



COMPARISON OF LATIN AMERICA AND CARIBBEAN HOLDING COMPANY REGIMES¹

This analysis provides an indicative guide only and advice from appropriate country specialists should always be sought. Particular attention should be given to the date at which the information is correct – shown under the country name at the top of each column.

	Argentina	Barbados ²	Bermuda	Brazil	Cayman Islands ³	Chile	Colombia	Costa Rica
Last updated	January 2012	January 2012	January 2012	January 2012	January 2012	January 2012	January 2012	January 2012
Establishing HoldCo								
Are advanced rulings available?	No	No ⁴	N/A	No	No	Yes ⁵	Yes ⁶	Yes ⁷
Are there restrictions on activities?	No	Yes ⁸	N/A	No	No	No	No	No
Are there substance requirements?	Yes	No	N/A	No	No	No, but advisable to demonstrate	No restrictions on shareholding activities	No
Is capital duty payable?	No in Buenos Aires City; yes in many provinces	No	N/A	No	No ⁹	No ¹⁰	0.7% registration tax/0.3% notary duties	Stamp taxes ¹¹
Is there a special tax regime for holding companies?	No	Yes ¹²	N/A	No	No ¹³	No ¹⁴	No	No
Is there CFC or equivalent legislation?	Yes ¹⁵	No	N/A	Yes ¹⁶	No	No	No	No
Number of jurisdictions with active income tax treaties (minimum)	17 ¹⁷	20	None ¹⁸	28 ¹⁹	0 ²⁰	24 ²¹	4	1 ²²
What is the effective corporate tax rate?	35%	1% – 2.5%	0% ²³	34% ²⁴	N/A ²⁵	18.5% First Category Income Tax (for 2012 calendar year) ²⁶	33%	15% ²⁷

	Argentina	Barbados	Bermuda	Brazil	Cayman Islands	Chile	Colombia	Costa Rica
Last updated	January 2012	January 2012	January 2012	January 2012	January 2012	January 2012	January 2012	January 2012
General								
Are there exchange controls?	Yes ²⁸	No	Yes ²⁹	Yes ³⁰	No	No ³¹	Yes ³²	No
Tax treatment of disposal of HoldCo								
Is any tax payable in HoldCo country on disposal of HoldCo shares by a nonresident corporate shareholder?	Depends ³³	No	N/A ³⁴	Yes ³⁵	No	Yes ³⁶	Yes ³⁷	Depends ³⁸
Tax treatment of payments by HoldCo								
Dividends								
What is the rate of withholding tax on dividends paid to nonresidents?	Dividend equalisation tax applies ³⁹							
– Non-treaty	35%	Exempt ⁴⁰	N/A ⁴¹	0%	N/A ⁴²	35% ⁴³	0%	5%/15% ⁴⁶
– Treaty	10% – 35%	Exempt	N/A	0%	N/A	35% ⁴⁴	0% ⁴⁵	5%/15%
Are there thin cap limits or other restrictions on interest deductibility?	2:1 (limited application)	No	N/A	Yes ⁴⁷	No	No ⁴⁸	No ⁴⁹	No thin cap rules but some restrictions apply ⁵⁰
Is interest on loans to acquire subsidiaries deductible against HoldCo's profits?	Loans to acquire foreign subsidiaries – yes; local subsidiaries – controversial	Yes	N/A	Yes	N/A ⁵¹	Interest on borrowings to acquire a stock corporation is not deductible	Yes ⁵²	Depends ⁵³

	Argentina	Barbados	Bermuda	Brazil	Cayman Islands	Chile	Colombia	Costa Rica
Last updated	January 2012	January 2012	January 2012	January 2012	January 2012	January 2012	January 2012	January 2012
What is the required percentage ownership?	N/A	10%	N/A	N/A	N/A	N/A	N/A	N/A
Gains on disposal of participations								
Are capital losses deductible?	Yes, limited ⁷⁷	No	N/A	Depends ⁷⁸	N/A ⁷⁹	Generally yes ⁸⁰	Yes ⁸¹	No ⁸²
Does the foreign subsidiary have to meet any substance requirements?⁸³	N/A	No	N/A	N/A	N/A	No, but advisable	N/A ⁸⁴	No
Does the foreign subsidiary have to pay tax locally?⁸⁵	N/A	No	N/A	N/A	N/A	N/A	No	No
How are gains on the sale of a subsidiary taxed?	Taxed as ordinary profits at 35%	N/A ⁸⁶	N/A ⁸⁷	Taxed at 34% ⁸⁸	N/A ⁸⁹	Taxed as ordinary profits at 18.5%	Taxed as ordinary profits at 33% ⁹⁰	Exempt ⁹¹
Is relief available for the write-down in value of subsidiaries?	No	N/A	N/A	No	N/A ⁹²	No	No	No
What is the required holding period?	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
What is the required percentage ownership?	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Is joint taxation for groups available?	No	No ⁹³	N/A	No	N/A ⁹⁴	No ⁹⁵	No	No

	Dominican Republic	Guatemala	Mexico	Panama	Peru	Uruguay	Venezuela
Last updated	January 2012	January 2012	January 2012	January 2012	January 2012	January 2012	January 2012
Establishing HoldCo							
Are advanced rulings available?	No	Yes	Yes	No	Limited availability to certain applicants only ⁹⁶	No	No
Are there restrictions on activities?	No	No	No	No	No	No ⁹⁷	No
Are there substance requirements?	No	No	No	No	No ⁹⁸	No	No
Is capital duty payable?	Yes ⁹⁹	No	No	Yes ¹⁰⁰	No ¹⁰¹	No, but other charges may apply ¹⁰²	Yes ¹⁰³
Is there a special tax regime for holding companies?	No	No	No	No ¹⁰⁴	No	Yes ¹⁰⁵	No
Is there CFC or equivalent legislation?	No	No	Yes ¹⁰⁶	No	No	No	Yes ¹⁰⁷
Number of jurisdictions with active income tax treaties (minimum)	1 ¹⁰⁸	0	42	7 ¹⁰⁹	6 ¹¹⁰	4 ¹¹¹	30
What is the effective corporate tax rate?	29%	5%/31% ¹¹²	30% ¹¹³	25%	30%	0% (in this particular situation)	34% ¹¹⁴
General							
Are there exchange controls?	No	No	No	No	No	No	Yes ¹¹⁵

