bonus, pending salaries and any other benefit accrued by the employee.
- Unjustified dismissal: If the employer decides to terminate the labor relationship unilaterally and without any of the causes for termination having actually occurred, then it will be an unjustified dismissal.

Employer must give unwarranted termination payment which consists of vacation, vacation premium, holiday bonus, seniority bonus, missing salaries, interest over such salaries, constitutional compensation, restitution to the workplace, and under certain circumstances 20 days salary for each year served at the company.

1.5. Compliance with the Seating Reform (Ley Silla)

On December 18, 2024, the Chair Law mandates that employers provide seats with backrests to employees to prevent prolonged standing during work hours.

The law provides that employers must:

- Provide sufficient chairs with backrests for employees.
- Allow employees to take periodic seated breaks during their work shifts.
- Update internal work regulations to include mandatory rest periods and guidelines for chair use.
- Educate employees about the health risks associated with prolonged standing.

Penalty for noncompliance of 250 to 2,500 UMAs ($27,142.5 MXN to $271,425 MXN).

1.6. Compliance with the Reform on Human Trafficking

On June 7, 2024, an amendment to the General Law for Human Trafficking was published which includes an addition to article 21, regarding working hours that exceed the legal limits established as a form of labor exploitation.

To comply employers should:

- Performing an analysis of current working hours to ensure that they do not exceed the legal maximums allowed (the law provides overtime may worked, no more than 3 hours per day, more than 3 times a week).
- Obtain the employee's written request or acceptance for any overtime.
- Ensure the corresponding payment for overtime worked.
- Evaluate and review clock-in and clock-out systems for accurate control of working hours.
- Train hierarchical personnel on new regulations and their implications.

In case of noncompliance Penalties of 3 to 10 years imprisonment and sanctions of 5,000 to 50,000 day fines are established.

2. Individual tax compliance

Individuals should pay taxes in Mexico if they are considered Mexican tax residents or if they are considered foreign tax residents receiving income from a Mexican source of wealth.

2.1. Mexican Tax Residency definition

- Individuals who establish their home in Mexico, regardless of whether they own that home or rent it.
- If individuals also have a home in another country, they are considered Mexican tax residents if any:
  - In a calendar year, more than 50% of their income is derived from Mexican source of wealth,
  - The center of their professional activities is in Mexico.
- If applicable, tax Treaty with the home country could be reviewed to solve double tax residency issues.

Note: As from 2022 tax year individuals that end assignment in Mexico, must confirm they will be considered as tax residents of another country to break Mexico tax residency.

If the individual does not file the change of residency notice, it will be considered that he/she has not moved his/her tax residency to another country and would be obligated to file an annual a Mexican annual tax return reporting worldwide income.

2.2. Mexican Non-Tax Residents

- Individuals who do not meet the circumstances to be considered Mexican tax residents in terms of the local law or the tax treaty, if it is applicable.
- Each type of income has a Mexican source of wealth definition and triggers different obligations.

  Non-tax residents receiving salary income could be tax exempt if:
  - Spend less than 183 days in Mexico in a 12-month period.
  - Individuals' salary is paid by the foreign entity with no charge back to the Mexican entity.
  - Foreign entity that pays the salary should not have a permanent establishment in Mexico, and if so, the services performed by the individuals must not be related with such permanent establishment.

- The following tax rates are applied to salary income:
  - First MXN $125,900 earned are exempt.
  - 15% tax rate applied to income that exceeds the amount above and up to MXN $1,000,000.
  - 30% tax rate applied to income that exceeds MXN $1,000,000.

2.3. Mexican Tax Residents General Tax Obligations

- Taxable on worldwide income.
- Subject to file an electronic annual tax return no later than April 30th with no extensions allowed.
- Interests of 2.07% per month and inflation adjustments must be paid for late filing.
- Income tax rates are progressive and rang from 1.92% to 35%.
- Individuals are obliged to pay an additional 10% tax rate on the net dividend received.
- Additional 10% tax rate on dividend received is considered as a definitive payment, thus there is not alternative to take any foreign tax credit under this obligation. Also consider the dividend income must be additionally included under the Mexican Annual tax return and being allowed to take a credit over the taxes paid abroad.
- Salary income: if individuals are enrolled in a payroll, the Mexican entity is responsible to withhold and pay the income tax otherwise, individuals are responsible to pay through an electronic monthly tax return.
- Only Mexican tax residents are allowed to report personal deductions.

2.4. Foreign Non – resident individual Tax Obligations

- Not subject to file an electronic annual tax return. Monthly payments are definitive.
- Taxable on Mexican source income (days worked in Mexico for salary income purposes).
- If applicable, taxpayers are required to submit electronic monthly tax returns no later than 15 days after the salary is collected.

3. Social Security

3.1. Social security contributions

Social security in Mexico is mainly divided into two Institutes, one of them is the Mexican Institute of Social Security (IMSS) in charge of medical coverage, cash benefits in case of disabilities, as well as retirement plans, in second place we have the Institute of the National Housing Fund for Workers (INFONAVIT) and its main function is to grant cheap loans for the purchase of a house. The employer must ensure that his workers are registered with social security in order to obtain the benefits of both Institutes.
Coverage in each Institute: Benefits in kind and money.

IMSS	Illness
1	Motherhood
2	Occupational accidents
3	Disability and death
4	Childcare centers for children
5	Retirement and old age insurance
INFONAVIT	Housing Fund

3.2. Cost of social security

- Employer: The approximate cost contributed by the employer ranges from 17% to 24% in 2025 based on contributions (salaries, bonuses, etc.) and the assessed risk of workplace accidents.
- Worker: Will contribute an average of 2% of the same contribution base as mentioned above.

Payments must be made on a monthly and bimonthly basis, as applicable to each Institute, no later than the 17th day of the following month.

3.3. Violations and penalties for non-compliance

If social security contributions are not paid as provided for by law, you may be exposed to the following infractions and fines:

- If the company voluntarily pays the missed contributions, no fine will be imposed.
- 40% (most common) up to 100% of the omitted amount in case of non-payment.
- 20 to 350 times the UMA for not registering as an employer with the authorities, as well as its employees, others.

3.4. Local Contributions (Payroll Tax)

Mexico is made up of 32 states, each of which imposes local taxes within its own law, in addition to federal taxes. One of the most well-known state taxes is the Payroll Tax (ISN), each state imposes a percentage on the total payroll paid that could range from 2% to 4.25% in 2024.

In addition to the obligation to pay payroll tax as a direct taxpayer, there is an obligation in 25 states to withhold payroll tax from service providers, each state has its own rules for withholding tax.

Do not lose sight of the fact that both social security authorities and local contributions authorities could oblige employers to review the correct fulfillment of their obligations, through an authorized public accountant.

For further information regarding payroll tax in Mexico, please visit: https://www.ey.com/content/dam/ey-unified-site/ey-com/es-mx/services/tax/documents/ey_matrizisn2025_vf.pdf

3.5. Immigration

Locally incorporated companies are required to obtain sponsor license before being eligible to hire foreign nationals.	Foreigners can be in Mexico under one of the following immigration categories:
	Visitors (encompassing Tourists and Business Travelers)
	Temporary Residents
	Permanent Residents

The applicability of any of these categories to a specific assignment depends on a combination of factors, including nationality, source of income, required time of stay in Mexico, family ties to Mexicans or other foreigners and sponsoring entity.

Hiring a foreign national for local employment requires the person to obtain Temporary Resident with permission for work status, which is a 3-part process involving the following steps:

- File the sponsorship petition with the local immigration authority. This can take from a few days to 4 weeks of processing time depending on the location of the immigration office.
- Attend an interview at the nearest consulate of Mexico, which the applicant must do personally.
- After entry to Mexico, the applicant must obtain the Temporary Resident ID through an appointment at the local immigration office.

This immigration category is granted for an initial period of one year and is subject to extension for up to three additional years.

Some nationalities are approved to enter Mexico as visitors upon arrival, while others require a visa. Permissibility for visa-free arrival can change based on government policy. Visa issuance can take between a few days and up to a few weeks or months, based on availability of consular appointments, so it is advisable to review in advance of any trip.

During 2026, some immigration offices across the country have seen extended processing times, as well as a number of consulates of Mexico, which can have the effect of longer waiting periods for the start of new assignments. Careful due diligence and planning is required to avoid last-minute complications.

Also, during 2026, the immigration authority has increased scrutiny of companies hosting foreign nationals, with larger possibility of a company inspection happening at least once a year. Given the limited number of officials who carry out these inspections, long waiting period of two to four months can get in the way of new assignments and even of extensions of the immigration documents for people already in Mexico.

Financial Reporting

1. **Public interest entities and regulated financial and insurance entities**
   Public interest entities that do not belong to the financial or insurance sector must report their financial statements in compliance with International Financial Reporting Standards (IFRS), as well as a sustainability report in accordance with IFRS Sustainability Disclosure Standards (Sustainability IFRS). On the other hand, regulated financial entities report under the provisions of the National Banking and Securities Commission (CNBV Criteria) and in the absence of a criterion, they apply the Mexican Financial Reporting Standards (MFRS). Additionally, nonregulated financial entities generally report under either MFRS or IFRS, depending on their choice. Finally, insurance entities report under the Criteria of the National Insurance and Bonding Commission.

2. **Non-publicly traded companies**
   Companies that are not considered to be of public interest or regulated, may present their financial statements under: Mexican Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS), Generally Accepted Accounting Principles in the United States (US GAAP), at their choice.

3. **Special cases (with sector specifications)**
   Non-profit entities in Mexico report under MFRS. Governmental entities apply governmental accounting.

4. **Other considerations**
   Mexican Financial Reporting Standards (MFRS) have a high degree of convergence with IFRS, maintaining certain differences mainly in relation to inflationary accounting, recognition of certain employee benefits and valuation models for fixed assets, intangible assets or investment properties. In the absence of a specific Mexican standard, MFRS contemplate the supplementary application of IFRS.
   Additionally, MFRS include Sustainability Information Standards (NIS) which require entities that report financial statements in compliance with the MFRS framework, to report 30 basic sustainability indicators related to environment, social and governance.



Nicaragua



Message from EY Nicaragua Country Managing Partner

Nicaragua presents a business environment with distinctive characteristics within Central America, marked by the continuity of productive activity, the relevance of the domestic market, and an economy that operates with a high degree of pragmatism. In this context, business dynamics are sustained by adaptability and a efficient performance into the operative environment.

The country maintains an economic base focused on traditional sectors such as agro-industry, trade, energy, and extractive activities, which continue to be key pillars for value generation and employment. This is complemented by a steady economic flow driven by domestic consumption, remittances, and regional trade elements that directly influence the structure and functioning of businesses.

In Nicaragua, business decision-making tends to prioritize operational efficiency, careful cost management, and proximity to the market. This approach has enabled many companies to maintain operational continuity and find opportunities for growth, even in contexts of greater external complexity.

It is a market that requires understanding, judgment, and a long-term perspective. With the right approach, Nicaragua offers concrete opportunities for those who align with its development dynamics and identify its potential through an informed and result oriented view. For this reason, I invite you to explore this guide as a key tool to understand its business environment and support informed decision-making.



Gonzalo Marín

Country Manager
EY Nicaragua

Overview

Nicaragua extends from the Pacific Ocean to the Caribbean Sea, with Managua as its capital and main economic center, followed by León and Granada, known for their colonial heritage and tourism appeal. The population reflects a mix of indigenous and Spanish influences, with rich cultural traditions, music, and festivals. The country has significant natural resources, including fertile land, freshwater reserves, and renewable energy potential, supporting key sectors such as agriculture (coffee, beef, sugar, peanuts), light manufacturing (especially textiles), mining (gold), tourism, and energy (hydropower, geothermal, and wind).



Population
6,664,000[1]
Urban[2]: 59.3%
Rural[2]: 40.7%



Main language
Spanish
Other languages: Miskito, Mayangna (Sumo), Creole English, Garifuna and Rama.



Extension[2]
120,340 km^2



System of government[4]
Presidential Republic
Co-Presidents: Daniel Ortega and Rosario Murillo
Next elections: 2027



Climate[3]
Predominantly tropical climate, influenced by its location between the Pacific Ocean and the Caribbean Sea. The Pacific lowlands are warm and humid, with a distinct dry season. The Caribbean coast experiences a tropical rainforest climate, with high humidity and abundant rainfall throughout the year, while the central highlands and interior areas are cooler due to elevation.



International Time[5]
GMT-6



Currency[6]
Nicaraguan Córdoba
US$1 = NIO 36.62 (Dec 31, 2025)



GDP current prices[1]
USD 22.2 bn.



GDP per capita (PPP)[1]
USD $9,765.3 (2025)



Key sectors[7]
Nicaragua's economy is primarily driven by agriculture, forestry, and fishing (corn, beans, rice, coffee, cattle, and shrimp), supported by natural resources such as minerals (notably gold, as well as silver, copper, and zinc) and timber. The country also has a developing industrial base focused on food processing, light manufacturing (textiles), and wood products.

Why invest in Nicaragua?

Strong foundations
in traditional and strategic sectors, including agro industry, trade, energy, and extractive activities[8].

Free trade zones
provide strong tax incentives and export advantages[8].

Highly open economy:
Access to a market of over 50 million consumers in Central America and the Dominican Republic, expanding to more than 380 million when including the United States, positioning CAFTA DR as a key platform for regional integration and export growth[9].

The country offers a low-cost labor force, a significant advantage for labor-intensive industries[8].

The economy maintains solid reserves ($6.1 billion), sustainable debt levels, and a stable banking system, supporting macroeconomic stability[8].

Access to major shipping
routes and proximity to North American markets support logistics and export-oriented business models[8].

1. World Economic Outlook Database (April 2026), IMF.
2. DataBank, The World Bank Group.
3. Country information, DatosMundial.com.
4. Government - Politics, CountryReports.com.
5. World Time Directory, 24timezones.com.
6. Exchange Rates Database (April 2026), IMF
7. Country information, Encyclopedia Britannica
8. U.S. Investment Climate Statement, 2025
9. U.S. Department of Agriculture

Country's economic outlook

Nicaragua has demonstrated solid macroeconomic resilience in recent years, supported by agricultural exports, export-oriented manufacturing—particularly in free trade zones—and steady remittance inflows, despite a challenging political environment. GDP reached USD 22.2 billion in 2025, according to the IMF World Economic Outlook, with GDP per capita at USD 9,765.3 (PPP).

Following a strong post-pandemic rebound of 10.5% in 2021, economic growth moderated to 3.5% in 2022 and strengthened to 4.4% in 2023, before stabilizing at 3.6% in 2024 and accelerating to 4.9% in 2025, reflecting sustained economic momentum.

Inflation has remained contained, easing to 2.7% in 2025, indicating stable price dynamics under the current monetary framework.

Nicaragua operates a crawling peg exchange rate regime, under which the córdoba depreciates at a preannounced rate against the U.S. dollar. This framework has helped anchor inflation expectations and provide predictability for businesses and investors.

Nevertheless, Nicaragua faces significant political and governance challenges, including international sanctions, human rights concerns, and limited access to multilateral financing.

Looking ahead, continued fiscal discipline and macroeconomic stability will be key to sustaining growth. Supported by stable fundamentals, moderate public debt, and resilient external inflows, Nicaragua remains positioned for steady economic expansion, while ongoing structural challenges will be important to address over the medium term.

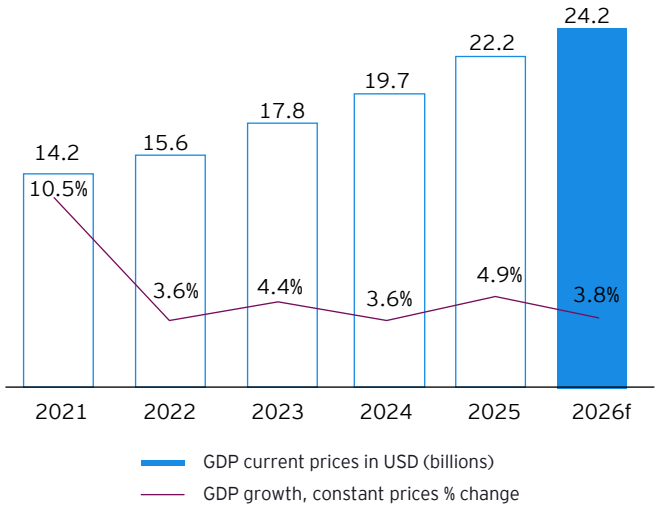
Table 1

Main Indicators	Nicaragua
GDP current prices USD bn. (2025)[1]	22.2
GDP growth, constant prices % change (2025)[1]	4.9%
Gross domestic product per capita, current prices USD (PPP) (2025)[1]	9,765.3
Inflation, year-end consumer prices (2025)[1]	2.7%
Fiscal balance (net lending (+) or net borrowing (-) of general government; % of GDP) (2025)[1]	2.1%
Public debt (General government gross debt, % of GDP) (2025)[1]	34.8%
Current account (% of GDP) (2025)[1]	8.6%
Investment (% of GDP) (2025)[1]	25.8%

Sources: World Economic Outlook Database (April 2026), IMF. Data Bank (April 2026), The World Bank Group.



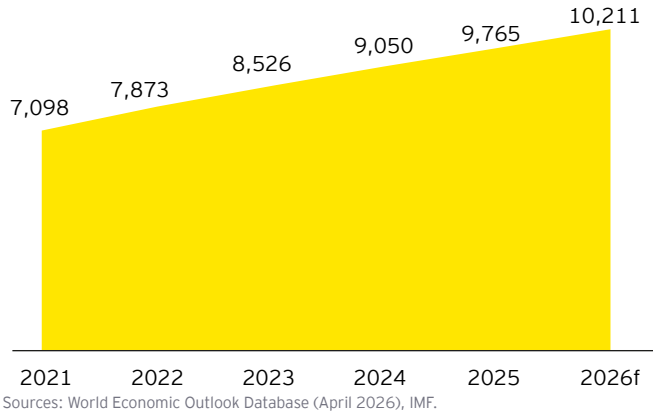
Figure 2:
Gross domestic product, levels and growth



Sources: World Economic Outlook Database (April 2026), IMF.

Nicaragua's economy showed resilience with 3.6% growth in 2024, reflecting continued strength in agricultural exports and the textile sector despite political tensions and international isolation.
In 2025, growth reached 4.9%, according to the IMF World Economic Outlook. For 2026, economic expansion is projected at 3.8%. While macroeconomic fundamentals have been managed well, the political environment and international isolation remain key risks to long-term development. Nicaragua's GDP reached USD 17.8 billion in 2023 and grew to USD 19.7 billion in 2024 and USD 22.2 billion in 2025.

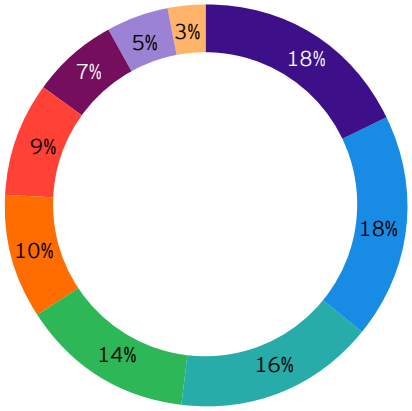
Figure 3
Gross domestic product (GDP), Per capita, (PPP) international dollar, ICP benchmarks 2017-2021



Sources: World Economic Outlook Database (April 2026), IMF.

GDP per capita in PPP terms reached USD 9,050 in 2024 and USD 9,765 in 2025, showing steady improvement despite political challenges. For 2026, the IMF projects USD 10,211.

Figure 4
Share of gross domestic product by economic sector in 2025 (current prices in USD)



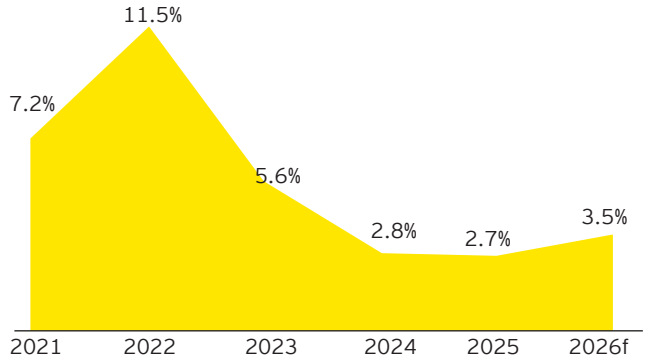
- Public administration, defense, compulsory social security, education, health and social services, and other community, social and personal services
- Wholesale and retail trade, repair of goods and hotels and restaurants
- Agriculture, hunting,hunting, forestry, and fishing
- Manufacturing industries
- Financial intermediation, real estate, business, renting and leasing activities
- Mining and quarrying
- Construction
- Transportation, warehousing and communications
- Electricity, gas and water supply

1- CEPALSTAT (April 2026), ECLAC.

The public administration, defense, education, and health services sector contributes the most to Nicaragua's GDP (18%), along with wholesale and retail trade and hotels and restaurants (18%). Agriculture, hunting, and fishing account for 16% and manufacturing for 14%. Other sectors relevant to the economy include financial intermediation (10%) and mining (9%).

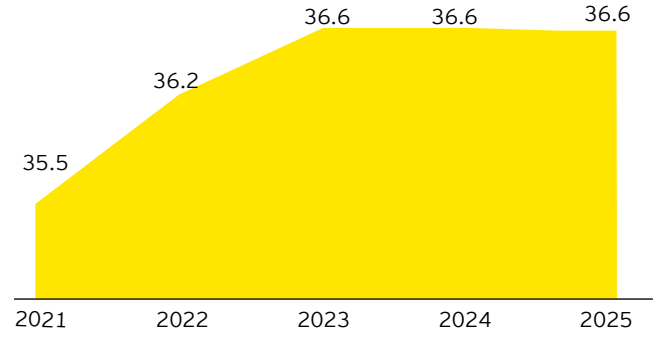
Figures 5 and 6:

Inflation, end of period consumer prices



Sources: World Economic Outlook Database (April 2026), IMF.

Exchange rate of foreign currency (USD/NIO, end of period)



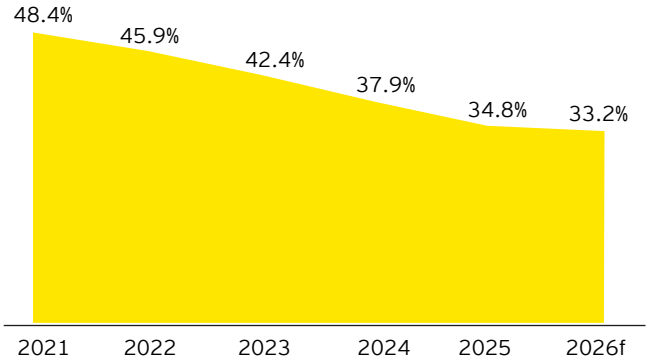
Source: Exchange Rates Database (April 2026), IMF.

Inflation in Nicaragua declined from 5.6% in 2023 to 2.8% in 2024, and 2.7% in 2025. For 2026, the IMF projects 3.5%.

Nicaragua's exchange rate is managed under a crawling peg, closing at NIO 36.62 per USD in 2024 and remaining at NIO 36.62 in 2025. For 2026, the IMF projects continued gradual adjustment.

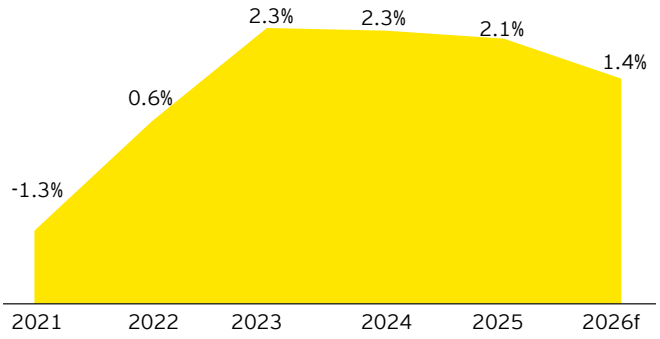
Figures 7 and 8:

Public debt (General government gross debt, % of GDP)



Sources: World Economic Outlook Database (April 2026), IMF.

Fiscal balance (net lending (+) or net borrowing (-) of general government, % of GDP)



Sources: World Economic Outlook Database (April 2026), IMF.

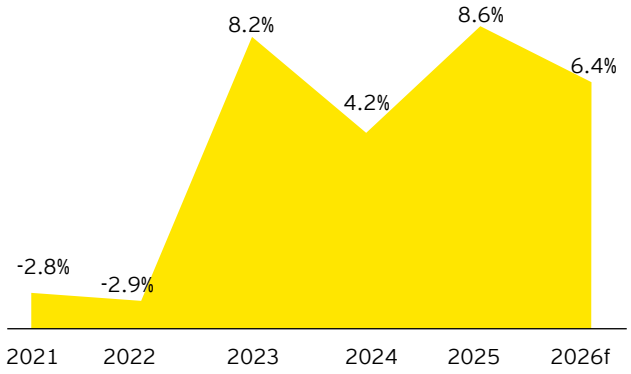
Public debt in Nicaragua showed a declining trend, standing at 37.9% of GDP in 2024, decreasing to 34.8% in 2025, and projected to further decline to 33.2% in 2026, reflecting a gradual consolidation of the country's fiscal position.

The fiscal balance in Nicaragua remained in surplus, reaching 2.3% of GDP in 2024 and 2.1% in 2025, and is expected to moderate to 1.4% in 2026, indicating a gradual easing while maintaining a positive fiscal position.

According to IMF Article IV staff report, the fiscal surpluses reflect prudent revenue management and controlled spending, allowing Nicaragua to reduce public debt significantly and accumulate foreign reserves despite limited international capital market access.

Figure 9:

Current account (% of GDP)

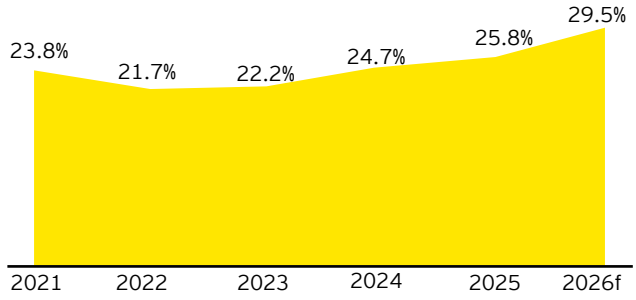


Sources: World Economic Outlook Database (April 2026), IMF.

The current account recorded a surplus of 4.2% of GDP in 2024, down from 8.2% in 2023. In 2025, the surplus surge to 8.6% and is expected to reach 6.4% in 2026.

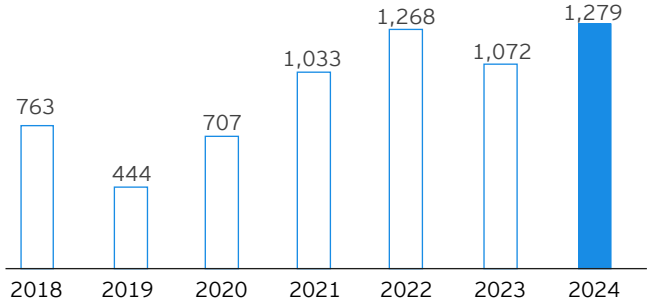
Figures 10 and 11:

Investment (% of GDP)



Sources: World Economic Outlook Database (April 2026), IMF.

FDI net inflows to Nicaragua (USD millions)



Sources: CEPALSTAT (April 2026), ECLAC.

FDI net inflows into Nicaragua grew to USD 1.28 billion in 2024 from USD 1.07 billion in 2023, according to CEPALSTAT, concentrated in the free trade zones, agriculture, and energy sectors. FDI in 2024 reflects Nicaragua's competitive labor costs and fiscal stability despite the political environment.

Nicaragua offers a pragmatic and resilient business environment, characterized by operational continuity and efficiency. Its economy is anchored in traditional sectors such as agro-industry, trade, light manufacturing, and extractive activities, providing a stable base for value creation and employment.

Supported by domestic consumption, remittances, and regional trade, the country emphasizes cost competitiveness, adaptability, and market proximity. Nicaragua is advancing efforts to strengthen export-oriented industries and diversify its economy through trade agreements and regional integration.

Establishing a business in the country

Establishing a Business in Nicaragua requires an understanding of a regulatory environment that, while formally structured and open to foreign investment, benefits significantly from careful planning and local expertise. The company formation process includes registration with the Commercial Registry, obtaining a tax identification number, and complying from the outset with labor, tax, and social security obligations. Nicaragua allows full participation of foreign capital under the principle of equal treatment with domestic investors and guarantees the free repatriation of capital and profits, which represents a key advantage for international companies. In addition, sector-specific incentives (particularly in free trade zones, renewable energy, light manufacturing, and services) can enhance business profitability. However, investors should also consider challenges related to administrative efficiency, regulatory predictability, and the importance of strong compliance frameworks. In this context, establishing a business in Nicaragua is most effective when strategic market analysis is combined with rigorous legal, tax, and operational management, enabling companies to mitigate risks while capitalizing on the opportunities available in the country.

1.1 General Framework

Business operations in Nicaragua are governed primarily by the Commercial Code, Labor Code, environmental legislation, and foreign investment laws. To legally operate in Nicaragua, individuals and companies must register with the Commercial Registry, which grants legal recognition and protection for commercial activities.
Companies must be incorporated through a notarial instrument, comply with final beneficiary disclosure requirements, and meet accounting and tax obligations. Foreign investors may operate in Nicaragua under the same legal framework as nationals, provided they comply with domestic regulations and submit to the jurisdiction of Nicaraguan courts.

1.2 Activities with Specific Regulation or Oversight

Certain activities in Nicaragua are subject to specific regulatory supervision:

1.2.1 Foreign Trade: Foreign trade activities in Nicaragua are primarily overseen by the Ministry of Development, Industry and Trade (MIFIC), through its General Directorate of Foreign Trade (DGCE). Trade procedures are managed through the Single Window for Foreign Trade of Nicaragua (VUCEN), which centralizes import and export formalities and facilitates international trade operations.

1.2.2 Competition Protection: Commercial legislation prohibits unfair competition practices and promotes balanced market behavior to safeguard transparency and economic stability.

1.2.3 Securities and Commercial Instruments: Regulations apply to financial instruments such as checks, promissory notes, and bills of exchange, ensuring legal certainty in commercial transactions.

1.2.4 Free Trade Zone Regime

Nicaragua's Free Trade Zone Regime is governed by Law No. 917 and its regulations. The regime aims to stimulate foreign investment, promote exports, and generate employment.

1.2.4.1 Eligible Activities

The regime supports companies engaged in:

- Industrial production and export
- International services (including call centers and customer service)
- Data processing and logistics services
- Trade of non-traditional goods

1.2.4.2 Tax and Customs Benefits

Free Zone companies may benefit from:

- 100% income tax exemption for 15 years, renewable once with prior authorization
- Exemption from import taxes on raw materials, machinery, and equipment
- VAT exemption on goods and services used in production

1.2.4.3 Requirements and Application Process

Applicants must:

- Submit an admission application with a detailed business plan
- Commit to job creation in line with National Commission of Free Zones (CNZF) guidelines

The approval process includes review by the CNZF and issuance of an operating certificate, with an estimated timeframe of 3 to 5 months.



1.2.4.4 Investor Considerations
Nicaragua combines competitive tax incentives, strategic location, and access to international markets. Legal, labor, and environmental compliance is essential to fully benefit from the regime. The Free Zone Regime enhances competitiveness in export manufacturing and global services. Currently, Nicaragua has 51 free zones, hosting 215 companies and generating approximately 133.104 direct jobs (most recent data from AZOFRAS).

1.3 Main Types of Business Entities

Nicaragua's Commercial Code recognizes five primary types of commercial corporations:

1.3.1 Partnerships: In Nicaragua, a Partnership corresponds to a Sociedad Colectiva. It is a business entity formed by two or more partners who jointly engage in commercial activities under a single business name. All partners participate directly in management and share unlimited and joint liability, meaning they are personally responsible for the company's obligations with all their assets. This structure is typically used for small, closely held businesses where there is a high level of trust among partners.
Due to personal liability exposure, it is less common for large-scale or foreign investments.

1.3.2 Limited Partnerships: in Nicaragua refers to a Sociedad en Comandita Simple. This structure includes two types of partners:

- General partners, who manage the company and have unlimited liability.
- Limited partners, whose liability is restricted to the amount of their capital contribution and who typically do not participate in management.

This entity is useful when investors wish to contribute capital without being involved in daily operations. It provides flexibility in structuring investment roles but is less frequently used than corporations due to its mixed liability regime.

1.3.3 Corporations: known locally as a Sociedad Anónima (S.A.), is the most common legal structure for medium and large businesses in Nicaragua, including foreign-owned companies. The company's capital is divided into shares, and shareholders' liability is limited to their investment. Management is carried out through a Board of Directors and appointed officers, rather than by the shareholders directly.
Corporations offer flexibility in ownership transfer, strong legal separation between owners and the company, and greater credibility with banks, suppliers, and international partners. For these reasons, this form is widely used for investment projects, commercial operations, and subsidiaries of multinational companies.

1.3.4 Limited Joint-Stock Partnerships: A Limited Joint-Stock Partnership, or Sociedad en Comandita por Acciones, combines elements of a corporation and a limited partnership. It includes:

- General partners, who manage the entity and have unlimited liability.
- Shareholders, whose liability is limited and represented by shares.

This structure allows capital to be raised through shares while maintaining direct control by the general partners. In practice, it is rarely used in Nicaragua, as corporations provide similar benefits with simpler governance and clearer liability protections.

1.3.5 Cooperative Societies: Cooperative Societies, or Cooperativas, are entities formed by individuals with common economic, social, or professional interests. They operate under cooperative principles such as democratic control (one member, one vote) and equitable distribution of surplus. Cooperatives are common in sectors such as agriculture, fishing, transportation, housing, and small-scale production.
Unlike corporations, cooperatives prioritize member benefit over profit maximization and often enjoy special tax treatments and government support. However, their structure is less suitable for traditional foreign investment or ventures seeking external capital.
Each structure has distinct governance, liability, and operational characteristics, allowing investors to choose the most appropriate vehicle for their activities.

Tax Regime

1.1 General Overview

1.1.1 Corporate Income Tax Rate (%):
- Standard Corporate Income Tax (CIT) rate: 30%
- Applied to net taxable income from Nicaraguan-source activities
- A minimum definitive tax of 1% to 3% of gross income applies if higher than the 30% net income calculation.

1.1.2 Capital Gains Tax Rate (%): ▸ 10%. Applies to occasional gains derived from the sale of shares, real estate, and other capital assets

1.1.3 Branch Tax Rate: Income earned by a branch is subject to the standard corporate income tax applicable in Nicaragua. Any transfer of profits from the branch to its head office (whether distributed as dividends, profits, capital gains, or through any other mechanism that represents an economic benefit to the parent entity) is treated as taxable income under Nicaraguan tax regulations.

1.1.4 Withholding Tax

1.1.4.1 Dividends: 15% WHT. Applies to payments to both resident and non resident shareholders.

1.1.4.2 Interest: 15% WHT: Applies to payments to residents and non residents, including corporate lenders.

1.1.4.3 Royalties from Patents, Trademarks, Formulas and Similar Items: 15% WHT. Applies to intellectual property payments to both resident and non resident entities.

1.2 Tax on Rent and Corporate Income

1.2.1 Corporate income tax: Corporate income tax applies to profits derived from economic activities conducted in Nicaragua, including business income, passive income, and capital gains.

1.2.1.1 Determination of the net taxable income (trading income)
- General: Net taxable income is calculated as gross taxable income minus allowable deductions, including ordinary and necessary expenses incurred in the production of income.
- Depreciation: Depreciation of fixed assets is allowed under tax prescribed rates and useful lives, generally aligned with accounting depreciation but subject to DGI limits.
- R&D incentives: Nicaragua does not provide a general R&D tax credit, but sector specific incentives may apply in areas such as renewable energy, exports, and Free Trade Zones.
- Relief for losses: Tax losses may generally be carried forward for up to three years, subject to specific conditions and limitations under the tax law.

1.3 International Tax

1.3.1 Foreign tax relief: Nicaragua offers very limited foreign tax credit mechanisms.

1.3.2 Foreign-exchange controls: ▸ No formal foreign exchange controls. Free repatriation of capital, dividends, and profits is generally permitted, subject to banking and reporting requirements.

1.3.3 Transfer pricing: Nicaragua has transfer pricing regulations requiring related-party transactions to comply with the arm's-length principle. Documentation must be available upon request by the tax authority.

1.4. Value-added tax
- Standard VAT (IVA) rate: 15%
- Applies to sales of goods, provision of services, imports, and use of assets
- Exports: Zero rated (0%)
- Exemptions apply to basic food products, medicines, education, health services, and certain financial services
- VAT returns are generally filed monthly.

Labor Regime

Nicaragua's labor system is governed by the Labor Code (Law No. 185), which establishes the rights and obligations of employers and workers and governs labor relations nationwide. The Labor Code is a public order law, and its provisions are mandatory for all natural and legal people.
Understanding labor regulations is essential for companies investing or operating in Nicaragua.

1.1 Employment Contracts

Employment contracts must be in writing and include, at a minimum:

- Identification of the parties
- Job description
- Working hours
- Compensation
- Other agreed employment conditions

Employers must provide a copy of the contract to the employee and submit it to the Ministry of Labor for certification.

1.2 Minimum Salary

As of March 1, 2026, Nicaragua implemented a general 4% increase to the minimum wage across nine economic sectors, pursuant to the agreement approved by the National Minimum Wage Commission. This adjustment remains in force until February 28, 2027. The national minimum wage in Nicaragua, registered in 2025 was equivalent to USD 242.53. The minimum wage is periodically determined by the National Minimum Salary Commission, which considers economic and social conditions. Employers are required to comply strictly with these provisions.

1.3 Working Hours

- Ordinary daytime shifts may not exceed 8 hours per day or 48 hours per week.
- Night shifts may not exceed 7 hours per day or 42 hours per week.

1.4 Social Security Obligations

All workers must be registered with the Nicaraguan Institute of Social Security (INSS), which provides coverage for: Disability, Old age, Occupational risks, Illness, Maternity.

1.5 Equality and Non-Discrimination: The Labor Code guarantees equal opportunities and expressly prohibits discrimination based on sex, race, religion, political opinion, or other protected categories.

1.5 Labor Conflict Resolution and Collective Rights: The Labor Code establishes mechanisms for resolving labor disputes through conciliation and arbitration before resorting to judicial proceedings. It also protects: The right to unionize and the collective bargaining rights. These mechanisms are fundamental to labor stability and social dialogue.



1.6. Financial and Corporate Compliance: Companies operating in Nicaragua must comply with accounting, tax, and corporate recordkeeping requirements in accordance with commercial and fiscal regulations. Proper compliance ensures legal operability and access to protections under Nicaraguan law.

1.7. Environmental Regulations: Nicaragua's environmental framework is based on the General Law of Environment and Natural Resources and its regulations. This framework seeks to balance economic development with environmental preservation by imposing requirements on projects and activities with potential environmental impact.

1.7.1 Regulatory Authority: The Ministry of Environment and Natural Resources (MARENA) is responsible for supervising and enforcing environmental regulations and issuing corrective measures.

1.7.2 Environmental Permits: Projects must obtain environmental permits prior to commencing operations. These permits certify compliance with applicable legislation and establish specific mitigation conditions.

1.7.3 Environmental Impact Assessment (EIA): Public and private projects that may affect the environment must undergo an Environmental Impact Assessment (EIA), which must be approved by MARENA before operations begin.

1.7.4 Sustainable Use of Natural Resources: Natural resource exploitation must be reasonable and sustainable. Strict regulations apply to activities carried out in protected areas and fragile ecosystems to ensure conservation.

1.7.5 Pollution Control and Waste Management: The discharge of untreated pollutants into water bodies is prohibited. Companies must manage waste appropriately and comply with regulations governing hazardous waste and pollutant substances. Failure to comply may result in fines, suspension of activities, or revocation of permits.

1.8. Foreign Investment Regulation

Nicaragua maintains a defined legal framework to promote foreign investment through the Law of Foreign Investment (Law No. 1240) and its implementing regulations.

1.8.1 Guarantees and Rights for Foreign Investors: Nicaraguan legislation provides the following guarantees:

- Equal treatment with domestic investors
- Free transfer of funds, including capital, profits, dividends, and returns
- Protection of private property
- No arbitrary expropriation, except for public or social interest with fair compensation

1.8.2 Obligations of Foreign Investors: Foreign investors must comply with:

- Investment registration with the Ministry of Promotion, Industry, and Commerce (MIFIC)
- Compliance with labor, environmental, tax, and commercial regulations

1.8.3 Investment Incentives: To encourage foreign capital, Nicaragua offers:

- Tax exemptions for strategic sectors (tourism, renewable energy, free zones)
- Preferential access to international markets through trade agreements

1.9. Trade Regulation

Trade regulation in Nicaragua is governed primarily by the Commercial Code, which establishes the legal basis for commercial activity, company operations, contracts, and market conduct.

1.9.1 Key Pillars of Commercial Regulation Commercial regulation rests on the following pillars:

- Commercial Registry: Formalizes company existence and legal standing.
- Commercial Contracts: Regulate agreements such as sales, distribution, and financing.
- Securities Regulation: Applies to negotiable instruments used in commerce.
- Competition Protection: Prevents unfair practices and promotes market stability.

In addition, Law No. 1097 (Law of the Nicaraguan Legal Digest on Companies, Industry, and Trade), approved on November 25, 2021, reinforces the regulatory framework by establishing comprehensive internal and external trade guidelines and regulating public and private sector participation in the economy. Although the regulatory framework is clearly defined, procedural simplification and consistent enforcement across government levels remain ongoing challenges. Nonetheless, Nicaragua continues progressing in reforms aimed at improving competitiveness and foreign investment attraction.