	Dominican Republic	Guatemala	Mexico	Panama	Peru	Uruguay	Venezuela
Last updated	January 2012	January 2012	January 2012	January 2012	January 2012	January 2012	January 2012
Tax treatment of disposal of HoldCo							
Is any tax payable in HoldCo country on disposal of HoldCo shares by a nonresident corporate shareholder?	29% on capital gain	No	Yes	Yes ¹¹⁶	Yes - 5% or 30% ¹¹⁷	12% on 20% of the sale price (exempt if bearer stock)	No ¹¹⁸
Tax treatment of payments by HoldCo							
Dividends							
What is the rate of withholding tax on dividends paid to nonresidents?							
– Non-treaty	29% ¹¹⁹	0% ¹²⁰	0% ¹²¹	0%/5%/10% ¹²²	4.1%	0% ¹²³	34% ¹²⁴
– Treaty	18%	N/A	0%	N/A	10% – 15%	0%	0% – 15%
Are there thin cap limits or other restrictions on interest deductibility?	No ¹²⁵	No ¹²⁶	3:1/restrictions for back-to-back loans ¹²⁷	No	Yes – 3:1 debt-equity ratio ¹²⁸	No	Yes ¹²⁹
Is interest on loans to acquire subsidiaries deductible against HoldCo's profits?	Yes ¹³⁰	Depends ¹³¹	Yes	No	Possibly, in some circumstances ¹³²	No	Yes ¹³³
What is the rate of withholding tax on interest paid to nonresidents?							
– Non-treaty	10%/29% ¹³⁴	10% ¹³⁵	Various ¹³⁶	12.5%	4.99%/30% ¹³⁷	0% ¹³⁸	34% ¹⁴⁰
– Treaty	18%	N/A	4.9%/10% – 15%	N/A	15%	0% ¹³⁹	4.95% – 15%

	Dominican Republic	Guatemala	Mexico	Panama	Peru	Uruguay	Venezuela
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Liquidation payments							
Is there any withholding tax on liquidation payments?	Yes	No	Yes	Yes ¹⁴¹	Possibly, in some circumstances ¹⁴²	Foreign participations – no; Uruguayan participations – yes ¹⁴³	No
Taxation of HoldCo income							
Dividends							
Does the foreign subsidiary have to meet any substance requirements?¹⁴⁴	No	No	No	No	No	No	No
Does the foreign subsidiary have to pay tax locally?¹⁴⁵	No	No	No	No	No	No	No
How are dividends taxed?	Domestic dividends – exempt; foreign dividends – taxable at 25% with credit for foreign tax ¹⁴⁶	Exempt ¹⁴⁷	Local dividends – exempt; foreign dividends – at the corporate tax rate with credit for direct and indirect foreign tax	Taxed at 0%/5%/10% ¹⁴⁸	Domestic dividends – exempt; foreign dividends – taxable with credit for foreign tax ¹⁴⁹	Exempt	34%, with credit for foreign tax ¹⁵⁰
What is the required holding period?	N/A	N/A ¹⁵¹	Local dividends – N/A; foreign dividends – 6 months to obtain the indirect tax credit	N/A	N/A	N/A	N/A
What is the required percentage ownership?	N/A	N/A	Local dividends – N/A; foreign dividends – 10% participation to obtain the indirect tax credit	N/A	N/A	N/A	N/A

	Dominican Republic	Guatemala	Mexico	Panama	Peru	Uruguay	Venezuela
Last updated	January 2012	January 2012	January 2012	January 2012	January 2012	January 2012	January 2012
Gains on disposal of participations							
Are capital losses deductible?	Only against capital gains	Only against capital gains ¹⁵²	Limited ¹⁵³	No	Depends ¹⁵⁴	Foreign participations – no; Uruguayan participations – yes	Yes ¹⁵⁵
Does the foreign subsidiary have to meet any substance requirements?¹⁵⁶	No	No	N/A	No	No	No	N/A
Does the foreign subsidiary have to pay tax locally?¹⁵⁷	No	No	N/A	No	No	Foreign participations - no; Uruguayan participations - yes	N/A
How are gains on the sale of a subsidiary taxed?	Taxed as capital gains at 29%	10%/31% ¹⁵⁸	Taxed as ordinary profits at the corporate tax rate	Taxed at 5% ¹⁵⁹	Taxed as ordinary income at 30% corporate tax rate ¹⁶⁰	Foreign participations – exempt; Uruguayan participations – taxed at 25%	Taxed as ordinary profits at 34% ¹⁶¹
Is relief available for the write-down in value of subsidiaries?	No	No	No	No	No ¹⁶²	No	No
What is the required holding period?	N/A	N/A	N/A	N/A	N/A	N/A	N/A
What is the required percentage ownership?	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Is joint taxation for groups available?	No	No	Yes ¹⁶³	No	No	No	No

Notes

¹ Countries have been omitted where one or more of foreign exchange regulations, restrictions on foreign investment or political uncertainty mean that they would not be appropriate locations.

² **BAR:** The information in the matrix is relevant for an International Business Company (IBC) or International Society with Restricted Liability (ISRL) subject to Barbados' international tax regime. A separate domestic regime would apply to a Regular Barbados Company (local company).

³ **CAY:** Under the current Cayman Islands' regulatory and legislative regime, no income, corporate or capital gains tax, estate duty, inheritance tax or gift tax, is imposed upon any corporation, partnership, trust or individual, regardless of their residency. Further, no withholding tax is levied on income earned in the Cayman Islands when that income is repatriated to a foreign jurisdiction.

⁴ **BAR:** There is no advance ruling procedure. It is highly recommended that local tax advisors be consulted if a ruling is required from the tax authorities.

⁵ **CHI:** Letter rulings can be applied for on specific issues. Advance transfer pricing rulings cannot be obtained.

⁶ **COL:** Binding opinions from the Large Taxpayers' Office (LTO) and Superintendency of Companies are available. The Tax Code provides for the possibility to enter into Advance Pricing Agreements.

⁷ **CR:** A taxpayer can request a private letter ruling from the Tax Administration on the tax consequences of a current transaction. When making the request, the taxpayer must disclose all relevant information about the transaction, otherwise the ruling will not be binding on the Tax Administration.

⁸ **BAR:** IBCs and ISRLs are restricted to international business.

⁹ **CAY:** See note to "Is there a special tax regime for holding companies?"

¹⁰ **CHI:** Municipal licence is payable. This tax is calculated on the tax base equity of the company. The tax rate varies for each municipality (minimum 0.25%, maximum 0.5%). The Annual Municipal licence cannot exceed 8,000 "Unidades Tributarias Mensuales" (approx. USD 649,000). Capital reductions can be made tax free in Chile, provided that the legal entity that pays the reduction in capital does not have undistributed financial or taxable profits. If there is financial or taxable income, capital repatriation is treated as if it were a profit distribution up to the higher of the two amounts.

¹¹ **CR:** Several stamp taxes are payable when capital contributions or returns of capital are made.

¹² **BAR:** There is no typical holding company regime, but a special tax regime applies to International Business Companies (IBCs) and International Societies with Restricted liability (ISRLs). Benefits under this regime include: i) tax on income on a sliding scale, from a maximum of 2.5% to a minimum of 1%; ii) no estate duty; iii) a tax credit for tax paid outside Barbados but only insofar as it does not reduce the tax payable in Barbados to less than 1%; iv) tax concessions for specially qualified individuals; v) an exemption from exchange control; and vi) equipment and machinery may be imported free of customs duty, consumption tax and stamp duty.

¹³ **CAY:** Under the current Cayman Islands' regulatory and legislative regime, no income, corporate or capital gains tax, estate duty, inheritance tax or gift tax is imposed upon any corporation, partnership, trust or individual, regardless of their residency. Further, no withholding tax is levied on income earned in the Cayman Islands when that income is repatriated to a foreign jurisdiction. As there is no tax imposed by the Cayman Islands, the incidence of double taxation should not occur and the Caymans do not currently have any ratified double tax treaties. There are currently no property taxes levied by the Cayman Islands, however, a stamp duty is imposed on the transfer of real estate and interests in "land holding companies". A "land holding company" is a company or partnership that owns a legal or beneficial interest in immovable property located in the Cayman Islands, or equity capital in another land holding company. Stamp duty is applied on the greater of the purchase price or the fair market value of the dutiable transfer, at rates ranging from 7.5% – 9%.

¹⁴ **CHI:** Domestic legislation (article 41D) provides for a special tax regime for Chilean publicly traded stock corporations and closely-held stock corporations that voluntarily submit to the Chilean SEC's supervision and that meet the requirements stated by the law. Such entities are deemed to be neither domiciled nor resident in Chile for all income tax purposes and are exempt from tax on any foreign income they receive. Dividends paid by 41D entities to foreign shareholders are exempt from withholding tax.

¹⁵ **ARG:** Mainly related to subsidiaries in tax havens and obtaining mainly foreign passive income.

¹⁶ **BRA:** Profits of foreign subsidiaries must be added back to the taxable basis of HoldCo in the year in which the profits are registered. Taxes paid abroad may be offset against income tax payable by the Brazilian HoldCo. Losses are nondeductible.

¹⁷ **ARG:** No treaty with the US.

¹⁸ **BER:** Bermuda has entered into a limited tax treaty with the United States but currently does not have tax treaties with any other countries. Bermuda has entered into 30 tax information exchange agreements with separate countries.

¹⁹ **BRA:** No treaty with Germany, UK or US.

²⁰ **CAY:** The Cayman Islands has no taxes other than customs duties and stamp duties. However, Cayman has entered into a number of tax information exchange agreements. It has also signed limited tax treaties with the UK and New Zealand, and a comprehensive tax treaty with Japan but none of these treaties are in effect. Cayman has entered into a mutual legal assistance treaty with the US, although this specifically excludes fiscal matters.

²¹ **CHI:** Treaties with Australia, Russia and the US have been signed but are not yet in force.

²² **CR:** The only tax treaty currently in effect is with Spain.

²³ **BER:** Bermuda does not impose corporate income tax.

²⁴ **BRA:** Comprised of IRPJ (15% plus surtax of 10% on amounts exceeding BRL 240,000 per year) and CSLL (9%).

²⁵ **CAY:** See note to "Is there a special tax regime for holding companies?". There is no corporate tax in the Cayman Islands.

²⁶ **CHI:** HoldCo in Chile is subject to First Category Income Tax (FCIT). The rate of FCIT is temporarily increased from 17% to 20% (for calendar year 2011) and 18.5% (for calendar year 2012) and reduced to its previous 17% rate from 2013. The HoldCo is not subject to any other tax whilst it does not distribute dividends abroad or to individual shareholders. Profit distributions between Chilean companies are not subject to any tax. When profits are distributed abroad, a 35% Additional Withholding Income Tax applies, against which the FCIT paid is creditable. If the taxable profits subject to FCIT do not cover the dividend distribution, the portion which is not covered will be subject to the 35% tax, with no credit. If a distribution is made by a partnership and there are no undistributed taxable profits, the tax of 35% on the amount not covered is deferred until the HoldCo generates or receives new taxable profits which have borne FCIT at 20%, 18.5% or 17%. 41D entities are not subject to the FCIT or to the remittance taxes.

²⁷ **CR:** Official headline corporate tax rate is 30% but owing to exclusions from the taxable base and the different rates of the schedular system, the approximate estimated effective rate is 15%.

²⁸ **ARG:** Certain requirements and restrictions are imposed on inward and outward transfers of funds. Free repatriation of dividends with credited balance, prior authorisation required for capital contribution reimbursement. Funds from loans must be brought into the country through the official market. In general terms, the minimum indebtedness term is one year and there is a legal requirement to make a legal reserve deposit of 30% of the operation for one year unless the loan has certain purposes (e.g. investment in certain non-financial assets, export financing, subscription of securities with public offering). Capital contributions can enter the country without restriction. In general, there is a free monthly transfer abroad of USD 2 million.

²⁹ **BER:** Exempted companies, permit companies, exempt partnership and permit partnerships are normally designated non-resident for exchange control purposes and are able to conduct their day-to-day operations free of any form of exchange control. They can pay dividends, distribute capital, open and maintain bank accounts and acquire assets and net liabilities in any currency.

³⁰ **BRA:** The National Monetary Council sets Brazil's exchange controls and the Central Bank is responsible for implementing the policy. Companies generally do not need to obtain prior authorisation for foreign exchange (forex) transactions, although a record of the transaction must be filed (online) with the Central Bank.

The Central Bank requires registration of all foreign investments (equity or debt) in Brazil. Investors must register to secure their right to acquire foreign currency directly from institutions authorised by the Central Bank. This purchase is necessary each time the investor decides, for example, to remit dividends, pay interest or repatriate capital. Bank accounts must be held in local currency. Foreign currency accounts are generally prohibited in Brazil.

There are three exchange rates in Brazil: the requirements of the official commercial rate apply to import and export transactions, foreign-equity investment in Brazil and loans, among others.