Financial Reporting

1.1 Requirements and regulations for the preparation and presentation of financial information

In Nicaragua, the preparation and presentation of financial information are governed primarily by the Commercial Code, the regulations issued by the Tax Administration (Dirección General de Ingresos – DGI), and the requirements established by sector specific regulatory authorities.
Companies operating in the country are required to maintain formal accounting records, expressed in local currency, supported by proper documentation and compliant with applicable accounting standards.
Nicaragua recognizes the application of International Financial Reporting Standards (IFRS) and IFRS for Small and Medium-sized Entities (IFRS for SMEs), depending on the size, nature, and regulatory status of the entity.
Financial statements are generally prepared on an annual basis and are used for fiscal compliance, regulatory supervision, audits, and management decision making.

1.2 Publicly traded companies

Nicaragua does not currently have an active or fully developed public stock exchange with publicly traded equity securities comparable to other regional markets. As a result, there are no widely listed public companies subject to capital market disclosure regimes in the traditional sense. However, entities that issue financial instruments, participate in structured financing arrangements, or maintain obligations with institutional investors, international lenders, or multilateral organizations are often subject to enhanced financial reporting requirements. These typically include:

- Preparation of financial statements under full IFRS.
- Mandatory external audits performed by independent auditors.
- Periodic financial reporting to lenders, regulators, or contractual counterparties.
- Expanded disclosures related to financial risks, debt structure, and governance.

In practice, these requirements arise mainly from contractual or financing arrangements, rather than from domestic securities market regulation.

1.3 Publicly regulated companies

Companies operating in regulated industries in Nicaragua are subject to additional and more stringent financial reporting obligations. Key regulated sectors include:

- Banking, financial institutions, and insurance companies, supervised by the Superintendence of Banks and Other Financial Institutions (SIBOIF).
- Energy, telecommunications, and public utilities, overseen by sector specific regulatory agencies.
- Concessionaires and entities operating under special public regimes, including infrastructure and public service operators.

These companies are generally required to:

- Prepare financial statements in accordance with full IFRS or regulator specific accounting frameworks.
- Submit periodic financial reports (monthly, quarterly, and annual) to the relevant regulator.
- Undergo mandatory annual external audits.
- Comply with prudential reporting requirements, including solvency, liquidity, capital adequacy, and provisioning rules, depending on the sector.

Failure to comply with reporting obligations may result in administrative sanctions, operational restrictions, or the suspension or revocation of operating licenses.

1.4 Special cases

Certain entities in Nicaragua are subject to specific or differentiated financial reporting frameworks, including:

- Small and Medium Sized Enterprises (SMEs): SMEs may apply IFRS for SMEs, which simplifies recognition, measurement, and disclosure requirements while maintaining international consistency.
- Cooperative societies and non profit organizations: These entities are required to maintain accounting records and prepare financial information, but the focus is primarily on accountability, transparency, and proper use of funds. In many cases, simplified accounting frameworks or adapted IFRS principles are applied.
- Foreign branches and subsidiaries: These entities must comply with local Nicaraguan accounting and tax requirements while also meeting the reporting standards of their parent company, often requiring reconciliations between IFRS and other frameworks such as US GAAP.
- Entities operating under Free Trade Zone regimes: While subject to full accounting and reporting obligations, these companies must also provide additional reports related to tax incentives, customs control, and export operations, ensuring compliance with the conditions of the special regime.



Panama



Message from EY Panama Country Managing Partner

Panama has established itself as a strategic jurisdiction for business operations in Latin America, supported by its geographic location, its logistics infrastructure, and its long-standing orientation toward international trade and services. Panama serves as a high-impact hub for commerce, finance, and services.

The Panamanian economy shows a clear specialization in services, with a proven capacity to facilitate cross-border operations. Sectors such as logistics and transportation, financial services, international trade, infrastructure, and specialized corporate services form the foundation of a model that enables organizations to establish, coordinate, and manage regional operations from the country.

This approach has contributed to the development of a business environment with experience in regional structures, the management of commercial and financial flows, and the servicing of business groups with a presence across multiple jurisdictions. In practice, Panama operates as a services and decision-making hub for companies seeking operational efficiency and regional reach. In addition, Panama has a tax regime based on the principle of territoriality, under which only Panamanian-source income is taxed, which may represent a relevant advantage for structuring regional operations.

Nevertheless, the country faces the ongoing challenge of strengthening the sustainability of its economic growth, deepening institutional quality, and continuing to align its regulatory framework with international standards. In this context, a proper understanding of regulatory, tax, and operational aspects is essential for the effective structuring of investments and operations.

Panama offers a platform to connect markets, operations, and corporate structures across Latin America. This guide provides a practical overview of its business environment, aimed at supporting the informed evaluation of opportunities and risks by investors, companies, and business groups with a regional focus.



Víctor Ramírez

Country Managing Partner
EY Panama

Overview

Panama stretches between the Caribbean Sea and the Pacific Ocean, serving as a strategic bridge between North and South America. Panama City is the capital and main financial hub, followed by Colón, a key logistics and trade center linked to the Panama Canal. The country's culture reflects a blend of Indigenous, African, and Spanish influences, expressed through music, cuisine, and traditions such as Carnival. Panama's economy is driven by its world-class logistics platform centered on the Panama Canal, alongside sectors such as financial services, transportation, commerce, and tourism. With a service-based economy and strong connectivity, the country has positioned itself as a regional hub for trade and investment, supported by its dollarized system and stable business environment.



Population
4,566,000[1]
Urban[2]: 66.0%
Rural[2]: 34.0%



Main language
Spanish.
Other languages: Ngäbere and Guna.



Extension[2]
74,180 km^2



System of government[4]
Presidential Republic
President: José Raúl Mulino
Next elections: 2029



Climate[3]
Predominantly tropical climate influenced by its location. The Pacific lowlands experience a warm climate, while the Caribbean coast is hot, humid, and receives abundant rainfall throughout the year. Central highlands present a temperate mountain climate with cooler temperatures due to elevation.



International Time[5]
GMT-5



Currency[6]
Panamanian Balboa / US Dollar
US$1 = PAB 1.00 (Dec 31, 2025)



GDP current prices[1]
USD $90,5 billions (2025)



GDP per capita (PPP)[1]
USD $43,971.4 (2025)



Key sectors[7]
Panama's economy is driven by a diversified services sector, including logistics, transportation, financial services, commerce, and activities linked to the Panama Canal. The country also maintains important industries such as construction, tourism, agriculture (bananas, sugar cane, coffee, livestock), fishing, and manufacturing, leveraging its strategic position as a global trade and connectivity hub.

Why invest in Panama?

Global logistics
and trade hub: Panama channels approximately 6% of global maritime trade, supported by the Panama Canal and complemented by advanced maritime infrastructure[8].

Fully dollarized
and stable financial environment: The economy has operated with the U.S. dollar since 1904, eliminating exchange rate risk[8].

The country holds an investment-grade
rating (BBB), with stable political institutions and a well-established financial and banking center[8].

Panama maintains 23 free trade agreements with key partners including the United States and the European Union, supporting export-oriented business operations[8].

Regional leader in foreign direct investment: Panama captures approximately 35% of total FDI inflows in Central America[8,9].

Environmental and geographic advantages: Panama is carbon negative and located outside major hurricane and seismic zones[8].

Attractive Economic Zones and incentives:
territorial tax system, free capital movement, and tax/customs benefits in key zones (Colón Free Zone, Panama Pacifico, City of Knowledge)[10].

1. World Economic Outlook Database (April 2026), IMF.
2. DataBank, The World Bank Group.
3. Country information, DatosMundial.com.
4. Government - Politics, CountryReports.com.
5. World Time Directory, 24timezones.com.
6. Exchange Rates Database (April 2026), IMF
7. Country information, Encyclopedia Britannica
8. Invest in Panama, 2026
9. ECLAC
10. U.S. Department of Agriculture

Country's economic outlook

Panama has established itself as a dynamic and service-driven economy in Latin America, supported by its strategic geographic position, a fully dollarized system, and its role as a regional hub for logistics, finance, and trade. GDP reached USD 90.5 billion in 2025, according to the IMF World Economic Outlook, with GDP per capita standing at USD 43,971.4 (PPP), reflecting one of the highest income levels in the region.

Economic growth has remained solid in recent years, expanding 10.0% in 2022 and 7.2% in 2023, before decelerating to 2.7% in 2024 amid temporary shocks, including the Cobre Panama mine closure and reduced canal traffic due to El Niño. Growth rebounded to 4.4% in 2025, and the IMF projects further strengthening in 2026, supported by normalization in key sectors and continued dynamism in services and logistics.

Inflation has remained exceptionally low, reflecting the country's dollarized framework. After recording slight deflation in 2024, inflation stood at 0.4% in 2025, and is expected to gradually normalize while remaining contained in the near term, reinforcing price stability.

As a fully dollarized economy since 1904, Panama uses the U.S. dollar as legal tender (alongside the balboa at parity), eliminating exchange rate risk and supporting a predictable macroeconomic environment. This framework has been instrumental in consolidating Panama's position as a leading regional financial and logistics hub.

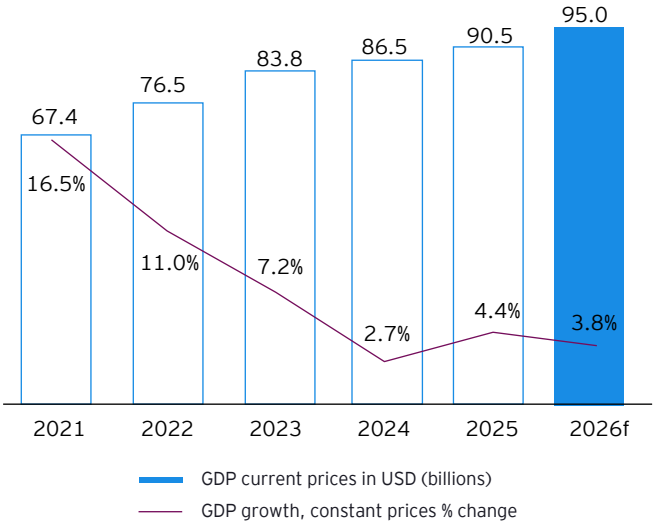
Looking ahead, continued efforts toward fiscal consolidation and efficiency will be key to preserving macroeconomic stability. Supported by its robust services platform, high investment rates, and strategic global connectivity, Panama remains well positioned to strengthen its role as a regional hub for trade and investment.

Table 1

Main Indicators	Panama
GDP current prices USD bn. (2025)[1]	90.5
GDP growth, constant prices % change (2025)[1]	4.4%
Gross domestic product per capita, current prices USD (PPP) (2025)[1]	43,971.4
Inflation, year-end consumer prices (2025)[1]	0.4%
Fiscal balance (net lending (+) or net borrowing (-) of general government; % of GDP) (2025)[1]	-3.7%
Public debt (General government gross debt, % of GDP) (2025)[1]	56.6%
Current account (% of GDP) (2025)[1]	0.3%
Investment (% of GDP) (2025)[1]	33.6%
Poverty headcount ratio at $8.30 a day (2021 PPP) (% of population) (2024)[2]	19.8%

Sources: 1. World Economic Outlook Database (April 2026), IMF. 2. Data Bank (April 2026), The World Bank Group.

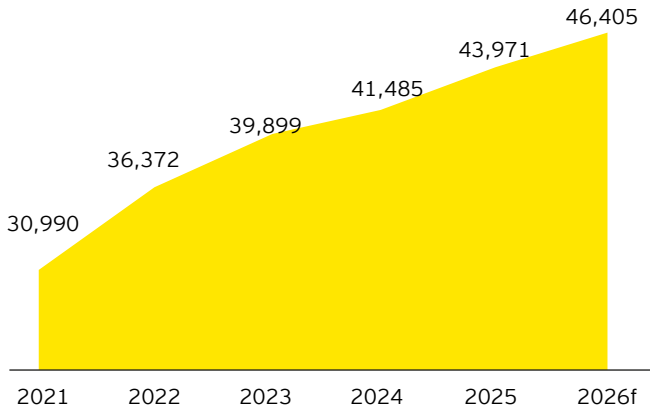
Figure 2:
Gross domestic product, levels and growth



Sources: World Economic Outlook Database (April 2026), IMF.

After years of exceptional growth, Panama's economy faced significant headwinds in 2024 from the mine closure and Canal constraints, with growth slowing to 2.7% as the economy adjusts to the new reality. In 2025, growth recovered to 4.3%, as the economy adjusted and Canal revenues normalized. Panama's strategic location and strong institutions position it well for long-term growth.

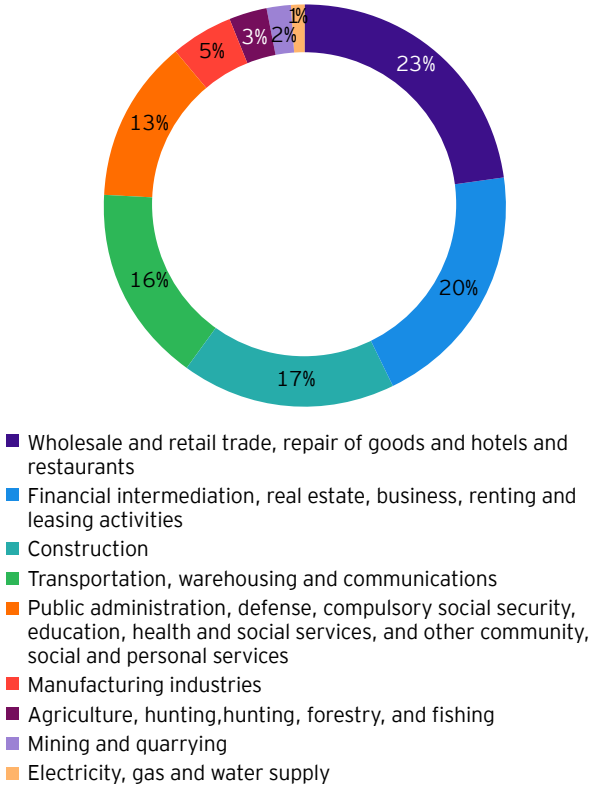
Figure 3
Gross domestic product (GDP), Per capita, (PPP) international dollar, ICP benchmarks 2017-2021



Sources: World Economic Outlook Database (April 2026), IMF.

Panama's GDP reached USD 83.8 billion in 2023 and grew modestly to USD 86.5 billion in 2024. GDP per capita in PPP terms reached USD 41,485 in 2024 and USD 43,971 in 2025, the highest in Central America and among the highest in Latin America. For 2026, the IMF projects USD 46,405.

Figure 4
Share of gross domestic product by economic sector in 2025 (current prices in USD)

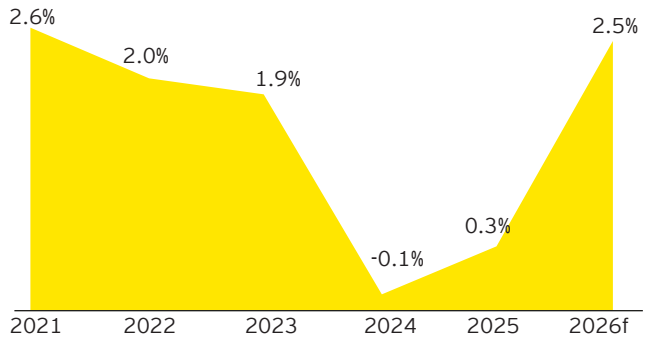


1- CEPALSTAT (April 2026), ECLAC.

The sectors that contribute most to Panama's GDP are wholesale and retail trade and hotels and restaurants (23%), followed by financial intermediation, real estate, and business services (20%). Construction accounts for 17% and transportation, warehousing, and communications accounts for 16%. Public administration and social services follow in relevance.

Figure 5:

Inflation, end of period consumer prices



Sources: World Economic Outlook Database (April 2026), IMF.

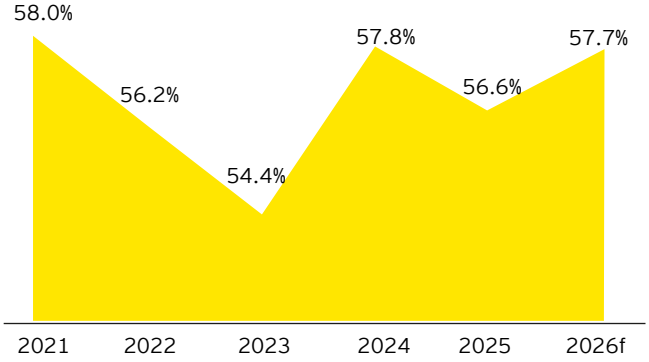
Panama's dollarized economy recorded slight deflation of 0.2% in 2024. In 2025, prices rose 0.37%. For 2026, the IMF projects inflation of 2.5%, reflecting economic recovery.

Panama does not have a floating exchange rate, it uses both the Panamanian balboa (PAB) and the United States dollar (USD), which are pegged at a fixed 1:1 exchange rate.

As a fully dollarized economy, Panama does not face exchange rate risk. Price stability and monetary certainty have historically supported Panama's role as a regional financial and logistics hub.

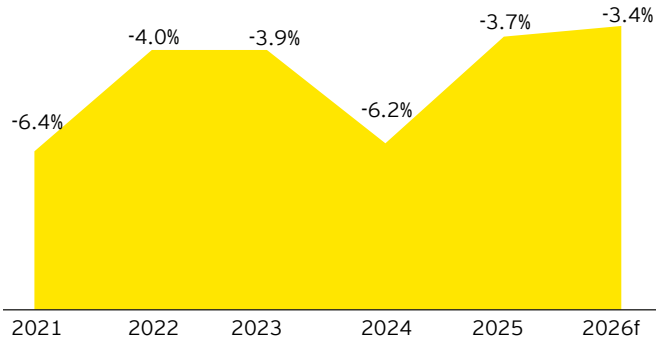
Figures 6 and 7:

Public debt (General government gross debt, % of GDP)



Sources: World Economic Outlook Database (April 2026), IMF.

Fiscal balance (net lending (+) or net borrowing (-) of general government, % of GDP)



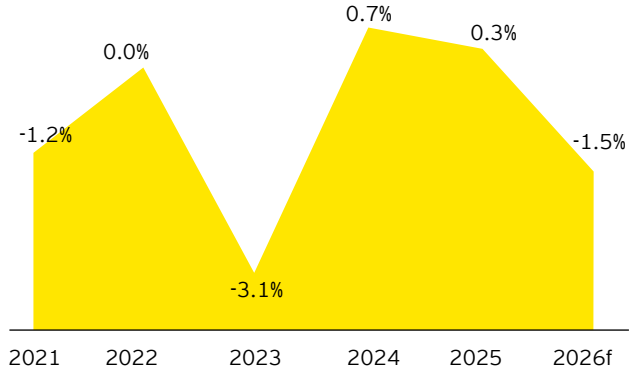
Sources: World Economic Outlook Database (April 2026), IMF.

Public debt in Panama showed a relatively stable trajectory, standing at 57.8% of GDP in 2024 and declining slightly to 56.6% in 2025, before edging up again to 57.7% in 2026.

The fiscal deficit widened to 6.2% of GDP in 2024 from 3.9% in 2023, narrowing to 3.7% in 2025. IMF projects a deficit of 3.4% for 2026.

Figure 8:

Current account (% of GDP)

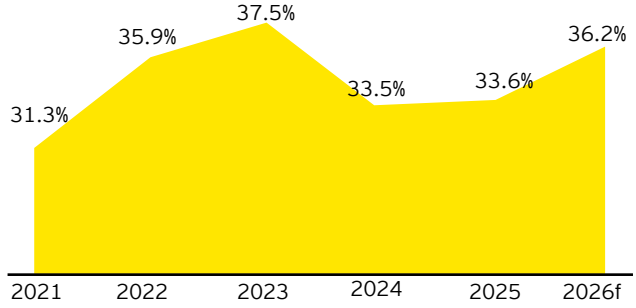


Sources: World Economic Outlook Database (April 2026), IMF.

The current account improved from a deficit of 3.1% of GDP in 2023 to a surplus of 0.7% in 2024. In 2025, the surplus reached 0.3% but is expected to revert and reach a 1.5% deficit.

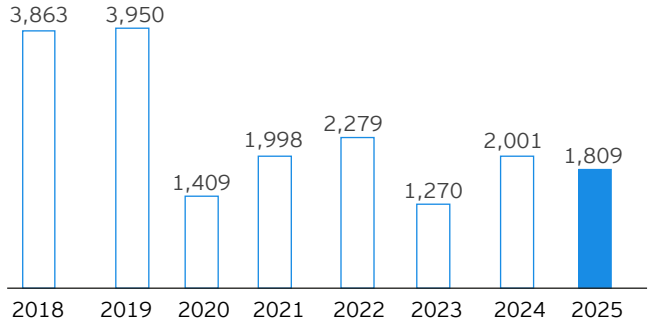
Figures 9 and 10:

Investment (% of GDP)



Sources: World Economic Outlook Database (April 2026), IMF.

FDI net inflows to Panama (USD millions)



Sources: CEPALSTAT (April 2026), ECLAC.

Investment as a percentage of GDP reached 33.5% in 2024 and 33.6% in 2025. For 2026, the IMF projects 36.20%.

FDI net inflows into Panama recovered to USD 2.0 billion in 2024 from USD 1.3 billion in 2023, according to CEPALSTAT, driven by logistics, real estate, and financial services, but In 2025 the FDI showed a decline.

Panama's economy is centered on the Canal, financial services, logistics, real estate, and commerce, consolidating its position as a regional hub for multinational companies, trade finance, and shipping. GDP per capita reached USD 43,971.4 in PPP terms in 2025, reflecting one of the highest income levels in Latin America.

Panama's role as a global logistics hub is supported by world-class infrastructure, including major seaports on both coasts, the expanded Panama Canal, a leading international airport, and extensive free trade zones such as the Colón Free Zone, which underpin its connectivity and trade facilitation capacity.

Establishing a business in the country

Panama has positioned itself as one of the most attractive destinations for business establishment and foreign investment in Latin America. Its strategic geographic location, dollarized economy, robust logistics and financial infrastructure, and pro-business legal framework provide a solid platform for companies seeking regional expansion or a gateway to global markets.

The country offers a stable regulatory environment, equal treatment for domestic and foreign investors, and a range of special regimes and incentives designed to facilitate business creation, streamline operations, and enhance competitiveness.

Understanding the legal, tax, labor, and regulatory considerations is key to successfully establishing and operating a business in Panama and unlocking the opportunities offered by this dynamic and resilient economy.

1.1 General Legal Framework

Commercial and investment activities in Panama are mainly governed by the Commercial Code and supplemented by special investment and labor laws. All businesses, whether domestic or foreign-owned, must register with the Public Registry to legally operate. Registration enables companies to conduct commercial activities, own assets, hire employees, open bank accounts, and comply with tax and labor obligations.

Panama does not impose discriminatory restrictions on foreign investors. Foreign and domestic companies operate under the same legal conditions, provided they comply with local registration, regulatory requirements, and reporting obligations.

1.2 Industries with special incentives

Panama has implemented a targeted system of industry-specific incentive regimes designed to attract foreign direct investment, promote job creation, and strengthen its role as a regional and global business hub. These incentive frameworks combine tax, customs, labor, and immigration benefits, making certain industries particularly attractive for multinational companies and investors seeking operational efficiency and regulatory certainty.

1.2.1 Multinational Headquarters and Advanced Manufacturing

SEM and EMMA Regimes: Panama has positioned itself as a strategic base for multinational operations through two highly competitive regimes:

1.2.1.1 SEM (Multinational Headquarters Regime)

Designed for multinational companies that establish their regional or global headquarters in Panama to manage administrative, financial, strategic, logistics, or support functions. Key incentives include:

- Full tax exemption on foreign-sourced income
- Preferential tax treatment on local services rendered
- Immigration facilitation for executives and specialized personnel
- Flexible labor regulations tailored to multinational operations

1.2.1.2 EMMA (Multinational Manufacturing Services Regime)

Targeted at multinational corporations engaged in manufacturing, assembly, remanufacturing, and related technical services, especially for export-oriented operations. Key incentives include:

- Income tax exemptions for activities conducted abroad
- Customs benefits on the import of machinery, raw materials, and inputs
- Labor and migration advantages similar to the SEM regime

Together, SEM and EMMA have reinforced Panama's value proposition as a regional management, innovation, and production platform, particularly for sectors such as advanced manufacturing, life sciences, industrial services, and global business services.


LOUISIANA MAMA

1.2.2 Free Trade Zones and Special Economic Areas

Panama's logistics sector is one of the primary beneficiaries of special incentive regimes, leveraging the country's connectivity, the Panama Canal, and world-class port infrastructure.

1.2.2.1 Free Trade Zones (FTZs)

Regulated under a simplified legal framework, FTZs are aimed at companies engaged in:

- Production and manufacturing for export
- International trading and re-exporting activities
- Logistics, warehousing, and value-added distribution services
- Technology-enabled and international services

Key advantages include:

- Exemption from income tax and other direct taxes for an established period
- Exemption from import taxes on raw materials, equipment, and inputs
- Streamlined customs procedures for international trade

Panama currently hosts 24 free zones, which accommodate over 128 companies and generate more than 37,500 direct jobs, underscoring their relevance to economic development.

1.2.2.2 Special Economic Areas (e.g., Panama Pacífico)

These areas provide a comprehensive incentive framework combining tax exemptions, labor flexibility, customs benefits, and infrastructure access, particularly attractive to logistics, aviation, technology, and multinational service companies.

1.2.3 Manufacturing and Export-Oriented Industries

Export-driven manufacturing industries benefit from:

- The territorial tax system, which taxes only income generated within Panama
- Incentives under EMMA, Free Trade Zones, and special regimes
- Preferential trade access and increased regional integration, including Panama's status as an Associated State of Mercosur

1.2.4 Small and Medium Enterprises (SMEs)

In addition to large-scale investment regimes, Panama has introduced special incentives for SMEs and micro-enterprises, including:

- Reduced tax burdens
- ITBMS (VAT) exemptions for certain activities
- Access to preferential financing combined with technical assistance

These measures aim to strengthen local productive capacity while integrating SMEs into national and international value chains.

1.3 Types of Entities for Establishing a Business in the Country

Panama recognizes three principal corporate structures commonly used by investors:

1.3.1 Corporations

- The most widely used structure for medium and large businesses.
- Share capital is divided into freely transferable shares.
- Well suited for multinational operations and investment-heavy activities.

1.3.2 Limited Liability Companies

- Commonly used by small and medium-sized enterprises.
- Partners' liability is limited to their capital contribution.
- Offers greater flexibility for closely held businesses.

1.3.3 General Partnerships

- Partners share joint and unlimited liability.
- Typically used for professional services or family businesses.
- Less common due to higher risk exposure.

Tax Regime

1.1 General Overview

1.1.1 Corporate Income Tax Rate (%): Standard rate: 25% on net taxable income derived from Panamanian sources. Applicable to resident and non resident entities with Panama source income. Certain activities (e.g., state owned entities) may be subject to 30%, while SEM regime entities benefit from reduced rates under special laws.

1.1.2 Capital Gains Tax Rate (%): 10% on net capital gains from the sale of: Shares, Securities, Real estate, Other capital assets located in Panama. For real estate, a 3% advance withholding on the gross sales price applies, creditable against the final 10% tax.

1.1.3 Branch Tax Rate: For tax purposes, branches are treated as independent taxable units with respect to their head offices. As such, they are required to maintain separate accounting records and are subject to their own tax obligations in Panama.
Branches operating within Panamanian territory are required to pay dividend tax through a definitive withholding tax equivalent to 10% of the net taxable income generated by the branch in Panama, after deducting any income taxes already paid by the same legal entity in the country. This withholding tax is settled at the time the corresponding corporate income tax return is filed.

1.1.4 Withholding Tax

1.1.4.1 Dividends: Under Panamanian tax legislation, dividends derived from Panamanian source income are subject to a final withholding tax, levied at the time the dividend is declared or distributed. As a general rule, dividends are taxed at a 10% rate, regardless of the form of payment, type of shares, or whether the distribution is made in cash or in kind.
For companies generating mixed source income, a reduced dividend tax rate of 5% applies to dividends distributed from: Foreign source income, Export derived income, and Certain exempt income, including interest from bank deposits and returns on government issued securities.
Entities operating under free zone regimes, including the Colón Free Zone and other special economic zones, are also subject to a 5% dividend tax rate on dividends distributed from local source income.
Loans granted to shareholders are treated as deemed dividend distributions and are subject to a 10% withholding tax, even where a reduced 5% rate would otherwise apply.
Where a company's shares are issued to bearers, dividends are subject to an increased tax rate of 20%. Dividend tax applies to entities that:

(i) require an operating permit in Panama;
(ii) operate in the Colón Free Zone;
(iii) are established in a fuel free zone;
(iv) operate in a free zone or special economic area; or
(v) generate taxable Panamanian source income.

Dividend tax does not apply to dividends received from other companies where the original distribution was either exempt from withholding or where the applicable dividend tax was duly withheld.
Additionally, a complementary tax applies in any fiscal year in which the company distributes less than 40% of its net profits after corporate income tax. This complementary tax functions as a prepayment of dividend tax, calculated on the undistributed portion up to the 40% threshold, using the applicable dividend tax rate. Any complementary tax paid may be credited against future dividend tax upon actual distribution.
Inter company dividends are not subject to income tax or dividend withholding tax, provided that the company paying the original dividend was not required to withhold dividend tax, or, if required, complied properly with the withholding obligation.

1.1.4.2 Interest: is subject to Panamanian income tax to the extent that it arises from activities carried out within Panama. Payments made to foreign beneficiaries are subject to withholding tax (WHT). For withholding purposes, the tax base corresponds to 50% of the amount remitted, and the applicable income tax rate is 25%, resulting in an effective withholding tax rate of 12.5%.

1.1.4.3 Royalties from Patents, Trademarks, Formulas and Similar Items: Royalty income is subject to income tax to the extent that it reflects operations carried out in Panama. Foreign beneficiaries are subject to WHT to the extent that the payer has a deduction. The tax base will be 50% of the remittance, and the income tax rate applicable is 25%.

1.2 Tax on Rent and Corporate Income

1.2.1 Corporate income tax:

1.2.1.1 Determination of the net taxable income (trading income)

- General: Taxable income corresponds to gross Panama source income minus deductible expenses necessary to produce income.
- Depreciation: Depreciation is deductible using straight line or declining balance methods, based on asset type and statutory useful life.
- R&D incentives: Panama offers sector specific R&D incentives, particularly for technology, logistics, agro industry, energy, and SEM/EMMA regimes, mainly through accelerated deductions and special exemptions.
- Relief for losses: ▸ Loss carryforward is permitted for up to 5 years. Loss carryback is not allowed.

1.2.2 Rates of corporate tax: Standard corporate income tax: 25%. Alternative Minimum Tax (CAIR): 4.67% of gross taxable income, applicable when higher than regular CIT.

1.3 International Tax

Limited foreign tax credit is available only in specific circumstances where income subject to Panamanian taxation has also been taxed abroad. Panama maintains a network of double tax treaties to mitigate double taxation and facilitate cross-border investment.

Panama generally applies a territorial tax system under which only income derived from Panamanian sources is subject to taxation. However, Law No. 526 of 2026, enacted in May 2026, introduced economic substance requirements for certain entities that are part of multinational groups and earn foreign-source passive income. Beginning in fiscal year 2027, qualifying entities must demonstrate sufficient economic substance in Panama in order to preserve the non-taxable treatment of certain categories of foreign-source passive income. Failure to meet the applicable substance requirements may result in taxation of such income in accordance with the provisions of the law.

1.4. Value-added tax

1.4.1 Standard VAT rate: 7%

1.4.2 Reduced rates:

- 10% on hotel accommodation and alcoholic beverages
- 15% on tobacco products

1.4.3 Zero rated / exempt: exports, basic food products, education, healthcare, certain financial services



Labor Regime

1.1 Labor Law

Panama's labor framework is governed by the Labor Code, which establishes employment conditions, worker protections, and social security obligations. Compliance is fundamental for all companies operating in the country.

1.1.1 Employment Contracts: Employment contracts may be verbal or written; however, written contracts are generally required in practice. Employers must register employees with the Social Security Fund (Caja de Seguro Social – CSS) and comply with required contributions.

1.1.2 Minimum Salary: The minimum salary for an 8-hour workday over 26 working days is USD 341.12, as established by Executive Decree dated January 10, 2024.
This amount remains unchanged for 2025. As of January 16, 2026, Panama implemented new minimum wage rates through Executive Decree No. 13 of December 31, 2025, published in the Official Gazette on January 6, 2026. This decree repealed the 2024 decree and established a revised minimum wage structure applicable for the 2026–2027 period. The adjustment represents an average increase of approximately 1.34% compared to previous rates.

1.1.3 Working Hours: Daytime work: maximum of 8 hours per day and 48 hours per week. Nighttime work: maximum of 7 hours per day and 42 hours per week.

1.1.4 Social Security: Enrollment in the CSS is mandatory for all employees, granting access to healthcare services, pensions, and social benefits.

1.1.5 Worker Protection: Panamanian labor law provides strong protections against unjustified dismissals, particularly for: Pregnant women and Union representatives.

1.1.6 Occupational Health and Safety: Employers must comply with hygiene, workplace safety, and occupational risk prevention regulations.

1.1.7 Severance and Mandatory Benefits: Labor benefits include: Paid vacation, Thirteenth-month bonus, Annual bonuses, Paid public holidays. The Labor Code also promotes conciliation and arbitration for labor disputes and recognizes the right to unionize and engage in collective bargaining.

1.2 Considerations for foreign workers

1.2.1 Immigration regulations
Migration Regimes and Special Visas: Panama offers a wide range of immigration regimes designed to attract investors, professionals, executives, and foreign workers.

1.3 Trade Regulation

Trade activities in Panama are governed by the Commercial Code, which defines commercial acts, merchant obligations, and the legal rules applicable to business activities. Merchants must maintain proper accounting records, preserve supporting documentation, and comply with transparency and reporting standards.

1.3.1 Commercial Acts
The Commercial Code classifies, among others, the following activities as commercial acts:

- Purchase and resale of goods for profit
- Banking operations and insurance contracts
- Transportation of goods or passengers by any means
- Brokerage, agency, and other commercial intermediation activities

The Code also regulates the incorporation, governance, and dissolution of commercial companies, allowing flexibility in corporate structuring.

1.4 Special Corporate Regimes

1.4.1 SEM (Multinational Headquarters Regime): Grants residence and work permits to executives and employees of multinational companies.

1.4.2 EMMA (Multinational Manufacturing Services Regime): Designed for manufacturing and assembly operations.

1.4.3 Panama Pacífico Area and Free Trade Zones: Allow special permits for foreign workers.

1.5 Investor and Residency Programs

- Friendly Nations Visa
- Qualified Investor Visa (minimum USD 300,000 investment)
- Self-Economic Solvency Visa
- Residency for Employment Purposes
- Retiree and Pensioner Visa (minimum USD 1,000 monthly pension)
- Digital Nomad Visa

1.6 Electronic Invoicing

Electronic invoicing, regulated by the General Directorate of Revenue (DGI), is mandatory and aims to improve transparency and reduce tax evasion.

1.7. Maritime Connectivity and Levels of Integration

The Liner Shipping Connectivity Index (LSCI) measures a country's integration into global maritime transport networks, considering service frequency, port calls, and port connections. For Panama, this index is crucial due to the Panama Canal and its role as a global logistics hub.

1.8. Environmental Regulations

Panama's environmental framework is governed by the General Environmental Law (Law No. 41 of 1998), which promotes sustainable development and responsible use of natural resources.

1.8.1 Regulatory Authority: The Ministry of Environment (MIAMBIENTE) oversees environmental compliance and enforcement.

1.8.2 Environmental Permits: Projects with potential environmental impact must obtain an environmental permit prior to execution.

1.8.3 Environmental Impact Studies (EIA): Public and private projects that may generate environmental risks must secure an approved Environmental Impact Study before starting operations.

1.8.4 Resource Management and Pollution Control

- Rational use of natural resources is mandatory
- Restrictions apply in protected and fragile ecosystems
- Prohibition of untreated pollutant discharge
- Proper waste and hazardous material management is required

1.8.5 Sanctions: Noncompliance may result in fines, suspension of activities, or permit revocation.

1.9. Foreign Investment Regulation: Panama offers strong protections to foreign investors under Law No. 54 of 1998 and Law No. 41 of 2007.

1.9.1 Guarantees for Investors

- Equal treatment with local investors
- Free repatriation of capital and profits
- Protection of private property
- No arbitrary expropriation

1.9.2 Investment Incentives

- SEM regime
- Free Trade Zones and Special Economic Areas
- Migration facilitation for executives and investors

1.9.3 Administrative Facilitation: PROPanama and the Single Investment Window simplify and accelerate investment procedures.

1.9.4 Free Trade Zone Regimes: Established under Law No. 32 of 2011, Panama's Free Trade Zone regime promotes investment, employment, and exports.

Financial Reporting

1.1 Requirements and regulations for the preparation and presentation of financial information

In Panama, the preparation and presentation of financial information are primarily governed by the Commercial Code, the regulations issued by supervisory authorities, and the accounting standards officially adopted in the country. In general, companies are required to maintain proper accounting records, prepare financial statements on an annual basis, and retain supporting documentation that reflects their financial position and results of operations. Financial information must be prepared in a consistent, reliable, and verifiable manner, allowing compliance with tax obligations, regulatory requirements, and third party reporting needs. Depending on the nature of the entity and its activities, additional reporting requirements and oversight may apply.

1.2 Publicly traded companies

Companies whose securities are publicly offered or listed in Panama are subject to enhanced financial reporting and disclosure obligations. These entities must prepare their financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted in Panama, ensuring transparency and comparability for investors and market participants.

Public trade companies are generally required to:

- Prepare annual audited financial statements,
- Submit periodic financial reports to the relevant market regulator, and
- Disclose material financial and operational information in a timely manner.

External audits must be conducted by independent and duly authorized auditors, and strict compliance with disclosure and governance rules is expected to protect investors and maintain confidence in the capital markets.

1.3 Publicly regulated companies

Entities operating in regulated sectors, such as banking, insurance, financial services, pensions, and other supervised industries, are subject to special financial reporting rules established by their respective regulatory authorities.

In addition to general accounting obligations, publicly regulated companies typically must:

- Prepare financial statements under IFRS or sector specific accounting frameworks, as required by the regulator,
- Submit financial information on a monthly, quarterly, and annual basis, and
- Comply with capital adequacy, solvency, and risk management reporting requirements.

These companies are also subject to continuous supervision, including mandatory external audits, regulatory inspections, and additional disclosure obligations to ensure financial soundness and systemic stability.

1.4 Special cases

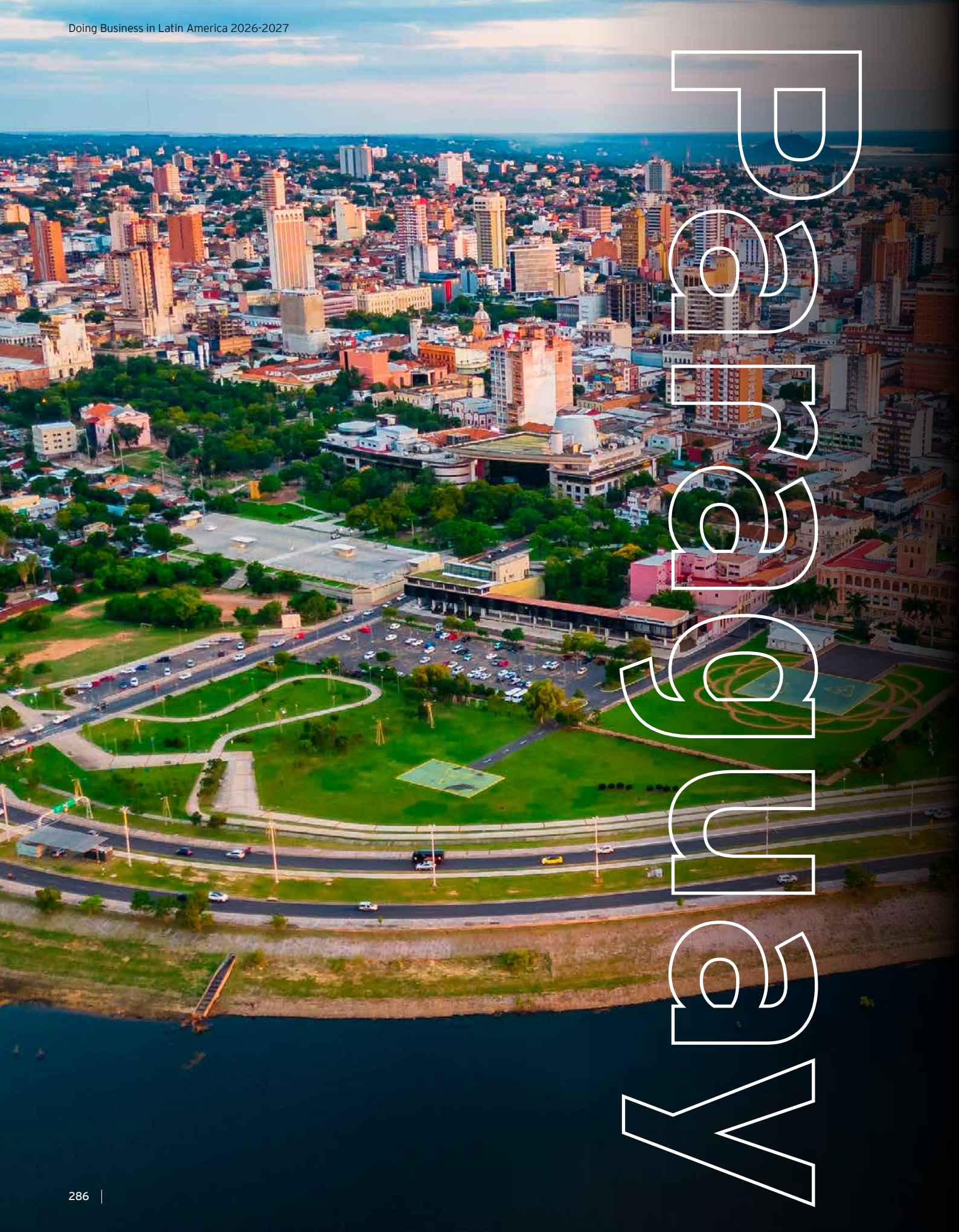
Certain entities in Panama are subject to customized financial reporting regimes, depending on their legal form or operational characteristics. These special cases include, among others:

- Companies operating under special economic regimes (such as free zones or special economic areas),
- Multinational headquarters and service entities under special incentive laws,
- Entities with no active commercial operations but with obligations to maintain accounting records, and
- Small or dormant entities that may benefit from simplified accounting or reporting requirements, subject to applicable thresholds.

While some of these entities may face reduced disclosure or auditing obligations, they are still required to maintain sufficient accounting records to support tax compliance, demonstrate economic substance where applicable, and respond to requests from tax or regulatory authorities.



Paraguay



Message from EY Paraguay's Country Managing Partner

Paraguay has a strategic location in the heart of South America, making it a potential major logistics center for regional trade, along with competitive labor costs, a stable economy, and low corporate taxes, having shown resilience to regional and global economic crises over the past decades.

Recently, Paraguay achieved its second investment-grade rating, thereby strengthening its appeal for new investments. The improvement in the credit rating, granted by Standard & Poor's, opens a new scenario marked by greater capital inflows, economic dynamism, and the creation of more jobs.

The country has a growing economy backed by abundant natural resources, such as fertile lands for agriculture and renewable energy.

With the implementation of policies that encourage foreign investment, offering tax incentives, a favorable business environment, an expanding domestic market, existing trade agreements, and significant urban growth, Paraguay emerges as an attractive destination for investors looking to diversify their portfolios and leverage the potential of a developing economy.

We invite you to explore the immense business possibilities offered by Paraguay, a country that is committed to legal security and respect for investors' rights. We are confident that as you delve into this guide, you will find compelling reasons to consider our country as an excellent destination for your investments.

Kind regards,



Angélica Schomburgk

Country Managing Partner
EY Paraguay

Overview

Paraguay, located in South America, is characterized by its inland location and extensive plains. The capital of Asunción is the political and cultural center of the country. Other important cities are Ciudad del Este, a trade and border center, and Encarnación, known for its Carnival and the Jesuit Reductions of Jesus and Trinidad (Reducciones Jesuíticas de Jesús y Trinidad), declared a World Heritage Site by UNESCO7. The Paraguayan population is diverse. Traditional music such as the Paraguayan polka, guarania, and folklore reflect the country's cultural identity. Paraguay's natural resources include fertile land, rivers such as the Paraguay and Paraná, as well as abundant biodiversity. Its main industries include agriculture (especially soybean, corn, and wheat production), livestock, hydropower, food manufacturing, and timber. Paraguay has sought out trade agreements to strengthen its economy.



Population[1]
6,417,000 (2025)[1]
Urban[2]: 69.9% (2024)
Rural[2]: 30.1% (2024)



Main language
Spanish and Guaraní.



Area[4]
396,012 km^2.



System of government[5]
Presidential Republic
President: Santiago Peña
Upcoming elections: 2028



Climate[3]
Subtropical, with warm summers and cool winters. High humidity variation between the eastern and western regions



International Time[5]
Daylight saving time (summer):
- GMT-3 (All Paraguay)

Standard time (winter):
- GMT-4 (All Paraguay)



Currency[6]
Guaraní
US$1 = PYG 6,579.0 (Dec 31, 2025)



GDP current prices[7]
USD $49.4 Bn. (2025)



GDP per capita (PPP)[8]
USD $21,930.5 (2025)



Key Sectors[7]
Paraguay's key economic activities include agriculture, livestock, forestry, and mining. Its main products include timber, oils, yerba mate, tobacco, manioc derivatives, sugar, meat, textiles, cement, and lime.

Why invest in Paraguay?

Lowest tax rates
in the region and extensive tax investment incentives[8].

Solid economy,
macroeconomic discipline and low public debt[8].

Best business
climate in the region in 2025[9].

High renewable energy
potential which allows it to be the largest exporter of electrical energy in the region[10].

Large food & commodity exporter:
3rd of soy, 5th of soy oil, 7th of wood charcoal, 13th of bovine meat, 14th of maize, 16th of electrical energy in 2024 (Comtrade)[10].

The international rating
agencies Moody's and Standard & Poor´s had awarded Paraguay the investment grade status in this 2024 and 2025[11].

The maquila regime applies a ~1%
tax on value added for export-oriented manufacturing, enabling highly competitive production costs[12].

1. World Economic Outlook Database (April 2026), IMF.
2. DataBank, The World Bank Group.
3. Country information, DatosMundial.com., CountryReports.com.
4. Government - Politics, CountryReports.com.
5. World Time Directory, 24timezones.com.
6. Exchange Rates Database (April 2026), IMF.
7. Country information, Encyclopedia Britannica.
8. Investment and Export Network (REDIEX), Ministry of Industry and Commerce
9. Economic Climate Indicator, Gertulio Vargas Foundation.
10. Comtrade Database, United Nations.
11. Moody's and Standard & Poor´s
12. US. International Trade Administration

Country's economic outlook

Paraguay offers an attractive investment landscape, supported by abundant natural resources, a steady supply of renewable energy, a young and trainable workforce, and a solid macroeconomic framework. Infrastructure development remains a key priority for the government, alongside policies aimed at fostering both domestic and foreign investment.

The country has also strengthened its position in international markets following its achievement of investment grade status, reflecting its strong and sustained economic growth, prudent fiscal management, and relatively low public debt levels, as well as improvements in institutional quality and policy credibility, which have enhanced investor confidence.

Paraguay's economy grew 5.3% in 2023 and 4.7% in 2024, maintaining its position as one of Latin America's top performers. Growth accelerated further to 6.0% in 2025, with GDP reaching USD 49.4 billion. GDP per capita in PPP terms rose to USD 21,930.5, reflecting continued improvements in income levels and economic resilience.

Inflation remained contained, closing at 3.1% in 2025, consistent with the central bank's target and reinforcing macroeconomic stability. Paraguay's fiscal position also remained sound, with a deficit of 1.7% of GDP in 2025, while public debt stood at a relatively low 38.1% of GDP, supporting its strong sovereign credit profile.

Externally, the current account registered a deficit of 3.5% of GDP in 2025, reflecting strong domestic demand and robust investment activity. Paraguay maintains an open economy and is a founding member of MERCOSUR, facilitating the free movement of goods, services, capital, and labor among member countries.

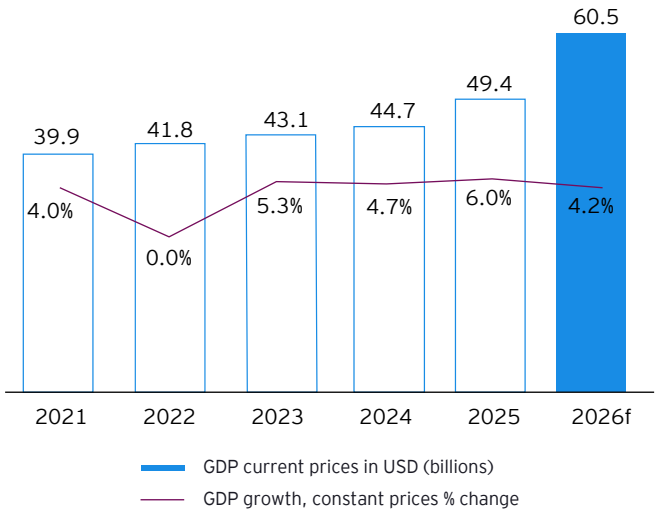
The country has enacted several laws and incentive programs to promote investment, including tax exemptions and equal treatment for foreign and domestic investors. Most sectors are open to foreign capital, with no restrictions on capital flows, reinforcing Paraguay's position as a competitive and increasingly attractive destination for foreign direct investment.

Table 1

Main Indicators	Paraguay
GDP current prices USD bn. (2025)[1]	$49.4
GDP growth, constant prices % change (2025)[1]	6.0%
Gross domestic product per capita, current prices USD (PPP) (2025)[1]	$21,930.5
Inflation, year-end consumer prices (2025)[1]	3.1%
Fiscal balance (net lending (+) or net borrowing (-) of general government; % of GDP) (2025)[1]	-1.7%
Public debt (General government gross debt, % of GDP) (2025)[1]	38.1%
Current account (% of GDP) (2025)[1]	-3.5%
Investment (% of GDP) (2025)[1]	25.5%
Poverty headcount ratio at $8.30 a day (2021 PPP) (% of population) (2024)[2]	20.5%

Sources: World Economic Outlook Database (April 2026), IMF. Data Bank (April 2026), The World Bank Group.

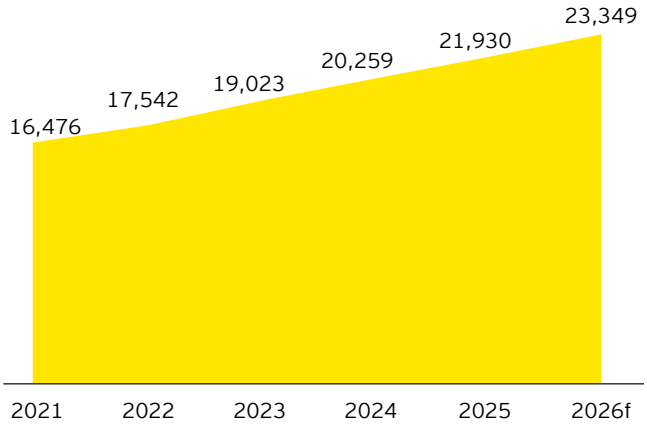
Figure 2:
Gross domestic product, levels and growth



Source: World Economic Outlook Database (April 2026), IMF.

Paraguay's economy grew 5.3% in 2023, driven by the recovery of the agricultural sector following a severe drought and by strong electricity exports. In 2024, growth remained solid at 4.7%, supported by robust agribusiness activity and stable domestic demand. Economic activity accelerated further in 2025, with GDP expanding by 6.0% to reach approximately USD 49.4 billion, positioning Paraguay among the top-performing economies in the region, supported by strong performance in agriculture, energy, and investment. Growth is expected to moderate but remain solid in 2026, with GDP projected to reach USD 60.5 billion and expand by 4.2%, reflecting continued economic resilience.

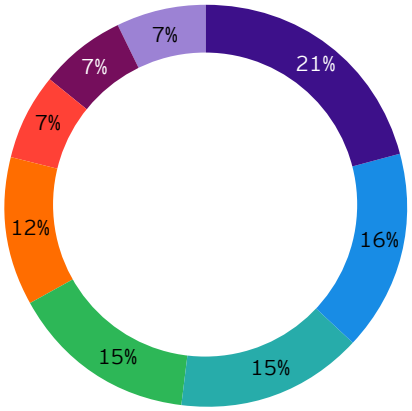
Figure 3
Gross domestic product (GDP), Per capita, (PPP) international dollar, ICP benchmarks 2017-2021



Source: World Economic Outlook Database (April 2026), IMF.

Paraguay's GDP per capita in PPP terms rose to USD 19,023 in 2023 and USD 20,259 in 2024, reflecting sustained economic progress supported by consistent growth and low inflation. In 2025 GDP per capita reached USD 21.930 and is expected to achieve USD 23.349 in 2026.

Figure 4
Share of gross domestic product by economic sector in 2024 (current prices in USD)



- Manufacturing industries
- Public administration, defense, compulsory social security, education, health and social services, and other community, social and personal services
- Financial intermediation, real estate, business, renting and leasing activities
- Wholesale and retail trade, repair of goods and hotels and restaurants
- Agriculture, hunting,hunting, forestry, and fishing
- Construction
- Transportation, warehousing and communications
- Electricity, gas and water supply
- Mining and quarrying

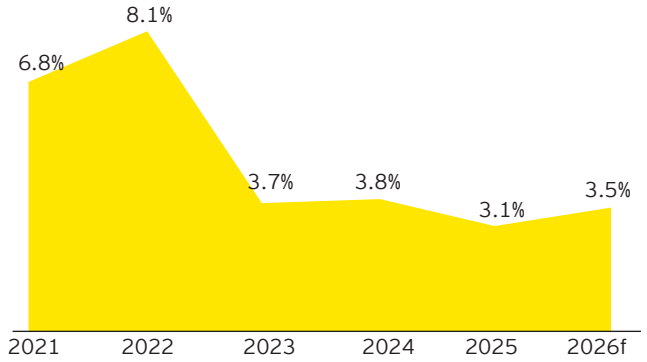
Sources: CEPALSTAT (April 2026), ECLAC

Manufacturing industries contribute the most to Paraguay's GDP (21%), along with public administration, defense, education, and health services (16%). Financial intermediation and wholesale and retail trade each account for around 15%. Other sectors relevant to the economy include agriculture (12%) and construction (7%).



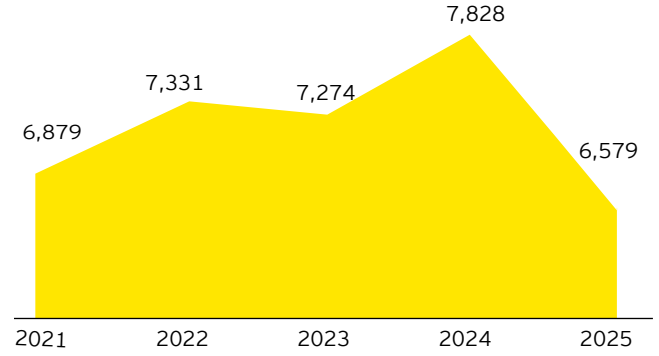
Figures 5 and 6:

Inflation (end of period consumer prices, % change)



Source: World Economic Outlook Database (April 2026), IMF.

Exchange rate of foreign currency (USD/PYG, end of period)



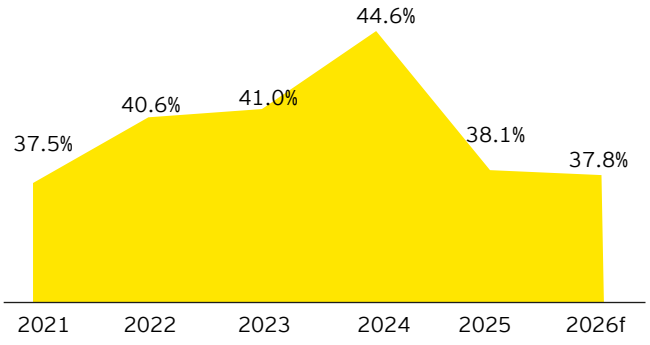
Source: Exchange Rates Database (April 2026), IMF.

Paraguay has maintained low and stable inflation. It closed at 3.7% in 2023 and remained stable at 3.8% in 2024, within the central bank's target band. Inflation declined further to 3.1% in 2025 and is expected to increase moderately to 3.5% in 2026, remaining consistent with price stability.

The guaraní showed relative stability in 2023, closing at PYG 7,273.6 per USD. It depreciated in 2024 to PYG 7,827.8 but recovered strongly to PYG 6,579.0 in 2025, representing one of the strongest performances in the region.

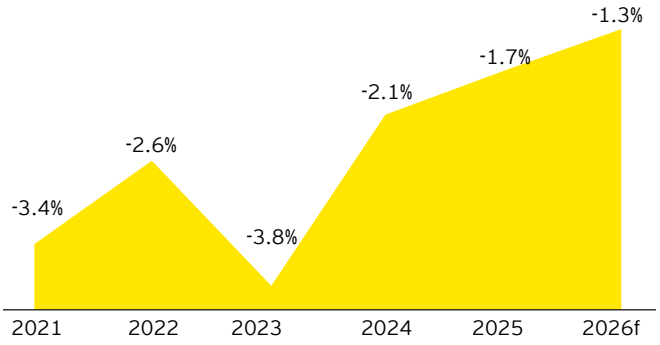
Figures 7 and 8:

Public debt (General government gross debt, % of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

Fiscal balance (net lending (+) or net borrowing (-) of general government, % of GDP)

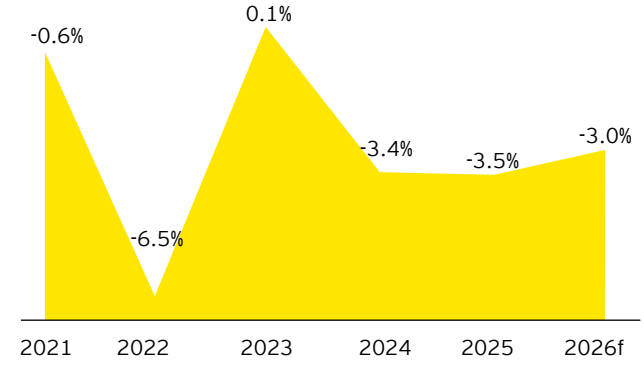


Source: World Economic Outlook Database (April 2026), IMF.

Paraguay's public debt reached 41.0% of GDP in 2023 and increased to 44.6% in 2024. It declined significantly to 38.1% in 2025 and is expected to moderate further to 37.8% in 2026, remaining among the lowest levels in the region.

The fiscal deficit narrowed to 2.1% of GDP in 2024 from 3.8% in 2023, reflecting improved revenue collection and spending discipline. It continued to decline to 1.7% of GDP in 2025 and is projected to narrow further to 1.3% in 2026, supporting a stable and sustainable fiscal outlook.

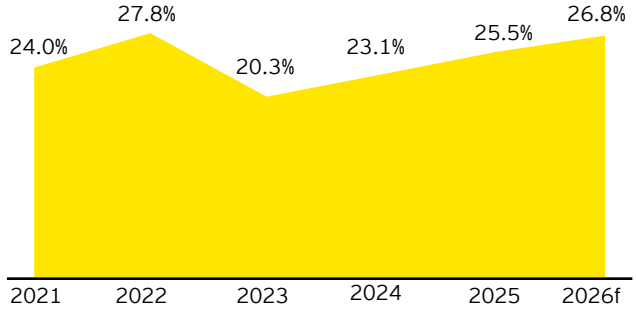
Figure 9:
Current account (% of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

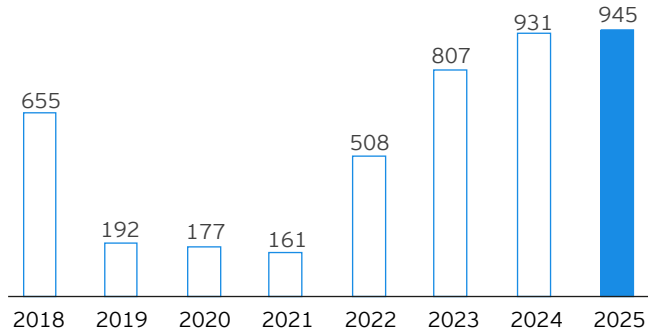
Paraguay's current account shifted from near balance (surplus of 0.1% of GDP) in 2023 to a deficit of 3.4% in 2024, driven by higher capital goods imports amid strong domestic investment activity. In 2025, it remained at a similar level (-3.5%) and is expected to narrow slightly in 2026.

Figures 10 and 11:
Investment (% of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

FDI net inflows to Paraguay (USD millions)



Source: CEPALSTAT (2026), ECLAC.

Investment as a percentage of GDP recovered strongly to 23.1% in 2024, up from 20.3% in 2023, driven by private sector confidence and public infrastructure spending. This upward trend continued, reaching 25.5% in 2025 and is expected to increase further to 26.8% in 2026, reflecting sustained investment momentum.

FDI net inflows into Paraguay reached USD 930 million in 2024, up from USD 810 million in 2023, and increased further to approximately USD 945 million in 2025. Paraguay has become an increasingly attractive destination, supported by its low tax rates, stable macroeconomic environment, and abundant renewable energy resources, a trend that continues to bolster foreign investment inflows.

The country has consistently demonstrated macroeconomic stability, characterized by low inflation and steady GDP growth, which provides a predictable business environment. Paraguay's strategic location in the heart of South America also grants easy access to the larger Mercosur market, offering significant opportunities for trade and expansion.

Additionally, the nation boasts a young and increasingly skilled workforce, competitive labor costs, and a favorable tax regime, including low corporate tax rates and various incentives for foreign investment.

Establishing a business in the country

1. Main Types of business

The most common business forms of organization are:

- Joint Stock Corporation (Sociedad Anónima or S.A. for its acronym in Spanish).
- Limited Liability Company (Sociedad de Responsabilidad Limitada or S.R.L. for its acronym in Spanish).
- Branch.
- Simplified Stock Company (EAS for its acronym in Spanish).

The main descriptions of each type of entity are:

	Joint Stock Company (S.A. for its acronym in Spanish)	Limited Liability Company (S.R.L. for its acronym in Spanish)	Branch	Simplified Stock Company (E.A.S. for its acronym in Spanish)
General Information	*S.A. must have at least 2 shareholders, who may be either individuals or legal entities.*	*S.R.L. must have at least 2 and a maximum of 25 partners, who may be either individuals or legal entities.*	*Branches are considered an extension of the Parent Company and do not have a true legal autonomy nor own corporate body. Their corporate purpose is the same as the Parent Company's. Branches do not summon or hold Board of Directors or Shareholders meetings locally.*	*EAS can be formed by one or more natural or legal persons. The single-member E.A.S. cannot establish or participate in another single-member E.A.S.*
Corporate Management	▸ Overseen by one or more Directors appointed in the Incorporation Bylaws or during the Ordinary Shareholders Meeting. ▸ S.A. must have a Trustee Body or Syndics. ▸ The members of the BOD and Trustee Body must have Paraguayan nationality or have a Paraguayan identity card. ▸ The Bylaws shall specify the minimum and maximum number of Board of Directors (BOD) members allowed. ▸ The Bylaws must regulate the constitution and operation of the BOD and Trustee Body, considering also the dispositions in the local law.	▸ Overseen by one or more Managers, who have the same rights and obligations as the Directors of the Joint Stock Company. ▸ The Manager/s must have Paraguayan nationality or have a Paraguayan identity card. ▸ If there are several Managers, the provisions on the operation of the S. A.'s BOD will apply. ▸ The Bylaws must regulate the constitution and operation of the Managers.	▸ Overseen by the Legal Representatives or Managers appointed by the Parent Company. ▸ The legal representative must have Paraguayan nationality or have a Paraguayan identity card.	▸ EAS do not require to have a management body, except as provided otherwise in the Bylaws. If not stipulated, all management functions will correspond to the legal representative appointed. ▸ The legal representative must have Paraguayan nationality or have a Paraguayan identity card. ▸ The members of the management body or legal representative may be appointed by any method provided for in the Bylaws, and in the absence of this, by the rules provided for the administration and representation of an S.A.

Shareholders or Partners Meeting	▸ In the S.A. the Shareholders Meetings can be Ordinary and Extraordinary and must take place at the company's registered office. ▸ The Annual Ordinary General Shareholders' Meeting must be convened by the BOD within 4 months following the close of the fiscal year (by April 30th) to address the following agenda: the Board of Directors' annual report, the balance sheet and income statement, the allocation of profits, the Trustee Body' report, and any other matters pertaining to the company's management. The meeting will cover the appointment of directors and trustees, as well as their compensation. ▸ Nevertheless, Shareholders can hold Ordinary or Extraordinary meetings throughout the year within the framework of their needs and the course of their corporate activities. ▸ To date, virtual meeting, are not accepted by the competence authority for the S.A.	▸ The S.R.L are not required to hold an Annual Mandatory Meeting of the Partners. ▸ If the articles of the Bylaws do not determine the method of deliberation and decision-making, the rules regarding Meetings of the S.A. will apply, except regarding the procedure for calling meetings, which will be notified personally to the partners.	N/A	▸ In general, the members of the EAS make up the administrative body or by the natural person, when it is a Sole Proprietorship EAS. ▸ Virtual meetings, are accepted for the E.A.S. ▸ The management of the EAS is simpler than an S.A., because it does not require the holding of Annual Ordinary General Shareholders Meeting or the obligation to have a trustee or supervisory body.
Minimun Capital Threshold	▸ There is no minimum capital threshold for the incorporation of S.A. But the share capital must be totally subscribed* by the shareholders at the moment of the incorporation of the company. * The subscribed capital make reference to the sums that the shareholders force themselves to contribute to the company within the term generally established in the bylaws.	▸ No minimum capital threshold for the incorporation of a S.R.L. But the capital must be fully subscribed and must be integrated at least in 50% when the capital contribution is doing by money. ▸ This integration of the capital must be complete within a period not exceeding 2 years.	▸ No minimum capital threshold for the incorporation of a Branch.	▸ No minimum capital threshold for registration. But the share capital must be totally subscribed in the act of incorporation of the EAS. ▸ This integration of the capital must be complete within a period not exceeding 2 years.
Type of Shares/ Quotas	▸ The capital of S.A. is represented by shares. ▸ The Bylaws may create different types of shares establishing preferential voting or economic rights.	▸ SRLs' ownership is represented by registered quotas. Quotas have a minimum value of PYG 1.000 (USD 0.15 approx.) each, as indicated in the Bylaw.	N/A	▸ The capital of EAS is represented by shares. ▸ The Bylaws may create different types of shares establishing preferential voting or economic rights.

Transfer of Shares/ Quotas	▸ Shares may be sold or transferred to third parties. ▸ The transfer of shares is usually subject to restrictions and regulations set out in the company's bylaws or shareholder agreements. These restrictions may include preemptive rights, prior approval by the board of directors, or limitations on transfer to certain persons or entities. ▸ All transfer of shares must communicate to the competent authority.	▸ When the S.R.L. has more than 5 partners the quotas can only be transferred to third parties with the agreement of the partners representing three-quarters (75%) of the capital. If there are not more than 5 partners, unanimity agree will be required. ▸ The transfer of quotas is free between partners, unless otherwise established by the Bylaws. ▸ The transfer of quotas must be carried out by Public Deed and be registered in the Public Registry.	N/A	▸ Shares may be sold or transferred to third parties. ▸ The Bylaws may stipulate the prohibition of trading the issued shares or any of their classes, provided that the duration of the restriction does not exceed 5 years, counted from the issuance. ▸ All transfer of shares must communicate to the competent authority.

2. Auditing mandatory presentation

According to tax law and regulations in force, taxpayers who invoice Guaraníes 9.2 billion (approximately USD 1.4 million) or more, are obligated to be audited by registered and independent auditors who must issue a Tax Compliance Report and inform the Paraguayan Tax Authority directly.

3. Control Entities

For companies in general, the applicable regulatory entity is the Ministry of Economics and Finance through two bodies:

- Directorate of Legal Persons and Structures and Final Beneficiaries (Dirección Nacional de Personas y Estructuras Jurídicas y Beneficiarios Finales, in Spanish), for corporate issues; and
- Directorate of Tax Revenue (Dirección Nacional de Ingresos Tributarios, in Spanish), for tax issues.

Banks, savings and loan companies, exchange agencies, general bonded warehouses and insurance companies are controlled by the Banks and Insurance Superintendence, an agency reporting to the BCP (Central Bank of Paraguay). Also, there are other regulatory bodies related to, for example, stock exchange companies, cooperatives, etc.

Depending on the type of business, the companies may also be controlled by:

- National Competition Commission (CONACOM for its acronym in Spanish)
- Consumer and User Defense Secretary (SEDECO for its acronym in Spanish)
- Ministry of Industry and Commerce (MIC for its acronym in Spanish).

4. Public Procurement Supply

Law No. 7021/22 creates the National Public Supply System and the National Public Procurement System of Paraguay, regulating new mechanisms to do public procurement in the country in a more efficient way and in an improvement in public spending.

Likewise, Law No. 7021/22 establishes the use of electronic means for the proceedings and actions that make up the institutional administrative procedures, as well as administrative acts and measures, through the Public Procurement Information System (SICP for its acronym in Spanish).

This law also disposes the creation of the State Suppliers Registry in which will be registered all individuals, corporations and set up consortium or with intention agreement, to participate in the procurement procedures governed by the law. For the registration, the interested have to do the registration through the SICP https://www.contrataciones.gov.py in the section of "Seller" and enter in "Request Registration as State Supplier".

Tax Regime

1. General Overview

Paraguayan Tax System is divided in two principal types of taxes that would normally affect a company: central government taxes and municipal taxes. Corporations, Limited Liability Companies and branches of companies incorporated abroad have the same tax treatments. Taxes usually apply to these entities generated incomes and purchase operations.

The Paraguayan Tax Authority is a dependent unit of the Ministry of Economics and Finance. It is responsible for the collections and administration of all tax laws in force related to central government.

The Paraguayan tax system is classified into:

- **Income taxes:**
  - Business Income Tax;
  - Dividends and Profit Tax;
  - Personal Income Tax; and
  - Non-Resident Income Tax.
- **Indirect taxes:**
  - Value Added Tax; and
  - Excise Tax.
- **Equity tax (Real Estate Tax ruled and collected by City Hall).**

2. Direct Taxation

2.1. Business Income Tax

Business Income Tax levies income, profits or gains of Paraguayan source that come from all types of economic activities, primary, secondary, and tertiary. This tax includes all the agricultural, commercial, industrial activities and services, excluded those income taxed by Personal Income Tax.

2.1.1. Rate

The tax rate is 10%.

2.1.2. Foreign Tax Treaties and Tax Credit

The Paraguayan taxpayers can deduct from the Business Income Tax obligation, the Income Tax paid abroad, whatever its denomination and liquidation on those same incomes, provided that the discount does not exceed the amount of the tax that the taxpayer must pay in the country for said income.

This will be equally applicable to the income obtained related to agreements in force to avoid double taxation in Paraguay.

Paraguay has general Double Tax Treaties in force with Spain, Chile, Uruguay, Taiwan, Qatar and the United Arab Emirates.

2.1.3. Tax Incentives

The country has one of the broadest laws on foreign investment. The Investment Law No. 117/91 guarantees a free exchange regimen without restrictions on inflow and outflow of capital, as well as freedom for remittance abroad of dividends, interest, commissions, and royalties for technology transfer and other items, which, however, are subject to the taxes established by law. Paraguay allows free contracting of investment insurance in the country or abroad, and the establishment of joint ventures.

There are certain tax incentives for investors, both local and foreign, such as the provided by Law No. 7548/25. The purpose of this Law is to promote investment and reinvestment of capital by granting special tax benefits. To obtain these advantages, the Ministers of Industry and Commerce and of Economy and Finance shall grant and renew the tax benefits through a Joint Ministerial Resolution, based on the Investment Council's recommendation. The benefits of this law are intended for strategic sectors that must comply with the guidelines established in its regulations.

In sum, the benefits established in this law are the exemptions of:

- Customs duties on the import of capital goods, raw materials, and inputs destined for the project, except for fees corresponding to services actually rendered.
- VAT as provided in numeral 1, subsection (c), and numeral 4, subsection (d) of Article 100 of Law No. 6380/2019.
- VAT on the first sale of capital goods imported or purchased under this regime, applicable only between beneficiaries of the law.
- Non-Resident Income Tax (INR) on interest and charges related to loans granted by international financial institutions, when the investment amounts to at least USD 13 million, for the duration of the financing.
- Dividends and Profits Tax (IDU) for ten years, for projects with a minimum investment of USD 13 million.

- Customs duties and VAT on the import of capital goods for large-scale tourism and entertainment projects, with minimum investments of USD 20 million.

To qualify for the above-mentioned tax benefits, investors are required to prepare and file an investment project which will be analyzed for approval by local authorities.

2.1.4. Transfer Pricing

Paraguayan legislation calls them "Special Norms for the Valuation of Operations" and establishes that the taxpayers of the Business Income Tax that carry out operations with related parties residing abroad or in the country, will be obliged for the purposes to determine their income and deductions, considering for those operations the prices and compensation that they would have used with or between independent parties in comparable operations, under similar conditions.

Taxpayers who carry out operations with related parties residing in the country (in this case when the operation for one of the parties is exonerated, exempt or not reached by the BIT) and abroad, must obtain and keep a Technical Study that includes the supporting documentation that demonstrates compliance with these standards as long as they have surpassed PYG 10.000.000,000 (approximately USD 1.5 million) in the previous year. The Tax Administration will establish a registry that will include the professionals qualified to prepare the Technical Study.

2.2. Dividends and Profits Tax

Dividends and Profits Tax levies earnings, dividends and revenues (hereinafter profits) made available or paid to the owner, the consortium, partners or shareholders of entities established by law, as well as the permanent establishments of entities incorporated abroad, will be subject to this tax.

The rate is:

- 8% when the recipient of the profits is an individual, corporation or entity resident in the country; or
- 15% when the beneficiary of these concepts is a non-resident, including those obtained by the parent company abroad.

2.3. Personal Income Tax

Personal Income Tax is classified in two categories:

- Income and capital gains; and
- Income derived from the provision of personal services in an independent or dependent manner.
  - Income and capital gains shall be understood as the income, in money or in kind, derived directly or indirectly from assets, goods or rights, owned by the PIT taxpayer. The PIT rate for the income and capital gains is 8%.
  - Personal services is calculated by the difference between the actual income received and the deductible expenses incurred (cash basis) during the fiscal year (January-December).

For personal services, a progressive tax rate will apply:

Net Income	Tax Rate
- Incomes until Gs. 50.000.000	8%
- From Gs. 50.000.001 to Gs. 150.000.000	9%
- Equal or more than Gs. 150.000.001	10%

2.4. Non-Resident Income Tax

Non-Resident Income Tax (INR for its acronym in Spanish) levies income, profits or benefits obtained by individuals, corporations and other non-resident entities in Paraguay, coming from taxable events provided in the Business Income Tax and Personal Income Tax.

The tax rate is 15% on taxable base. The taxable bases are established presumptively according to the law provision.

3. Indirect taxation

3.1. Value Added Tax

VAT is applicable to:

- Sales
- Services rendered, other than personal services rendered under payroll-employee relationship
- Imports

3.1.1. Applicable rates

VAT rates are 10% and 5%. Basically, the latter rate is applicable to family housing leases and sales of real state, some agricultural products, basic family products and pharmaceutical goods.

3.1.2. Incentives related to this tax

Exports are VAT-exempted.

The VAT paid on goods and services incorporated into exports is recoverable through Credit Memos called Tax Credit Certificates issued by Tax Authorities; such certificates may be transferred or used to pay other taxes.

3.2. Excise Tax

- Excise Tax (ISC for its acronym in Spanish) is applicable to the importation or first sale in factory of the following goods:
  - Cigarettes;
  - Tobacco;
  - Beer, fruit juice, beverages in general;
  - Various types of alcoholic beverages;
  - High calory products;
  - Petroleum-derived products;
  - New and used aircraft and ships;
  - Weapons and its accessories; and
  - Electric appliances such as dishwashers, laundry machines, sound recording devices, cellphones, among others.
- Exemptions: Exports are exempted of Excise Tax.



4. Import duties and taxes

Imports in general are subject to the following taxes:

- Customs duties;
- Tax on selected consumer items, if applicable; and
- Value-added tax, if the product is subject to this tax.

The Mercosur Treaty provides that goods originated in the member countries may circulate freely within the territory of the five-member countries and that goods that do not originate within them are usually subject to "Common customs duties for external products".

5. Other Tax Regimes

5.1. Free Trade Zone Regime

The following activities performed in the established Free-Trade Zone areas are considered covered by this regime:

- Business
- Industries
- Services

5.2. Tax benefits under Free-Trade Zone regime

The activities performed under the Free-Trade Zone regime mentioned above developed in a pre-determined Free-Trade Zone area are exempted from any kind of tax, including national, regional or municipal taxes; such as the following:

- Entity Constitutions;
- Taxes on dividends remitted abroad;
- Payment of royalties, commissions, fees, interests and any other remuneration for services, technical assistance, technology transfer, loans and financing, equipment rental and every other service provided from third countries to Users of the Free-Trade Zone.

Users that carry out commercial, industrial or service activities dedicated to exports to third countries, shall pay a unique tax on this regime of 0.5% on the total invoicing amount. This tax will be paid at the time of the formalization of each Export Office.

5.3. Maquila Regime

The Maquila Regime, establish by Law No. 7547/25, allows the introduction of raw material into Paraguay on a temporary basis (Maquila temporary importation) during the production process.
The Maquila Law offers important advantages, among others, the geographical location of the country (center of South America and of the Mercosur) and a preferential taxation treatment.
Maquila Unique Tribute: payment of a tax corresponding to 1% on value added in Paraguayan territory, or the value of the export invoice, whichever is greater.
Benefits established in the Maquila Regime are:
The exemption extends to:

a) The importation of the goods provided in the Maquila Contract.
b) The re-exportation of the goods imported under said contract.
c) The exportation of the goods that are transformed, manufactured, repaired, and assembled under said contract.
d) The Tax on Dividends and Profits (IDU), the Non-Resident Income Tax (INR), and the Business Income Tax (IRE).

5.4. ERNC Tax Incentive Regime

The Law No. 7599/25 regulates and promotes the generation, development and use of electric energy from non-conventional sources (ERNC, for its acronym in Spanish).
The ERNC are "non-fossil energy sources, e.g., biomass, bioenergy, geothermal, solar, wind and green hydrogen". It should be clarified that regulation on the production of energy of hydraulic origin is excluded from this disposition.
Individuals and legal entities that generate electricity from Non-Conventional Renewable Energy sources will be subject to the general tax regime but may access the tax and other incentives provided under Paraguayan legislation.
Likewise, the investments in ERNC will receive tax benefits included in Law N° 7548/25 "Which establishes the new tax incentive regime for national and foreign investment"; Law N° 117/91 "On Investments"; and Law N° 5542/15 "On Guarantees for Investments and Promotion of Employment Generation and Economic and Social Development".

Labor Regime

1. Labor Law

Labour relations are regulated by a "Labour Code" applicable to the relationship between employers and payroll employees.

The type of labour relationship that may be established are:

- For an indefinite term
- For a fixed term
- Piecework

The current Labour Code is not applicable to Directors, Managers, Administrators, and other executives of companies, provided that their representation, amount of remuneration, nature of job, technical capacity, and especially independence in the job does not imply subordination.

1.2. Working Week

The normal working day has 8 (eight) hours, with a maximum of 48 hours a week for daytime work, and 7 (seven) hours a day and 42 (forty-two) hours a week for nighttime work. For part-time modality, the worker shall work between 16 hours and a maximum of 32 hours per week. The maximum monthly load will be 128 hours.

1.3. Monthly Minimum Wage

The minimum wage is Gs. 3.044.000 = USD 510,81 approximately.

For part-time modality, the calculation of monthly remuneration will be based on the legal minimum wage and will be paid according to the number of hours worked.

Annual statutory Christmas bonus or 13th salary ("Aguinaldo")

Is equal to a twelfth of the employee's compensation accrued during the calendar year (including salary, overtime, commissions, or other compensation). The annual statutory bonus must be paid before December 31 or, proportionally, upon termination of the labour relation.

Vacation pay varies according to the employee's seniority:

Length of service	Vacation days
More than 1 year through 5 years	12 days
From 5 through 10 years	18 days
10 years onwards	30 days



1.4. Teleworking

Teleworking is a special type of employment relationship regulated in 2021. This modality of work, consists of performing an activity, producing a product, or providing a service remotely, without requiring the physical presence of the worker, through the use of Information and Communication Technologies (TIC for its acronym in Spanish), carried out at the worker's home or in an establishment other than the employer's workplace, under a system of control and supervision of their work through the use of technological means.
This modality applies to workers in a relationship of dependency both for labour relations in the public and private sector, however, the teleworking is not mandatory for either the employer or the worker. The employer may make visits to monitor compliance with occupational health and safety standards, as well as the maintenance of computer equipment, subject to prior notification and agreement with the teleworker. A right to digital disconnection of workers is guaranteed, which allows employees to not answer work communications, calls, emails, messages, WhatsApp, etc, outside their working hours.

1.5. Social Security

Contributions are calculated based on the employee monthly salary. Employer's contributions amount is 16.5% and the employee's is 9%. Social security coverage encompasses health care and pension benefits.
The banking sector has its own social security, being the employer's contributions 17%, and the employee's 11%. Foreign employees from countries with Social Security Agreements with Paraguay may be exempted from local Social Security contribution through a Certificate of Coverage issued by the Social Security Authority of the country of origin.

2. Immigration regulations.

The Paraguayan government published a new Migration law ("the Law") on 18 October 2022 that introduces changes to the rules governing foreign nationals who seek to enter and/or establish residence in the country.
The aforementioned law sets forth the statutory rules related to foreign immigration, migration and repatriation of nationals.
A foreign individual can live and work in Paraguay after obtaining their residence. The residence is applicable to foreigners of all nationalities, as established by the mentioned Migration Law.
Types of Filing:

- **Temporary:** a foreigner who enters with the intention of temporarily residing in the country for the duration of the activities that gave rise to the admission is considered a temporary resident. The maximum term of duration in this category of residence is 2 (two) years. It can be renewed up to one time, for period equal to that authorized. This residence is a previous requirement for the Permanent Residence application.
- **Permanent:** residence authorization granted to foreign citizens of any nationality who have fulfilled the condition of temporary resident for two years and wish to settle in Paraguayan territory on a permanent basis, to carry out any type of lawful activity, in accordance with the provisions of the Migration Law. Notably, foreigners are exempt from the two-year residence requirement if they can reliably prove the realization of investments in Paraguay or are qualifying dependents of a Paraguayan national. The maximum term of duration in this category of residence is 10 (ten) years.
- **Spontaneous or Occasional:** its purpose is to document foreign citizens who wish to settle for a period of no more than 90 (ninety) days to engage in remunerated or unremunerated work activities in Paraguay. This filing can be extended only once, for the same period.

Financial Reporting

1. Companies Listed on the Asunción Stock Exchange

Except for certain companies operating in the financial industry, companies listed on the Asunción Stock Exchange must prepare and submit their Financial Statements according to the reference framework of the Financial Information Regulations (NIF for its acronym in Spanish) issued by the Public Accountants Council of Paraguay. Financial statements prepared in accordance with the generally accepted accounting principles of the United States of America (US GAAP) or with the International Financial Reporting Standards (IFRS), are also accepted.

In the case of Brokerage firms, Fund Managers, and their respective managed Funds, although they are not issuers of financial instruments on the Asunción Stock Exchange, they must issue their Financial Statements adopting NIF issued by the Public Accountants Council of Paraguay, or US GAAP, or IFRS.