³¹ **CHI:** Certain very limited restrictions are imposed on inward and outward investment and loans, and on the repatriation of dividends, profits, interest or other amounts payable in foreign exchange. Broadly, in accordance with the restrictions, operations over USD 10,000 must be undertaken through the Formal Foreign Exchange Market (commercial banks) and notified to the Central Bank of Chile (no pre-approvals are generally required). Loans of USD 1 million or more must be notified to the Central Bank. Loan disbursements and payments made from Chile must also be made through the Formal Foreign Exchange Market. Foreign investments can be brought to Chile under Chapter XIV or Decree Law 600. Under Decree Law 600, capital repatriation and profits distributions need to be authorised by the Foreign Investment Committee (*Comité de Inversiones Extranjeras*).

³² **COL:** Colombian investments abroad and foreign investments into Colombia need to be registered with the Central Bank and channelled through financial intermediaries. As a general rule, no prior authorisation is required for making foreign investments.

³³ **ARG:** LLP quotas are taxable. Shares are exempt. Stamp tax is also payable in certain provinces.

³⁴ **BER:** There are no capital gain taxes in Bermuda.

³⁵ **BRA:** 15% withholding tax applies on the capital gain. The rate is increased to 25% if the shareholder is resident in a tax haven country.

³⁶ **CHI:** If the Chilean HoldCo were a limited liability partnership, any gain obtained from the disposal of the corresponding interest by its foreign partners will be subject to 18.5% First Category Tax and to a 35% Additional Withholding Tax, against which the former can be used as a credit. If the Chilean HoldCo were a stock corporation the same tax treatment as for a limited liability partnership will apply. However, if the shares are sold after a year as from the date of their acquisition to an unrelated party by a non-customary seller, the gain is subject to 18.5% First Category Tax, as a single tax. Special income tax exemptions exist for capital gains derived from the disposal of publicly traded shares listed on the stock exchange. Shares acquired prior to 31 January 1984 are exempt from income taxes, as long as they are transferred to an unrelated buyer and the transferor is not a customary trader.

³⁷ **COL:** The transferor is subject to tax in Colombia and must file a return with the Large Taxpayers' Office. If the transfer price exceeds the tax basis, the portion of the gain corresponding to non-taxed profits will be subject to 33% withholding tax on the gross amount.

³⁸ **CR:** Legislation includes income derived from invested capital, shares and securities within the broad definition of Costa Rica sourced income. Therefore, the sale of shares in a Costa Rica entity should be subject to withholding taxes. However, if the shares in HoldCo were owned by a non-resident corporate shareholder that did not trade in shares, the disposal of the shares in the HoldCo would not be taxable in Costa Rica. Otherwise, the disposal of shares in the HoldCo would be taxable as Costa Rican source income. The position should be considered on a case-by-case basis owing to the contradictory jurisprudence on this issue.

³⁹ **ARG:** Dividends are subject to withholding tax if they exceed accumulated taxable income with certain adjustments.

⁴⁰ **BAR:** IBCs are exempt from withholding taxes on payments to a non-resident or another IBC. ISRLS are exempt from withholding taxes on payments to a non-resident or another ISRL or IBC.

⁴¹ **BER:** Bermuda does not impose taxation on dividends.

⁴² **CAY:** See note to "Is there a special tax regime for holding companies?". Cayman does not impose withholding taxes.

⁴³ **CHI:** The First Category Tax paid at the HoldCo level is available as a credit against the Withholding Income Tax payable.

⁴⁴ **CHI:** The wording of all Chile's tax treaties (except that with Argentina) does not permit the application of the reduced withholding rates otherwise provided for in the treaties in respect of dividend payments from a Chilean resident company to a recipient in the other treaty state.

⁴⁵ **COL:** Most treaties provide for zero withholding, or lower domestic rate applies.

⁴⁶ **CR:** 15% for dividends paid to non-resident and individual shareholders. 5% for dividends paid by stock corporations whose shares are registered on an officially recognised stock exchange.

⁴⁷ **BRA:** Thin cap rules apply for the purposes of both corporate income tax and the social contribution on net profits. Different criteria and ratios apply to determine the deductibility of interest depending on whether the interest is paid to a tax haven or non-tax haven jurisdiction.

⁴⁸ **CHI:** Interest accrued on foreign or local loans is tax deductible provided the funds are used to purchase assets or to undertake activities necessary to produce ordinary taxable income. Otherwise, interest paid will be treated as a disallowable expense and as such subject to a 35% penalty tax (if the Chilean HoldCo were a stock corporation). The Chilean IRS has ruled that interest accrued on loans obtained to finance the acquisition of shares of Chilean stock corporations is a non-deductible tax expense, as capital gains obtained from the disposal of shares could be subject to the single rate First Category Tax special tax regime. Consequently, a 35% penalty tax applies. A reduced 4% rate applies to interest derived from loans granted by foreign banks, foreign/international financial institutions, or foreign insurance companies and pension funds (falling within certain provisions of Chile's income tax law); provided the lender and borrower are either not related as defined in Chile's Income Tax Law, or if they are related, that thin capitalisation thresholds are not exceeded. According to thin capitalisation rules, when borrower and lender are related, and the Chilean borrower is in an excessive indebtedness situation, interest over the excessive indebtedness is subject to a further 31% tax payable by the borrower. A borrower is in excessive indebtedness when in the year the loan is granted its related foreign debt eligible for the 4% reduced tax rate exceeds three times its equity. Determination of the ratio requires a calculation based on the actual facts and figures. Thin cap rules must be observed in order to apply the reduced 4% withholding tax but do not affect the deductibility of interest expense.

⁴⁹ **COL:** Some liabilities with related parties from abroad are not considered as debt for tax purposes.

⁵⁰ **CR:** The following interest payments would not be deductible: i) interest paid by an LLC to its quota-holders; ii) where the interest rate exceeds fair market value, the excess portion of the interest over fair market value and iii) interest payments that have not been subject to statutory withholding. Where interest payments exceed 50% of net income, special reporting requirements apply.

⁵¹ **CAY:** See note to "Is there a special tax regime for holding companies?". There is no corporate tax in the Cayman Islands.

⁵² **COL:** Some restrictions may apply, depending on the business activities of the borrower.

⁵³ **CR:** Only if necessary to generate taxable income. The company would have to prove that its normal trade or business is selling stock.

⁵⁴ **ARG:** 15.05% where the lender is a bank or financial institution located in a non-tax haven country and in certain other circumstances. 35% for interest paid on loans other than from banks – certain exemptions are available, e.g. corporate bonds offered to the public.