2. Regulated Companies

Regulated companies such as Banks, Financial Entities, Insurance Companies, and Cooperatives must adopt the accounting standards and policies issued by their respective natural regulator, which can be the Central Bank of Paraguay through the Superintendency of Banks, the Superintendency of Insurance, and the Superintendency of Securities, as well as the National Institute of Cooperativism.

3. Private Companies

Private companies may adopt the Financial Information Regulations (NIF) issued by the Public Accountants Council of Paraguay as a framework of best practices for preparing their financial statements. Likewise, the Paraguayan tax regulator, the National Directorate of Tax Revenues (DNIT for its acronym in Spanish), establishes certain accounting guidelines for taxpayers in general, which are normally observed by local companies in the preparation of their Financial Statements.





Perú

Message from EY Peru's Country Managing Partner

Peru is considered one of the world's leading emerging markets that stands out for its macroeconomic stability, which is one of the nation's most important pillars of competitiveness.

Almost uninterrupted economic growth over the past 25 years has contributed to the improvement of infrastructure, development of human capital, the adoption of new technologies and the standard of living of all Peruvian citizens. Additionally, a policy of being open to the international market through multiple commercial agreements complements legislation that is favorable to private domestic and foreign investment.

The recognition of Peru's solid economy is based on low inflation (at the close of 2025, there were 28 consecutive years of single-digit inflation), international reserves equivalent to 26.1% of GDP, a controlled fiscal deficit (an average of 2.6% of GDP over the past ten years), and public debt that reached just over 30.2% of GDP at the end of 2025, well below the average of the rest of emerging countries in the world (72.7%) and in the region (72.6%). Additionally, 2025 closed with a trade surplus record-breaking of USD32.9 billion.

Peru's economic prospects for 2026-2027 forecast an average GDP growth of 3.2%, propelled by dynamic investment and robust export performance. Strategic mining investments, bolstered by new projects and streamlined regulations, alongside non-mining initiatives in infrastructure, will drive economic diversification. Peru stands out as a resilient and innovative hub for investors seeking opportunities in a vibrant emerging market.

We firmly believe that Peru offers great opportunities for favorable investment, as well as an ideal business climate for investment. Through the Doing Business Latam 2026-2027, we commit to supporting Peru and the region in their development by helping businesses get started, grow, and thrive. We hope this guide will be useful in discovering new initiatives, and we are at your disposal for any assistance you may require.



Paulo Pantigoso

Country Managing Partner
EY Peru

Overview

Peru is located in South America and has a geographic diversity that ranges from the Pacific coast to the Andes Mountains and the Amazon jungle. Lima is its capital and largest city; other major cities include Cusco, known for its Inca legacy, and Arequipa, recognized for its cultural heritage and colonial architecture. The Peruvian population is diverse and multicultural, reflected in its music, dance, festivals, and cuisine. Peru is rich in natural resources, such as minerals (especially copper, gold, and zinc), fishery, agriculture (coffee, asparagus, grapes, etc.), and has a great biodiversity. The country has established trade agreements and is considered one of the world's leading emerging markets with a solid economic and industrial background.



Population
34,409,000 (2025)[1]
Urban[2]: 85.2% (2024)
Rural: 14.8% (2024)



Main language
Spanish
Other languages: Quechua, Aymara and other Indigenous languages.



Area[3]
1,280,000 km^2



System of government[4]
Democratic and presidential republic
President: Keiko Fujimori
Next elections: 2031



Climate[3]
Peru has a diverse climate, with a dry Pacific coast, cool Andean highlands, and a hot, rainy Amazon region.



International Time[5]
GMT-5 (All Peru)



Currency[6]
Peruvian Nuevo Sol
USD 1 = PEN 3.36 (Dec 31, 2025)



GDP current prices[1]
USD 341.0 Bn. (2025)



GDP per capita (PPP)[1]
USD 19,209.3 (2025)



Key Sectors[7]
Peru stands out in various sectors that include mineral extraction and refinery, steel and metal manufacturing, oil extraction and refinery, natural gas and natural gas liquefaction, agriculture and food processing, fishing and fish processing, cement, and textile.

Why invest in Peru?

1st place in country reputation in the region in 2025[8]

23 trade agreements, 25 bilateral investment treaties and 9 double taxation agreements[9]

World leader in mineral production: 2nd of zinc and silver, 3rd in copper and lead, and 4th in tin and molybdenum in 2026[10]

Large agricultural and agribusiness exporter: 1st of blueberries, grapes, asparagus and others, 2nd of avocados, mangoes, and others in 2025[11].

1st largest exporter of fishmeal in the world (in tradevalue 2022)[11]

Ranked 5th in natural gas reserves and 5th in natural gas production in Latin America.[12]

1. World Economic Outlook Database (April 2026), IMF.
2. DataBank, The World Bank Group.
3. Country information, DatosMundial.com.
4. Government - Politics, CountryReports.com.
5. World Time Directory, 24timezones.com.
6. Exchange Rates Database (April 2026), IMF.
7. Country information, Encyclopedia Britannica.
8. RepCore Nations 2025, Corporate Reputation Lab.
9. Reasons to invest in Peru, Invest Peru.
10. U.S. Geological Survey, Mineral Commodity Summaries 2026.
11. Comtrade Database, United Nations.
12. Annual Statistical Bulletin 2025. OPEC.

Country's economic outlook

Peru has traditionally been one of the countries with the highest macroeconomic stability in the region, thanks to its longstanding tradition of sound fiscal policies. Additionally, the country has demonstrated a strong commitment to open markets and foreign investment, signing multiple trade agreements that support its integration into the global economy.

The strength and prudence of its macroeconomic policies have driven sustained growth over several decades, at least until the disruption caused by the pandemic, accompanied by low inflation and a solid fiscal position. These factors have enabled significant economic and social development in the country.

Inflation closed at 3.2% in 2023, marking the 26th consecutive year of single-digit inflation. By 2024, inflation declined to 2.0%, within the Central Bank's 1–3% target range and among the lowest in the region. This downward trend continued in 2025, when year-end inflation reached 1.5%, further consolidating Peru's price stability framework.

In macroeconomic terms, Peru recorded GDP growth of 3.4% in 2025, reflecting a gradual recovery and stabilization following earlier economic shocks.

GDP per capita (PPP, current prices) reached USD 19,209.3, highlighting improvements in average income levels. On the fiscal front, the country maintained a moderate deficit, with a fiscal balance of -2.4% of GDP, while public debt remained relatively low at 30.2% of GDP, preserving fiscal sustainability compared to regional peers.

Peru's economy is based on a wide variety of natural resources. It is among the world's leading producers of copper, gold, silver, and zinc. The mining industry plays a key role in exports and overall economic activity, attracting substantial foreign investment.

Agriculture and fishing are also essential sectors, contributing significantly to both employment and exports. Peru is one of the world's leading fishing nations, supported by the abundance of marine resources along its coastline.

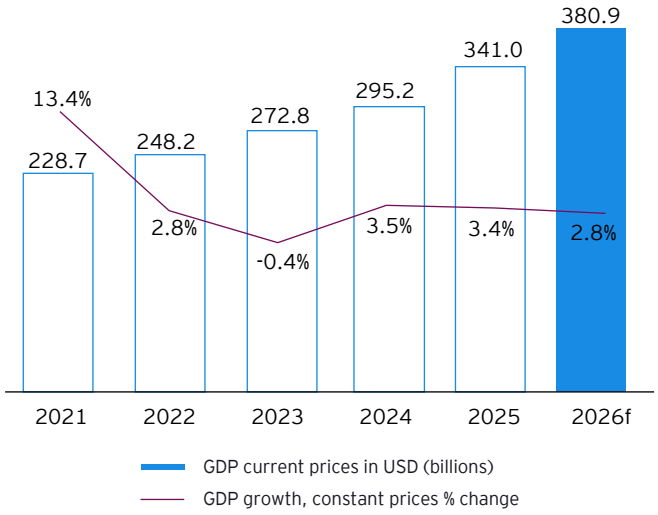
Additionally, Peru has a growing tourism sector, driven by its rich cultural heritage, biodiversity, and internationally recognized archaeological sites.

Table 1

Main Indicators	Peru
GDP current prices USD bn. (2025)[1]	341.0
GDP growth, constant prices % change (2025)[1]	3.4%
Gross domestic product per capita, current prices USD (PPP) (2025)[1]	19,209.3
Inflation, year-end consumer prices (2025)[1]	1.5%
Fiscal balance (net lending (+) or net borrowing (-) of general government; % of GDP) (2025)[1]	-2.4%
Public debt (General government gross debt, % of GDP) (2025)[1]	30.2%
Current account (% of GDP) (2025)[1]	3.1%
Investment (% of GDP) (2025)[1]	20.2%
Poverty headcount ratio at $8.30 a day (2021 PPP) (% of population) (2024)[2]	36.2%

Sources: 1. World Economic Outlook Database (April 2026), IMF; 2.The World Bank Group

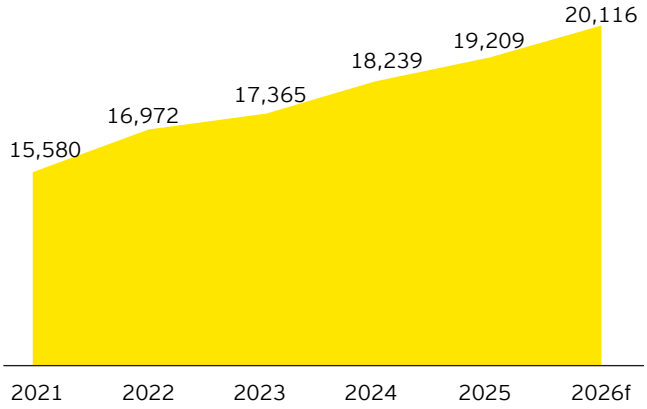
Figure 2:
Gross domestic product, levels and growth



Source: World Economic Outlook Database (April 2026), IMF.

Peru was one of the fastest-growing economies in Latin America prior to the pandemic. After a rebound of 13.4% in 2021, growth moderated to 2.8% in 2022 and contracted 0.4% in 2023 amid El Niño disruptions. The economy recovered to 3.5% in 2024, driven by record copper and gold production. Peru's economy grew by 3.4% in 2025, supported by a recovery in domestic demand, particularly private consumption and investment. For 2026, the IMF is projecting a slight slowdown in growth.

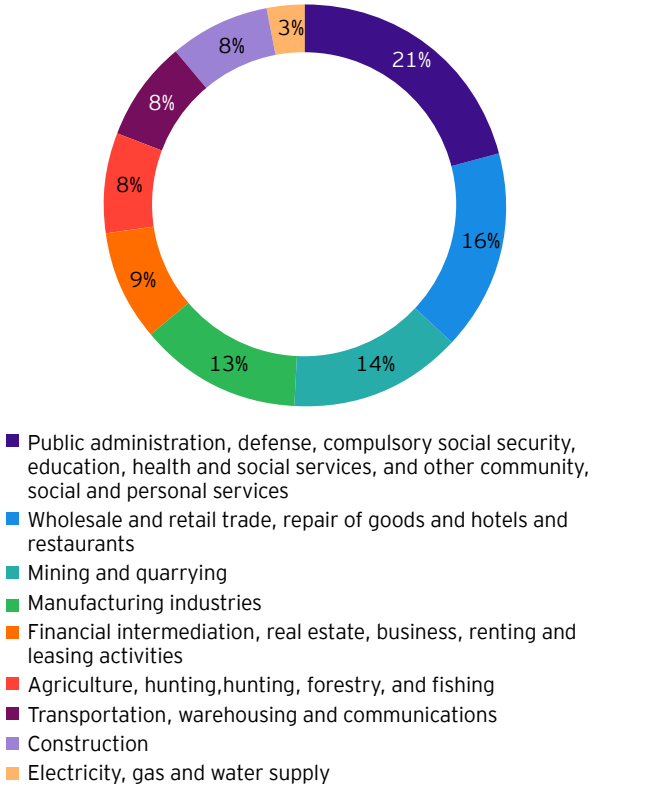
Figure 3
Gross domestic product (GDP), Per capita, (PPP) international dollar, ICP benchmarks 2017-2021



Source: World Economic Outlook Database (April 2026), IMF.

Peru's GDP per capita in PPP terms increased from USD 17,365 in 2023 to USD 18,239 in 2024, reflecting a sustained recovery in economic activity and gradual gains in real income levels, with this upward trajectory continuing through 2025 and expected to be maintained in 2026 in line with macroeconomic fundamentals.

Figure 4
Share of gross domestic product by economic sector in 2024 (current prices in USD)

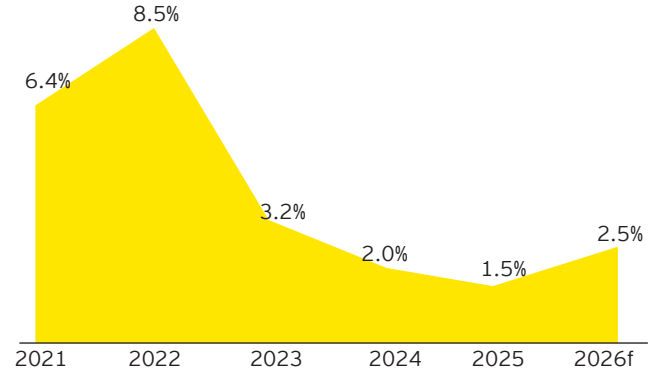


Source: CEPALSTAT (April 2026), ECLAC.

The public administration, defense, education, and health services sector contributes the most to Peru's GDP (21%), along with wholesale and retail trade and hotels and restaurants (16%). Mining and quarrying (14%) and manufacturing industries (13%) are also significant. Other sectors relevant to the economy include financial intermediation and real estate (10%) and agriculture (8%).

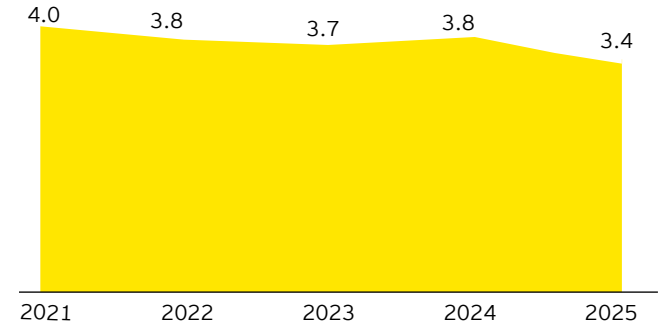
Figures 5 and 6:

Inflation (end of period consumer prices, % change)



Source: World Economic Outlook Database (April 2026), IMF.

Exchange rate of foreign currency (USD/PEN, end of period)

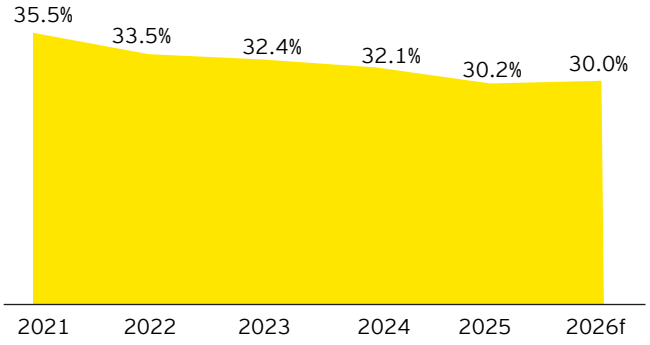


Source: Exchange Rates Database (April 2026), IMF.

Peru's macroeconomic framework has remained highly effective in anchoring inflation expectations and ensuring price stability. Headline inflation closed 2023 at 3.2%, marking the 26th consecutive year of single-digit inflation. It declined further to 2.0% in 2024, within the Central Bank's 1–3% target range and among the lowest in Latin America. Disinflation continued in 2025, with year-end inflation reaching 1.5%, while a moderate uptick to 2.5% is projected for 2026.
The exchange rate has remained broadly stable, reflecting sound macroeconomic fundamentals. The Peruvian sol closed at PEN 3.709 per USD in 2023 and PEN 3.765 in 2024, before appreciating to around PEN 3.4 per USD in 2025, supported by improved external conditions and stronger investor confidence.

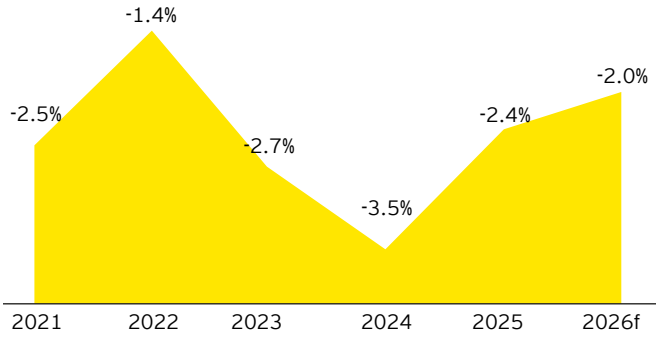
Figures 7 and 8:

Public debt (General government gross debt, % of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

Fiscal balance (net lending (+) or net borrowing (-) of general government, % of GDP)

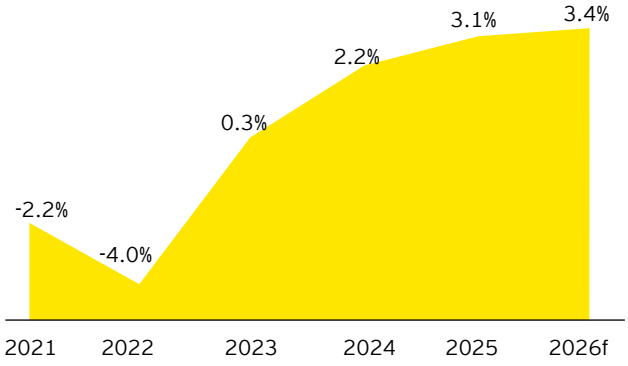


Source: World Economic Outlook Database (April 2026), IMF.

Peru's fiscal position remains relatively strong compared to regional peers, with public debt standing at 32.1% of GDP in 2024, marginally below 32.4% in 2023 and well within sustainable levels. However, the fiscal deficit widened to 3.5% of GDP in 2024, up from 2.7% in 2023, reflecting higher public investment and weaker mining-related revenues.
In 2025, the fiscal deficit narrowed to 2.4% of GDP from 3.5% in 2024, indicating a partial consolidation of public accounts as revenue conditions improved and expenditure growth moderated. Looking ahead, the deficit is expected to continue narrowing in 2026. Despite recent fiscal pressures, Peru's low debt burden and prudent fiscal framework continue to underpin debt sustainability and preserve macroeconomic stability.

Figure 9:

Current account (% of GDP)

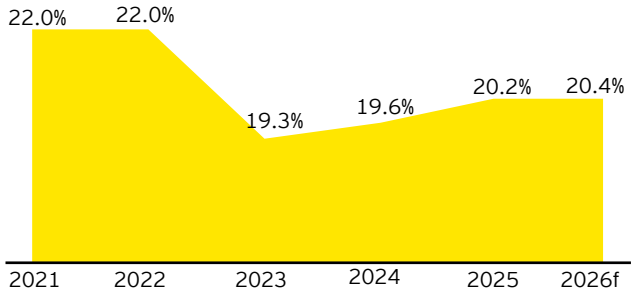


Source: World Economic Outlook Database (April 2026), IMF.

Peru's current account improved significantly, recording a surplus of 0.3% of GDP in 2023 and strengthening to 2.2% of GDP in 2024, driven by record mining export revenues from copper and gold. For 2025 this surplus increase to 3,1% and for 2026 it is projected to continue increasing.

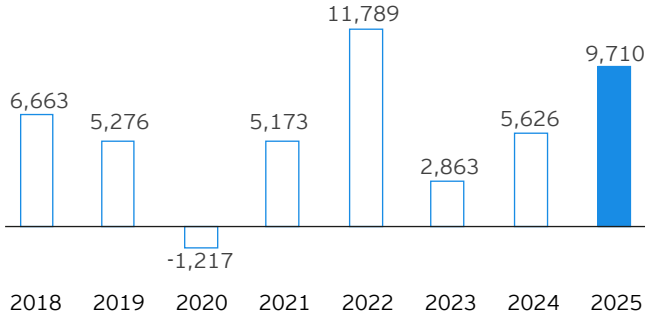
Figures 10 and 11:

Investment (% of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

FDI net inflows to Peru (USD millions)



Source: DataBank, The World Bank Group.

Investment as a share of GDP increased to 19.6% in 2024 from 19.3% in 2023, supported by higher mining capital expenditure and a recovery in private sector investment. This positive investment dynamic persisted in 2025 and is expected to continue into 2026.

FDI net inflows into Peru also showed a strong rebound, rising to USD 5.6 billion in 2024 from USD 2.9 billion in 2023, according to CEPALSTAT, driven primarily by renewed investment in the mining sector amid elevated copper and gold prices. This upward trend continued in 2025, with FDI reaching approximately USD 9.7 billion, reflecting sustained investor interest and favorable external conditions, particularly in extractive industries.

With a system that favors domestic and foreign private investment, legal stability, and a growing middle class, Peru offers a secure and dynamic business environment for investors looking to obtain attractive returns and to diversify their portfolios in an emerging market that has shown great macroeconomic stability and nearly uninterrupted growth.

Peru has a strong vocation of openness towards international markets. In addition to its investment promotion policies, Peru has a significant network of free trade agreements and bilateral agreements, offering a range of benefits and guarantees to foreign investors such as stability in the rules of the game, protection of intellectual property, national treatment, and preferential access to markets.

Establishing a business in the country

1. Promotion of Foreign Investment

In Peru, the participation of the private sector remains focused on investment and business activity. In terms of foreign investment, the legal framework aims to encourage it by incorporating regulations that promote and secure rights and providing access to regimes that guarantee various benefits.

Thus, laws have been enacted since 1991 that materialize the promotion of investment, while in 1993 the Constitution enshrined the principle of national treatment according to which domestic and foreign investment are subject to the same conditions, preventing discrimination of investors and their investments.

The following are some of the rights established for foreign investors: (a) equality of treatment before the law; (b) right to unrestricted private property (with certain exceptions, such as investments within 50 kilometers of the territorial borders or investments in broadcasting services, which require prior authorization from the State); (c) freedom of trade, industry, import and export; (d) right to the free transfer of profits or dividends; (e) right to use the most favorable exchange rate on the market; (f) right to freely choose the form of business incorporation; (g) right to free competition; (h) right to acquire shares of national companies; (i) right to have access to internal and external financing; (j) right to carry out operations in both national and international currencies, without exchange controls.

Measures have been established for the protection of said investments. Foreign investors can enter into Legal Stability Agreements with the State in order to obtain the guarantee that future legal and regulatory changes will not affect the conditions under which they adopted the investment decision. These Agreements guarantee investors and the investees access to equal treatment compared to local investors; the stability of the regime of free availability of foreign currency and remittance of profits, dividends and royalties; the stability of the income tax regime in force at the time of its subscription; and the stability of the employment contracting systems and export promotion regimes. As of December 31, 2021, all Legal Stability Agreements entered into will stabilize the income tax rate in force at the time of execution plus two percentage points.

For such purposes, investors are required to: (i) invest a minimum of USD 5 million in any sector of economic activity, except in the case of the mining and hydrocarbon sectors, in which the minimum investment is USD 10 million; and (ii) channel their investments through the Peruvian financial system. The term of these Agreements is 10 years, except in the case of PPP concessions where the whole term contract is subject to stability.

In addition, there are International Investment Agreements or Bilateral Investment Treaties establishing international standards that guarantee a transparent and predictable treatment applicable to investments. These agreements offer guarantees for foreign investors and their investments in Peru as to treatment protection against non-commercial risks and adequate dispute resolution mechanisms in order to create an adequate, stable and predictable climate that will attract foreign investment and encourage establishment in the country.

2. Corporate structures in Peru

The corporate structures that are regulated under Peruvian law fulfill different objectives and purposes, which depend on the needs of the parties incorporating those entities. The most widely used corporate structures include the following:

Main characteristics	S.A.	S.A.C.	S.R.L.	Branch
Capital	Capital is represented by nominal shares. There may be share classes.		Capital is divided into equal, cumulative and indivisible partnership interests.	It does not have its own capital. The parent company must assign capital for the branch to carry out its activities.
Number of shareholders/ partners	2 to 750	2 to 20		No shareholders and/ or partners
Formalities for the transfer of shares/ partnership interest	Share transfers must be recorded in the share ledger.		The transfer of partnership interests is formalized by means of a public deed and is registered in the Public Registry.	No shares and/or partnership interests
Limitations to the transfer of shares	Shares can be transferred freely.	The shareholder/partner who intends to transfer shares/participations must notify the other shareholders/partners so that they can exercise their right of first refusal.		Not applicable
Corporate Bodies	▸ General Shareholders Meeting ▸ Board of Directors ▸ Management	▸ General Shareholders' Meeting ▸ Board of Directors (optional) ▸ Management	▸ General Partners' Meeting ▸ Management	No bodies, only a permanent representative
Legal reserve	The company is required to allocate a minimum of 10% of the distributable profits of each fiscal year, net of income tax, to a legal reserve until an amount equal to one fifth to the share capital has been reached.		No obligation to allocate funds to a legal reserve.	
Employee profit sharing	If the company has more than 20 employees, it is required to distribute profits among its workers based on a certain percentage.			No obligation to distribute profits.

3. Incorporation of a company

In order to incorporate a company in Peru, the following requirements and steps must be followed, after having chosen the corresponding corporate structure:

(i) Name search and reservation
Optionally, the search and reservation of the name of the company can be carried out to verify if there is already another entity with the same name or a similar name.
The search and name reservation process is carried out before the National Superintendence of Public Registries (SUNARP).

(ii) Drafting of incoporation minute
The minute of incorporation must include the articles of incorporation and the bylaws of the company.
In addition, it must indicate whether the founding shareholders or partners are individuals or legal entities, also specifying if they are Peruvian or foreign.

- If a shareholder is a legal entity, it must grant a power of attorney in favor of an individual to carry out the incorporation procedure.
- If a shareholder is a foreign legal entity, in addition to the aforementioned power of attorney, said shareholder must send to Peru (a) a certificate of good standing and (b) a certificate of incumbency, by means of which a legal representative declares that the grantor of the power of attorney is duly empowered to do so in accordance with that entity's bylaws and its applicable laws.
- Take into consideration that the power of attorney, the certificate of good standing and the certificate of incumbency issued abroad must be apostilled or legalized (as applicable) in the country of origin of the shareholder and then sent to Peru. Also, if these documents and/or the apostilles and legalizations are issued in a language other than Spanish, they must be translated in Peru by an official translator.

(iii) Payments of capital and assets
Once the incorporation minute is signed by the founding shareholders or partners or, if applicable, by their representatives, the initial capital must be deposited in a Peruvian banking institution.
While Peruvian corporate law does not establish a minimum capital, in practice the minimum capital is the amount required by the banking institution chosen to open the account (usually PEN 1,000.00, approximately USD 300.00).



(iv) Directors' affidavits
In case the company has a Board of Directors, the appointed members must sign an affidavit expressly stating that they accept the position of director and must legalize their signature before a Peruvian Notary Public.
If a director is a foreign citizen, the affidavit must be apostilled or legalized (as applicable) in their country and then sent to Peru. Also, if the affidavit and/or its apostille is issued in a language other than Spanish, they must be translated in Peru by an official translator.

(v) Public deed of incorporation and filing before SUNARP
The incorporation minute as well as the other documents mentioned in other sections above must be submitted to a Peruvian Notary Public for the purpose of granting the public deed of incorporation and filing it for registration before SUNARP.
The term applicable to the registration process before SUNARP is 7 business days, but in practice it can take approximately 2 weeks.

(vi) Obtention of Tax ID and legalization of corporate books
Once the company is registered in SUNARP, it will be up to the company to request its registration before the Peruvian Tax Authority (SUNAT) to obtain its Tax ID number and Clave Sol.
In all cases, the company must legalize the corresponding minute books (for example, the book of minutes of the general shareholders' meetings) and the share ledger before a Peruvian Notary Public.

(vii) Other applicable procedures after the incorporation of the company
Other applicable procedures must be carried out, such as registration of payroll workers with the Ministry of Labor, obtaining the operating license before the corresponding municipality, among others.

4. Establishment of a branch

(i) Name search and reservation
Optionally, the search and reservation of the name of the branch can be carried out to verify if there is already another entity with the same name or a similar name.
The search and name reservation process is carried out before the National Superintendence of Public Registries (SUNARP).

(ii) Resolution of the parent company approving the establishment of a branch
The competent corporate body of the parent company must approve establishing a branch in Peru including in the resolution, among other matters, the capital assigned to carry out its activities, the declaration that such activities are included within its business purpose and the appointment of at least one permanent legal representative.
In addition to the aforementioned resolution, the parent company must send to Peru (a) a certificate of good standing, (b) a certificate of incumbency and (c) a copy of its articles of incorporation and bylaws, or the equivalent instrument in its country of origin.
These documents must be apostilled or legalized (as applicable) in its country of origin and then sent to Peru. Also, if the aforementioned documents and/or their certifications are issued in a language other than Spanish, they must be translated in Peru by an official translator.

(iii) Public deed and filing before SUNARP
The resolution of the parent company as well as the other documents mentioned in the section above must be submitted to a Peruvian Notary Public for the purpose of granting the public deed of establishment of the branch and filing it for registration before SUNARP.
The term applicable to the registration process before SUNARP is 7 business days, but in practice it can take approximately 2 weeks.

(iv) Obtention of Tax ID
Once the branch is registered in SUNARP, the legal representative of the branch must request its registration before the Peruvian Tax Authority (SUNAT) to obtain its Tax ID number and Clave Sol.

Tax Regime

1. General Overview:

1.1. Corporate Income Tax Rate (%) Resident entities: 29.5%.

1.2. Capital Gains Tax Rate (%) Resident entities: 29.5%.

In the case of non-resident entities: 30%. Nevertheless, capital gains arising from the sale of marketable/ negotiable securities through the Lima Stock Exchange (BVL) are subject to a tax rate of 5%.

1.3. Branch Tax Rate (%) Branches of non-resident entities.

29.5% On their Peruvian-source income.

1.4. Withholding Tax (WHT) (%) Peruvian-source income obtained by non-resident entities is subject to WHT, depending on the type of income.

- Dividends: 5%.
- Interest: 4.99%, provided certain requirements are met. Interest paid to related parties abroad: 30%.
- Royalties from Patents, Trademarks, Formulas and Similar Items: 30%.
- Technical Services. Technical assistance services economically used in Peru: 15%. When the pay for the service exceeds 140 UIT (770,000 PEN), a report from an auditor certifying that the technical assistance has been effectively provided must be submitted to SUNAT.
- In general, compensations and fees for services rendered abroad: 0%. However, digital services (30%) are taxed, provided that they are economically used in Peru.
- Branch Remittance Tax: 5%.
- Other income deriving from business activities rendered within Peruvian Territory: 30%.

1.5. Net Operating Losses (Years)

- Carryback: N/A
- Carryforward: Resident companies may select between two options:
  - Losses can be carried forward for four consecutive years, beginning with the first subsequent year in which the losses arise.
  - Losses can be carried forward indefinitely, but with a deduction limit equivalent to 50% of the taxpayer's income for each fiscal year.

2. Tax on rent and corporate income tax

2.1. Corporate income tax

2.1.1. Calculation of the net taxable income (trading income)

- General: Income tax is levied on net income and is determined annually. The fiscal year begins on January 1 of each year and ends on December 31, with no exceptions. Income tax returns for corporations, branches, and individuals must generally be filed around the first half of April of the following year. Corporations established in Peru are subject to income tax on a worldwide income basis. Non-resident corporations, branches established in Peru and permanent establishments of non-resident legal entities that are located in Peru are only taxed on Peruvian-source income. It should be noted that resident companies are required to file prepayments on income tax.
- Monetary correction: This adjustment is not regularly applicable in the case of legal entities.
- Depreciation: The cost of acquisition, production and construction is regularly recognized via depreciation according to its useful life and pursuant to the maximum percentages established by law according to the type of asset.
- R&D incentives: Expenses on scientific research projects, technological development and technological innovation may get a super deduction of an additional 140%, 90% or 60%. This super deduction can´t exceed the annual limit of 500 UIT. Rates depend on the company's net income, whether the project is carried out directly or by a scientific research center and whether the latter is a resident of Peru. Among other requirements, the project must be authorized by a qualifying entity.

2.2. Corporate tax rates

See 1. General Overview

2.3. Dividends

In the case of resident legal entities, dividends received from other resident legal entities are not taxed. Dividends received from non-resident legal entities are subject to a tax rate of 29.5%. Deemed dividends included in the Peruvian tax legislation are also subject to taxation.



2.4. Special regimes

2.4.1. Mining

- Special Mining Tax: The Special Mining Tax ("IEM") is levied on the operating profits of mining concession holders engaged in the exploitation of mineral resources and is applicable to the sale of metallic mineral resources as well as resources for personal use or unjustified withdrawals of such assets. The IEM is determined and paid quarterly based on a progressive cumulative scale of operating margins, with marginal rates ranging from 2% to 8.4%. Technically the IEM is based on the sum of each increase in the operating margin, multiplied by the rate of the progressive tax as per the following table and definitions:

Special Mining Tax			
Scale N°	Scale of Operating Margin		Marginal Rate
	Lower limit	Upper limit	
1	0%	10%	2.0%
2	10%	15%	2.4%
3	15%	20%	2.8%
4	20%	25%	3.2%
5	25%	30%	3.6%
6	30%	35%	4.0%
7	35%	40%	4.4%
8	40%	45%	4.8%
9	45%	50%	5.2%
10	50%	55%	5.6%
11	55%	60%	6.0%
12	60%	65%	6.4%
13	65%	70%	6.8%
14	70%	75%	7.2%
15	75%	80%	7.6%
16	80%	85%	8.0%
17	Over 85%		8.4%

$$\text{Operating Margin} = \frac{\text{Operating Profit}}{\text{Sales Revenue}} \times 100$$

- Special Mining Encumbrance: The Special Mining Encumbrance ("GEM") is a voluntary payment, applicable to mining concession holders and concessionaires engaged in the exploitation of metallic mineral resources with investment projects subject to Contracts for Guarantees and Promotional Measures for Investment established in the General Mining Act, which cannot be affected by changes in the legislation regarding the IEM and mining royalties. For such purpose, an agreement is entered into for the payment of the GEM. Like the IEM and Mining Royalties, the GEM is paid quarterly, and is calculated by applying a cumulative progressive rate of 4% to 13.12%, depending on the operating margin, to the quarterly operating profit.
- Mining Royalties: The mining royalty is applicable to mining concession holders and concessionaires engaged in the exploitation of metallic and non-metallic mineral resources. Mining Royalties shall be paid quarterly and are determined by applying a cumulative progressive rate of 1% to 12% to the operating profit, depending on the operating margin, provided the amount payable is not less than 1% of the revenue generated from the sales executed during the calendar quarter. If this condition is not met, the minimum amount payable for royalties shall be determined based on sales revenue.

2.4.2. Agribusiness[2]

A reduced income tax rate of 15% has been established from 2026 to 2035 for small agricultural producers and agricultural companies. Starting in 2036, the rate of the General Regime[3] will be applied.

- 2021 -2022: 15%
- 2023 -2024: 20%
- 2025 -2027: 25%
- 2028 on: General regime[4]

3. On September 10, 2025, Law 32434 was enacted, a law that promotes the productive, competitive, and sustainable transformation of the agricultural sector with social protection towards modern agriculture. The new regime has been in force since January 1, 2026.
Scope of the new regime:
‣ Small agricultural producers and agricultural companies who farm crops and/or raise livestock.
‣ Small agricultural producers and agricultural companies that carry out agro-industrial activities directly and primarily with agricultural and livestock products, outside the province of Lima and the Constitutional Province of Callao. It does not include agribusiness activities related to wheat, tobacco, oil seeds, oils, and beer.

4. Additionally, there is an accelerated depreciation benefit of 20% annually for investments in water and irrigation infrastructure, as long as such works have been acquired or built during the fiscal years 2026 to 2035. Finally, the agriculture companies can apply an additional deduction equivalent to 25% on the value of the products they purchase from small agricultural producers registered.

2.5. Administration

The main Peruvian tax authority is the Superintendencia Nacional de Aduanas y de Administración Tributaria (acronym: "SUNAT"). Its primary function is the administration and collection of government taxes (Income Tax, VAT, etc.). Additional functions include, among others, the supervision, assessment, and control of compliance of tax and customs duties.

3. International Tax

3.1. Foreign tax relief

Taxes effectively paid abroad may be offset against Peruvian income tax applicable over foreign source income, provided that the amount resulting from the application of the average taxpayer rate for income obtained abroad is not exceeded.

Any credit that is not applied in a given fiscal year cannot be offset during subsequent or prior fiscal years and cannot be refunded. As of January 1, 2019, under certain conditions, credits may be deducted not only in the case of income tax paid abroad, as on the distribution of dividends (direct credit), but also the tax on the business activities of the subsidiary (first-tier indirect credit) and even the tax on the business activities of the latter's subsidiaries (second-tier indirect credit).

3.2. Foreign-exchange controls

There are no foreign-exchange controls in the Peruvian Tax System.

3.3. Transfer pricing

Transfer pricing rules are based on the arm's length principle as interpreted by the OECD and should be considered solely for income tax purposes.

In Peru, these rules do not only apply to transactions between related parties, but also to transactions with non-cooperative countries or territories or tax havens and entities subject to a preferential tax system.

Note, however, that the value agreed by the parties must only be adjusted when a lower tax payment has been generated in the country.

Taxpayers subject to the scope of application of transfer pricing laws must submit three annual information tax returns, depending on the level of turnover and the amount of the transactions: i) Local Report; ii) Master Report; and iii) Country-by-Country Report.

3.4. Debt-to-equity rules

As of 2021, the deduction of interest on financing (whether from related or third parties) is only permitted for an amount of up to 30% of the Tax EBITDA for the prior year. This concept has a specific definition for the purposes of this law (tax net income after loss carryforwards plus net interest, depreciation and amortization). Nondeductible interest may be carried forward for the next four taxable fiscal years with the net interests of the corresponding fiscal year. There are specific exceptions in tax regulations.

3.5. Controlled foreign corporations

As of January 1, 2013, the "International Tax Transparency System" was incorporated, applicable to taxpayers resident in Peru who own controlled non-resident entities with regard to the passive income of such, provided that they are subject to income tax in Peru for foreign-source income. According to this system, the passive income obtained through subsidiaries incorporated in other jurisdictions must be included in the taxable income of individuals and companies resident in Peru, even when the effective distribution of the dividends associated with such passive income has not occurred.

3.6. Preferential tax jurisdictions (tax havens)

Companies resident in Peru cannot deduct, for purposes of calculating income tax, the expenses derived from operations carried out with individuals or entities residing in countries or territories with little or no taxation, except in the case of operations involving (i) loans; (ii) insurance and reinsurance; among others.

3.7. Double Tax Treaties

Peru has in force Double Tax Treaties (DTT) with the following countries: Brazil, Canada, Chile, Japan, Korea, Mexico, Portugal, Switzerland and the Andean Community (Bolivia, Ecuador and Colombia). Additionally, Peru and the United Kingdom has signed a DTT, that will be applicable from January 1, 2027. On January 1st 2026 took effect Peruvian's adherence to the Multilateral Instrument (MLI), established by the OECD. MLI is expected to modernize Peru's network of double tax treaties by adjusting the treaties covered under the MLI, in matters, such as the following:

- Introduction of a principal anti-abuse rule
- Capital gains tax exemptions

- Participation threshold for dividend distribution limited taxation and exemption
- Modification of permanent establishment rules

Treaties with Japan, United Kingdom and the Andean Community will not be adjusted through the MLI from the Peruvian standpoint, because they have not been selected as covered treaties.

4. Value-added tax

Value Added Tax (VAT) is levied on the sale of goods, the provision and use of services and the import of goods in Peru at an 18% tax rate (includes 2% for Municipal Promotion Tax). VAT uses the debit/credit system, under which the VAT paid on sales is offset against the VAT paid on purchases. Any VAT that is not used as credit in a particular month may be applied in the following months until it is extinguished. This credit is not subject to term or the running of statutes.

Individuals or legal entities currently making investments and developing projects in a two-year or longer pre-operational stage may resort to the Early VAT Recovery System and request the early recovery of the VAT transferred or paid for the acquisition of new capital goods, intermediate goods, as well as construction services and agreements, directly used in the execution of the respective project.

5. Other

5.1. Green taxes

Selective Consumption or Luxury Tax ("ISC") could be included in this category. This tax applies to the consumption of specific goods, such as fuels, cigarettes, beers, liquors, soft drinks, gambling and bets, etc. It is applied under three categories:

- Specific, involving a fixed amount in Soles per unit of measurement.
- At value, based on a percentage of the sale price; and
- Sale price, based on a percentage of the suggested retail price.

5.2. Customs duties

Imported goods are subject to import tariffs with currently ad valorem rates of 0%, 6% and 11%[4]. Likewise, VAT of 18% is applied to imported goods.[5] There are also specific duties to be applied as additional variable duties on imported agricultural and livestock products such as corn, rice, milk and sugar.[6] The customs taxes and duties applied are summarized below:

Tax	Rate	Taxable Base
Customs Tariffs (a)	0%, 6% y 11%	CIF Value (d)
Value Added Tax (VAT) (b) (c)	18%	CIF Value + Customs Duties

Notes:

(a) The customs tariff rates depend on the type of goods being imported.

(b) The VAT can be used as tax credit by the importer.

(c) Certain goods are also subject to the ISC.

(d) This value shall be determined according to the WTO Customs Valuation Agreement, as well as the standards of the Andean Community and national law.[8]

5.3. Investment and saving incentives

The Peruvian Government may guarantee legal stability to national and foreign investors in terms of the legislation governing income tax and specifically, distribution of dividends. Foreign investors with the right to request the execution of a legal stability agreement are those willing to invest in Peru for a period of no less than two years and for a minimum amount of USD 10 million in the Mining and/or Hydrocarbons sectors, or USD 5 million in any other economic activity.[9] As of December 31, 2021, all Legal Stability Agreements entered into will stabilize the income tax rate in force at the time of execution plus two percentage points.