⁵⁵ **BAR:** IBCs are exempt from withholding taxes on payments to a non-resident or another IBC. ISRLS are exempt from withholding taxes on payments to a non-resident or another ISRL or IBC.

⁵⁶ **BRA:** The rate is 25% on interest paid to tax haven countries.

⁵⁷ **CAY:** See note to "Is there a special tax regime for holding companies?". Cayman does not impose withholding taxes.

⁵⁸ **CHI:** In general, interest payable on foreign loans granted to taxpayers domiciled or resident in Chile is subject to a 35% "Additional Withholding Tax". A reduced 4% rate applies to interest derived from loans granted by foreign banks or foreign/international financial institutions, or foreign insurance companies and pension funds (falling within certain provisions of Chile's income tax legislation) provided the lender and borrower are either not related as defined in Chile's Income Tax Law, or if they are related, that thin capitalisation thresholds are not exceeded. According to thin capitalisation rules, when borrower and lender are related, and the Chilean borrower is in an excessive indebtedness situation, interest over the excessive indebtedness is subject to a further 31% tax payable by the borrower. A borrower is in excessive indebtedness when in the year in which the loan is granted, its related foreign debt eligible for the 4% reduced tax rate exceeds three times its equity. Determination of the ratio requires a calculation based on the actual facts and figures.

⁵⁹ **COL:** Interest paid to a non-resident beneficiary is generally treated as non-Colombian-source income and thus exempt from withholding tax. However, interest withholding tax at 33% applies where the interest payments qualify as domestic Colombian-source income.

⁶⁰ **CR:** General withholding tax rate on interest is 15%. 8% in respect of titles or stock registered on an official stock market. 0% for interest paid to 'first rank' approved banks and financial institutions.

⁶¹ **CAY:** There are no tax consequences of liquidation.

⁶² **CHI:** If on liquidation of an entity there are undistributed taxable profits, the liquidation proceeds will be taxable up to that amount. Also, if a liquidation process is required, assignment of assets to the beneficiaries must be made at fair market value which could give rise to additional income to the entity in liquidation. If a company is dissolved because one shareholder acquires all the shares, a full liquidation process is not required (the single shareholder is responsible for any tax due by the entity dissolved). The basis of the assets of the dissolved entity carries over to the single shareholder, enhanced or reduced by any tax goodwill.

⁶³ **COL:** Liquidation proceeds corresponding to capital reimbursement and inflationary adjustment on equity account can be distributed tax free. The excess is treated as a dividend, with the portion corresponding to taxed profits being tax free, while the portion corresponding to non-taxed profits will be subject to 33% withholding tax.

⁶⁴ **CR:** Only on the dividend element of the return.

⁶⁵ In many countries, whilst there may not be specific requirements for the subsidiary to be subject to a certain level of tax or meet specified substance criteria, CFC or equivalent legislation may apply to effectively tax income received by the subsidiary in the holding company's country of residence. The precise circumstances must be carefully considered.

⁶⁶ **COL:** However, HoldCo must register its investment in the foreign subsidiary with the Central Bank.

⁶⁷ In many countries, whilst there may not be specific requirements for the subsidiary to be subject to a certain level of tax or meet specified substance criteria, CFC or equivalent legislation may apply to effectively tax income received by the subsidiary in the holding company's country of residence. The precise circumstances must be carefully considered.

⁶⁸ **CHI:** The local entity pays the additional tax withheld on dividends distributed abroad, if applicable.

⁶⁹ **ARG:** Foreign dividends are taxed at 35%, with credit for direct and indirect foreign tax (provided certain conditions are satisfied).

⁷⁰ **BAR:** Dividends derived by Barbadian resident companies from an overseas company are exempt from tax in Barbados where the Barbados resident is a shareholder representing at least 10% of the capital of the overseas company and the shares are not held as a portfolio investment. The IBC or ISRL's credit may not reduce the tax to less than 1%.

⁷¹ **BER:** Bermuda does not impose taxation on dividends.

⁷² **BRA:** Profits of foreign subsidiaries must be added back to the taxable basis of HoldCo in the year in which the profits are registered. In all other cases (where a foreign subsidiary is not controlled by or affiliated to the Brazilian company and the Brazilian company's investment is valued on a cost basis), the foreign-source profits must be included in the Brazilian HoldCo's taxable income for the period of payment in accordance with the CFC provisions.

⁷³ **CAY:** See note to "Is there a special tax regime for holding companies?". There is no income or corporate taxation in the Cayman Islands.

⁷⁴ **CHI:** Dividends received from a Chilean entity are exempt. Dividends received from a foreign company are subject to 18.5% First Category Income Tax for the 2012 calendar year, reverting to 17% from the 2013 calendar year. When profits are distributed abroad, a 35% Additional Withholding Income Tax applies, against which the FCIT paid is creditable. If the taxable profits subject to FCIT do not cover the dividend distribution, the portion which is not covered will be subject to the 35% tax, with no credit.

⁷⁵ **COL:** HoldCo is entitled to a credit for withholding tax and other income tax suffered on dividends received from foreign subsidiaries up to the amount of tax that would be payable in Colombia on the income.

⁷⁶ **CR:** Dividends received from entities outside Costa Rica are exempt in accordance with the territoriality principle of taxation. Dividends received from domestic entities are specifically exempted.

⁷⁷ **ARG:** Losses on the disposal of shares can only be offset against profits on the sale of shares.

⁷⁸ **BRA:** Losses on the disposal of interests in Brazilian entities are tax deductible; losses on the disposal of foreign participations are not.

⁷⁹ **CAY:** See note to "Is there a special tax regime for holding companies?". There is no income or corporate taxation in the Cayman Islands.

⁸⁰ **CHI:** If capital losses are subject to general income tax treatment, they are deductible from any ordinary taxable income. In general, tax legislation accepts offsetting of tax losses generated during the commercial year and those generated in prior fiscal years against gross income, allowing the unlimited carry forward or back of such losses. If a company generates losses but has undistributed accumulated profits received through dividend distributions, these will absorb the profits received. As a result, the company will obtain a refund of the FCIT paid on the relevant profits, which is taxable on the recipient.

⁸¹ **COL:** Only against capital gains.

⁸² **CR:** Losses are only deductible if selling stock is the normal trade or business of HoldCo, so that any gains on the disposal would be taxable. The territorial principle of taxation applies.