4. In addition, a tariff rate of 4% is charged in the case of Express Shipments (goods with a FOB value of USD200 or more, up to a maximum amount of USD2,000 per shipment).
5. Additionally, and depending on the type of goods and origin thereof, imports may be taxed with the Selective Consumption or Luxury Tax (ISC), Antidumping Duties, Compensation Duties, or others.
6. Some imported goods can also be charged with anti-dumping or compensation duties. The former is applied to some imported goods when, according to the INDECOPI assessment, the price discrimination could harm or threaten to harm a branch of national production. Compensation duties are applied to imported goods that are subsidized in their country of origin and can harm or threaten to harm national production branch via the importation thereof, according to the INDECOPI assessment.
7. The import of goods is subject to the Prepaid VAT System, wherein the tax is determined by applying a percentage to the CIF customs value plus all taxes levied on the import and other surcharges, where applicable. The applicable tax rate is 3.5%, 5%, or 10%, depending on the situation of the importer and/or the goods to be cleared through customs. Like VAT, the amount paid may be used by the importer as a tax credit.
8. The Private Investment Promotion Agency (ProInversión), as a representative of the Peruvian Government, can enter into legal stability agreements to provide guarantee to the investors and companies receiving these investments, as applicable.



5.4. Stamp Duties

There are no Stamp Duties in the Peruvian Tax System.

5.5. Other taxes

5.5.1. Temporary Net Assets Tax ("ITAN"):

ITAN is equivalent to 0.4% of the total value of net assets in excess of PEN 1 million determined as at December 31 of the prior year. Companies in the pre-operational stage are excluded. ITAN payments can be used as an income tax credit.

A refund may be requested for any balance not used in the current year.

5.5.2. Tax on Financial Transactions ("ITF") and Means of Payment

A 0.005% tax is generally levied on deposits and withdrawals in Peruvian bank accounts. As a general rule, any payment in excess of PEN 2,000 or USD 500 must be made using the so-called "Means of Payment," which includes bank deposits, drafts, wire transfers, transfer of funds, payment orders, credit and debit cards issued in Peru, and checks. Failure to use these methods of payment would lead to the corresponding cost or expense of the payment not being recognized for income tax purposes. In addition, any VAT arising from said transactions cannot be used as a tax credit.

5.5.3. Municipal Taxes

- Property Tax: is an annual municipal tax that is levied over the value of urban or rustic premises. For such purpose, premises are considered to include land, buildings and fixed and permanent facilities. The tax rate is calculated on a progressive cumulative scale varying between 0.2%, 0.6% and 1.0%, depending on the value of the property. The tax is charged to the individual or legal entity that, as at January 1 of every year, is the owner of the respective property.
- Property Transfer Tax: is levied on the transfer of urban or rural property, with or without valuable consideration, in any form or manner, including sales in which the ownership rights are not transferred to the buyer until the total price is paid. The taxable base is the sales price of the property, which may not be less than its self-assessed value. The tax rate is 3%, to be paid by the buyer. The first 10 Tax Units (UITs) are tax-free.
- Vehicle Property Tax: is an annual tax on ownership of automobiles, pickup trucks, and station wagons manufactured in the country or imported that are no more than three years old. The three years are calculated from the first registration of the vehicle in the Vehicle Property Registry.

  The taxable base is determined by the original value of acquisition, importation, or entry into ownership. The applicable tax rate is 1%.

5.6. GAAR

As of July 19, 2012, anti-avoidance rules were established in the Tax Code in relation to SUNAT's powers in cases of tax avoidance or simulated transactions. With regard to tax avoidance, SUNAT has the power to demand payment of the tax debt. In order to implement this power, the tax authority must prove that the taxpayer meets the following conditions:

- The taxpayer—whether individually or jointly and severally with other taxpayers—has engaged in artificial or improper acts to obtain a specific tax advantage; and
- The use of said acts cause legal or economic effects, other than tax savings or advantages, equal or similar to those that would have been obtained through regular or proper acts.

Labor Regime

1. Labor law

1.1. Classification of employment contracts based on their nature.

1.1.1. Indefinite contracts

Contracts that do not have a defined term. Such employment agreements fully extend all labor rights and benefits to the workers as per Peruvian law.

1.1.2. Fixed term or Modal Contracts

This category of contracts requires an objective cause justifying the temporary nature of the contract term, aligning with the type of contract deployed. The contract's validity is guided by its adherence to the regulations stipulated in the prevailing legislation.

1.1.3. Part-Time Contracts

These contracts are used for labor relationships encompassing less than an average of four working hours per day. Despite being entitled to all statutory benefits, part-time workers are not eligible for:

- Compensation for unjustified dismissal
- Severance indemnity (CTS)
- 30-day annual leave

1.1.4. Considerations for all types of contracts

All the above contracts include a probationary period. This period, which begins upon commencement of the employment agreement, may be for:

- 3 months for general workers
- 6 months for proficient or trusted employees
- 12 months for management-level employees.

For the 6 or 12 month extension of the probationary period, a written agreement is mandatory.

1.2. Working hours and breaks

In Peru, the maximum working time is set at 8 hours per day or 48 hours per week. However, there are exceptions in place for roles requiring extended hours - these instances are deemed as atypical workdays. This modality could be:

- Cumulative
- Irregular
- Alternating schedules

Regardless of the structure of the workday, it may not exceed an average of 8 hours per day or 48 hours per week over any given three-week period or any shorter timeframe.

1.3. Law on remote work, telework and international labor

For employees who work remotely, either entirely or partially, locally or internationally, it is necessary to define a work schedule. In situations where employees do not work continuous 8-hour shifts, their schedules may be distributed across a maximum of 6 days per week. A mandatory digital disconnection period must be established within the work schedule corresponding to a continuous 12 hours within a 24-hour cycle.

1.4. Principles governing employment

Peru's labor laws are designed to protect workers' rights and promote fair treatment. Several key principles guide employment legislation in Peru.

1.4.1. Principle of Equal Opportunities

Advocates non-discrimination in the workspace, regardless of gender, origin, or religion, thereby promoting an equal and unbiased environment.

1.4.2. Compensation

Workers are entitled to fair salary that provides them a decent living for themselves and their families.

1.4.3. Limitation on Working Hours

The maximum working hours in Peru is 8 hours per day or 48 hours per week.

1.4.4. Unlawful dismissal

Workers are protected against unjustified dismissal.



1.4.5. Social Security
Workers have the right to social security protection, which includes health insurance and pension benefits.

1.4.6. Right to Organize
Workers have the right to form and join trade unions, engage in collective bargaining and participate in strikes.

1.4.7. Health and Safety
Employers must ensure the health and safety of workers by providing a safe and healthy work environment.

1.4.8. Rights concerning Maternity, Paternity, and Family Responsibilities
Workers have the right to protection and assistance in the event of pregnancy, childbirth and lactation, among others. Furthermore, certain provisions are established for parental leave and childcare.

1.5. Types of remuneration and minimum monthly income

As of January 1, 2025, the minimum wage in Peru is PEN 1,130 per month. This applies to all workers, regardless of occupation or industry. The minimum wage in Peru applies to all workers who work at least 4 hours per day. Salaries, which can be paid in cash or in kind, are determined mutually between the employer and the employee, who can also decide on the currency of payment.
Salary can take various forms: it can be fixed (known as the basic salary or wage), variable (subject to the fulfillment of certain conditions, such as commissions or piecework), or mixed (a combination of fixed and variable components). It can be agreed to be disbursed on a weekly, bi-weekly, or monthly basis.

1.6. Distribution of profits

In accordance with Peruvian legislation, specifically the "Employee Profit Sharing Law", companies that engage in business activities and have a workforce exceeding twenty employees, are legally required to distribute a stipulated percentage of their annual fiscal profits among their employees. The assigned percentage is contingent on the economic sector in which the company operates: Fishing 10%, Telecommunications 10%, Manufacturing 10%, Mining 8%, Wholesale, retail and restaurants 8%, agriculture 7.5% until 2026, other activities 5%. Peruvian legislation stipulates that companies must provide workers with a profit-sharing settlement, which is a document that outlines how profits were calculated. This document serves to inform the worker of the formula applied so they are aware of how the profits were distributed. This item is subject to income tax and is calculated based on tax net income of the company 50% based on the days actually worked, and 50% depending of the salary of each worker. This benefit has a limit of 18 monthly salary.

1.7. Absences: holidays, vacations, pregnancy

Anchored in the Peruvian Constitution is the right of every worker to rest after work. This includes mandated weekly rest, holidays, and 30-day paid annual leave for each year of service. If an employee works during their compulsory weekly rest period and isn't given a substitute rest day within the same week, the employer is obligated to pay the regular salary along with a 100% surcharge. Peruvian regulations uphold the right of worker to enjoy paid leave on statutory holidays recognized by law. These include:

New Year's Day (January 1); Maundy Thursday and Good Friday (the date varies each year); Labor Day (May 1); Flag Day (June 7); Saints Peter and Paul's Day (June 29); Air Force Day (July 23); Independence Day (July 28 and 29); Battle of Junín (August 6); Saint Rose of Lima Day (August 30); Battle of Angamos (October 8); All Saints' Day (November 1); Immaculate Conception (December 8); Battle of Ayacucho (December 9); and Christmas Day (December 25).

Should operational factors or justified business requirements necessitate labor on a legally recognized holiday, the employer is obligated to substitute such a rest day, compensating the employee for the full day not worked. If the employer does not comply with substituting the rest day within the designated period, they are liable to compensate the employee with a 100% daily wage premium. Specifically, should the Labor Day holiday (May 1) overlap with the obligatory weekly rest day, the worker is to receive one day's pay for the holiday in addition to the corresponding pay for the weekly rest day.

On the other hand, maternity leave represents one of the most consequential benefits afforded to employees. It grants the employee a span of 98 days of leave, distributed into prenatal and postnatal periods, each consisting of 49 days. However, it is possible to allocate a portion, or the totality, of the prenatal period to the postnatal period. For this option to be applicable, a medical certification affirming the employee's ability to carry out their work duties up until the projected childbirth date must be submitted to the employer. This action should be undertaken by the employee two months prior to the estimated birthdate.

Maternity leave can be extended by 30 days if the worker has multiple births or due to the birth of a child with a disability. During this period, the worker will receive a subsidy equivalent to their regular remuneration, which will be paid by the social security system.

1.8. Social Security systems

The worker assumes the entire contribution to the pension system of their choice, either the National Pension System (13% of salary) or the Private Pension System (10% of the salary plus the administration fee according to the Pension Fund Administrator -AFP), while the employer only withholds this contribution.

The employer assumes the contributions to Social Health Insurance – EsSalud, which amount to 9% of the worker's remuneration. In addition, the employer must provide the worker with a mandatory life insurance, and in the case of workers whose activities involve a high level of risk, a supplementary occupational risk insurance.

1.9. Expiration or termination of the employment relationship

An employment relationship can be concluded through:

- Expiration of the contract
- Mutual agreement
- Resignation
- Absolute permanent disability or death of the worker
- Retirement
- Collective dismissal
- Dismissal on justifiable and objective grounds

1.10. Protection and rights of the worker

As a general obligation, the payment of benefits is mandatory in accordance with the period worked and the conditions of the worker.

Regarding employment termination, if the stated grounds for dismissal are found to be lacking, legal safeguards for the worker dictate that the employer is obligated to provide compensation and could potentially be required to reinstate the worker. This applies in cases of unjustified, fraudulent, or void dismissals.

However, exceptions are made for management personnel and workers in positions of trust, who cannot request reinstatement or compensation.

1.11. Trade unions and collective bargaining

The prerequisites for forming a trade union include:

- Affiliating more than 20 workers, in the case of corporate unions.
- Holding an assembly where the union's regulations are approved, and the board of directors is elected.
- Registering the trade union with the Ministry of Labor.

Trade union organizations present the interests of all workers within their scope, both in conflicts and during collective labor negotiations.

The result of collective bargaining is a collective agreement, ratified by the employer and the union or workers' representatives. This agreement governs compensation, working conditions, productivity measures, and other labor-related clauses. Under Peruvian law, companies operating for at least one year are required to negotiate these conditions.

With regard to the application of the collective agreement, if the union comprises an absolute majority of workers, the agreement signed shall apply to all company workers, regardless of their union membership. Conversely, if less than half of the company's workers are in the union, the agreement will only apply to those who are union members.

2. Considerations for foreign workers

2.1. Legal considerations regarding foreign workers

In Peru, legal provisions specify that the number of foreign personnel engaged by either a local or foreign company may not exceed 20% of the total workforce. This limit can be circumvented only with specific authorization.

Employment agreements with foreign workers must be in writing and are typically for a fixed term, not exceeding three years. These contracts can be subsequently extended for similar terms.

Foreign workers who do not reside in Peru and stay in the country for less than 183 days during any 12-month period must pay income tax by applying a 30% rate on their earnings, including salary.

2.2. Immigration regulations

Foreign workers need to have an appropriate immigration status. They may qualify for residency, which can be extended after an initial period of one year, or as a temporary migrant, extendable following an initial period of up to 183 days. These regulations are in accordance with the conditions established under the Legislative Decree on Migration.

3. Taxes levied on wages

For workers, income tax is levied on their earnings from employment, which can include wages, salaries, bonuses, commissions, and other forms of compensation.

Workers who receive more than 7 Tax Units (UIT) per year, meaning, PEN 38,500 annually for 2026, are subject to the payment of income tax.

The employer is responsible for withholding and paying the tax, making a projection of the employee's annual income and applying the following rates in effect for 2026:

Sum of net income and foreign-source income earned	Rate
Up to PEN 27,500	8%
More than PEN 27,500 to PEN 110,000	14%
More than PEN 110,000 to PEN 192,500	17%
More than PEN 192,500 to PEN 247,500	20%
More than 247,500	30%

(*) applies only during 2026. The amount are subject to change in 2027 according to Peruvian tax regulation

Financial Reporting

1. General matters

The Peruvian Accounting Standards Board (CNC) has established that the general accounting principles are basically the standards issued by the International Financial Reporting Standards Board (IFRSB) including the International Financial Reporting Standards (IFRS), the IFRS Interpretation Committee (IFRIC), and the Standing Interpretations Committee (SIC).

The CNC is responsible for issuing the General chart of Accounts for companies and methodologies that apply to both private business and government entities.

According to the most recent regulations in force, companies that obtained income (in the last two years) in excess of 2,300 UITs (PEN 12,650,000) are required to submit financial statements in accordance with the IFRS. Small and medium-sized enterprises (SME) that obtained income (in the last two years) higher than 150 UITs (PEN 825,500) and lower than 2,300 UITs (PEN 12,650,000) are required to issue their financial statements in accordance with the IFRS for SME.

Finally, in 2024 The Ministry of Economy and Finance (MEF) approved the financial reporting standard for microenterprises, (income lower than 150 UITs - PEN 825,500) that establishes a simplified accrual accounting framework for this business segment.

2. Publicly and regulated companies

Companies that issue debt or shares in the capital market are subject to the regulations of the Peruvian Securities and Exchange Superintendency (SMV). Companies supervised by the SMV are obliged to issue their financial statements in accordance with IFRS, as issued in accordance with the International Financial Reporting Standards Board. The annual financial information of companies supervised by SMV must be audited and include the previous year for comparative purposes.

3. Special cases

Financial statements issued by companies in the financial system, insurance companies, and pension funds must comply with accounting standards issued by Superintendency of Banking, Insurance and Pension Funds (SBS).

The SBS ensures that the financial, insurance, private pension, savings and credit cooperative systems and the companies that make them up are solid, solvent and sustainable over time; so that they can fulfill the important role they play in the country's economy, and with the obligations and commitments they contract with their users, respectively.

Finally, the public companies are required to issue their financial statements in accordance with the International Public Sector Accounting Standards (IPSAS).

4. Other aspects

It is important to mention that on 26 June 2023, the International Sustainability Standards Board (the ISSB or the Board) issued its first two IFRS Sustainability Disclosure Standards, ushering in a new era in international corporate reporting:

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) sets out the core content requirements for a complete set of sustainability-related financial disclosures and requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects. The effect on the entity's prospects refers to the effect on the entity's cash flows, its access to finance or cost of capital over the short, medium, or long term.
- IFRS S2 Climate-related Disclosures (IFRS S2), which is the ISSB's first topic-based Standard, requires an entity to provide information about its exposure to climate related risks and opportunities.

The ISSB was established by the IFRS Foundation in November 2021 in response to demands from global capital markets for the development of standards to provide a comprehensive global baseline of sustainability disclosures.

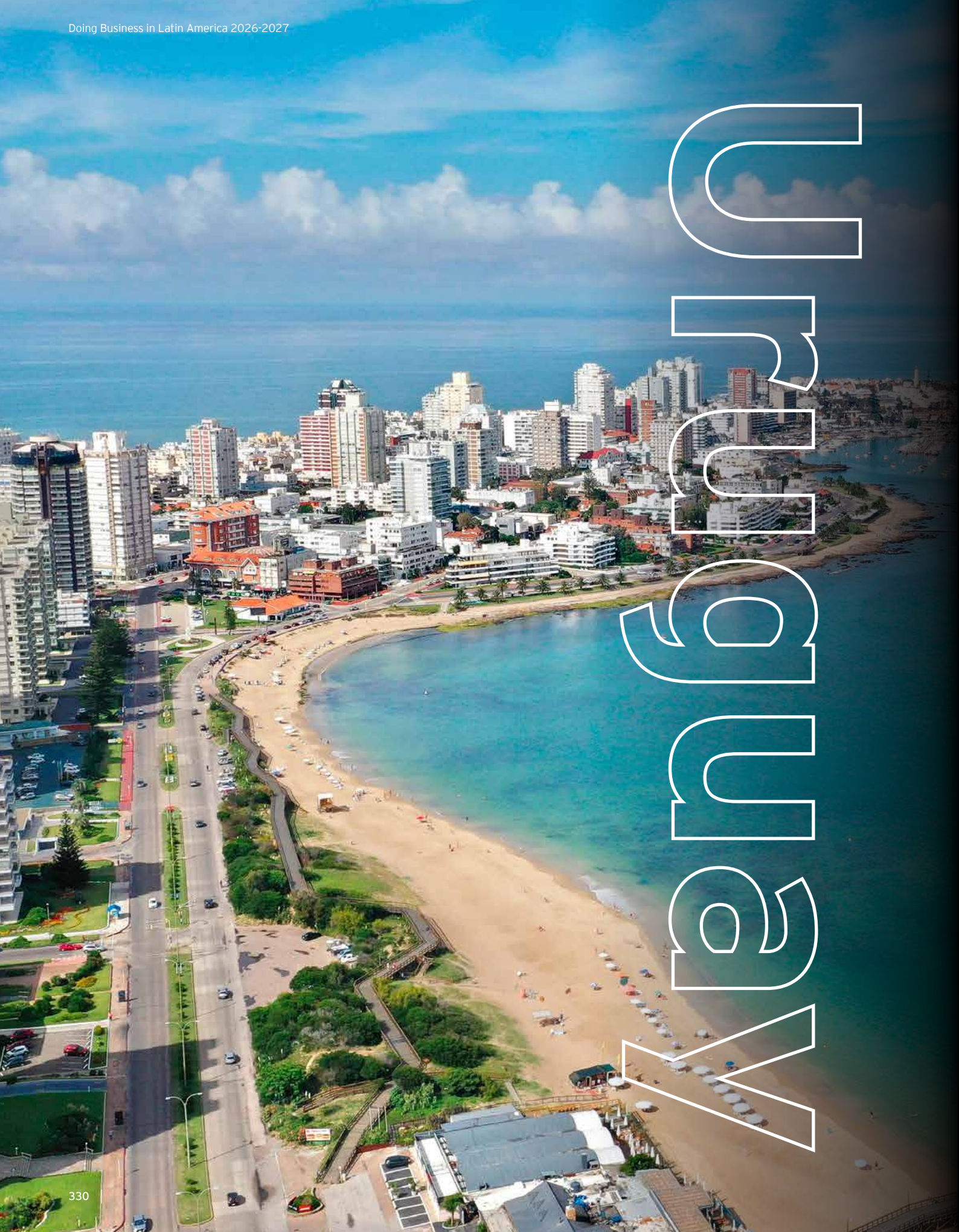
Both IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after January 1 2024. A 'climate first' transition option is available, which allows an entity to provide only climate-related disclosures in its first year of applying IFRS S1 and IFRS S2.

Mandatory application of IFRS Sustainability Disclosure Standards depends on each jurisdiction's endorsement or regulatory processes. The application of IFRS Sustainability Disclosure Standards is not linked to the application of IFRS Accounting Standards. Therefore, an entity applying IFRS Accounting Standards for financial reporting purposes is currently not required to also apply IFRS Sustainability Disclosure Standards, and vice versa.

Through Resolution No. 001-2026-EF/30 dated March 25, 2026, the CNC approved the entry into force in Peru of the Sustainability IFRS issued by the ISSB, effective as of January 1, 2029.

This is mandatorily applicable to companies that are not subject to the supervision and regulation of the SMV and the SBS, whose annual revenue from ordinary activities is equal to or greater than 2,300 UITs (PEN 12,650,000).

According to the Resolution, the SMV and the SBS will implement the necessary actions for the issuance and entry into force of the Sustainability IFRS for the entities under their respective supervision and authority.



Uruguay

Message from EY Uruguay's Country Managing Partner

Uruguay has consistently positioned itself as a reliable and attractive country for investment, supported by its strategic location, the strength of its democratic institutions, and its recognized economic and legal stability. Over the past few years, its performance has been driven by high value-added sectors—such as technology, global services, and renewable energy—within a framework of openness, innovation, and legal certainty.

The country's commitment to sustainable development, social inclusion, and compliance with international standards has contributed to consolidating a predictable, transparent, and competitive business environment. This balance between economic growth and social responsibility positions Uruguay as a strategic partner for organizations seeking to develop within a stable, long-term-oriented ecosystem.

In this context, it is essential that companies interested in starting or expanding their operations in Uruguay fully understand the regulatory and compliance requirements that must be considered from the initial planning stages through to the full establishment of their activities.

Our teams have prepared this introductory guide, designed as a reference tool that compiles key information on the main challenges and considerations organizations face when entering the Uruguayan market.

We invite you to explore its contents and are available to discuss in more depth the business challenges and opportunities that Uruguay offers.

Cr. Alejandro Barboni

Country Managing Partner
EY Uruguay



Overview

Uruguay, in the south of South America, is famous for its beaches and its cultural and economic capital, Montevideo. Other key cities are Punta del Este, popular for its beach resorts, and Colonia del Sacramento, known for its history. The population, mostly of European descent, celebrates its cultural diversity through music, tango, and carnival. Natural resources, such as fertile land and livestock, drive industries like agriculture (beef, soybeans, rice) and dairy. Uruguay has initiated several trade agreements, seeking more openness to global trade. With a focus on innovation, especially in technology and renewable energy, it maintains a stable economy and fosters industrial diversification for long-term sustainable growth.



Population
3,486,000 (2025)[1]
Urban[2]: 95.6% (2024)
Rural[2]: 4.4% (2024)



Main language
Spanish



Area[3]
175,020 km^2



System of government[4]
Presidential republic
President: Yamandú Orsi
Next elections: 2029.



Climate[3]
Temperate with well-defined seasons. Warm summers and cool winters[5]



International Time[5]
GMT-3 (All Uruguay)



Currency[6]
Uruguayan Peso
US$1 = UYU 39.04 (Dec 31, 2025)



GDP current prices[1]
USD $85.6 Bn. (2025)



GDP per capita (PPP)[1]
USD $37,214.9 (2025)



Key sectors[7,13]
Uruguay stand out in the agrobusiness and industry sectors. The first focuses on crops such as soybeans, rice, wheat, corn, cattle, and sheep. Its main industries include meat processing, dairy, textile, paper, cardboard, fertilizers, alcohols, cement, and hydrocarbon refining.

Why invest in Uruguay?

1st in Latin America in institutional strength: ranked 1st in the Democracy Index (2025)[8], 1st in the Rule of Law Index (2025)[9], and 1st in the Corruption Perceptions Index (2025)[10].

High economic, social, and political stability[11].

Attractive tax benefits for investors[11].

2nd highest GDP per capita (PPP) in South America[1].

Large food & wood exporter: 3rd of wood in the rough, 7th of soy beans, 12th of bovine meat in 2024[12].

A highly reliable, low-cost energy platform for large-scale operations, over 90% of Uruguay's electricity comes from renewable sources[11].

2nd in Latin America in the Global Talent Competitiveness Index (2025)[13].

1. World Economic Outlook Database (April 2026), IMF.
2. DataBank, The World Bank Group.
3. Country information, DatosMundial.com.
4. Government - Politics, CountryReports.com.
5. World Time Directory, 24timezones.com.
6. Exchange Rates Database (April 2026), IMF.
7. Country information, Encyclopedia Britannica.
8. Democracy Index, The Economist Intelligence Unit.
9. Rule of Law Index, World Justice Project.
10. Corruptions Perception Index, Transparency International.
11. UruguayXXI, Government of Uruguay
12. Comtrade Database, United Nations
13. Global Talent Competitiveness Index 2025 rankings

Country's economic outlook

Uruguay stands out as one of the most politically and economically stable countries in Latin America, supported by strong institutions, a solid rule of law, and a transparent regulatory framework. This stability, combined with high levels of social cohesion, provides investors with a predictable and reliable environment that is particularly conducive to long-term investment.

The economy is well diversified, with significant contributions from agriculture, services, and an increasingly dynamic technology sector, enhancing its resilience to external shocks. Uruguay also ranks among the highest in GDP per capita in South America, reaching USD 37,214.9 (PPP) in 2025, and benefits from a highly skilled and educated workforce, which supports the development of knowledge-intensive industries, particularly in services and ICT.

Following a severe drought in 2023 leading to growth of just 0.8%, the economy rebounded in 2024 with an expansion of 3.3%. In 2025, growth moderated to 1.8%, reflecting a normalization after the recovery phase, while maintaining a stable macroeconomic environment. Inflation stood at 3.7% at year-end 2025, remaining broadly contained within a moderate range.

Uruguay continues to exhibit favorable social indicators, with a poverty rate of 5.9% (measured at USD 8.30 per day, PPP, 2024), among the lowest in the region.

The country maintains a favorable investment climate, supported by its well-established free zone regime, which provides tax incentives and operational benefits to firms. In addition, Uruguay offers reliable telecommunications infrastructure and a well-developed network of transport, logistics, and energy systems.

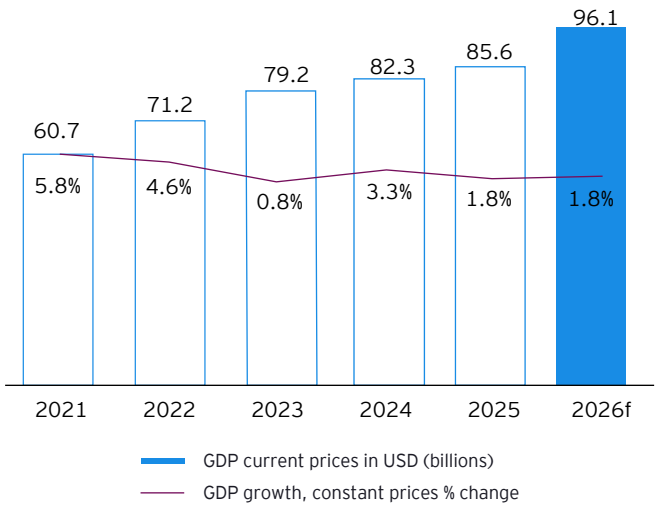
Overall, Uruguay's stable business environment, skilled workforce, and commitment to sustainable growth position the country as a compelling destination for investors seeking long-term opportunities.

Table 1

Main Indicators	Uruguay
GDP current prices USD bn. (2025)[1]	$85.6
GDP growth, constant prices % change (2025)[1]	1.8%
Gross domestic product per capita, current prices USD (PPP) (2025)[1]	$37,214.9
Inflation, year-end consumer prices (2025)[1]	3.7%
Fiscal balance (net lending (+) or net borrowing (-) of general government; % of GDP) (2025)[1]	-3.4%
Public debt (General government gross debt, % of GDP) (2025)[1]	65.7%
Current account (% of GDP) (2025)[1]	-0.5%
Investment (% of GDP) (2025)[1]	16.2%
Poverty headcount ratio at $8.30 a day (2021 PPP) (% of population) (2024)[2]	5.9%

Sources: 1. World Economic Outlook Database (April 2026), IMF; 2.The World Bank Group.

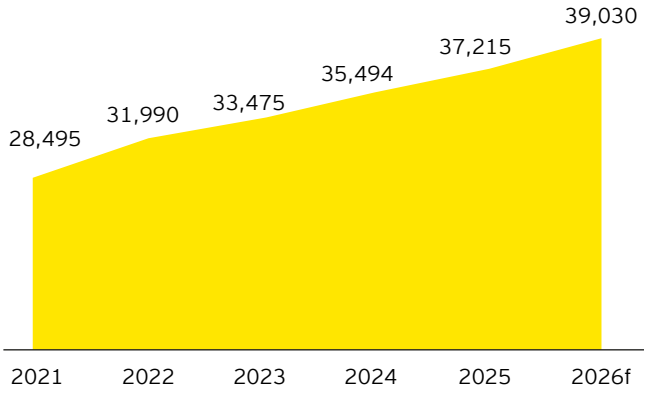
Figure 2:
Gross domestic product, levels and growth



Source: World Economic Outlook Database (April 2026), IMF.

The economy expanded 0.8% in 2023, primarily due to the drought-induced decline in agriculture. In 2024, growth recovered to 3.3%. This growth narrowed in 2025 to 1.8%. The IMF's latest assessment expected to stabilize around 1.8%, its potential in 2026.

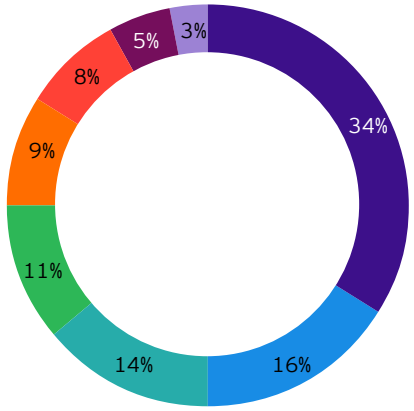
Figure 3
Gross domestic product (GDP), Per capita, (PPP) international dollar, ICP benchmarks 2017-2021



Source: World Economic Outlook Database (April 2026), IMF.

Uruguay maintains one of the highest GDP per capita levels in South America. In PPP terms, it reached USD 33,475 in 2023 and USD 35,494 in 2024, reflecting Uruguay's sustained economic progress. In 2025 reached USD 37,215 and for 2026, IMF estimates it will rise to USD 39,030.

Figure 4
Share of gross domestic product by economic sector in 2024 (current prices in USD)



- Public administration, defense, compulsory social security, education, health and social services, and other community, social and personal services
- Wholesale and retail trade, repair of goods and hotels and restaurants
- Financial intermediation, real estate, business, renting and leasing activities
- Manufacturing industries
- Transportation, warehousing and communications
- Agriculture, hunting,hunting, forestry, and fishing
- Construction
- Electricity, gas and water supply

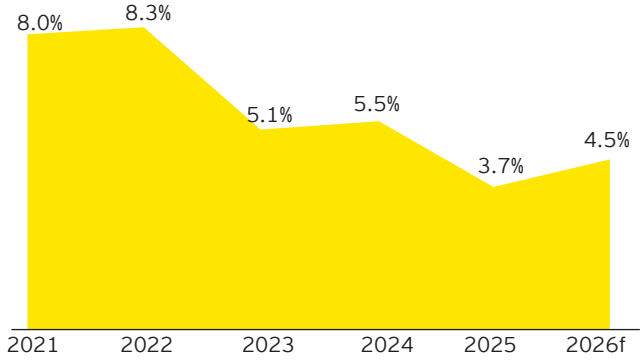
Source: CEPALSTAT, United Nations ECLAC.



The sectors that contribute most to Uruguay's GDP are public administration, defense, healthcare, and social services (34%), followed by wholesale and retail trade and hotels and restaurants (16%). Financial intermediation, real estate, and business services account for 14%, and manufacturing for 11%. Transportation and communications and agriculture follow in relevance.

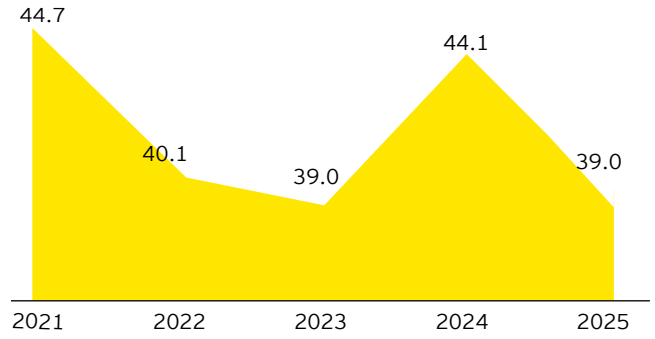
Figures 5 and 6:

Inflation (end of period consumer prices, % change)



Source: World Economic Outlook Database (April 2026), IMF.

Exchange rate of foreign currency (USD/UYU, end of period)

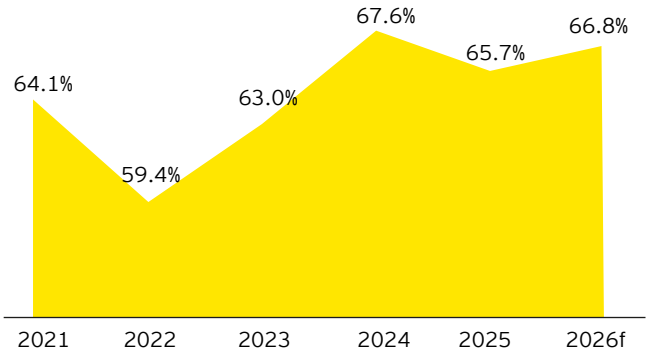


Source: Exchange Rates Database (April 2026), IMF.

Inflation declined markedly from 8.3% in 2022 to 5.1% in 2023, reaching its lowest year-end level since 2005. It increased modestly to 5.5% in 2024 but fell again to 3.7% in 2025, reflecting effective monetary policy and improved price dynamics. For 2026, inflation is projected to rise moderately to 4.5%, remaining broadly within the Central Bank's target range.
The Uruguayan peso depreciated from UYU 39.02 per USD in 2023 to UYU 44.07 in 2024, before appreciating to around UYU 39 per USD in 2025, supported by improved external conditions and stronger macroeconomic fundamentals.

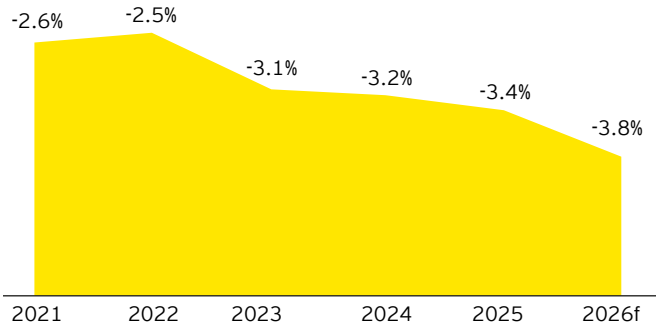
Figures 7 and 8:

Public debt (General government gross debt, % of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

Fiscal balance (net lending (+) or net borrowing (-) of general government, % of GDP)

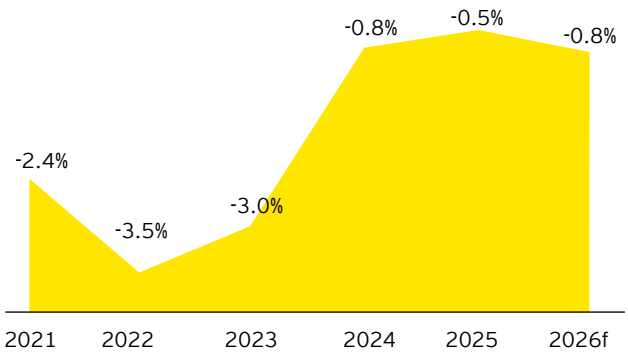


Source: World Economic Outlook Database (April 2026), IMF.

Public debt has continued to rise moderately, reaching around 68.5% of GDP in 2025 and expected to increase further in 2026, although it remains sustainable given Uruguay's strong policy framework. On the fiscal side, the deficit widened gradually from -3.1% of GDP in 2023 to -3.2% in 2024 and -3.4% in 2025, and is projected to reach -3.8% in 2026, underscoring ongoing expenditure pressures and the need for continued fiscal consolidation.

Figure 9:

Current account (% of GDP)

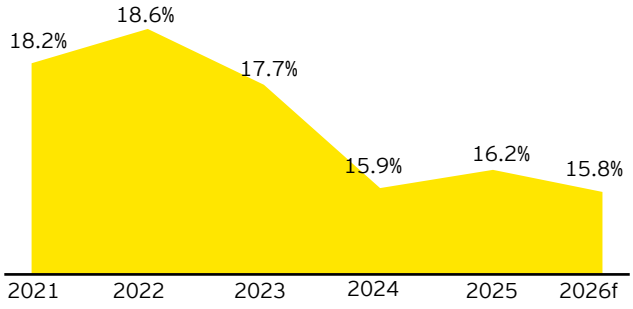


Source: World Economic Outlook Database (April 2025), IMF.

Uruguay's current account deficit narrowed significantly from -3.0% of GDP in 2023 to -0.8% in 2024, supported by a strong recovery in agricultural exports. This improvement continued in 2025, with the deficit declining further to -0.5% of GDP. Looking ahead, the current account balance is expected to deteriorate modestly, with the deficit projected to widen to -0.8% of GDP in 2026, reflecting a normalization of external conditions and import demand.

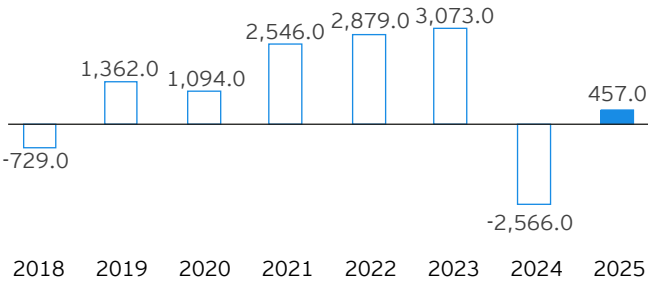
Figures 10 and 11:

Investment (% of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

FDI net inflows to Uruguay (USD millions)



Sources: CEPALSTAT (2026), ECLAC.

FDI net flows in Uruguay were negative at -USD 2.6 billion in 2024, following USD 3.1 billion in 2023, according to CEPALSTAT. In 2025, net inflows recover and reached USD 457 million.

Uruguay is recognized for its political, social, and economic stability, which provides investors with a reliable and predictable environment, key for long-term investments. It is always among the top places in the region in international doing business rankings.

Uruguay has a good quality of life, a skilled workforce, especially in sectors such as technology, financial services, and agribusiness. The combination of stability, tax incentives, a favorable trade environment, and a focus on sustainability makes Uruguay an attractive destination for investment.

Establishing a business in the country

1. Investment Regulation and Promotion Agencies:

General framework: Companies must be duly registered with the "Registro Nacional de Comercio" (Uruguayan's National Registry of Commerce, hereunder "RNC") to successfully operate in the country. Corporations are generally regulated by Uruguayan Law 16,060 and 16,906. The investment promotion regime is established under Law 16,906, which declares the promotion and protection of investments made by both national and foreign investors, within the country, as a matter of national interest. All companies, regardless of size, that are Corporate Income Taxpayers (in Uruguay, taxpayers of "IRAE") are eligible to participate. Regulations provide tax benefits to projects whose investment meets objectives in terms of generating productive employment, increasing exports, enhancing the decentralization process, raising national added value, adopting clean technologies, and investing in research, development, and innovation. Companies with investment projects that are declared promoted will enjoy an exemption from the IRAE. The percentage of exemption and the duration for which it applies depend on the score achieved in the indicator matrix. The Commission for the Application of the Investment Law (COMAP) is a governmental body responsible for the implementation and oversight of investment promotion policies as outlined in Uruguay's Law 16,906. COMAP's activities include evaluating investment projects, determining their eligibility for tax benefits, and monitoring compliance with the established requirements for promotion.

Activities with specific regulations and incentives (among others):

- Financial intermediation and financial activity: Mainly governed by Uruguayan Law 15,322 and controlled by the "Banco Central del Uruguay" (BCU, Central Bank of Uruguay).
- Insurance activities: These activities are mainly governed by Law 19,678 and require registration with the BCU.
- Capital market regulations: The Uruguayan capital market is regulated by Law 18,627. This law applies to the agents that participate in the capital market, the stock exchanges and other markets for the negotiation of publicly offered securities, the securities themselves and their issuers.
- Agriculture and farming: Activities related to production of animals or plants and their fruits for commercial or industrial purposes, as well as the use of renewable resources, are mainly regulated by Law 17,777.
- Energy: The Uruguayan State has a monopoly over the electric power service, except for the activities of generation and commercialization of energy, which may be carried out by private companies. These activities are mainly regulated by Law 16,832 and controlled by URSEC (Uruguayan electric power regulatory unit) and ADME (Uruguayan electric power market administration.
- Mining: This activity is governed by the Mining Code (Law 15,242). Local and foreign companies may be granted a concession to explore, extract and search for minerals in a specific area. Additionally, exploration and exploitation of hydrocarbons and accompanying substances located in the national territory, territorial sea, its seabed and subsoil, and the continental shelf can be developed by third parties and is regulated by Law 14,242. All deposits of hydrocarbons and accompanying substances, regardless of the form in which they appear, within the national territory, belong to the Uruguayan State.
- Free zones: Mainly regulated by Law 15,921, free zones are specific areas of Uruguayan territory in which the goods introduced are not subject to any import taxes and the companies established there enjoy other benefits and exemptions provided by law.

2. Main types of corporations:

The main types of commercial entities according to Law 16,060 are stock corporations ("Sociedad Anónima"), simplified stock corporations ("Sociedad por Acciones Simplificadas"), limited liability companies ("Sociedad de Responsabilidad Limitada") and branches. All these need to be registered before the RNC.

- Stock corporations ("Sociedad Anónima", acronym "S.A." or "S.A.U."): Their capital is distributed in shares represented in negotiable share titles and the shareholders' liability is limited to their contribution. The requirements for the transfer of their shares depend on whether these are bearer shares, nominative shares or registered shares. These corporations may be public or private. Public corporations are generally funded by the stock exchange, subject to an ongoing and more strict state supervision, while closed corporations are more common in Uruguay and have their own capital contributed by the partners and are subject to supervision when performing certain acts (i.e.: bylaws' reform, reduction or increase in capital, etc.), by the Internal Audit Office (AIN). As for basic requirements for their incorporation, Stock Corporations need to have more than one partner, 25% of the capital stock must be paid in, they must carry out an organized commercial activity and have a lucrative purpose. It should be noted that, after incorporation, S.A.'s are legally allowed to have a single shareholder, whether that is a legal entity or natural person. Additionally, as general market practice, shares of off-the-shelf Corporations are usually bought in order to avoid the incorporation process, as shares can already be bought in full by a single new shareholder.
- Simplified Stock Corporations ("Sociedad por Acciones Simplificadas", acronym "S.A.S."): Recent type of stock corporation created by Uruguayan Law 19,820, characterized by having fewer formalities for its incorporation, while being a more flexible and modern type of corporate vehicle. These may be incorporated by a single Shareholder the contributions may be monetary or non-monetary and their social purpose may be any lawful activity. Simplified stock corporations seek to give autonomy to the shareholders to define the internal structure of the company, but as a result also have certain limitations such as not being able to go public, participate in the state or carry out certain activities.
- Limited Liability Companies ("Sociedad de Responsabilidad Limitada", acronym "S.R.L."): The capital of these corporations is divided into equal, cumulative and indivisible quotas. The liability of the partners is limited to the integration of their installments and the number of partners cannot exceed 50. Partners may also be liable for labor and tax claims. Being a "personal" kind of company, the quotas are not represented in titles and transferring these require the amendment of the company's social contract and the registration of the new quota-holders, and transfer, before the Tax and Social Security Offices.
- Branch of a foreign company: Law 16,060 states that Uruguay recognizes foreign companies, which may be authorized to engage in isolated acts and be on trial. However, in order to actively operate, or develop its social object in Uruguayan territory, they are required to establish a branch and register their articles of incorporation with the RNC, as well as the resolution of their Board of Directors (or competent internal body) to establish a branch in Uruguay, their address, the assigned capital and the individuals that will represent the company.

Tax Regime

1. General Overview

1.1. Corporate Income Tax Rate (%)

Flat rate of 25% on the net Uruguayan sourced income (including some income generated abroad).

1.2. Capital Gains Tax Rate (%)

Capital gains earned by corporate income taxpayers are taxed at the same rate (25%) as ordinary income as long as they are Uruguayan sourced (including some specific capital gains from abroad that are considered Uruguayan sourced). Capital gains earned by non-Uruguayan tax residents are also subject to tax provided it is of Uruguayan source. The general rate is 12%, but entities located in a low or nil tax jurisdiction are subject to a 25% rate, on real or notional taxable basis depending on the capital gain.

1.3. Branch Tax Rate (%)

Flat rate of 25% on the net Uruguayan sourced income (including some income generated abroad).

1.4. Withholding Tax

Uruguayan companies that make payments to non-resident individuals or entities generally act as withholding agents for taxes on such payments. The most common withholdings are as follows, to which specific exceptions may apply:

- Dividends:
  - Dividends and profits distributed to non-residents o residents individuals are subject to a withholding tax of 7% as long as they are related to income subject to Corporate Income Tax. Additionally, undistributed net income over three years subject to Corporate Income Tax is also taxed at 7% as they are considered notional dividends.
  - Dividends and profits distributed to another Corporate Income Taxpayer are exempt.
  - Dividends and profits distributed from income not taxed by Corporate Income Taxes are exempt. However, as from 1 January 2026, Budget Law No. 20,446 introduces a modification to this treatment, under which dividends paid or credited by entities subject to CIT are subject to Non-Resident Income Tax (NRIT) even when the underlying income was not subject to CIT, provided that the dividends are taxed in the beneficiary's country of residence and such country grants a tax credit for the tax paid in Uruguay. When the beneficiary is unable to effectively utilize the foreign tax credit, the dividend remains exempt from NRIT.
- Royalties: The general rate applicable to payments of royalties of Uruguayan source is 12%. Payments to entities located in a low or nil tax jurisdictions are subject to a 25% rate.
- Interests: The general rate applicable to payments of interests paid to non-residents is 12%. Payments to entities located in a low or nil tax jurisdictions are subject to a 25% rate.
- Technical Services: Technical and advertising services provided from abroad to companies subject to Corporate Income Tax are considered Uruguayan-source income and are subject to a 12% withholding. Payments to entities located in a low or nil tax jurisdictions are subject to a 25% rate.
- Digital Services
  - Income from services related to the production and distribution of films and audiovisual content, including those offered through the internet, technological platforms, and applications, when the acquirer is located in Uruguay, are considered Uruguayan-source income and are subject to a 12% (25% if it is an entity located in a low or nil tax jurisdictions) withholding.
  - Income from mediation or intermediation in the supply and demand of services rendered through the internet, technological platforms, computer applications or similar means is considered 100% Uruguayan-source income if both parties are in Uruguay, or 50% if only one party is in Uruguay. The tax rate is 12% (25% if it is an entity located in a low or nil tax jurisdictions) but there are no withholding agents appointed in this case, so the non-resident entity has to register in the tax administration and pay the corresponding tax.


NH HOTELS

- Real Estate Lease: Payments from rental of real estate located in Uruguay to residents or non-residents are subject to a withholding of 10.5% (tax office's position is that 12% withholding is applicable in case of non-resident companies). Payments to entities located in a low or nil tax jurisdictions are subject to a 30.25% rate.
- Capital gain of real estate: Payments from capital gains of real estate located in Uruguay to non-residents are subject to a withholding of 12% on net income. Payments to entities located in a low or nil tax jurisdictions are subject to a 30.25% rate.
- Liabilities: Liabilities held on December 31st each year with non-residents (except for imports of goods or loans) are subject to Net Wealth Tax withholding at the rate of 1.5% applicable on total amount of accounts payable.
  In all cases the withholding applicable may be reduced in application of a double tax treaty. Although the withholdings mentioned are mainly for income tax, in some cases VAT withholding may apply (e.g. services provided in Uruguay by individuals or legal entities without a Permanent Establishment and digital services).

1.5. Net Operating Losses (Years)

- Carryback: Not allowed.
- Carryforward: Allowed for 5 years.

2. Tax on rent and corporate income

2.1. Corporate Income Tax:

2.1.1. Determination of the net taxable income:

- General:
  - Corporate Income Tax is an annual tax applying on Uruguayan sourced income (with certain exceptions) derived from activities performed, goods situated, or rights economically exploited in Uruguay obtained by resident legal entities or non-residents operating through a Permanent Establishment in Uruguay. Income derived from agricultural activities is subject to this tax; however, entities involved in such activities have the option to choose the Agricultural Products Sales Tax (IMEBA) as their taxation regime, depending on the nature and size of their business.
  - In the case of Corporate Income Taxpayers that form part of a multinational group and for fiscal years starting from January 1st, 2023, taxation on passive income would be conditioned by substances requirements, with the exception of income coming from brands that would always be considered Uruguayan sourced.
  - For mining activities, an additional tax to the Corporate Income Tax is established, which will levy the operational income derived from mining activities obtained by holders of concessions to exploit a large-scale mining project.
  - To calculate net taxable income, expenses can be deductible from gross income if four conditions are met: accrued in the fiscal year, well documented, necessary to obtain and maintain Uruguayan source income and subject to taxation (in Uruguay or abroad) to the counterpart. A deduction of 100% of expense should apply if counterparty is taxed at a rate of 25% or higher. If not, it should only be deducted in proportion comparing both rates. Salary expenses are deductible if social security contributions have been made. Additionally, financial expenses are always considered indirect to obtaining taxable and non-taxable income, and are deductible based on a coefficient derived from the ratio of income-generating assets to total fiscal assets. Expenses should be real, and their amount in accordance with the economic advantage obtained by local taxpayer.
- Monetary correction: A fiscal adjustment for inflation is mandatory only when the percentage of variation in the Consumer Price Index accumulated over a 36-month period before the current fiscal year-end exceeds 100%.
- Depreciation: A depreciation deduction may be taken on tangible assets based on their useful lives using the straight-line method. For some assets, the units-of-production method may be used, and for some others useful lives are set by the regulations. Intangible assets must be amortized based on their expected useful life. If it is not possible to determine the expected useful life, they should be amortized at an annual rate of 10%. Goodwill may not be depreciated.

The expected useful life may not be changed without approval of the tax authority. Approval will only be granted if the change is technically justified.
- Relief for losses: Losses can be carried forward for up to 5 years adjusted by the Consumer Price Index.

2.2. Corporate Income Tax Rates:
Flat rate of 25%.

2.3. Dividends:
- Dividends distributed by Corporate Income Taxpayers received by Corporate Income Taxpayer are not subject to tax.
- Dividends distributed by non-resident entities without permanent establishment in Uruguay are not subject to tax. In the case of Corporate Income Taxpayer who is part of a multinational group, this will be conditional on verifying the substance requirements, otherwise the taxpayer will be taxed by CIT at a rate of 25%.
- Dividend distributed by Corporate Income Taxpayers to local individuals or to foreign individuals/entities generally subject to 7% withholding.

2.4. Capital gains (direct and indirect)

2.4.1.Direct transfer:
- Direct transfer of Uruguayan shares/ participations owned by individual residents or non-resident should be taxable at the rate of 12%.
  - Tax calculation: 12% rate applicable on 20% of sales price (fair market value). In case of low or nil tax jurisdictions entities a 25% rate would apply on 30% of fair market value. In case of participations whose previous acquisition has been informed to the National Commerce Registry within 30 days of the purchase and shares that are listed on the stock exchanges of Uruguay, provided that their fiscal value can be reliably proven, they could choose between the method described previously or the 12% rate applicable on the difference between the sale price and the tax value of the transferred participations (25% rate in case of low or nil tax jurisdictions entities). The tax value would be the purchase price updated by the variation of the Indexed Units' value.
  - Exemption: in the following cases, the shares/participations transfers are exempt from tax: 1) capital gains in which the transaction price does not exceed 30,000 Indexed Units (approx. USD 4,500) and that the sum of the capital gains that the taxpayer intends to exempt in the fiscal year does not exceed 90,000 Indexed Units (approx. USD 13,500), 2) the issuance of said values have been performed under public subscription, instrumented on pro rata and by listed entities.
- Direct transfer of Uruguayan shares/ participation by entity located in Uruguay are subject at the rate of 25% (except for shares listed on the stock exchange, which will be exempt from Corporate Income Tax).
  - Tax calculation: 25% rate applicable on the difference between the sale price and the tax value of the transferred shares/participations.
- Direct transfer of Uruguayan shares of a non-residents shares/participation by entity located in Uruguay are non-taxed. In the case of a Corporate Income Taxpayer that is part of a multinational group, this will be conditional on the verification of the substance requirements, otherwise it would be taxed at a 25%.

2.4.2. Indirect transfer

Indirect transfer of uruguayan shares/ participation should not be taxable in Uruguay unless the share/participation transferred is of a located in a low or nil tax jurisdictions entity and that more than 50% of that entity's assets, valued according to Corporate Income Tax rules, are integrated, directly or indirectly, from goods located in Uruguay.

As from 1 January 2026, through Budget Law No. 20,446, capital gains derived from the transfer of shares or equity participations in non-resident entities are treated as Uruguayan-source income when, during the 365 days preceding the transfer, either more than 50% of the entity's assets are located in Uruguay, directly or indirectly, or the value of such assets exceeds UI 31,500,000 (USD 5,182,500). This new rule does not apply to certain intra-group reorganizations where the final ownership remains substantially unchanged and minimum holding periods are met.

2.5. Special regimes:

Uruguay has granted several tax breaks and incentives, such as tax exemptions or reductions for extended periods.
Foreign investors are not discriminated by local tax laws and count with the same tax incentives as Uruguayan tax residents. Some of the special investing regimes are:

2.5.1. Free Trade Zones:

Uruguay's Free Trade Zones offer a special regime granting tax exemptions and other benefits to attract investment, boost exports, create employment, and promote international economic integration.
Companies operating in these zones are exempt from national taxes, except for social security contributions and taxes to be paid as withholding agent, such as personal income tax or non-residents income tax, in certain cases.
Free Trade Zones in Uruguay are designated areas, either publicly or privately owned, that are enclosed and demarcated by the Executive Power for the purpose of conducting various industrial, commercial, and service activities.
These zones offer tax exemptions and additional benefits as outlined in the law.
Entities interested in operating within Free Trade Zones require obtaining authorization from the Executive Power by presenting an investment project that shows the venture's economic and financial feasibility and its benefits to Uruguay.
A wide range of activities is permitted in Free Trade Zones, including trade, storage, manufacturing, and various services, with entities permitted to provide services to areas outside the Free Trade Zones within Uruguay, subject to certain national restrictions.

2.5.2. Investment promotion:

Uruguay's investment law offers tax incentives to foster investment and protect investors:

- Automatic incentives: Apply to certain taxpayers in the manufacturing, extraction, and agriculture sectors, providing various tax exemptions and refunds.
- Specific incentives (Investment projects): It involves a more detailed application process, and the tax benefits are granted by the Executive Branch with the assistance of COMAP, which receives the investment projects presented by the companies for evaluation and determination of the tax benefits to be granted and their term.
  The benefits include exemptions on Corporate Income Tax, Net Wealth Tax on movable assets and real estate, Value Added Tax on local acquisitions of goods and services destined to input real estate that may be recovered through certificates of credit and imports exemptions (Value Added Tax, custom duties, among others).
- Specific incentives (promoted sectors): Certain sectors have been promoted for which there are regulatory Decrees. Companies belonging to these sectors must submit certain information to COMAP to access tax benefits. The main promoted sectors are call centers, share service centers; naval and electronics industry; agricultural machinery manufacturing; energy generation; tourism projects; treatment and final disposal of industrial solid waste; manufacturing of vehicles and equipment for cargo transportation; hydrocarbons; construction activities for the sale and leasing of residential and office properties in large-scale economic projects; and green hydrogen; and electronic surveillance services carried out by operators that provide or are capable of providing telecommunications services.
  There are also other tax benefits granted to different sectors of activity, not covered by the Law on the Promotion and Protection of Investments, so they will not have to start the process at COMAP. These sectors are *biotechnology; forestry; scientific and technological innovation; external financial intermediation; graphic industry; software; vehicles or auto parts; biofuels; communication industry; housing*.



2.5.3. Trading Regime:
This regime establishes an optional way of determining the Uruguayan source net income for the Corporate Income Tax settlement for:

- buying and selling goods abroad, which do not have the Uruguayan territory as origin or destination; or
- intermediation on the rendering of services, which are exclusively rendered and used economically abroad Uruguayan territory. In these cases, the Uruguayan source net income would be 3% of the difference between the sale price and the purchase price of those goods and services (0.75% effective tax rate). If the taxpayers do not choose this option, they may determine the real Uruguayan source net income.

2.5.4. Industrial Parks and Scientific and technological Parks:
Industrial and Scientific-technological Parks in Uruguay are designated areas for industrial production, services, and research and innovation activities. These parks, which can be either privately or publicly owned, are established to encourage the growth of manufacturing industries, innovative companies, and knowledge centers.
In order to be eligible for tax benefits both parks promoted, and the user must comply with certain requirements.

- Benefit granted to the park promoted: Corporate Income Tax exemption on a portion of the investment with the amount and duration varying based on the park's location and characteristics; Net Wealth Tax exemption for certain properties and equipment within the parks; Value Added Tax and customs duties exemptions for imported assets used in the park's operations or construction, provided they do not compete with domestic industry, Value Added Tax refunds for locally purchased goods or services for the park's operations or construction.
- Benefit granted to the users: They can submit an Investment Project to COMAP and in addition to the general benefits of the regime, the Corporate Income Tax exemption would be increased by 15% or 5%, depending on their activities within the park.

2.5.5. Mining:
Investments made in mining and related activities are subject to special tax treatment. In particular, the contract to be signed between the Executive Branch and the owner of the mining project will establish the tax benefits, which cannot include the exemption from Corporate Income Tax in relation to investments related to mining and connected activities.

2.5.6. Economic development tax credits:
Budget Law No. 20,446 introduced a new regime allowing the Executive Branch to grant tax credits to companies carrying out activities in Uruguay that contribute to the country's economic development, based on objective criteria established by regulation. Eligible activities include significant investments aligned with national development policies, job creation, promotion of new technologies, enhancement of international integration through the scale of operations, and other positive externalities deemed relevant.
The benefit is granted in the form of tax credit certificates under the exporter regime, subject to conditions established by the tax authorities. If the certificates are not used within 42 months from their issuance, they must be redeemed by the National Treasury at nominal value.
Access to these credits is linked to objective factors such as income levels, human resources employed, the nature of the activity and similar indicators, and certain activities may be excluded where they do not generate significant marginal benefits in terms of international competitiveness.

2.6. Administration:
Tax obligations vary depending on how the tax authority classifies entities. This classification refers to the degree of control by the tax administration towards the taxpayer. The classification categories are the following: Large Taxpayers, CEDE Taxpayers (Special Control of Companies), NON-CEDE Taxpayers. In this sense, belonging to the Large Taxpayers group will require greater controls by the administration towards the taxpayer, requiring greater frequency in the presentation of tax returns, as well as being designated as a withholding agent in more situations.

In general terms, it should be noted that an Uruguayan entity is required to submit monthly and annual tax returns/information annexes as well as monthly tax advances and withholding payments.

3. International Tax

3.1. Foreign tax relief:

Companies' resident in Uruguay may receive a tax credit for foreign income taxes paid, which can be used against their Uruguayan tax liability to the extent that there is a Double Tax Treaty between Uruguay and the country in which it was applied. Otherwise, the withholding cannot be credited in Uruguay. Furthermore, in addition to the existence of the treaty, the income subject to taxation abroad must be taxed in Uruguay, and therefore the credit cannot be recognized if the income was not taxed in Uruguay. If the credit is applied, it cannot exceed the tax that the income was taxed in Uruguay.
Additionally, for fiscal years starting from January 1st, 2023, it is established that Corporate Income Taxpayers who have been subject to taxation abroad on income obtained by an entity that is member of a multinational group derived from passive income from foreign assets that where subject to Corporate Income Tax. The credit to be imputed may not exceed the part of the tax calculated prior to such deduction.

3.2. Foreign-exchange controls:

Uruguay does not impose foreign-exchange controls. No restrictions are imposed on inbound or outbound investments. The transfer of profits and dividends, loan principal and interest, royalties and fees is unlimited. Non-residents may repatriate capital, together with accrued capital gains and retained earnings, subject to applicable withholding taxes and company law considerations. Import and export operations are transacted at a free rate determined by the market.

3.3. Transfer Pricing:

Transfer Pricing regulations in Uruguay are contained in Corporate Income Tax laws and several related Executive Power Decrees. It is based on the arm's length principle and is in many aspects consistent with the OECD's Transfer Pricing Guidelines. They are applicable to transactions with non-resident related companies as well as entities located in low or nil tax jurisdictions (domestic transactions with Uruguayan Free Trade Zones fall under this category).
Local companies with operations exceeding 50 million Indexed Unit (approx. USD 7 million) shall be required to submit information on an annual basis to the tax authority, while those below this threshold shall keep record of a transfer pricing analysis that support the transactions subject to these regulations in case that tax authorities require it.
Transfer Pricing information should include:

- Informative return including breakdown and quantification of transactions for the period included in the Transfer Pricing system.
- Copy of financial statements for the related fiscal year, when not required to be submitted under other provisions; and
- Transfer Pricing study.

Uruguayan regulations also requires that taxpayers that integrate a Multinational Group of a large economic dimension (those whose consolidated income in the previous fiscal year exceeds EUR 750 million) to submit a Country-by-Country Report. Taxpayers will be excepted from filing this report when it is submitted by a related entity to a foreign tax authority of a jurisdiction with whom Uruguay has an exchange of information agreement in force, in which case it should inform which would be such jurisdiction. The Master File report must also be kept available for each fiscal year in case it is required by the tax authority and in Spanish. However, the regulations about its implementation have not yet been issued.

3.4. Debt-to-equity rules:

Not applicable, but interest expense deduction restriction rules apply. Also, there is a special rule by which financial operations between a permanent establishment and its headquarters are always considered capital accounts.

3.5. Controlled Foreign Corporations (CFC):

Some special regulations may be considered related to CFC criteria, even if they are not exactly CFC:

- Income from capital investments located abroad received by low or nil tax jurisdiction entities are determined and allocated as dividends or as distributed profits to the corresponding Uruguayan resident individuals in proportion to their participation in the capital of the relevant entities at the time that the entity obtains the income.

- If an entity subject to Corporate Income Tax participates in the capital of a low or nil tax jurisdiction entity, the capital gains of the referred non-resident entity will be determined and allocated as dividends or profits to the corresponding Corporate Income Taxpayer for purposes of determining the dividends or profit taxed by tax at the time that the entity obtains the income.

A foreign tax credit is granted to the resident individual in proportion to the income attributed to him/her under this provision.

3.6. Preferential tax jurisdictions:

Special rules apply for low or nil tax jurisdictions entities.

Countries and jurisdictions considered low or nil taxation for Corporate Income Tax purposes are the following: Angola, Ascension, Guam, Guyana, Honduras, Cocos Island (Keeling Island), Christmas Island, Saint Helena Island, Norfolk Island, Pitcairn Island, Pacific Islands, Fiji Islands, Falkland Islands, Palau Islands, Solomon Islands, United States Virgin Islands, Jordan, Kiribati, Labuan, Liberia, Niue, French Polynesia, Puerto Rico, Kingdom of Tonga, Republic of Yemen, Saint Pierre and Miquelon, Svalbard, Swaziland, Tokelau, Tristan da Cunha, Tuvalu, Djibouti.

3.7. Double Tax Treaties:

Uruguay has a wide range of double tax treaties following in general the OECD and UN models. Typically, the Double Tax Treaties provide for reduced or eliminate tax rates on Uruguayan source income. Additionally, Uruguay has signed the Multilateral Agreement Instrument whose entered into force on 1 June 2020.

Uruguay has in force Double Tax Treaty with the following countries: Belgium, Brazil, Chile, Ecuador, Finland, Germany, Hungary, India, Italy, Japan, Korea, Liechtenstein, Luxembourg, Malta, Mexico, Paraguay, Portugal, Romania, Singapore, Spain, Switzerland, United Arab Emirates, United Kingdom, Vietnam. An additional tax treaty with Argentina contains a double taxation avoidance clause but does not follow OECD or UN models.

4. Value-added tax

The Value added tax is levied on the circulation of goods and the provision of services within the Uruguayan territory, on the importation of goods, and value added in the construction of immovable assets by non-taxpayers. The general rate is 22%. A reduced rate of 10% applies to certain goods and services such as basic food items, medicines, hotel services, health services, initial sales of immovable assets, etc.

There are some goods and services which are exempt from Value Added Tax, such as foreign currency; real estate (other than the initial sale); agricultural machinery and accessories; milk; books and magazines; newspapers and educational material; interest on public and private securities and deposits, real estate rentals and certain banking operations.

Exports of goods and services are exempted, being allowed to recover Value Added Tax paid on related purchases. The list of services export is explicitly detailed in the regulations.

When computing tax liability, input Value Added Tax may be credited against output Value Added Tax, so that in practice only the value added to the taxpayer's supplies is taxed. Value Added Tax applies to all stages of the distribution process.

5. Excise Tax

Excise Tax is levied on the first sale of specific products by importers or manufacturers. Specific products include, among others, alcoholic and non-alcoholic beverages, cosmetics, tobacco, fuels, vehicles. Exports are exempt. Rates vary for each item and are fixed by the Executive within a range established by law.

6. Domestic Minimum Top-up Tax

Uruguay has implemented a domestic minimum top-up tax (Impuesto Mínimo Complementario Doméstico – IMCD), broadly aligned with the OECD's GloBE Model Rules and the Consolidated Commentary. The IMCD applies for fiscal years ending as from 16 December 2025.

The tax applies to constituent entities located in Uruguay that are part of a multinational group with consolidated revenues of at least EUR 750 million in at least two of the four preceding fiscal years. A multinational group is defined as a group including at least one entity or permanent establishment outside the jurisdiction of the Ultimate Parent Entity (UPE), provided that its entities are consolidated at UPE level, or excluded only for immateriality, size or being held for sale.

Governmental entities, international organizations, non-profit organizations, pension funds, investment funds acting as UPEs, and real estate investment vehicles qualifying as UPEs are excluded from the IMCD. Certain entities predominantly owned by excluded entities may also fall outside the scope.
A de minimis exclusion applies where the average admissible income of Uruguayan constituent entities is below EUR 10 million and the average admissible profit or loss is below EUR 1 million, considering the current fiscal year and the two preceding years.
The IMCD is assessed on an annual basis based on the UPE's fiscal year-end. If the jurisdictional effective tax rate in Uruguay is below 15%, a domestic top-up tax is levied to reach such minimum rate, following the OECD Pillar Two methodology, including covered taxes, admissible income, substance-based carve-out and excess profit calculation.
Each Uruguayan constituent entity must file an annual IMCD return within 15 months after the UPE's fiscal year-end, extended to 18 months for the first year of application. Regulations provide for potential exclusions from payment for Free Trade Zone users, forestry entities and multinational groups with specific agreements in force prior to the IMCD, as well as reimbursement and suspension mechanisms under certain conditions.

7. Other considerations

7.1. Custom duties

- Imports: Customs duties are generally assessed on an ad valorem (by value) basis. Goods from MERCOSUR countries are typically exempt from customs duties, except for certain items. Other trade agreements may also offer customs duty benefits.
  If no preferential treatment applies, imported goods are subject to the following charges and taxes:
  - Common External Tariff (Customs Duty): ranges from 0 to 35%.
  - Consular Fee: 5% of the customs value of the imported goods. In the case of goods covered by the MERCOSUR agreement, the consular fee will be 3% of the customs value of the imported goods. Certain goods will be subject to a 2% or a 0% consular fee.
  - VAT: 22% or 10%, depending on the type of good, if applicable.
  - Advanced VAT payment: 10% or 3%, depending on the type of good, if applicable.
  - Advanced CIT payment: 4% or 15%, depending on the type of good, if applicable.
  - Excise Tax: ranges from 0% to 180%, depending on the type of good, if applicable.

Budget Law No. 20,446 introduced modifications to the regime applicable to international postal purchases made by individuals. Specifically, it proposes to increase the total annual exemption threshold for duty-free postal imports from USD 600 to USD 800, while maintaining the limit of three shipments per year.
Although shipments within the annual exemption would continue to be exempt from customs duties, they would become subject to Value Added Tax (VAT) at a rate of 22%, calculated on the invoice or declared value of the shipment, with a minimum VAT amount of USD 20 per shipment.
The simplified regime applicable to shipments exceeding the exemption thresholds would remain in place; under this system, imports exceeding the limits are taxed at a flat rate of 60% on the declared value, covering all applicable customs duties and taxes.
In addition, the law provides for an exemption for international postal shipments containing family gifts, under conditions to be established by the Executive Branch.
Finally, for postal shipments covered by international treaties containing specific provisions—such as the TIFA with the United States—the treatment provided under those agreements would prevail, meaning that certain shipments may continue to be exempt from VAT if so, established by the respective treaty.

- Exports: There are no subject to tax. To encourage export activities, the government provides some incentives, such as:
  - VAT: 0%
  - Reimbursement of taxes: recover a portion of domestic taxes that are included in the cost of exported products, based on a percentage of their customs value (3% or 6% of the FOB value), provided that 20% of the value is added.
  - Temporary admission: exempting imported products for exportable goods from customs tariffs if the products are exported within 18 months.
  - Draw-Back: refund of taxes paid for the importation under the general regime of goods that, by definition, are imported on a temporary admission, which can be used in the production, transformation, repair or value addition, with effective employment of labor, of products to be exported.
  - Stock replacement: possibility of replacing imported goods under the general regime, by importing similar goods, free of taxes, when they have been used as input for transformation, production, repair or value addition in Uruguay, with effective employment of labor, of exported products.
  - Other levies related to exports: In Uruguay, the basic principle of freedom of exportation applies and, generally, there are no levies on exports. However, some specific levies on exports are mainly applied to agricultural and livestock products, aimed at funding sector-specific functions such as sanitary inspections, meat industry operations, and disease control measures, affecting products like bovine hides, live animals, meat, and wool.

6.2. Net Wealth Tax:

The Net Wealth Tax is levied on the assets located in Uruguay of the entities at the end of the fiscal year. For its determination, certain liabilities are deducted from the assets valued according to fiscal regulations, applying the tax rate to the difference. General annual rate for most legal entities is 1.5%. The rate would be 3% if the entity is located in low or nil tax jurisdictions that do not have a Permanent Establishment in Uruguay. Financial institutions, such as banks, are subject to a 2.8% rate.

Regarding agricultural activities, Net Wealth Tax has certain characteristics to consider:

- Subject to a 0.75% rate in the event that their assets, calculated in a particular form provided in the regulations, do not exceed 30 million Indexed Units (approx. USD 4,5 million).
- Subject to a surcharge (except in the case of non-resident entities or resident entities with all the equity represented by bearer or registered shares whose holders are individuals) whose rate is unique, which will depend on the amount of assets calculated from a particular way. Rates range from 0.7% to 1.5%.
- Exempt from Net Wealth Tax as long as the value of the assets, calculated in a particular way, does not exceed 12 million Indexed Units (approx. USD 1,8 million).

6.3. Other taxes

- Real Estate Transfer Tax: is a tax that is levied on the transfer (in various forms) of immovable property. The tax is assessed on the cadastral value of the property as adjusted for inflation or the sale price, whichever is lower. The tax is levied at a total rate of 4% (2% on each party) in the case of transfers for a consideration, 4% in the case of gifts and 3% in the case of transfers to heirs and legatees who are descendants or ascendants of the deceased.
- Real Estate Tax: is levied on both urban and rural immovable property and is payable by owners, holders, offerors with a registered real estate offer contract and usufructuaries. The taxable base is the cadastral value of immovable property as shown in the land registry. The rates vary depending on the value and location of the property.
- Primary Education Tax: is levied on both urban and rural property with the purpose of financing basic public education.

6.4. GAAR

The Uruguayan Tax Code establishes the substance over form principle by which, the tax authorities can disregard the legal form when the economic reality is not aligned.

Labor Regime

1. Labor Law

Uruguay does not have a general labor Law or Corpus that regulates all aspects related to such matter. Instead, it is through a wide variety of isolated laws, decrees, regulations, resolutions and international instruments that employment relationships are regulated. In this chapter, we will be detailing some of the main aspects of Uruguayan labor law.

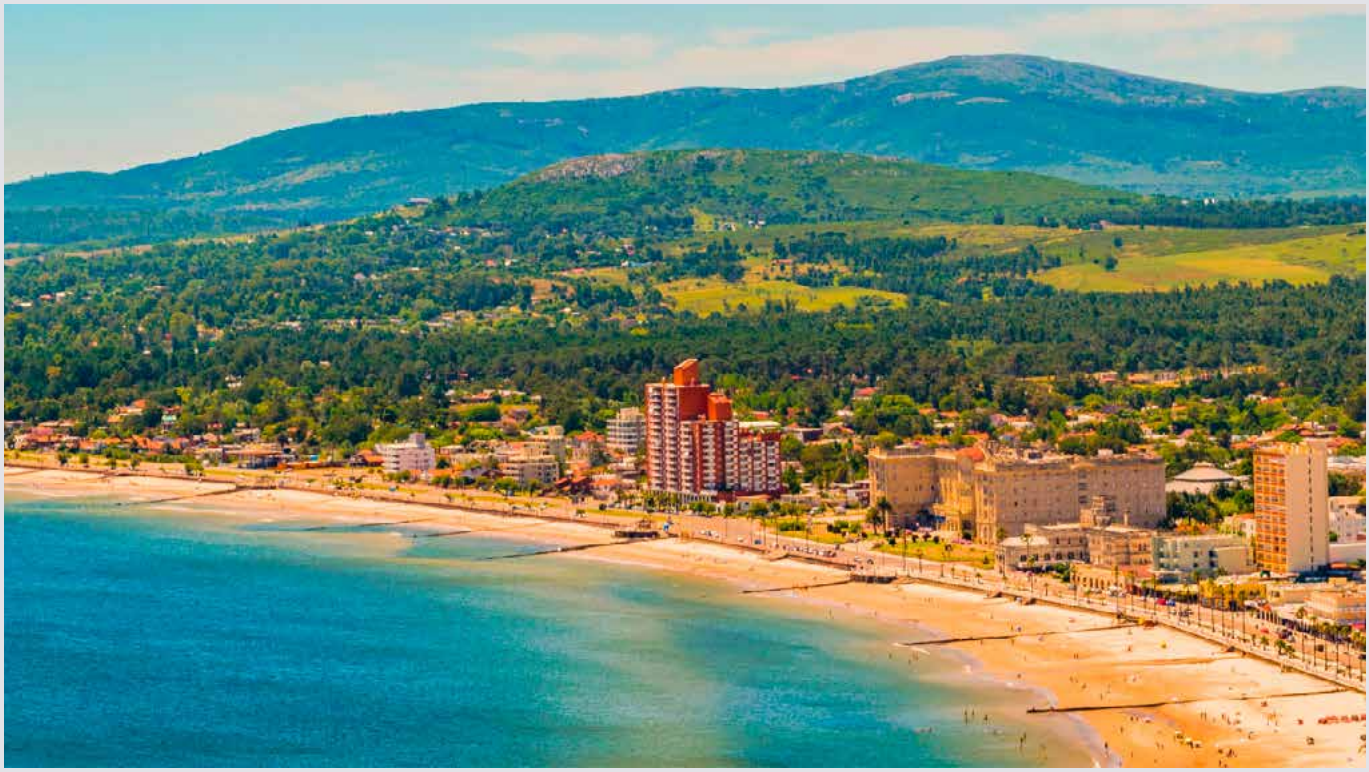
1.1. Classification of employment contracts based on their duration / nature

In Uruguay, employment contracts are presumed to be for an indefinite term. In exceptional cases, an employer may hire employees on a temporary basis, whether that is caused by a definite term, or the fulfillment of a condition agreed at the start of the employment relationship. However, this term must be reasonable, and this employment contract must always be in writing to guarantee the employee's consent. While employment contracts with an indefinite term are not legally required to be in writing, and can be proved by other means, it is recommended to document them regardless.

Additionally, employment contracts may also have a probationary period, generally for a maximum term of 3 months, notwithstanding other special cases where the maximum period may vary or be forbidden. During the probationary period, any party may terminate the contract without any indemnity.
In definite term contracts and contracts with a probationary period, if the employment relationship continues after the agreed period, the contract will automatically be regarded as indefinite.

1.2. Working hours and breaks

Uruguayan Law establishes temporary limits on the working day, plus the daily and weekly resting times that must be granted to employees: employees from commercial establishments can work up to a maximum of 8 hours per day, 44 hours per week, while employees from industrial establishments have their cap at 8 hours per day, 48 hours per week. Still, there are cases of more flexible work schedules. For example, in the commercial sector it is common to distribute the hours that should be worked on Saturday during the weekdays.



The hours worked by the employee that exceed their daily working-day limit are considered overtime. Overtime should always be paid, and the worker has the right to refuse to do them. Overtime may have a surcharge of 100%, or 150%, depending on whether they are performed on a working or non-working day (e.g. holydays). There is a maximum weekly overtime of 8 hours, and it always requires the prior consent of the worker, but this limit may still be exceeded in special cases.

It should also be considered that overtime does not apply to higher staff of industrial, commercial and service establishments or to university graduated professionals and highly specialized experts who, as such, perform tasks in industrial, commercial and service establishments. Still, their daily hours are limited as indicated above.

1.3. Remote work

Remote work is a newly regulated modality of work established in our legal system by Uruguayan Law 19,978 from the year 2021. This Law is specific for the private sector (including workers in Free Zones, albeit with some differences), and allows the total or partial performance of work to be developed outside the physical environment provided by the employer. One of the essential requirements for its implementation is the existence of a written agreement with the employee that sets forth the specific conditions of teleworking.

1.4. Principles governing employment

In Uruguay, there is a national minimum wage of UYU 24,572 (approximately USD 607) per month, UYU 983 (approximately USD 24) per day and UYU 123 (approximately USD 3) per hour on January 1st, 2026. Nevertheless, Wage Councils, which are integrated by representatives of workers, employers and the State, set higher minimum wages for certain roles or categories, for specific sectors. These entities can also set other compulsory additional benefits and wage adjustments, applicable to each specific sector of industry or commerce. Additionally, these conditions may also be set by individual Collective Bargaining Agreements between unions and employers (e.g. at the Company level), which should always improve the conditions or benefits set in the sectorial agreement, at the Wage Council level.

Other benefits that Uruguayan Law provides workers are the following:

- Annual leave: All workers have the right to enjoy a minimum of 20 days of paid annual leave which is generated proportionally to the time worked each year and increased based on the employee's length of service. In this sense, an additional day is generated when the 5th year of uninterrupted work with the same employer is reached, and subsequently, one additional day is added every 4 years. It is mandatory for the employer to grant this benefit in the calendar year following the one in which it was generated.
- 13th salary: Workers also have a 13th salary that consists of 1/12th of the total salaries paid in cash in the twelve months preceding December 1st of each year. In practice, half of this sum is paid to the employee in June, using the average of salaries paid in cash of the last 6 months, while the remainder is paid in December, based on a new 6-month average. These payments must be done on the dates yearly established by the Uruguayan government.
- Paid special leaves: Uruguayan law also contemplates other types of paid leave, such as maternity / paternity leave, sick leave, marriage leave, study leave, etc.
- Mandatory severance payment: If the employer decides to terminate an employment contract (which does not require a justified reason), they must pay the employee a severance determined by law, unless the employer claims (and subsequently proves, if the employees files a labor lawsuit) that the employee acted in gross misconduct. The severance payment is calculated based on the current salary of the employee (including all benefits, such as overtime, food stamps, housing, etc.) and the number of years worked for the company. The salary at the time of the dismissal will be multiplied by the number of years worked for the same company (up to 6 years will be considered) which will determine the severance amount.



The legal severance can be more severe in specific circumstances determined by Uruguayan law (i.e.: where the dismissal is considered abusive, when dismissal is done during sick leave, maternity leave, etc.).

1.5. Expiration or termination of the employment relationship

Severance payment is not required when an employment relationship may be terminated by mutual consent, expiration of a fixed-term, death, retirement, misconduct, total disability or by the decision of one of the parties.

1.6. Protection of the rights of the workers

Uruguayan Labor Law, and its governing Principles, exist under the assumption that there is a power imbalance between the employer and employee, so labor regulation is designed to safeguard the rights of employees and set minimum standards governing working conditions. These standards are public order provisions and thus cannot be waived or dismissed and only set a minimum, which may be improved by individual or collective agreements between employer and employees.

1.7. Labor unions

To protect their interests, employees and employers are free to form industry, branch, craft or company level unions. Since Uruguayan Law 20,127, these unions must register with the Ministry of Labor and Social Security as a condition to access to information for negotiation and for the withholding of union dues. Collective labor law is mainly regulated by Collective Bargaining Agreements between unions and employers, and the resolutions from Wage Councils, as indicated above.

2. Legal considerations regarding foreign workers

Uruguay has regulated migration through the Law 18,250, creating two types of residencies for foreigners: permanent and temporary. Additionally, since Uruguay is part of the South American Trade Agreement (MERCOSUR and its associated members), citizens of Argentina, Brazil, Paraguay, Venezuela, Chile, Bolivia, Peru, Ecuador, Colombia, Suriname and Guyana are benefitted with less requirements for the obtention of these residencies.

Except for certain cases in which Visas must be requested through Uruguayan Consulates, people from most countries are free to enter the country for up to 90 days, with the possibility of requesting an extension once. In order to work in Uruguay, a national identification card and a permit to stay in the country must be requested. There are three different types of filing for residency:

- Temporary residence: residence authorization granted to foreign individuals who enter with the intention of temporarily residing in the country for up to two (2) years, with the option to renew this term once. Fewer requirements apply when the individual is a citizen or relative of a citizen of a MERCOSUR country or associated member. No sponsorship is required from local individuals or entities. When the person is foreign to the MERCOSUR or associated countries, a justification may have to be invoked (for example, work or study reasons, family, etc.).
- Permanent residence: residence authorization granted to foreign citizens of any nationality who have the intention of permanently residing in Uruguay. It can be renewed with the renovation of the national ID. No sponsorship is required from local individuals or entities in order to be granted. If the individual is not a MERCOSUR or associated citizen, a proof of having enough means of living will be requested.
- Provisional Identity Sheet: work permit granted to foreign citizens that are required to work in Uruguay during a period of up to 180 days, renewable for an equal term during the same civil year. Sponsorship from a local company will be required for this permit to be granted. Additionally, it will allow the individual to request a Uruguayan ID and perform the corresponding social security payments.

3. Taxes levies on wages

3.1. Tax residence

An individual is considered a tax resident in Uruguay if they meet at least one of the following criteria:

- Stays in Uruguay for more than 183 days during the calendar year (including sporadic absences).
- The main core or base of the individual's activities or economic interests in the year is in Uruguay: this happens when the individual generates bigger volume income in Uruguay than in any other country. In addition, unless tax residency is proven in another country, it will be considered that the individual has economic interests in Uruguay if it has real estate investment or direct or indirect investment when it exceeds a certain threshold.
- The main core or base of the individual's vital interest is in Uruguayan territory: it is presumed that this happens when the individual has his spouse or minor children depending on him/her habitually reside in Uruguay unless there is any proof against.