⁸³ In many countries, whilst there may not be specific requirements for the subsidiary to be subject to a certain level of tax or meet specified substance criteria, CFC or equivalent legislation may apply to effectively tax income received by the subsidiary in the holding company's country of residence. The precise circumstances must be carefully considered.

⁸⁴ **COL:** The sale of the interest in the foreign subsidiary must be reported to the Central Bank.

⁸⁵ In many countries, whilst there may not be specific requirements for the subsidiary to be subject to a certain level of tax or meet specified substance criteria, CFC or equivalent legislation may apply to effectively tax income received by the subsidiary in the holding company's country of residence. The precise circumstances must be carefully considered.

⁸⁶ **BAR:** There are no specific rules on the taxation of capital gains in Barbados.

⁸⁷ **BER:** There are no capital gain taxes in Bermuda.

⁸⁸ **BRA:** Gains on the sale of both domestic and foreign participations are taxable.

⁸⁹ **CAY:** See note to "Is there a special tax regime for holding companies?". There is no income or corporate taxation in the Cayman Islands.

⁹⁰ **COL:** Taxable gains are calculated as the difference between the sale price and tax cost. If the foreign subsidiary itself paid any tax on the gain, a foreign tax credit is available to HoldCo.

⁹¹ **CR:** Exempt unless selling stock is the normal trade or business of HoldCo, when gains are taxed at 30%. The territorial principle of taxation applies.

⁹² **CAY:** See note to "Is there a special tax regime for holding companies?". There is no corporate tax in the Cayman Islands.

⁹³ **BAR:** The Barbados Income Tax Act does not provide for taxation of groups on a consolidated basis. Losses may be surrendered or used by group members. However, this does not apply to companies in the international financial sector.

⁹⁴ **CAY:** See note to "Is there a special tax regime for holding companies?". There is no corporate tax in the Cayman Islands.

⁹⁵ **CHI:** Chilean entities may not file consolidated returns, although some de facto consolidation methods exist (tax losses absorbing dividends received give rise to a refund of the underlying First Category Income Tax to the recipient).

⁹⁶ **PER:** It is possible to obtain a tax ruling as a guideline for interpretation, which is not binding but only specific associations can request the analysis of the controversial matter (e.g. the American Chamber of Commerce, etc).

⁹⁷ **URU:** However, companies, other than investment companies, are not permitted to hold participations in excess of their own equity.

⁹⁸ **PER:** There are no express regulations. As a local taxpayer, specific accounting records will be required and certain reporting obligations will apply for tax purposes.

⁹⁹ **DR:** 1% of authorised capital.

¹⁰⁰ **PAN:** No capital duty is payable where the holding company operates exclusively outside of Panama.

¹⁰¹ **PER:** No capital duty but registration fees are payable on the incorporation of a company.

¹⁰² **URU:** No duty is payable on the incorporation of HoldCo, but an annual tax (ICOSA) of approximately USD 465 applies. A second tax (IP) is levied at an annual rate of 1.5% on the difference in value between assets located in Uruguay and certain deductible liabilities. If the Uruguayan HoldCo's only assets are shares in foreign subsidiaries, then IP would not apply.

¹⁰³ **VEN:** Holding companies are established as regular Venezuelan companies. The law does not establish a limit on the amount of minimum stock capital; however, Registry Offices require a minimum stock capital, which may vary depending on the business activity of the company. Special capital duties apply.

¹⁰⁴ **PAN:** Companies which from Panama offer services such as commercial, financial or other services for main office, subsidiary, sister or affiliate companies in various countries, may apply for a "License of Site Office for a Multinational Corporation". Entities registered under this special regime are exempt from income tax on services provided to foreign domiciled entities and from VAT on export services to such entities.

¹⁰⁵ **URU:** Foreign-source income is not subject to IRAE (tax on business activities). As a result, income arising from investments abroad is not subject to business income tax.

¹⁰⁶ **MEX:** Companies, individuals and resident foreigners must pay tax on all earnings from companies or accounts in low-tax jurisdictions. Foreign-source income is deemed to come from a low-tax jurisdiction if it is not subject to taxation abroad or if it is subject to an income tax that is less than 75% of the income tax computed under Mexican tax legislation.

Passive income (i.e. dividends, interest, royalties and capital gains) derived directly or indirectly by a Mexican resident through a branch, entity or any other legal entity located in a preferential tax regime, will be subject to taxation in Mexico in the year in which the income is derived. Specific rules apply that permit the non-taxation of active income in certain cases.

Taxpayers earning income from a preferential tax regime must file an annual information return in February.

¹⁰⁷ **VEN:** The Income Tax Law contains fiscal transparency rules, under which taxpayers that invest directly, indirectly or through another person (i.e. an agent or intermediary) in entities or funds located in a low-tax jurisdiction must report the investment of the low-tax jurisdiction entity/fund, whether or not the income is distributed. Taxpayers must inform the Tax Authorities about investments in low tax jurisdictions via a special tax return which is filed with the final income tax return. Such income is considered as foreign-source gross income for purposes of Venezuelan income tax. To be subject to the fiscal transparency rules, however, the Venezuelan taxpayer must have power to influence the distribution of profits or dividends of the low-tax jurisdiction entity, or control the administration of the entity either directly, indirectly or through a third person.

¹⁰⁸ **DR:** The only treaty is with Canada.

¹⁰⁹ **PAN:** An exchange of information treaty is in effect with the US.

¹¹⁰ **PER:** Comprises three bilateral agreements and one multilateral agreement (Andean community countries: Ecuador, Bolivia and Colombia).

¹¹¹ **URU:** Treaties are in force with Germany, Hungary, Mexico and Spain.

¹¹² **GUA:** Companies registered under the general regime pay tax at 5% on operating revenue and 10% on capital gains. Companies under the optional regime pay tax at 31% on both net taxable income and capital gains.

¹¹³ **MEX:** Effective corporate tax rate is 30% from 2010 to 2012, 29% for 2013 and 28% from 2014. From 1 January 2008 a flat tax was introduced to replace the asset tax. From that date, corporations (including permanent establishments of non-Mexican entities) and individuals pay the sum of the income tax computed under the Mexican Income Tax Law and the excess of the flat tax over the income tax, if any. The flat tax rate for 2010 and subsequent years is 17.5%.

¹¹⁴ **VEN:** Venezuelan income tax is based on the "tax unit," which is subject to change on a yearly basis based on the rate of inflation. For FY 2011, the tax unit equals VEF 76 (approximately US\$ 17.67). A progressive system of tax rates applies with tax payable at 15%, 22% and 34% on different bands of taxable income (worldwide income). Flat rates of 50% and 60% respectively apply to taxpayers that operate exclusively in the oil industry or undertake mining activities.

¹¹⁵ **VEN:** Domestic financial institutions may not offer foreign currency accounts, unless otherwise authorised by the Currency Administration Commission (CADIVI). Venezuelan residents may hold foreign currency abroad, but all foreign currency bank transactions in Venezuela are prohibited, except for transactions involving the sale of currency from individuals and firms to

banks and exchange offices. Once such funds are acquired, they must be sold to the Central Bank. Only the CADIVI can authorise the purchase of foreign currency by individuals or legal entities for transfer, remittance or payment for the import of goods and services. Authorisation by the Commission is also needed to make capital and interest payments on duly registered private external debt. Foreign currency obtained from the export of goods and services must be sold to the Central Bank (less 30%, which may be retained to cover export-related expenses). All exports must be denominated in dollars, euros or other major currencies. No bolívar-denominated export sales are permitted. Non-residents may hold local interest-bearing time-deposit and non-interest-bearing demand-deposit accounts denominated in bolívares. Regulations issued by the Central Bank of Venezuela, which now monopolises the securities market, broadly require importers to request foreign currency from CADIVI. Where a Venezuelan company is not entitled to obtain foreign currency at the official exchange rates or if they are able to do so, CADIVI has not delivered the currency within 90 days, the Venezuelan company may purchase in VEF securities nominated in US\$ at the Central Bank of Venezuela through a system called *Sistema de Transacciones con Títulos en Moneda Extranjera* (System for the Transaction with Securities in Foreign Currency or SITME). Basically, the Venezuelan company should approach a Venezuelan financial institution and purchase in VEF securities nominated in US\$. To access SITME, the Venezuelan company must certify that it is an importer of products or services and a resident enterprise. The company is entitled to purchase up to US\$ 50,000 per day and up to US\$ 350,000 per year. The Central Bank of Venezuela publishes on a daily basis the exchange rate obtained through SITME. The foreign currency exchange rate via SITME will be higher than the official exchange rate of VEF 2.6 or VEF 4.3: US\$1.

¹¹⁶ **PAN:** Capital gains derived from the transfer of bonds, shares and other securities are subject to income tax at a fixed rate of 10%. Nonetheless, the buyer will always be required to withhold an amount equal to 5% on the aggregate proceeds of the sale that pertains to the Panama operation, which is an advance payment of the capital gains tax.

¹¹⁷ **PER:** If HoldCo is incorporated in Peru, the transfer of shares issued by HoldCo could give rise to a capital gain taxed in Peru at 5% or 30%. Under certain conditions, tax would also be levied in Peru at 5% or 30% on an indirect disposal of HoldCo shares.

¹¹⁸ **VEN:** Where the sale concerns shares in a Venezuelan entity (including a HoldCo located in Venezuela) and the purchaser is either a resident or non-resident enterprise, the sale price should be subject to 5% withholding tax. However, if the seller is non-resident, it is impossible for them to satisfy the withholding requirement.

¹¹⁹ **DR:** Under the Dominican Tax Code, all cash dividend payments to a resident or non-resident shareholder are subject to a 29% withholding tax. The tax withheld is available as a credit against future payments of income tax by the company.

¹²⁰ **GUA:** Provided that the Guatemalan payer has paid tax on its profits; 10% withholding tax otherwise.

¹²¹ **MEX:** Mexican legislation does not provide for withholding on dividends. Dividends are taxed at the level of the paying company on a grossed up basis at the corporate tax rate applicable in the year of payment, if the dividend does not come from the CUFIN (taxed profit account). The income tax paid can be credited by the Mexican company against its income tax liability for the next two years.

¹²² **PAN:** Withholding tax rate is 0% if no local income was generated (20% in the case of bearer shares), 5% on dividends paid out of foreign-source profits and 10% on dividends paid out of domestic profits.

¹²³ **URU:** If HoldCo owns shares in other Uruguayan companies whose income is subject to IRAE, dividends paid to foreign shareholders would be subject to tax at 7%, withheld by the Uruguayan payer.

¹²⁴ **VEN:** Dividend tax does not apply to dividends distributed from income that has been subject to corporate income tax at the level of the company distributing the dividends. Dividend tax applies only to any excess income not already subject to corporate tax.

¹²⁵ **DR:** Interest payments to non-residents are deductible only when they have been subject to the appropriate withholding tax at 10% (financial institutions) or 29% (non-financial institutions).

¹²⁶ **DR:** However, the interest rate charged cannot exceed the rate imposed by the Tax Administration on the unpaid tax liabilities of taxpayers who are in arrears.

¹²⁷ **MEX:** The main objective of thin cap rules is to limit the deductibility of interest derived from debts contracted with non-resident related parties that exceed three times the taxpayer's equity. A proportion of the interest on loans from foreign related parties only can be non-deductible under the thin cap provisions and the back-to-back rules.

¹²⁸ **PER:** Disallowed interest is not recharacterised as a dividend. Where borrowings are from a related party or loans involve a tax haven, transfer pricing provisions will apply.

¹²⁹ **VEN:** Debt:equity ratio is 1:1.

¹³⁰ **DR:** Interest payments to non-residents are deductible only when they have been subject to the appropriate withholding tax at 10% (financial institutions) or 29% (non-financial institutions).

¹³¹ **GUA:** Interest is deductible only where the loan is obtained from a regulated financial institution and is used to generate taxable income. If the loan does not meet these requirements, withholding tax applies and the interest expense is not deductible.

¹³² **PER:** Interest paid on loans to acquire shares has historically been disallowed. However, the tendency now is to evaluate if the overall result of the structure could comply with the "causality principle" necessary for claiming a deduction for expenses. This is analysed on a case-by-case basis. Assuming the interest is allowed as a deduction but is connected with foreign source income (e.g. dividends to be paid by foreign subsidiaries), the expense could not be offset against Peruvian source income.

¹³³ **VEN:** The expense must be "normal," "necessary" and directly related to the generation of profits.

¹³⁴ **DR:** 10% for interest payments to financial institutions, 29% for interest payments to non-financial institutions. Interest payments are only deductible when they have been subject to withholding tax at the appropriate rate.

¹³⁵ **GUA:** Exemption from the 10% withholding tax is available if the loans are granted by banking and financial institutions of the first order, duly registered as such in their country of origin; and those of a multilateral nature; in all cases domiciled abroad, provided that the loans are intended to be used for the production of taxable income and the foreign currency from the loans has been negotiated with the Banco de Guatemala or via a bank.