3.2. Employment income tax

- Personal Income Tax: Tax resident individuals are subject to tax on their Uruguayan-source income. They are also subject to tax on certain income obtained abroad, such as yields of capital and work income, if certain conditions are met. Income subject to the tax is divided into the categories of capital gains (Category I) and labor income (Category II).
  The basic rate of personal income tax on capital gains and yields of capital is 12%.
- As from 1 January 2026, Budget Law No. 20,446 modifies the fiscal transparency regime applicable to Category I income. Under the updated rules, foreign-source yields of movable and immovable capital, as well as capital gains derived from such assets, obtained by non-resident entities (regardless of whether they are located in low or nil tax jurisdictions) or by entities mandatorily subject to Corporate Income Tax, are attributed to the Uruguayan Personal Income Tax taxpayer when the individual is the final beneficiary of the entity, holding at least

5% of the ownership chain. The taxable income will be determined in the original currency, converted into Uruguayan pesos at the exchange rate of the day prior to the sale, and calculated as the difference between the sale price and the acquisition cost, based on the documentation that the regulations will establish as valid to substantiate the cost. However, there is an option to determine taxable income using a notional value at an effective rate of 2.4% of the sale price (20% notional value on the sale price, taxed at 12%). It is stipulated that the option to apply notional value will be annual.

Tax on labor income applies to income derived from dependent or independent work. A specified amount of income is not subject to tax (84 Benefit and Contribution Bases – approx. USD 14,768). The tax is imposed at progressive rates ranging from 10% to 36%. Certain deductions are applied, among others, social security contributions and notional amount for their kids. Those deductions would be applicable at a rate of 14% if the nominal income is equal to or greater than 180 Benefit and Contribution Bases (approx. USD 31,647) or 8% for the remaining cases.

- Non-Resident Income Tax: Nonresident individuals are subject to Non-Resident Income Tax on their Uruguayan source income at a flat rate of 12% on gross income. No deductions are admitted.
- When non-residents become tax residents, they may have some benefits on the different types of income subject to certain conditions.

3.3. Social Security Contributions

When a worker carries out their labor activity in Uruguay, whether they are a Uruguayan fiscal resident or not, their activity and the associated income would be subject to Social Security Contributions, which will be charged to both the employee and the employer.

When non-residents become tax residents, they may have some benefits on the different types of income subject to certain conditions that apply depending on the date on which tax residence is acquired, in accordance with the changes introduced by the 2025-2030 Budget Law No. 20,446.

- Employee Contributions:
  - Pension fund 15% (capped). Rates should apply monthly up to Uruguayan Pesos 288,836 for year 2026 (approx. USD 7,137.). This amount is updated annually, circa February.
  - Health Insurance and Sick Pay: from 3% up to 8%, depending on the personal situation of the employee (uncapped)
  - Labor reconversion fund: 0.1% (uncapped)
- Employer Contributions:
  - Pension fund 7.5% (capped). Rates should apply monthly up to Uruguayan Pesos 288,836 for year 2026 (approx. USD 7,137). This amount is updated annually, circa February.
  - Health Insurance and Sick Pay: 5% (uncapped, not applicable for corporate directors)
  - Labor reconversion fund: 0.1% (uncapped)
  - Labor Credit Guarantee Fund: 0.025% (uncapped)
- Social Security Agreements: Uruguay has Social Security Agreements with various countries, which can benefit in the non-taxation of Social Security Contributions if the conditions for their application are met. Currently, the countries with which Uruguay has in force Social Security Agreements are the following: Argentina, Austria, Belgium, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, France, Germany, Greece, Israel, Italy, Luxembourg, Netherlands, Paraguay, Peru, Portugal, Quebec, Romania, Russia (not yet in force), South Korea, Spain, Switzerland, United States, Venezuela.

Financial Reporting

1. Financial Statements submission to Nation 's Internal Audit Authorities (AIN)

In Uruguay, current regulations establish certain conditions to determine which companies are required to submit their Financial Statements (FFSS) to the Nation 's Internal Audit (AIN), which constitutes the state control authority for this obligation. In this regard, Decree No. 156/016 establishes the general regime, where the following subjects should mandatorily comply with submitting their FS once a year:

- Companies whose total income, reflected in the income statement (P&L), at the end of each fiscal year, exceed 26,300,000 Indexed Units (USD 4,170,000 approximately, values from FY2025); or
- Companies that obtain income above 4,000,000 Indexed Units (USD 640.000 approximately, values from FY2026) at the end of each fiscal year, whenever at least 90% of those incomes are not Uruguayan sourced.

  Additionally, it is important to bear in mind that Decree No. 156/016 establishes certain sanctions and prohibitions in the event of non-compliance with the FS submission to AIN, such as:
  - Economic fines.
  - Prohibition of distributing profits until the FFSS are submitted.
  - Eventually, suspension of the Unique Certificate issued by DGI (which constitutes a certificate of being up to date with tax obligations) The maximum deadline for submitting the financial statements to the AIN is 6 months after the closing date of the fiscal year.

It is worthy to know that the FFSS submission process to AIN is carried out online; to this extent, the information to be submitted can be summarized as follows:

- Preparation of the FFSS with a specific AIN's format (including FFSS and Notes).
- Online submission of the required documents.
- Online signing of the documents by a legal representative of the company (*)
- Online signed report by CPA (*) – FFSS to be submitted should be accompanied by an Audit Report, a Limited Review Report or a Compilation Report, signed by local CPA.
- Online payment of issuance costs (approximately USD 15).

  (*) To carry out the mentioned online signature, it is necessary to have a digital signature certificate installed, which must be renewed annually.

2. Financial Statements submission to other public stakeholders

It is important to consider that, depending on the activity carried out by the company in Uruguay, it may also be required to submit the Financial Statements (FFSS) to additional public agencies or institutions. For example, companies categorized as "Financial Institutions" (regulated by local Central Bank), must submit their FFSS to the Central Bank of Uruguay (BCU), companies included in the meat industry, such as slaughterhouses, must submit their FFSS to the National Meat Institute (INAC), among other similar cases. Therefore, it is very important that companies are up to date with all legal requirements to be compliant with local regulations.

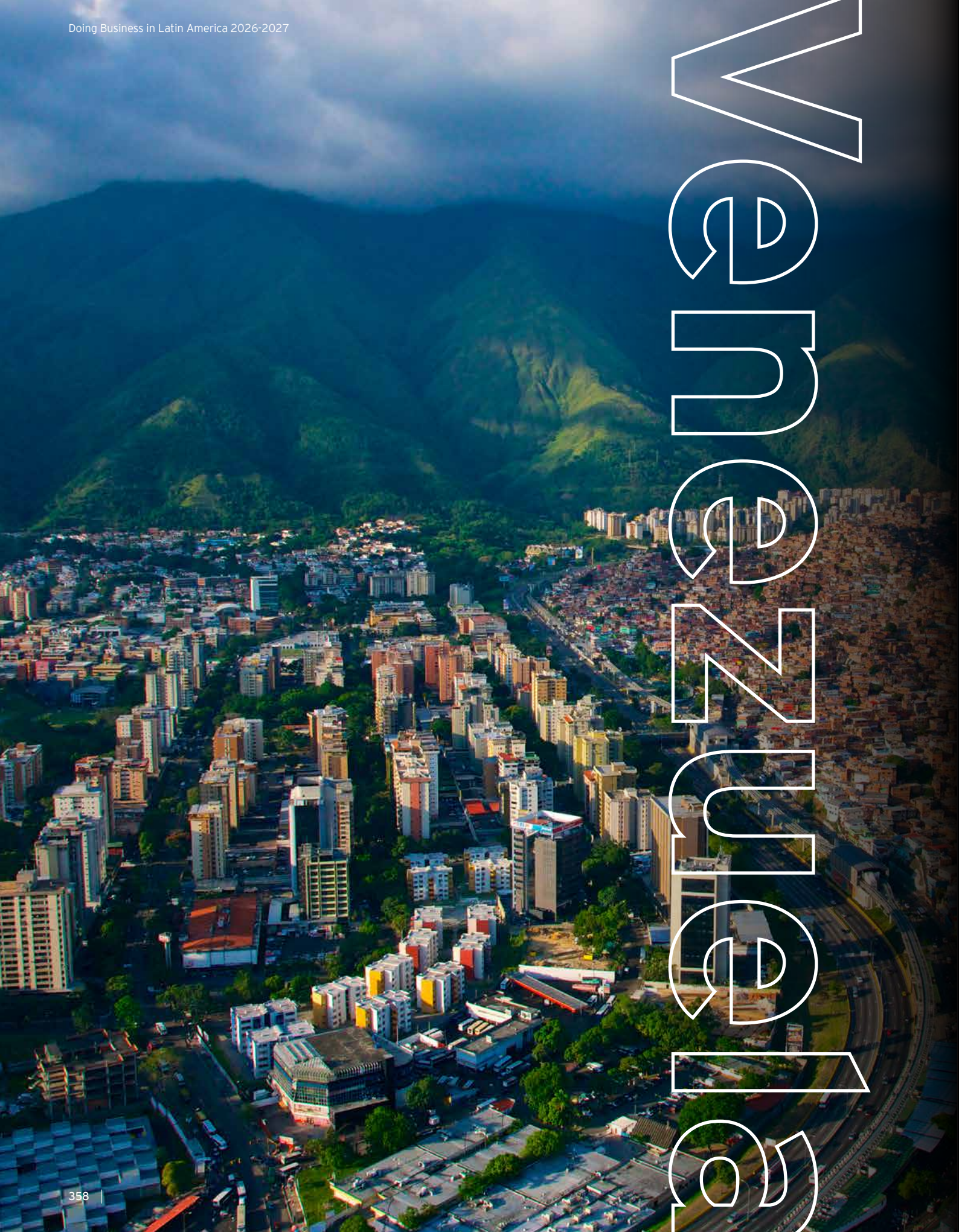
Moreover, the Tax Authority (DGI) has also capability to request that certain companies to submit their FFSS annually, depending on the taxpayer category assigned by DGI, which is set considering annual revenues, company's size, company's activity, among other aspects.

In this sense, according to Tax Authorities Resolution No. 1093/005, companies included in the group of "big taxpayers" must annually submit their Tax Return accompanied by their FFSS with an Audit Report, signed by local CPA.

In addition, companies classified as "CEDE" taxpayers group (smaller companies than "big taxpayers" group but also subject to closer Tax Authorities controls) should also have their FFSS accompanied by at least a Limited Review Report signed by CPA (Audit report is also accepted), but in this case must not be submitted annually, but it should only be available in case the Tax Authorities request it.



Venezuela



Message from EY Venezuela's Country Managing Partner

Venezuela, the South American country with the world's largest oil reserves (303 billion barrels), the #7 largest natural gas reserves (195 TCF) and with 300,000+ MT of rare earth element reserves (REEs) in the Orinoco Mining Arc, is located in the north of the continent, providing natural advantages for global commerce and integration. However, for years, political, economic, and social turbulence have held back its progress. Today, thanks to recent changes, a new opportunity for investment and business growth has emerged.

In the first quarter of 2026, Delcy Rodríguez's government, working in coordination with the United States after the renewal of diplomatic relations, began the recovery of the Oil & Gas sector. Production has increased to 990 thousand barrels per day (bpd), and projections estimate it will reach 1.3 million bpd in the next 18 months. At these production levels, up to $25 billion is expected to flow into the country. Along with US guidance, the current growth of the sector follows the framework set by the US Secretary of State Marco Rubio of three stages: stabilization, recovery, , and transition.

A key milestone in this transformation has been the reform of the Hydrocarbons Law, which now permits private sector participation through operating contracts and joint ventures. The National Assembly also approved reforms to encourage greater private and international involvement in the mining industry. This was accomplished by relaxing concession regulations and bolstering legal safeguards for investors, especially in the areas of gold, minerals, and rare earth elements. Additional legal reforms related to labor and housing are currently being reviewed. These adjustments forecast by the end of 2026 a 10% growth in GDP, a 30% expansion in the oil sector, cumulative inflation around 200%, and a reduction of the exchange rate gap to 10%.

Institutional reintegration within the global financial system is advancing, highlighted by the lifting of sanctions on individuals and institutions. Venezuela's return to the IMF and World Bank marks the first step toward restructuring a debt. This progress is reflected in a significant reduction in country risk index EMBI, which JP Morgan now values at 63%. Recently, the US Treasury has relaxed sanctions, allowing transactions in oil, energy, mining, logistics, and finance.

Operating in Venezuela involves navigating a volatile political landscape and persistent infrastructure constraints; however, these same conditions can create a distinctive window of opportunity, so business strategies should be tailored to today's realities to capture near-term wins while positioning for sustainable long-term growth.

Therefore, it is crucial to understand the regulatory framework and compliance requirements from the pre-landing stages up to the full business establishment. This guide will provide helpful insights into the understanding of the opportunities ahead. We are available to assist you throughout this process.
Sincerely,

Alberto Afiuni

Country Managing Partner EY Venezuela



Overview

Venezuela, in northern South America, stretches from the Caribbean coast to the Andes. Caracas is its political and cultural capital. Other key cities are Maracaibo, known for its oil industry, Valencia for its industrial and commercial activity, and Mérida for its natural beauty and universities. The Venezuelan population, with indigenous, African, and European influences, expresses its culture through music, dance, gastronomy, and festivities. Its natural resources include oil, gas, minerals, and rivers, driving sectors such as mining, agriculture (cocoa, coffee), and manufacturing.



Population
26,674,000 (2025)[1]
Urban[2]: 89.3%
Rural[2]: 10.7% (2024)



Main language
Spanish
Other languages: Indigenous languages in their respective communities, including Wayuu, Warao, Pemón, Yanomami, Kariña and Piaroa.



Area[2]
916.445kms[2].



System of government[4]
Presidential federal republic
Acting President: Delcy Rodríguez
Next elections: TBD



Climate[3]
Tropical in the lowlands and coastal areas, cooler in the Andean Mountain regions, and hot and humid in the Amazon region[4]



International Time[5]
GMT-4 (All Venezuela)



Currency[6]
Bolívar
US$1 = VES 36.82 (Sep. 30, 2024)



GDP current prices[1]
USD $99.7 Bn. (2025)



GDP per capita (PPP)[1]
USD $8,910.6 (2025)



Key sectors[7]
Venezuela stands out ins sectors such as oil, gas, construction materials, food processing, textiles, iron, mining, steel, and aluminum.

Why invest in Venezuela?

Ranked 1st

in crude oil reserves, 1st in natural gas reserves, 3rd in crude oil production, and 4th in natural gas production in Latin America[8].

Oil production

has recovered to over 1 million barrels per day in 2025 and is expected to continue increasing in the near term, supported by improved operational capacity and renewed investment[12].

Diverse mineral resources, including coal, gold (one of the largest reserves), iron, and bauxite. It also has a high potential for agricultural, livestock, and fishing development[9].

Venezuela's economy

has shown signs of gradual recovery, with GDP growth reaching 4.5% in 2025 and projected at 3.5% in 2026, reflecting improving macroeconomic conditions[10].

Venezuela is experiencing

a significant economic reopening following the supervised political transition that began in early 2026.

A high-upside

investment destination, following an economic contraction of approximately 70–80% of GDP between 2013 and 2020[10].

Venezuela requires

extensive infrastructure reconstruction, including roads, ports, power generation, water systems, and telecommunications[11].

1. World Economic Outlook Database (April 2026), IMF.
2. DataBank, The World Bank Group.
3. Country information, DatosMundial.com.
4. Government - Politics, CountryReports.com.
5. World Time Directory, 24timezones.com.
6. Exchange Rates Database (April 2026), IMF.
7. Country information, Encyclopedia Britannica.
8. Annual Statistical Bulletin. OPEC. (2025).
9. National Counsel for Investment Promotion (Conapri), Government of Venezuela.
10. IMF World Economic Outlook, 2026
11. Interstice Digital
12. Americas Quarterly, April 2026

Country's economic outlook

Venezuela presents a mix macroeconomic environment, characterized by significant structural challenges alongside substantial long-term investment potential. The country holds the world's largest proven oil reserves and is also endowed with abundant natural resources, including natural gas, gold, diamonds, and bauxite, as well as extensive areas of fertile land suitable for agricultural development.

After years of severe economic contraction, the Venezuelan economy has entered a gradual recovery phase. Growth resumed in 2021 (1.0%), accelerated to 8.0% in 2022, and remained positive in 2023 (4.0%) and 2024 (5.3%). However, economic activity moderated in 2025, with GDP growth slowing to 1.5% and output reaching approximately USD 99.7 billion, reflecting ongoing adjustments and structural constraints. GDP per capita (PPP) stood at USD 8,910.6 in 2025.

Inflation remains a key challenge despite significant progress from hyperinflation levels exceeding 1,000,000% in 2018. Inflation declined to 47.9% in 2024 but rose again to 475.3% in 2025, underscoring the fragility of macroeconomic stabilization. The IMF projects a decline to 25.0% in 2026, contingent on continued policy adjustment and improved macroeconomic management.

Recent policy shifts have contributed to partial stabilization, including increased openness to foreign investment, the easing of price controls, and greater flexibility in currency use, supporting a gradual normalization of private sector activity.

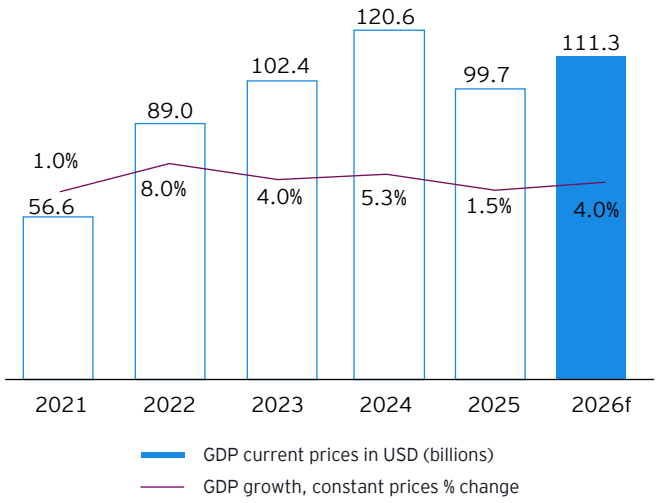
Venezuela presents high-risk, high-return opportunities, particularly in energy, mining, and infrastructure, supported by its resource base, underdeveloped assets, and the potential for medium-term economic normalization.

Table 1

Main Indicators	Venezuela
GDP current prices USD bn. (2025)[1]	$99.7
GDP growth, constant prices % change (2025)[1]	1.5%
Gross domestic product per capita, current prices USD (PPP) (2025)[1]	$8,910.6
Inflation, year-end consumer prices (2025)[1]	475.3%
Fiscal balance (net lending (+) or net borrowing (-) of general government; % of GDP) (2025)[1]	-5.8%
Public debt (General government gross debt, % of GDP) (2025)[1]	308.7%
Current account (% of GDP) (2025)[1]	2.4%
Investment (% of GDP) (2025)[1]	n/a

Sources: 1. World Economic Outlook Database (April 2026), IMF; 2.The World Bank Group.

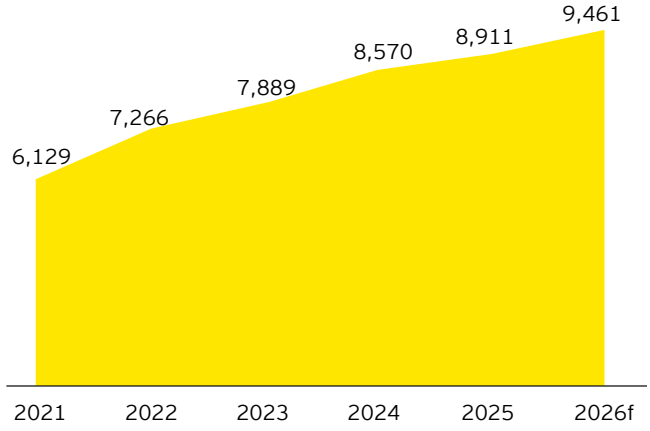
Figure 2:
Gross domestic product, levels and growth



Source: World Economic Outlook Database (April 2026), IMF.

The economy began to stabilize in 2021, returning to positive growth of 1.0%, followed by a strong rebound to 8.0% in 2022 and continued expansion of 4.0% in 2023. Growth remained solid in 2024 at 5.3%, before moderating to 4.5% in 2025. For 2026, the IMF projects a further deceleration to 3.5%, although forecasts remain subject to significant uncertainty given limited data availability and persistent structural constraints.

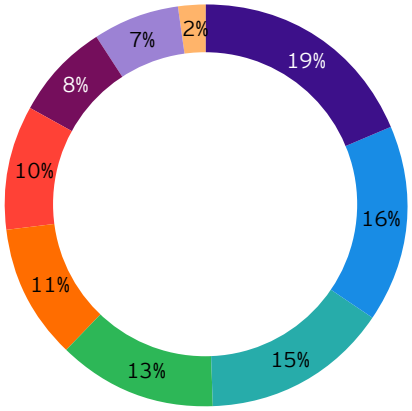
Figure 3
Gross domestic product (GDP), Per capita, (PPP) international dollar, ICP benchmarks 2017-2021



Source: World Economic Outlook Database (April 2026), IMF.

Venezuela's GDP per capita in PPP terms declined from USD 18,851 in 2013 to a low of USD 5,729 in 2020, but has recovered gradually, reaching USD 8,911 in 2025, still far below pre-crisis levels. For 2026, the IMF projects USD 9,461.

Figure 4
Share of gross domestic product by economic sector in 2018 (current prices in USD)



- Public administration, defense, compulsory social security, education, health and social services, and other community, social and personal services
- Manufacturing industries
- Financial intermediation, real estate, business, renting and leasing activities
- Mining and quarrying
- Transportation, warehousing and communications
- Wholesale and retail trade, repair of goods and hotels and restaurants
- Construction
- Agriculture, hunting,hunting, forestry, and fishing
- Electricity, gas and water supply

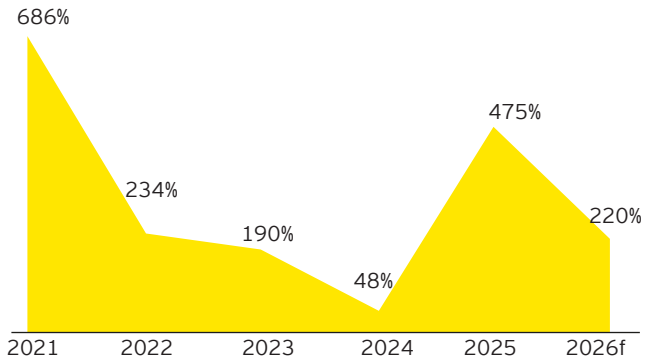
Source: CEPALSTAT (April 2026), ECLAC. (2018), ECLAC *No more recent data are available for Venezuela.



The sectors that contribute most to Venezuela's GDP are public administration, defense, healthcare, and social services (19%), followed by manufacturing industries (16%). Financial intermediation, real estate, and business services account for 15%, and mining and quarrying for 13%. Transportation and communications and wholesale and retail trade follow in relevance.

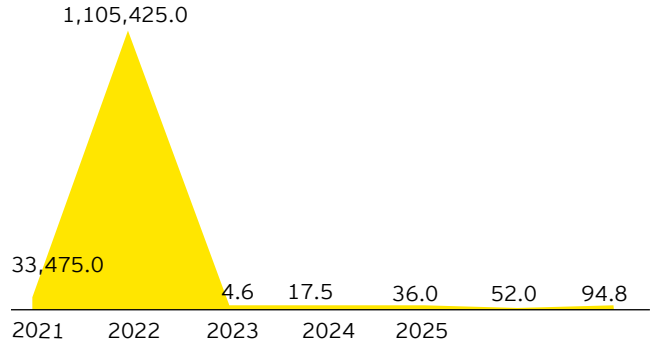
Figures 5 and 6:

Inflation (end of period consumer prices, % change)



Source: World Economic Outlook Database (April 2026), IMF.

Exchange rate of foreign currency (USD/VES, end of period)



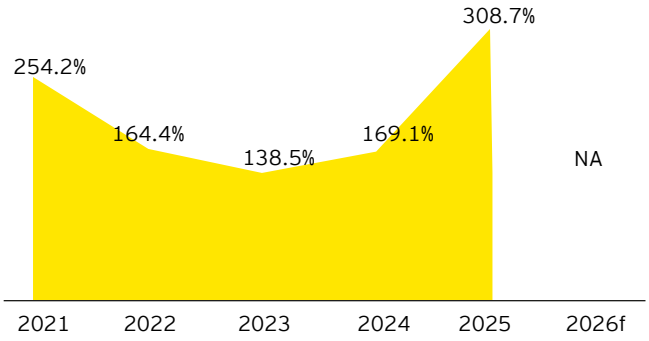
Source: Exchange Rates Database (April 2026), IMF.

Venezuela experienced a prolonged period of hyperinflation between 2018 and 2020. While inflation moderated significantly in the following years—declining to 190% in 2023 and further to 48% in 2024—price pressures resurged sharply in 2025, with year-end inflation reaching 475%. This reversal highlights the fragility of recent stabilization efforts. Looking ahead, inflation is projected to ease to around 220% in 2026.

Since 2018, Venezuela's currency has undergone multiple redenominations due to hyperinflation. The bolívar soberano (Bs.S) was introduced in August 2018, removing five zeros from the previous currency. In 2021, a new redenomination led to the introduction of the bolívar digital (Bs.D), which eliminated an additional six zeros. Despite these changes, the currency continues to be commonly referred to simply as the bolívar (Bs.).
At the same time, Venezuela has experienced a process of de facto dollarization, with the widespread use of foreign currency—primarily the U.S. dollar—in everyday transactions.

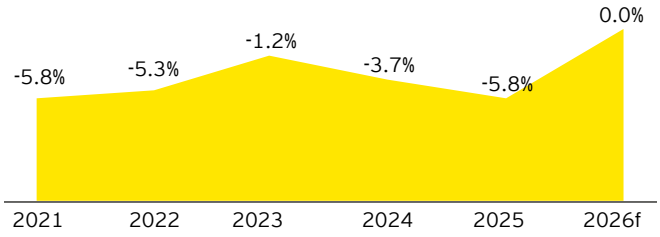
Figures 7 and 8:

Public debt (General government gross debt, % of GDP)



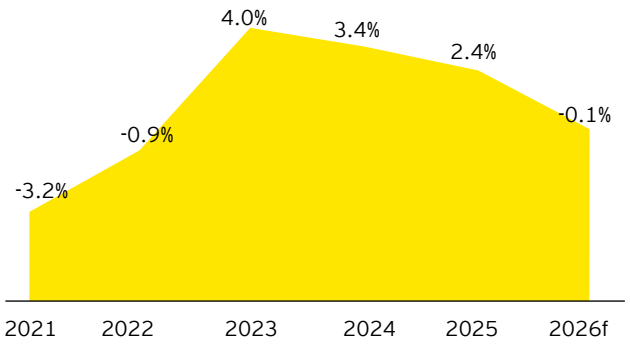
Source: World Economic Outlook Database (April 2026), IMF.

Fiscal balance (net lending (+) or net borrowing (-) of general government, % of GDP)



Source: World Economic Outlook Database (April 2026), IMF.

Figure 9:
Current account (% of GDP)



Source: World Economic Outlook Database (April 2025), IMF.

Venezuela's public debt has increased sharply in recent years, rising from 138.5% of GDP in 2023 to 169.1% in 2024 and reaching 308.7% in 2025, reflecting mounting fiscal pressures and the contraction of the GDP base.
Venezuela's current account recorded a surplus of 3.1% of GDP in 2023, supported by oil export revenues. In 2024, the surplus continued, and in 2025 it reached 2.8%. For 2026, the IMF projects a surplus of 2.5%.



Venezuela has a vast number of resources and great potential for exploitation in areas such as oil and gas, mining, agriculture, tourism, among many others. The country also boasts a young and educated population and is situated in a strategic geographic position for trade, should the situation improve.

Despite its complex political and economic climate, recent years have seen improvements in economic performance, with positive growth figures and a more controlled inflation that, while still very high, has managed to decrease.



Establishing a business in the country

1. Types of Companies

Venezuelan law offers a variety of business forms, including sole proprietorships, several forms of partnerships and corporations.

In general, business activities can be carried out in Venezuela by means of (i) a stock corporation, (ii) limited liability corporation, (iii) general partnership, (iv) commandité company, (v) stock commandité company, (vi) sole proprietorship, temporary association, (vii) branches of foreign corporations, among others.

In accordance with the Venezuelan Mercantile Code[1], companies incorporated and domiciled in Venezuela, as well as companies incorporated abroad but domiciled in Venezuela must keep legal and accounting books. For the Corporations, Limited Liability Company and Stock Commandité Companies said books are:

- Shareholders (or members, or partnership) Book.
- Book of Shareholders' (or partners) Meeting Minutes.
- Book of Board of Directors' Meeting Minutes.

For all companies or partnerships, they must have:

- Journal entries Book.
- General Ledger Book.
- Inventory Ledger Book.

Additionally, Value Added Tax (VAT) legislation establishes that taxpayers have to keep the (i) Purchases Ledger Book and the (ii) Sales Ledger Book.

Venezuelan entities have to keep its account records according to Venezuelan General Accepted Accounting Principles.

Now, the following are the different types of companies that can be constituted in Venezuela, according to Venezuelan legislation.

1.1. Corporation (Compañía Anónima - C.A. o S.A.)

Corporations are the most widely used commercial entities in Venezuela, mainly because they constitute separate legal entities from that of their shareholders, have no limitation on the amount of capital (no minimum or maximum amount of capital), and, the shareholders' liability before third parties for the company's obligations is limited to the amount of their capital contribution.

They are usually managed by a Board of Directors. However, there is no limitation on the administration of the company, it could be administered by one administrator, two (2) or by a corporate body, such as a board of directors. The Directors of the company may or not be shareholders of the same.

For their formation, corporations require at least two (2) shareholders that may be individuals, corporations or partnerships, national or foreign, residents or non-residents of Venezuela. Notwithstanding the above, once the corporation has been created, it may exist and carry our commercial activities with a sole shareholder.

The Venezuelan Mercantile Code does not establish a minimum or maximum capital requirement. Therefore, the shareholders may contribute the amount of capital (in cash or in kind) that they desire. However, when determining the way in which the company will be financed (capital and/or liabilities) it will be necessary to take into account the provisions contained in the Mercantile Code and in the Income Tax (IT) Law in this regard.

At the time of registration of the corporation, the capital must be totally subscribed and at least twenty percent (20%) paid.

Shareholders' liability before third parties, for obligations acquired by the company is limited to the amount of their capital contribution. The company's liability before third parties is unlimited, responding with its current and future assets.[2]

1.2. Limited Liability Company (Sociedad de Responsabilidad Limitada – SRL)

Limited liability companies (SRL) are legal personae, separate from that of its partners. The use of SRLs was, until recently, limited to small businesses since the maximum capital amount of these types of entities is Bs. 0.02 (currently equivalent to USD 0.000000007). However, the use of these entities has increased, especially as a result of the check-the-box rules of the United States of America. SRL's qualify under these rules as a check-the-box entity. Additionally, it is relevant to mention that SRLs, due to the maximum capital amount, may face business barriers when trying to engage in business with governmental entities.

1.Official Extraordinary Gazette No. 475, published on December 21, 1955

2. MORLES HERNANDEZ, Alfredo. Ob. Cit. Page 1516.

The entity's capital is divided in quotas of participation, which in no case may be equivalent to an amount lower than Bs. 0.00001 (currently equivalent to USD 0.0000000000037)[3]. The quotas may not be represented by shares.
The minimum capital requirement is of Bs. 0,0002 (currently USD 0,00000000007) and the maximum capital is Bs. 0,02 (approximately USD 0,00000007). A minimum of fifty percent (50%) of the capital contribution made in cash must be paid; and those contributions made in kind must be wholly paid.
The company's obligations are guaranteed by its capital. It is liable without limits and will respond with all its present and future assets. The quota holders' responsibility before third parties is limited to the amount of capital contribution into the company.

1.3. Partnership (Sociedad en Nombre Colectivo)

The partnership is an association of persons in which the partners that subscribe the association agreement, or that allow the use of their name in the denomination of the company, are joint, several and unlimitedly liable for all the obligations of the partnership. It is relevant to mention that any person that is not a partner of the entity, but that uses his/her name or allows the use of their name in the partnership's name will be deemed be jointly and severally liable for the partnership's obligations before third parties.
Each partner acts as an agent for the company, with the authority to sign contracts for the purchase and sale of goods and services. The partner that contributes assets to the company, transfers the ownership of said to the partnership.
The management or administration of this type of entity may be performed by one or more administrators, who may be or not be a partner of the company. If no administrators are appointed, all partners will take part in the administration.
Partners are unlimitedly liable for the obligations acquired by the entity.

1.4. Commandité Company (Sociedad en Comandita Simple)

Commandité Companies are those companies in which the obligations are guaranteed by the unlimited and joint liability of one or more partners, denominated general or active partners; and by the limited liability of one or more partners called silent partners. Silent partners' liability is limited to their capital contribution.
It constitutes a legal entity different from its partners, and carries out business with its own equity and a trade name. The entity's denomination may only contain the names of the general or active partners. If the silent partners were to allow their names to be included in the entity's denomination, they will become joint and severally liable for the obligations of the company. Silent partners shall not be involved in the administration of the company, as this corresponds to the managing partners. If the silent partners participate in the administration of the entity, they will become joint and severally liable for the obligations of the company.
Active or managing partners are entitled to administer the business within the limits established in the entity's creation agreement. The Commandité Companies' responsibility before third parties is covered first by its equity and second by the equity of the active or general partners. Creditors may not attempt actions against the latter without first pursuing payment by the company.

1.5. Stock Commandité Company (Sociedad en Comandita por Acciones)

The nature of this company is quite similar to a Commandité Company, the basic difference between the Stock Commandité Company and the Commandité Company, is that in the former the interests of the silent partners may be represented by shares. Shares of a silent partner may be transferred without restriction. Shares of an active or general partner, on the other hand, may be transferred only with the consent of all other general partners. On the other hand, in the case of the Commandité Company, interests in the company are not represented by freely transferable stock and all transfers of a partner's equity interest must be approved by the other partners.

3. Article 316 of the Mercantile Code: The fees will be of the same amount and, in no case, less than one thousand bolivars. If the fee is higher than the minimum, it must be constituted by a multiple of one thousand bolivars. If the value of a contribution in kind is not enough to cover the minimum amount, the difference must be covered in cash.

The Stock Commandité Company is administered with a trade name that may only contain the name of the partners with unlimited liability, which are the active or general partners who manage the entity.

1.6. Association Agreement (Contratos de Cuentas en Participación)

Association agreements are joint ventures in which a businessman or company (denominated associating party) grants to one or more persons/entities (denominated participants or associates) participation in the profits or losses of a line of business or of the business, in exchange of the associate's contribution (cash or in kind contribution) to the line of business or business of the associating party.

Association agreements are not legal entities, but rather an agreement between the associating party and its associate. The associate is not required to participate in the management and administration of the business.

The associating party, when contracting, does so, on its own name and behalf, even when transactions relate to the business in which the associate is participating.

The distribution of the profits or losses of the line of business or business to which the association agreement relates shall be distributed according to the terms established in the association agreement.

1.7. Consortia (Consorcios)

Unlike other countries, Venezuelan commercial legislation does not specifically regulate Consortia. Consortia are defined in the Income Tax Law[4], which establishes that a consortium is a group of companies organized with the purpose of jointly performing an economic activity. Having been organized to perform a concrete economic activity, once this is completed, the consortium is extinguished[5].

Each party in the consortia ("Consortium member") maintains its own identity and juridical independence. Thus, the Consortium agreement does not give rise to a legal entity; on the contrary, it has no legal status. Therefore, the obligations acquired by the consortium are directly imputable to the consortium members, who are jointly liable before third parties' creditors or contractors of the consortium.

1.8. Branches of Foreign Companies

Any company domiciled abroad may register a branch in Venezuela in order to conduct business in the country. In this regard, according to the Venezuelan Mercantile Code, companies incorporated abroad with a branch in Venezuela maintain their nationality but are considered domiciled in Venezuela.

Any person that enters into an agreement on behalf of an unregistered foreign company is personally liable for any obligation arising in Venezuela from such contract [6]. The third party is able to elect to sue either the representative or the company itself.

1.9. Joint Ventures or Mixed Companies

Finally, we consider necessary to mention the existence of certain companies, namely, Joint Ventures or Mixed Companies, which have been established for carrying out activities in sectors considered as priority for the Venezuelan economy as mining and hydrocarbons.

A mixed company is not an additional legal form of entity, they are corporations (C.A.) in which private investors participate (in less than 49% of the capital of such entities) with the Bolivarian Republic of Venezuela through wholly owned subsidiaries in an extent of the capital of the mixed company that shall exceed fifty one percent (51%).

4. Official Extraordinary Gazette No. 6,210, published on December 30, 2015.
5. MARCANO, LUIS JOSÉ, quoting by Guilliod Troconis, Guillermo "Consideraciones sobre el tratamiento de los consorcios en materia de Impuesto sobre la Renta" Revista de Derecho Tributario N°74, First Quarter 1997.
6. Article 357 of the Mercantile Code: All those who contract on behalf of companies incorporated abroad and not duly registered in Venezuela are subject to personal and joint liability for all obligations contracted in the country, without prejudice to third parties being able to sue the company itself, and request the execution of the assets that appear in its name.

Tax Regime

1. Tax and Customs Regime Description

1.1 Taxpayer Identification Number

Individuals, corporations and entities, domiciled or not domiciled in the country, that conduct business in Venezuela are required to obtain a Taxpayer Identification Number (RIF).

The sole fact of having a taxpayer identification number (RIF) is not a per se condition for being considered as a taxpayer, neither generates tax implications.

1.2. Income Tax (IT) Treatment of Different Legal Entities

Corporations, Limited Liability Companies (SRL), Stock Commandité Companies, Branches and Permanent Establishments of Foreign Companies are subject to IT at progressive tax rates up to a maximum of thirty-four percent (34%).[1]

Partnerships, Commandité Companies and Associations are not considered as separate taxpayers, therefore, these will not be directly subject to payment of the tax on their net taxable income (pass-through entities), because the tax shall be paid by the partners according to their participating percentage and based on the applicable tariff.

The same treatment corresponds for Consortia. Each of the members of the Consortium must report the portion of the net income or loss corresponding to their participation percentage and pay the corresponding tax.

Consortium members must designate a representative for fiscal purposes, that will in charge of (i) determining the net income or loss of the Consortium; (ii) informing the Tax Administration the way in which the income or loss was determined and distributed, identifying each of the Consortium Members with their respective RIF and fiscal domicile. In the cases of Joint Venture Agreements, the associating party and associate must calculate in their respective annual tax periods the relevant portion of income or loss that resulted from the business or line of business.

Rates are expressed in tax units (T.U.) the current value of which is Bs. 20,000.00[2]. The tax unit (T.U.) value is adjusted annually to inflation according to the consumer price index of the immediate prior year.

2. Determination of Taxable Net Income and calculation of IT

Entities subject to IT on worldwide income shall determine their Venezuelan net taxable income separate from their foreign source net taxable income. In the determination of the entities Venezuelan source net taxable income, only costs and expenses incurred in Venezuela will be allowed, provide the conditions established in the IT Law and regulations are met. Likewise, in the determination of foreign source net taxable income, only costs and expenses incurred abroad may be deducted, provided relevant conditions are met.

The entities worldwide net taxable base, subject to the IT rate, will be the result of adding the Venezuelan and foreign net taxable income.

3. Adjustment for the Effects of Inflation

The IT Law establishes a system of adjustments for inflation, applicable on non-monetary assets and liabilities as well as on fiscal net equity. The net result of the adjustments will be the increase or decrease of the net taxable income.

Non-monetary assets are those items in the Historical Balance Sheet of the taxpayer which value, due to their nature or characteristics, are susceptible to protection from inflation, such as inventories, merchandise in transit, fixed assets, buildings, land, machinery, furniture, equipment, construction in progress, permanent investments, deferred charges and credits and intangible assets.

On the other hand, monetary assets and liabilities are those items in the balance sheet of the taxpayer that represent nominal values in national currency that at the time of their disposal or liquidation are realized at the same historical value recorded in books.

1. Note that in case of insurance, re-insurance, financial and banking sector entities, the proportional income tax rate of 40% will be applicable, in accordance to the amendment of the Income Tax Law published in Official Gazette Nº 6.210 dated December 30, 2015.

Description	Rate
For the fraction up to 2,000 T.U.	15%
For the fraction between 2,000 and 3,000 T.U.	22%
For the fraction exceeding 3.000 T.U.	34%

2. Currently the value of the Tax Unit is Bs. 20,000.00 equivalent to USD 0,0075 calculated at the CBV published exchange rate of Bs. 2.647.851,66 per 1 USD.

Net Equity is understood as being the difference between total assets and liabilities, monetary and non-monetary.
The adjustment for inflation includes an initial adjustment for inflation of non-monetary assets in the fiscal balance sheet of the taxpayer. This adjustment results in an increase in the amount of Net Equity and represents an initial point of reference for the regular adjustment for inflation.
Taxpayers carrying out commercial, industrial, exploitation of mines and hydrocarbons and connected activities are required to make the initial adjustment at fiscal yearend. For this purpose, the taxpayers must first register in the Updated Assets Register (RAA).
Registration in the RAA will cause a tax of three percent (3%) on the value of the initial adjustment for inflation of the depreciable fixed assets.
This tax can be paid in up to three (3) equal and consecutive portions in the fiscal years starting from the registration in the RAA.
For FY initiated after December 31, 2015, taxpayers qualified as "special taxpayers" (high level of income taxpayer) are excluded from the application of the Tax Adjustment by Inflation regime.