¹³⁶ **MEX:** The rate may be 4.9%, 10%, 21%, 30% or 40%. The 40% rate applies on payments to tax havens. The treaty rate depends on the country, the beneficial owner of the interest and, in some cases, the use of the credit.

¹³⁷ **PER:** 4.99% if certain specific conditions are met. 30% if the conditions are not met or where the borrowing is from a related party.

¹³⁸ **URU:** Interest is exempt from withholding tax when 90% of the assets of the payer of the interest generate income which is not subject to IRAE. This would generally be the case with a HoldCo and therefore the 12% general withholding tax rate would not be applicable.

¹³⁹ **URU:** Interest is exempt from withholding tax when 90% of the assets of the payer of the interest generate income which is not subject to IRAE. This would generally be the case with a HoldCo and therefore the 10% treaty withholding tax rate would not be applicable.

¹⁴⁰ **VEN:** Venezuelan income tax is based on the "tax unit", which is subject to an annual update based on the rate of inflation. A progressive system of tax rates applies at 15%, 22% and 34% on taxable income.

¹⁴¹ **PAN:** The repayment or reduction of capital on liquidation is not taxable. Capital reduction is only possible after distribution of the retained earnings and payment of the applicable dividend tax.

¹⁴² **PER:** Any amount paid to the shareholder in excess of the nominal value of the shares qualifies as a dividend subject to 4.1% withholding tax.

¹⁴³ **URU:** If HoldCo owns shares in Uruguayan companies, 7% withholding tax applies to the excess distribution over par value of the shares. Otherwise, withholding is not applicable.

¹⁴⁴ In many countries, whilst there may not be specific requirements for the subsidiary to be subject to a certain level of tax or meet specified substance criteria, CFC or equivalent legislation may apply to effectively tax income received by the subsidiary in the holding company's country of residence. The precise circumstances must be carefully considered.

¹⁴⁵ In many countries, whilst there may not be specific requirements for the subsidiary to be subject to a certain level of tax or meet specified substance criteria, CFC or equivalent legislation may apply to effectively tax income received by the subsidiary in the holding company's country of residence. The precise circumstances must be carefully considered.

¹⁴⁶ **DR:** Withholding taxes on dividends paid by the company can be used to offset future income tax payable, with the prior approval of the Tax Authorities. If the Tax Reform Project is approved, the withholding tax rate will be lower but the credit will be eliminated.

¹⁴⁷ **GUA:** Domestic dividends are exempt, provided that the profits out of which the dividend is paid have been subject to corporate income tax. Foreign dividends are exempt as Guatemala operates a territorial system under which only Guatemalan-source income is taxable.

¹⁴⁸ **PAN:** Withholding tax rate is 0% if no local income was generated (20% in the case of bearer shares), 5% on dividends paid out of foreign-source profits and 10% on dividends paid out of domestic profits.

¹⁴⁹ **PER:** Dividends received from foreign subsidiaries are treated as foreign source income and subject to the corporate tax rate of 30% (there are separate baskets for determining foreign and Peruvian source income). Dividends paid between Peruvian legal entities are not taxed and are not subject to the 4.1% withholding tax.

¹⁵⁰ **VEN:** Dividends are subject to a flat tax rate of 34% when the net income exceeds the income that has already been subject to corporate tax. Deemed dividends also should be subject to the 34% rate under the same circumstances. The net income is as shown in the approved financial statements prepared according to accounting principles. The income subject to corporate

tax is that which has been subject to cumulative and flat rates of corporate income tax as determined in accordance with tax legislation. The tax base for the dividend tax is the difference between the two.

¹⁵¹ **GUA:** Domestic dividends are exempt irrespective of the period for which the shares have been held provided that the profits out of which the dividend is paid have been subject to corporate income tax.

¹⁵² **GUA:** Capital losses can be carried forward for five years.

¹⁵³ **MEX:** Losses on the disposal of shares only may be offset against profits on the sale of shares or similar assets.

¹⁵⁴ **PER:** Capital losses derived by a Peruvian HoldCo from foreign participations will be treated as foreign source losses and can only offset foreign source income (there are two separate baskets). No carry forward is allowed in the latter case.

¹⁵⁵ **VEN:** Losses on the sale of shares are deductible where the following requirements are met: (i) the acquisition price of the shares did not exceed the quoted price for quoted shares or the book value for unquoted shares; (ii) the shares have been owned for at least two years; and (iii) the seller demonstrates to the Venezuelan tax authorities that the entity in which the shares are to be sold has carried out economic activities during the last two years. Foreign capital losses are deductible only against foreign income; domestic losses are deductible only from domestic income.

¹⁵⁶ In many countries, whilst there may not be specific requirements for the subsidiary to be subject to a certain level of tax or meet specified substance criteria, CFC or equivalent legislation may apply to effectively tax income received by the subsidiary in the holding company's country of residence. The precise circumstances must be carefully considered.

¹⁵⁷ In many countries, whilst there may not be specific requirements for the subsidiary to be subject to a certain level of tax or meet specified substance criteria, CFC or equivalent legislation may apply to effectively tax income received by the subsidiary in the holding company's country of residence. The precise circumstances must be carefully considered.

¹⁵⁸ **GUA:** 10% for companies under the general tax regime; 31% for companies under the optional tax regime.

¹⁵⁹ **PAN:** Capital gains derived from the transfer of bonds, shares and other securities are subject to income tax at a fixed rate of 10%. Nonetheless, the buyer will always be required to withhold an amount equal to 5% on the aggregate proceeds of the sale that pertains to the Panama operation, which is an advance payment of the capital gains tax.

¹⁶⁰ **PER:** Gains on the disposal of foreign participations are treated as foreign source income (separate basket) and subject to the standard 30% corporate tax rate.

¹⁶¹ **VEN:** Venezuelan income tax is based on the "tax unit," which is subject to an annual update based on the rate of inflation. A progressive system of tax rates applies with tax payable at 15%, 22% and 34% on different bands of taxable income.

¹⁶² **PER:** Impairments and other reserves reducing the initial value of the investment have no tax effect. The tax basis will remain the same (acquisition value) when determining any potential capital gain.

¹⁶³ **MEX:** Mexican groups may net their income tax results to the extent of the direct or indirect participation of the Mexican holding company. Authorisation must be requested no later than 15 August of the preceding year.

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