4. Specific Rules Applicable to Permanent Establishments

In order to determine the net revenues of a permanent establishment, the IT Law allows for deduction of management and general administrative expenses (overheads), whether incurred in the country or abroad.
However, payments made by the permanent establishment to the home office or any of its branches, affiliates, subsidiaries, head office or related companies for royalties, interest, fees, technical assistance or similar payments in exchange for the right to use patents or other rights, or in the form of fees or commission, for services rendered or processes performed, shall not be deductible, except for payments made as refunds of expenses.
The deduction of management and general administrative expenses is subject to concurrent compliance with the following requisites:

- The expenses must be reflected in the financial statements of the permanent establishment.
- The permanent establishment must attach to the final IT return the criterion for allocation of expenses authorized by the tax administration[3].
- The criterion of allocation must be rational and permanent. The rationality of the criterion of allocation is understood to be when it is based on the degree of use of the factors by the permanent establishment and on the total cost of such factors and permanent is understood to mean as constant over time.

In order to obtain approval for the allocation criterion, the method to be used for allocation of administrative and management expenses must be communicated and subject to the Tax Administration approval within the sixty (60) business days following the beginning of the corresponding fiscal year. The Tax Administration must respond to such request within a term of ninety (90) business days.

5. Transfer Pricing

The Venezuelan legislation contemplates transfer pricing rules for transactions with foreign related parties (i.e., a party that directly or indirectly participates in the management, control or capital of the Venezuelan company, or when the same persons participate directly or indirectly in the management, control or capital of the companies involved in the particular transaction).
Parties located in a "tax haven" jurisdictions are deemed to be related, so the transfer pricing principle of "arm's length" applies to all transactions conducted with them.
The transfer pricing regulations adopted as supplementary regulations the Guides to Transfer pricing of the Organization for the Economic Cooperation and Development (OECD).
According to the transfer pricing regulations, all transactions between related parties must comply with the arm's length principle. In this way, it is mandatory for taxpayers to employ the methodology established for transfer pricing analysis in order to verify that their income, costs and deductions comply with such principle.
The methods accepted internationally are the following:

- Comparable Uncontrolled Price Method;
- Resale Price Method;
- Cost Plus Method;
- Profit Split Method;
- Transactional Net Margin Method.

3. For the attribution to overhead cost and expenses to the permanent establishment the Venezuelan Income Tax Legislation allows the use of the Report on Attribution of Profits to Permanent Establishments issued by the Organization for the Economic Cooperation and Development.

The IT Law establishes that application of the uncontrolled comparable price method is considered the applicable method. The use of any other method will be evaluated by the Tax Administration according to the characteristics of the transaction and the economic activity developed.
Transfer pricing regulations require detailed documentation and information related to each of the inter-company transactions or type of transaction.
The IT Law also requires that all taxpayers file a transfer pricing informative return (PT-99). The transfer pricing return must be filed six (6) months after the fiscal year end.
The Master Tax Code [4] empowers the Tax Administration to determine the income and deductions of the taxpayers that have not met the analysis in accordance with the transfer pricing methodology.
In the event of an adjustment that increases the taxable net income, the taxpayer shall be subject to payment of unpaid tax, a fine that ranges between twenty five percent (25%) and two hundred percent (200%). Likewise, in the case of failure to comply with the method established in the IT Law, a fine ranging between three hundred and five hundred tax units (300 T.U. and 500 T.U.) may apply.

6. Thin Capitalization Rules

In February 2007, a partial amendment of the IT Law was published[5], said amendment establishes that the interest paid to entities considered as related parties shall be deductible only so far as the amount of debt obtained with related and independent parties does not exceeds the net equity of the taxpayer.
For purposes of determining whether the amount of the debts exceeds the net equity of the taxpayer, the annual average balance of debts held by the taxpayer with independent parties will be subtracted from the annual average balance of the net equity of the taxpayer. In addition, the amount of debts that exceeds the net equity of the taxpayer will be characterized as net equity for all purposes of the IT Law.

7. Carryforward Losses from Previous Years

Operating losses from Venezuelan source may be carried forward for three (3) years, but the attribution may not exceed twenty five percent (25%) of income obtained in subsequent periods. No carry-back is permitted.
Offsetting of losses against gains between different sources (foreign and local source income) is not allowed.
IT is calculated using the accounting information prepared in accordance with Venezuelan General Accepted Accounting Principles; said principles establish the obligation of registering the entries and all accounts in Venezuelan currency.

8. Investment Tax Credits

From the most recent amendment of the IT Law approved in 2015, new investments tax credits were eliminated.

9. Final and Estimated Income Tax Returns

Entities must file an annual final IT return within the three (3) months following the end of the fiscal year. They may choose the calendar year as the fiscal year or any other twelve-month period. Taxpayers are under the obligation to file an estimated return at the sixth month of a fiscal year, when the net taxable income of the prior year, exceed one thousand five hundred tax units (1,500 T.U.).
To determine the estimated tax, eighty percent (80%) of taxable net income from the previous year must be considered and seventy five percent (75%) of the tax resulting from such calculation must be fractionated and paid in six (6) monthly installments.

10. Tax on Dividend Income

The taxable base for dividend income established in the Venezuelan IT law is represented by the difference between the payer's net financial income (not exempt nor exonerated) and its net taxable income.
That income approved by the Shareholders' Meeting based on the Financial Statements prepared in accordance with Generally Accepted Accounting Principles (VENGAAP) is considered "net financial income". While the "net taxable income" is that on which IT is levied.

4. Official Extraordinary Gazette No. 6,507, published on January 29, 2020.
5. Official Gazette No. 38,628, published on February 16, 2007



Dividend income is subject to IT at a thirty four percent (34%) flat rate and is subject to withholding by the company paying such dividend at the time of the payment is made or when credited to account.
Dividends received by Venezuelan entities or individuals from companies incorporated abroad will be subject to a proportional tax of thirty four percent (34%), with the beneficiary of the dividend being able credit IT paid abroad on such income.
Lastly, with regard to the dividends paid in shares, these will be subject to an advanced tax of one percent (1%) of the value of the deferred dividend. Individuals and entities that receive dividends in shares must declare and pay the IT calculated at the above mentioned flat rate on the dividend at the time the shares are sold.

11. Branch profit tax

Foreign companies with permanent establishment in Venezuela are required to pay a thirty four percent (34%) IT on financial income (not exempt or exonerated) that exceeds the net taxable income of the permanent establishment in the fiscal year. Such excess is deemed as a dividend payment at fiscal yearend, regardless of its distribution.
IT will not apply on the branch profit tax in those cases where it can be proved, to the satisfaction of the Tax Administration that the difference between net financial income and the net taxable income was reinvested in Venezuela for a five-year period. The reinvestment shall be certified by independent public accountants.
Lastly, the reinvestment must be made within the first six (6) months of the fiscal year following that in which the profit was caused.

12. Income Tax Withholdings

The IT Law establishes the obligation for the debtor and payers of certain concepts of income, to withhold IT when payment is made or when credited to account 27. IT withheld shall be remitted to the tax administration within the first three (3) business days of the calendar month following the month in which payment or credit to account was made. The IT withholding rates vary depending on the type of taxpayer (individual or corporate entity) and its residence status.
Please consider that the IT withholding rates established in the Venezuelan IT Legislation could be reduced depending on the dispositions established in the Double Taxation Treaty (DTT) signed between Venezuela and the country of residence of the beneficiary of the payment.
The IT withheld is an advance payment of the taxpayer's final IT liability.

13. Tax Credit (Rebates)

Per year, tax residents are entitled to personal tax credit of up to ten tax units (10 T.U.). Also, they are allowed to have a tax credit (rebates) of ten tax units (10 T.U.) for their spouses without separate community property, ten tax units (10 T.U.) for each dependent ascendant in the country and for each dependent descendent up to twenty five (25) years of age or in those cases where such dependent is unable to work.
In addition to the foregoing, and in order to determine the territorial source taxable income, other than salaries and wages, note that costs and expenses incurred in Venezuela shall be considered as long as these are deemed normal, necessary and linked to the activity rendered.
Note that when determining the net IT of the fiscal year, resident taxpayers shall not compensate territorial or extraterritorial losses with income from a different source; for this reason, taxpayer are solely obliged to pay taxes for positive income, either from national or foreign source.
With respect to losses, note that according to the Venezuelan IT Law net losses arising from Venezuelan or foreign source may only be compensated for up to three years from the year in which losses were caused, with income derived from the same source.
In regard to tax credit, note that tax residents in Venezuela may credit against Venezuelan IT for extraterritorial income purposes, the IT effectively paid offshore only up to the concurrence with the amount of the Venezuelan IT that such foreign income would generate in the country.
In these cases where the taxpayer has excess foreign tax actually paid and not credited, such amount may be treated as a tax credit for the following tax year. After such period, taxpayers shall no longer be allowed to use the foreign tax credits in Venezuela.

14. International Tax Treaties

Currently, Venezuela has signed thirty-three (33) bilateral IT Treaties (ITT)[6].

The ITT provisions prevail over those contained in internal legislation, as established in the Constitution and the Master Tax Code.

15. Value Added Tax (VAT)

Taxable events subject to this tax are the sale of tangible property, the final import of goods, the rendering of services in exchange for payment, the export of tangible property and the export of services. It also includes the rendering of independent services executed or used in the country, including those from abroad.

Currently the VAT rate is 16%.

15.1. VAT Taxpayers and Responsible Parties

Frequent importers of goods, factories and companies engaged in the trade of goods, businessmen, service providers and, in general, all individuals and entities that as part of their business carry out the activities that constitute taxable events qualify as VAT ordinary taxpayers.

Importers of services are responsible for payment of the VAT levied on such transaction. The recipients of the services are obligated, as responsible parties, to declare, report and pay the tax on importation, once paid it will represent a VAT credit for the importer, who may use it to offset its VAT debits.

15.2. VAT Withholdings

The taxpayers qualified as "special" will act as withholding agents for the VAT invoiced by their suppliers of goods or services.

VAT withholding agents shall withhold seventy-five percent (75%) of the VAT levied in the relevant transaction, and one hundred percent (100%) in the event the supplier does not comply with VAT requirements.

The VAT withheld will constitute a payment in advance for the supplier that can be discounted from the tax quota for the respective period in which the VAT withholding voucher was received. If after three consecutive monthly periods there is an excess of VAT withholdings non-credited, the taxpayer may opt to request the recovery of such amount with the Tax Administration

16. Equity Tax

In 2019, the Equity Tax was created, through the Equity Tax Law[7]. Its purpose is to tax the net equity of individuals and entities qualified as special taxpayers by the National Tax Administration, whose equity annually has a value equal to or greater than one hundred and fifty million tax units (150,000,000 T.U.).

This tax will be caused annually on the value of the net equity as of September 30 of each year and shall be filed and paid during November each year, considering the dates established by the Tax Administration in the respective calendar of tax obligations.

the Equity Tax Law establishes in Article 4 that the taxpayers of this Tax will be those individuals and entities, national or foreign, qualified as Special Taxpayers by the National Tax Administration which may be residents or not in the country.

Regarding the taxable base, Article 15 of the Constitutional Law establishes that the taxable base of the Equity Tax will be that resulting from adding the total value of the property and rights which the taxpayer owns, excluding the liabilities, charges and encumbrances, as well as exempt or exonerated property and rights.

For the purpose of determining the value of those assets and rights which compose the equity of the taxpayer, the Constitutional Law establishes a series of valuation criteria between Articles 16 to 22, among which we highlight the value attributed to immovable property in the country, which will be the highest resulting from applying (i) the value assigned at the municipal land registry, (ii) market value, or (iii) the value resulting from updating the acquisition price; and the value attributed to shares and participations, which will be valued according to its price at September 30 of each year.

6. However, some of these Agreements are not yet in force because they have not been ratified by the signatory. Such is the case for Mexico. The in force ITT signed by Venezuela, are the followings: Austria, Barbados, Belarus, Belgium, Brazil, Canada, China, Cuba, Czech Republic, Denmark, France, Germany, Indonesia, Iran, Italy, Korea, Kuwait, Malaysia, Netherlands, Norway, Portugal, Qatar, Russia, Saudi Arabia, Spain, Sweden, Switzerland, United Arab Emirates, United States of America, United Kingdom and North Ireland, Trinidad and Tobago, and Vietnam.

7. Official Gazette No. 38,628, published on February 16, 2007.

17. Municipal Taxes

Depending on the Municipal jurisdiction in which the economic activities will be rendered shall be subject to municipal taxes in Venezuela. Municipal taxes are calculated on the gross income of the taxpayer derived from economic activities, as well as distribution, manufacture and the rendering of services. Therefore, if such activities are carried out in more than one municipality, the entity will be subject proportionally to tax in every municipality it carries out its activities.

Determination of the municipal tax is through application of a percentage (%) to the taxable base. The applicable rate varies depending on the activity and the municipality in which the activity is conducted. Rates may vary between one and seven percent (1% and 6%).
There are also other taxes levied by Municipalities and fees charged for the granting of licenses, as well as from taxes on real estate, vehicles, public shows, gambling, and commercial advertising

17.1. Law of Coordination and Harmonization of State and Municipal Tax Powers

In 2023, was enacted the Law of Coordination and Harmonization of State and Municipal Tax Powers. The purpose of this Law is the coordination and harmonization of the tax powers that correspond to the states and municipalities, establishing the principles, parameters, limitations, tax rates and applicable rates, in accordance with the provisions of the Venezuelan Constitution.
The Higher Council for Tax Harmonization (Consejo Superior de Armonización Tributaria CSAT in Spanish), was created as a body of participation and consultation for the development of policies aimed at the coordination and harmonization of the exercise of tax powers of states and municipalities. The CSAT will be integrated by (i) the Minister of Economy and Finance, (ii) the highest authority of the Venezuelan National Tax Administration -SENIAT-, (iii) three Governors and (iv) three Mayors.

The Ministry of Economy and Finance will dictate the rules on the organization and operation of the CSAT. Likewise, it will establish the Harmonized Classifier of Economic Activities and the Table of Values applicable for cadastral appraisals, among others, following the opinion of the CSAT. These instruments will serve as a guideline for Laws to be issued on these matters by States and Municipalities.

18. Stamp Tax

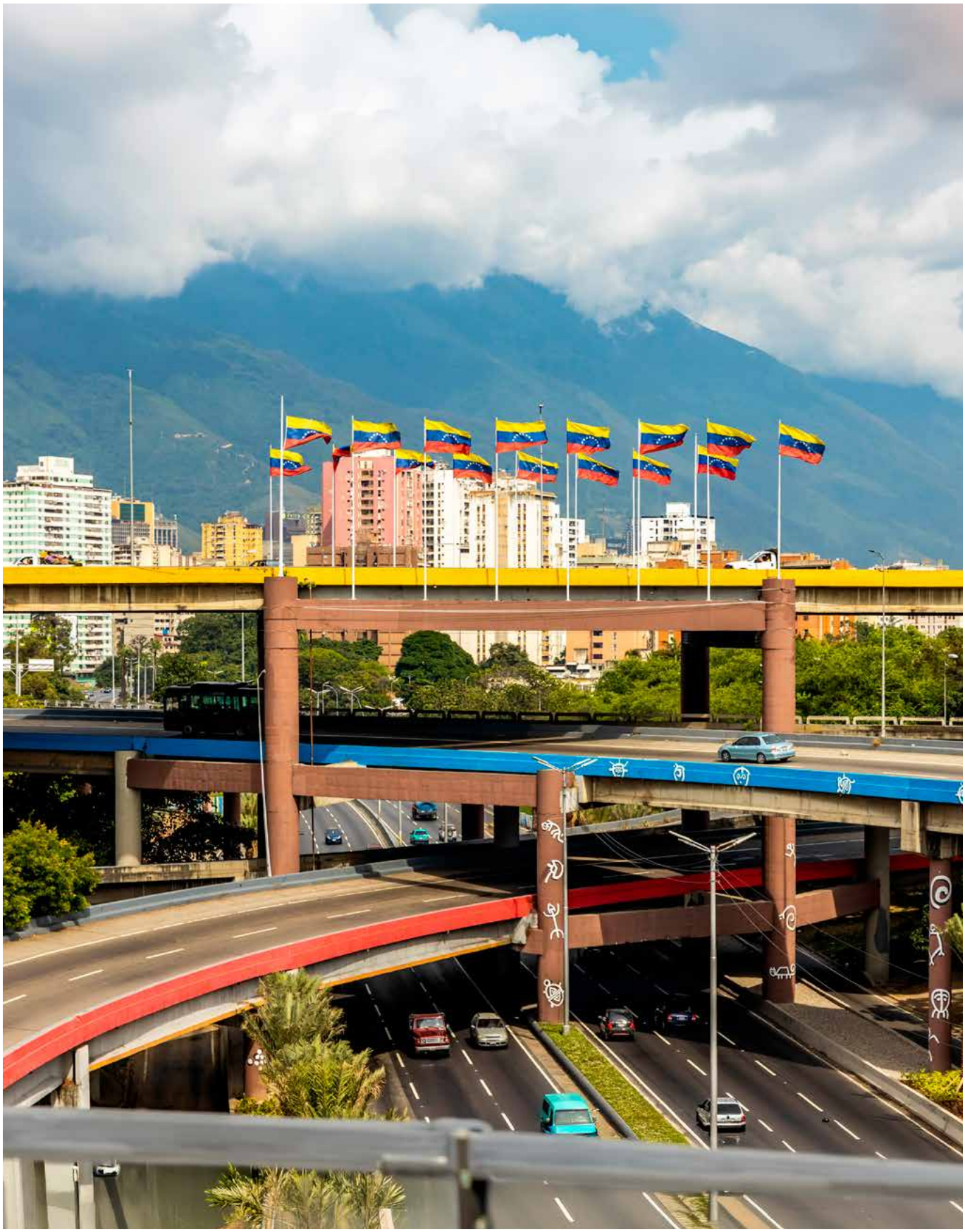
Performance of certain legal acts triggers Stamp Tax, usually this tax is levied at the moment of incorporating a company, or registering a branch, the subscription of its initial capital is subject to a tax that ranges between one and ten percent (1% and 10%) stamp tax calculated on the capital contribution amount[8]. The same treatment applies to future capital increases, the taxable base would be the amount representing the increase.

19. Tax on Large Financial Transactions (TLFT)

Tax on Large Financial Transactions Law establishes as a taxable event of this tax, among others:

- any payment made by legal entities qualified as special taxpayers with or without the intermediation of the Venezuelan financial system, including the equivalent payment in means such as, compensation, novation, debt forgiveness, among others;
- any payment made by individuals or legal entities in currencies other than legal tender or crypto-assets other than the Petro, within the domestic financial system, without intermediation of the foreign banking correspondent; and
- any payment made by individuals or legal entities in currencies other than legal tender or crypto-assets other than the Petro to legal entities qualified as Special Taxpayers, without the mediation of domestic financial institutions (cash, transfer through foreign banks, platforms such as Zelle, Paypal, Venmo, among others).

8. For operations made in Capital District the stamp tax is equivalent to 2% over the amount of the capital contribution or the capital increased.



0% tax rate: Any payment made by legal entities qualified as special taxpayers with or without the intermediation of the Venezuelan financial system, including the equivalent payment in means such as compensation, novation, debt forgiveness, among others. The 0% rate was established by a Presidential Decree published in Official Gazette No. 6,821 dated July 12, 2024. Prior to such amendment the tax rate for these events was set in 2%.
3% tax rate: Any payment made by individuals or legal entities in currencies other than legal tender or cryptoassets other those issued by the Bolivarian Republic of Venezuela, within the national financial system, without intermediation of the foreign banking correspondent.
Any payment made by individuals or legal entities in currencies other than legal tender or cryptoassets other those issued by the Bolivarian Republic of Venezuela, to legal entities qualified as special taxable persons, without the mediation of domestic financial institutions (cash, transfer through foreign banks, platforms such as Zelle, Paypal, Venmo, among others).

20. Special Tax Contribution for the Protection of Social Security Pensions

A special contribution is established, applicable to legal entities, as well as any other private partnerships, whether domiciled in Venezuela or not that engage in economic activities within the National Territory, aimed at contributing to the special protection of Social Security pensions.
The amount of the Contribution will be up to 15% of the total payments made to workers for salaries and non-salary bonuses, considering only for purposes of this tax contribution as a taxable base, a salary of USD 130, regardless of the amount effectively paid for salary or bonuses to employees.

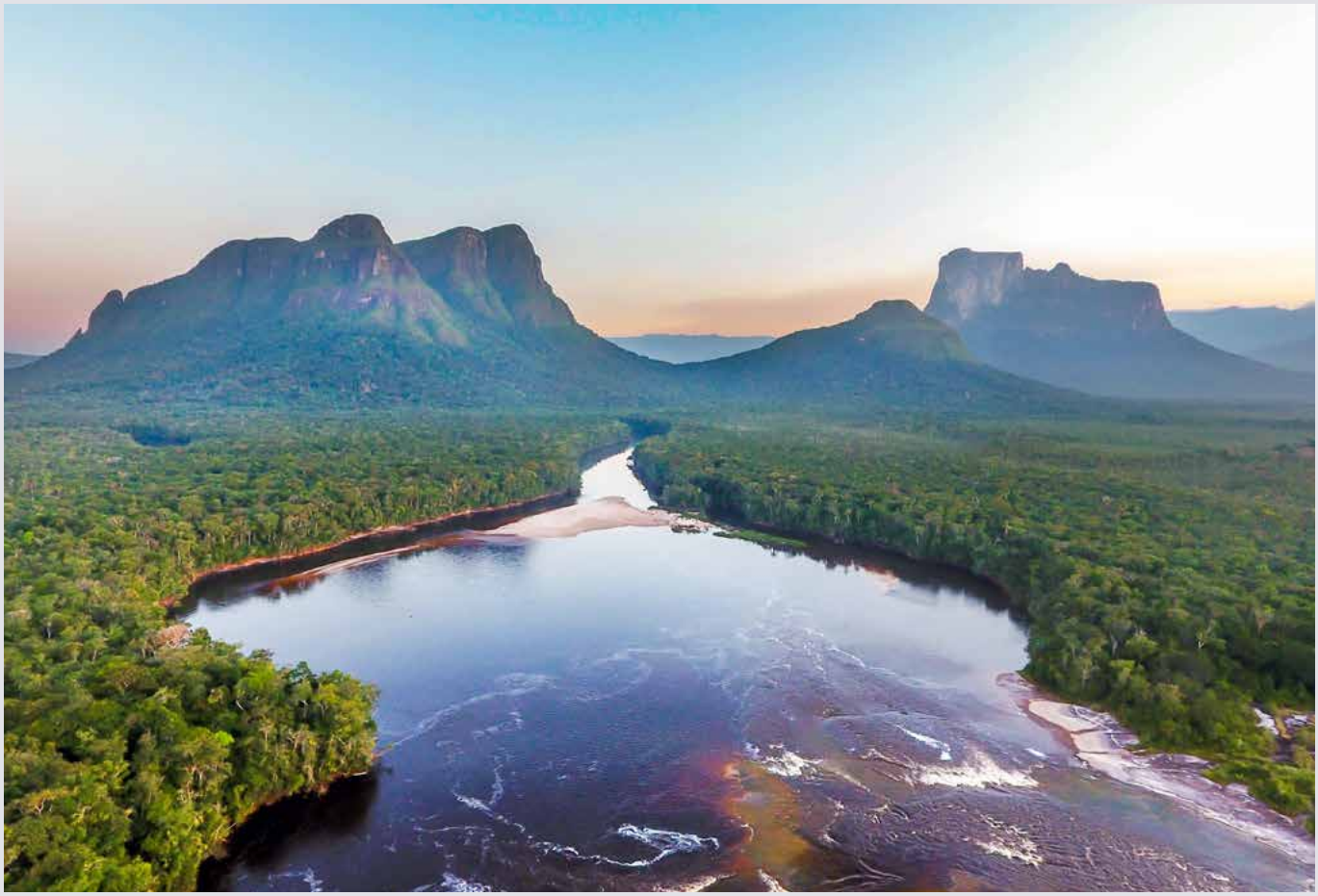
The President will annually establish the corresponding percentage of the Contribution according to the type or class of economic activity. Additionally, the President may exempt certain categories of Special Taxpayers and strategic sectors for foreign investment and national development from payment. (The Decree is pending publication in the Official Gazette).
Currently the tax rate is set at 9%, applicable for all economic sectors and will be considered as tax deductible for income tax purposes.
The Contribution shall be declared and paid monthly, according to the forms and conditions established by the National Tax Administration (SENIAT), which will be responsible for the collection and compliance with the related formal and material duties.

Labor Regime

The Venezuelan Labor Law establishes a minimum monthly salary, as well as minimum salary benefits that must be considered by the employers.
Therefore, employers are entitled to establish more favorable conditions, but they need to comply at least with the minimum benefits established by Law.
Under the Venezuelan Labor Law, companies that hire more than ten employees are allowed to (i) hire a maximum number of foreign personnel, represented by ten percent (10%) of the total employees; and (ii) the remuneration of foreign personnel shall not exceed twenty percent (20%) of the total remuneration paid to all employees.
Accordingly, the IT Law establishes that the company will not be entitled to deduct the amount of salary paid to foreign personnel that exceeds the maximum afore mentioned percentage established in the Labor Law.

1. **Profit sharing**
   In accordance with the Venezuelan Labor Legislation, companies must distribute among their employees, at least, fifteen percent (15%) of the benefits obtained in the annual period.
   In this regard, each employee will receive a minimum of thirty (30) days of salary and a maximum of four (4) months' salary. If the employee has not been with the employer for a full year, the profit-sharing benefit will be reduced to the proportion that corresponds to the months worked.
   Workers who are not entitled to profit-sharing but to year-end bonus shall receive a minimum payment of thirty (30) days of salary.

2. **Vacations**
   After one year of uninterrupted work, the workers have the right to at least fifteen (15) business days of remunerated vacations. This benefit will be increased by one day for each additional year of service up to a maximum of fifteen (15) additional business days. The remuneration corresponding to the vacations must be paid in advance.



Likewise, in addition to the vacation payment, the employer must pay a Vacation Bonus equivalent to a minimum of fifteen (15) days of salary plus one day for each year of service up to a maximum of thirty (30) days of salary.

3. Severance Benefits

The calculation base for the payment of severance benefits and indemnities on labor relationship termination will be the last salary earned, including the aliquots corresponding to vacation bonus and profit sharing. Where salary is paid per work unit, piece, free-lance labor, and on commissions, the calculation basis will be the average salary earned during the last six (6) months of service.

Once the labor relationship has terminated, the employee will have the right to payment of severance benefits for the time of service rendered, based on the following concepts (seniority payment):

- The employer shall deposit to the name of each employee the equivalent to fifteen-day benefits per three-month period, based on the last salary earned by the worker, including vacations and vacation bonus. In case of variable salary, the calculation base for payment of severance benefits will be the average salary earned during the immediately preceding six (6) months. At the discretion of the worker, severance benefits might be deposited in an individual trust fund or in the National Fund for Severance Benefits.
- In addition to the above benefit and after the first year of service: two (2) days salary for each year of service up to a maximum of thirty (30) days of salary.

The seniority indemnity will be administered by the employer and credited on a monthly basis to the employee's account. Such amounts will generate the payment of interest calculated based on the average between the interest rate charged and paid by commercial banks published by the CBV.

The accumulated amounts must be paid to the employee at the time of termination of the labor relationship. The interest generated by the amounts accumulated by the seniority benefit will be paid annually to the employee, unless the employee requests in writing that the interest is capitalized.

Seniority indemnity will be calculated based on the salary received by the employee during the immediate prior month to the date in which the amount is credited or deposited. For purposes of determining the calculation for seniority corresponding to employees that receive variable salary calculated based on produced, sold units, etc., the calculation base will be the average monthly wages received by the employee during the immediate prior year.

The calculation of severance benefits upon termination of employment for all workers who were active before the entry into force of this new Labor Law shall be based on a comparison of the previous regime and the regime established by such new Law, as noted above, for purposes of applying the more favorable to the worker.

4. Social Contributions Responsibility of the Employer

4.1. Meal Bonus Ticket

Employers are obliged to provide employees meal tickets in order to protect and improve their nutritional condition.

The granting of this legal benefit may be implemented, at the employer's discretion, through any of the following mechanisms:

- By installing dining rooms in the company, operated by the company or third parties, in the workplace or nearby areas.
- By contracting a meal service from companies specialized in the administration and management of social benefits.
- By providing employees with coupons, tickets or electronic cards for meals, issued by companies specialized in the administration and management of social benefits, from which employees may obtain food or meals in restaurants or establishments providing food or prepared meals. In this case, the employer must supply one (1) coupon or ticket, or one (1) charge to the electronic card for each workday, the value of which must be twelve tax units (12 T.U.) per day it cannot be greater than three hundred and sixty tax units (360 T.U.) per month.
- 4.By providing or handing over to the employee an electronic meal card, issued by a company specialized in the administration of social benefits, which shall be used to buy meals and foodstuffs, and may be used solely in restaurants, shops or establishments selling foodstuffs, for which purpose the company has an agreement directly or through a specialized service company.

- By various companies installing common dining rooms close to the workplaces, for use of employees.
- By using the services of dining rooms administered by the agency with competence in nutritional matters.
- By paying in cash, but the possibility to pay this benefit in cash is very restrictive.

Employers receiving a regular salary in excess of three (3) minimum wages shall be excluded from this benefit, but the meal ticket may also be extended to those employees receiving remuneration higher than the stipulated limit.
Lastly, the meal ticket will not be deemed salary in accordance with the Labor Law, except when the collective conventions, agreements or individual labor contracts stipulate.

4.2. Social security

According to Venezuelan legislation covering social security, both the employees and the employers must contribute to the social security system in the following way:

Social Security[1] contributions based on the employee's monthly salary, up to a maximum of five minimum salaries. Contribution paid by:	
▸ Employer ▸ Employee	10%, 11% y 12% 4%
Unemployment[2] and training contributions based on the employee's monthly salary, up to a maximum of five minimum salaries. Contribution paid by:	
▸ Employer ▸ Employee	2% 0.5%
Housing policy contribution[3] based on the employee's monthly salary. Contribution paid by: (if applicable)	
▸ Employer ▸ Employee	2% 1%
Contribution to the National Institute for Social Education and Training (INCES)[4], required if the employer has five or more employees; paid by:	
▸ Employer, based on the employee's aggregate compensation. ▸ Employee, based on any participation in benefits received from the employer at the end of the year.	2% 0.5%

5. Payroll Taxes

Employees that work in the country are subject to Venezuelan payroll taxes and it is mandatory to contribute with: National Institute for Social Education and Training (hereinafter "INCES"), Social Security Institute (hereinafter "IVSS"), and in some cases, with the Housing Program Contribution[5]. Therefore, employers also have to contribute to the aforementioned labor institutes.
According to Venezuelan legislation on social security, both the employees and the employers must contribute to the social security system according to the rates and salary base detailed in the executive summary.
In addition, the Venezuelan Labor Law establishes that Human Resources Managers or Directors must be Venezuelan citizens.

1. Social Security: As is the case in many countries, this contribution grants to the employees protected by this system certain benefits for certain events such as maternity, retirement pension, sickness, labor-related accidents, among others.
2. The Unemployment Regime was created in order to provide temporary protection for those employees who have been contributing to Social Security and have been made redundant from their work. Such employees enjoy the benefit of assistance equivalent to sixty percent (60%) of their regular wage for a period of five (5) months.
3. The Housing and Habitat Regime is a contribution paid by the employers and employees to develop housing programs for employees with more advantageous conditions such as low interest rates on long term loans for the acquisition of housing.
4. INCES: This contribution was created in order to develop and improve the training of specialized personnel as well as for the training of young apprentices. In this regard, the employer will contribute two percent (2%) of total wage remunerations. The employees will contribute zero point five percent (0.5%) of the shared profits paid.
5. Nevertheless, regarding any special regime for expatriate, the individual will not be subject to the Housing Policy Contribution, since article 252 of the Housing Policy Regime Law establishes that it only will be beneficiaries of the housing solutions the foreign individuals that are legally residents, condition issued by the Bolivarian Republic of Venezuela and that have been in the Venezuelan territory for a continuous period of time not less than five (5) years.

Other Regimes

1. **Oil and Gas Regime**
   The Master Hydrocarbons Law was amended on January 2026.
   The amended law broadens its object beyond traditional oil activities to include extraction, collection, processing, upgrading, and comprehensive utilization of hydrocarbons. It formally incorporates principles of sovereignty, energy transition, and transparency, signaling a shift toward a broader regulatory and policy-driven hydrocarbons framework.

   1.1. Opening of Primary Activities to Private Companies
   Under new regulations private companies domiciled in Venezuela are allowed to participate in primary hydrocarbon activities, provided they operate under contracts with State-owned companies or their subsidiaries. This represents a structural change from the strictly state/joint-venture-only model and creates new participation channels for domestic private capital.

   1.2. Enhanced Rights for Minority Shareholders
   Minority shareholders in joint ventures may now be authorized to:
   - Directly market all or part of production
   - Open and manage bank accounts in any currency and jurisdiction
   - Assume technical and operational management

   These rights, granted on a case-by-case basis by the Ministry of Hydrocarbons, substantially improve governance balance and economic viability for non-State participants.

   1.3. New Contractual Model for Primary Activities
   State-owned companies and their subsidiaries may now sign primary activity contracts with private Venezuelan companies. The private operator assumes full operational risk and cost, based on an approved business plan. Compensation may be tied to production volumes or profit participation, aligning incentives while maintaining State ownership of resources.

   1.4. Flexible Royalty Regime
   The traditional fixed royalty (30%, reducible to 20%) is replaced with a system allowing the State to charge "up to 30%" of extracted and non-reinjected hydrocarbons. The Executive is empowered to adjust the royalty rate based on project economic viability, introducing fiscal flexibility as a project-incentive mechanism.

   1.5. Creation of the Integrated Hydrocarbons Tax
   All previous sector-specific taxes (surface, extraction, self-consumption, export registration, etc.) are eliminated and replaced by a single Integrated Hydrocarbons Tax of up to 15% of monthly accrued gross income. The tax may be paid in cash or in kind, determined provisionally monthly and settled annually, centralizing and simplifying the fiscal burden.

   1.6. Strong Fiscal Incentives and Executive Discretion.
   The law introduces:
   - Total exemption from equity tax, special contributions (science, sports, pensions), municipal/state taxes, and social responsibility contributions
   - Power for the Executive to reduce the 50% income tax rate to preserve project economic balance

   These measures significantly improve project economics and signal a clear policy intent to attract investment under controlled terms

2. **Mining Regime**
   The Master Mining Law was amended on April 2026.
   The new regulation shifts from a concession-centric focus to a broader framework that regulates mines, mineral resource management, and mining activities as a whole. This change emphasizes State stewardship over mineral resources rather than merely regulating access rights, reinforcing the concept of minerals as strategic national assets.
   The 2026 Master Mining Law represents a structural modernization of Venezuela's mining framework: it expands private participation, strengthens State data and fiscal control, introduces predictable timelines, and replaces fragmented taxation with clearer royalty and tax schemes—while preserving authority over strategic resources.

2.1 Expanded and More Flexible Authorized Operators

Mining activities may now be carried out by a wide range of actors, including:

- State-owned corporations and subsidiaries
- Joint ventures with majority or minority State participation
- Private corporations authorized by the State
- Mining brigades and artisanal miners

This represents a significant change from the 1999 model and formally allows private corporate participation, subject to State authorization, while preserving public sector oversight.

2.2. Introduction of Alternative Dispute Resolution Mechanisms

Unlike the prior regime, which restricted disputes to Venezuelan courts, the new law allows disputes to be resolved through mediation, arbitration, and other ADR mechanisms, in addition to national courts. This improves legal certainty and dispute management options, particularly for complex or capital-intensive mining projects.

2.3. Extended Exploration and Concession Periods

The law substantially improves project timelines by:

- Extending exploration periods to up to 6 years, with up to two extensions of 2 years each.
- Extending concession terms to 30 years, renewable for two additional 10 year periods

These longer horizons significantly improve project bankability and long-term planning for large-scale mining investments.

2.4. Royalties and a New Mining Tax

The State is entitled to:

- Royalties of up to 13% on gross mineral production (cash or in kind)
- A Mining Tax of up to 6% on total gross monthly income, with no deductions allowed

The Executive is empowered to adjust rates and applicability by mineral type and project characteristics, increasing fiscal flexibility but also executive discretion.

2.5. Tax Incentives and Special Regimes

The law introduces extensive fiscal incentives, including:

- Full exemptions from equity tax, special contributions (science, sports, drugs, pensions), and state/municipal taxes
- Exemption from public procurement social responsibility contributions
- Special tax regimes for critical minerals and rare earths, with export taxes of up to 5%

These provisions are clearly aimed at attracting strategic mining investment, especially in critical minerals, while maintaining export oversight.

3. Summary of OFAC General Licenses (GL) Related to Venezuela (2026)

3.1.1. GL 46 / GL 46A – Venezuelan Crude Oil Production and Commercialization
These licenses authorize U.S. persons to extract, export, refine, store, and commercialize Venezuelan crude oil. However, all payments and proceeds must be made through accounts controlled or supervised by the U.S. Treasury, meaning the Venezuelan State does not obtain direct access to oil revenues. This license reflects a controlled re opening of oil operations without lifting core sanctions.

3.1.2. Revenue Control Mechanism on Oil Proceeds
GL 46 establishes that foreign currency revenues generated from authorized oil operations must be deposited into U.S.-managed accounts.
Although oil trade is permitted, Venezuela remains deprived of discretionary use of these funds, preserving the core objective of sanctions—restricting sovereign revenue control.

3.1.3. Transactions and Contracts with PDVSA
Under the 2026 license framework, transactions with PDVSA are permitted only when conducted pursuant to contracts governed by U.S. law. Payments must be channeled exclusively through U.S.-supervised accounts, ensuring compliance oversight and preventing funds from reaching blocked entities outside authorized structures.

3.1.4. GL 47 – Export of Diluent and Condensates
GL 47 authorizes the export from the United States of diluents (naphtha, condensates) to Venezuela.

This license is critical because diluents are essential for the production and transportation of extra heavy crude, effectively enabling reactivation of the Orinoco Belt operations.

3.1.5. GL 48 – Oil Services, Technology, and Equipment
This license permits the supply of goods, technology, software, and oilfield services across the Venezuelan oil production chain.
However, it explicitly prohibits the creation of new joint ventures, maintaining a strict boundary between operational support and structural investment expansion.

3.1.6. GL 30B – Ports, Airports, and Logistics Operations
GL 30B authorizes payments and services related to ports and airports, including terminal services, tugboats, port fees, and aviation operations.
This license ensures the logistical continuity of authorized exports, mitigating prior bottlenecks caused by payment and service prohibitions.

3.1.7. GL 49 – New Investments (Contingent Agreements Only)
This license allows U.S. persons to negotiate and sign contingent contracts for new investments in oil and gas (exploration, production, expansion).
No execution, capital deployment, or operational activity is permitted unless OFAC grants further authorization. It is a preparatory—not operative—license.

3.1.8. GL 50 / GL 50A – Authorized International Oil Companies
OFAC expressly authorizes limited operations by specific international companies, including:
- Chevron
- Repsol
- Eni
- Shell
- BP
- Maurel & Prom

Activities remain strictly supervised, and the licenses do not constitute a general lifting of sanctions applicable to other operators.

3.2. GL 51A – Venezuelan-Origin Minerals
GL 51A authorizes U.S. entities to export, reexport, purchase, transport, insure, and store Venezuelan-origin minerals, subject to periodic reporting to OFAC.
Key limitations:
- No authorization for mineral exploration or production in Venezuela
- No authorization to create mining joint ventures
- Coverage includes logistics, insurance, ports, and terminals only

3.3 GL 52 to GL 57 – Government, Mining, and Financial Services
This group of licenses includes:
- GL 52: Authorizes certain transactions with PDVSA and its subsidiaries necessary for operations, commercialization, and supply, under strict payment controls.
- GL 53: Permits provision and payment of goods and services in the U.S. for official Venezuelan government missions and permanent missions to international organizations.
- GL 54: Authorizes U.S. supply of goods, technology, software, and services for existing or authorized mining operations, including maintenance and logistics—but no new mining joint ventures and no asset unblocking.
- GL 55: Allows negotiation and execution of contingent investment contracts in the mining sector only; no operational or economic effects are permitted without further OFAC approval.
- GL 56: Permits commercial negotiations with the Government of Venezuela for contingent contracts, without payments or execution.
- GL 57: Authorizes ordinary and necessary financial services involving certain Venezuelan public banks and government entities blocked solely under E.O. 13884, expressly excluding SDN listed persons



3.4. GL 58 Venezuela – Debt Restructuring-Related Services

General License (GL) No. 58 authorizes certain limited services to the Government of Venezuela exclusively in connection with the preparation of a potential debt restructuring.

The license is preparatory in nature and does not authorize any actual restructuring, payment, or settlement of debt.

GL 58 applies to services provided to:

- The Government of Venezuela
- Petróleos de Venezuela, S.A. (PDVSA)
- Any entity 50% or more owned, directly or indirectly, by PDVSA

This coverage ensures that advisory services may be rendered across the core sovereign and oil sector debt perimeter, but only within the strict limits defined by OFAC

Financial Reporting

According to Article 304 of the Venezuelan Mercantile Code, it is an obligation of a company's administrators to file before the Commissioner the General Balances of the company, stating (i) the existing share capital, and (ii) made and delayed allocations.

Then, the Commissioner must present an inform regarding the analysis of the General Balances before the mandatory yearly Shareholders' Meeting1, in which such General Balances must be approved or not[2].

The Shareholders' Meeting that resolves upon the General Balances must be duly registered before the Mercantile Registry in which the company is registered.

1. Article 274 of the Mercantile Code: The ordinary shareholders' meeting will meet once a year, at east on the date in which the bylaws establish it; (...)
2. Article 275 of the Mercantile Code: The ordinary shareholders' meeting: 1. Discusses and approves or modifies the general balances, with a view of the Commissioners' Report. (...)



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- Transformation EQ
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- People Mobility Solution
- Learning and development consulting services
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- Corporate Finance
- Valuation, Modeling & Economics
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