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# DOING BUSINESS

## IN LATIN AMERICA & THE CARIBBEAN

ARGENTINA  
BOLIVIA  
BRAZIL  
CHILE  
COSTA RICA  
DOMINICAN REPUBLIC  
ECUADOR  
GUATEMALA  
MEXICO  
NETHERLANDS ANTILLES  
PERU  
TURKS & CAICOS ISLANDS  
URUGUAY  
VENEZUELA

## Doing Business in Latin America and the Caribbean

This publication has been prepared by the lawyers of Meritas firms to provide an overview to foreign investors and business people who have an interest in conducting business in Latin America and the Caribbean. The material in this publication is intended to provide general information only and not legal advice. This information should not be acted upon without prior consultation with legal advisors familiar with the specifics of your particular matter.

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The following currency notations are used in this book.

ARS Argentinian Peso	GTQ Guatemalan Quetzal
BRR Brazilian Cruzeiro Real	MXN Mexican New Peso
CRC Costa Rican Colón	USD United States Dollar
DOP Dominican Republic Peso	VEB Venezuelan Bolivar

Please be aware that the information on legal, tax and other matters contained in this booklet is merely descriptive and therefore not exhaustive. As a result of changes in legislation and regulations as well as new interpretations of those currently existing, the situations as described in this publication are subject to change. Meritas cannot, and does not, guarantee the accuracy or the completeness of information given, nor the application and execution of laws as stated.

Bolivia is a country with an amazing natural beauty and a diverse landscape, sheltering a fourth of the world's greatest biodiversity. Bolivia's riches also include raw material, industrialized material and of course, tourism. Located in the heart of South America, Bolivia is divided into nine political departments. Its democratic government is divided into three powers, the Executive, the Legislative and the Judicial. A new governmental period (2006 – 2011) began in January 2006.

## **FOREIGN INVESTMENT**

Reforms in Bolivia have opened for private investment the exploitation of renewable and nonrenewable natural resources, as well as industry, commerce and public services. The reforms relegated the state's role to that of merely a regulator. With these changes, Bolivia is rising economically.

### **FORMAL REGISTRATION REQUIREMENTS**

Requirements for registry of foreign investments are the same as those for national investments and do not require previous authorization.

### **EXCLUDED ACTIVITIES/LIMITATIONS ON FOREIGN OWNERSHIP**

Foreign private investors may invest in all fields except

- Acquisition of property rights of soil and under soil within 50 kilometers of the borders
- Acquisition of property rights of some mining concessions nationalized in the past
- Acquisition of property rights of hydrocarbon deposits
- Imports of goods and services which could affect public health or state security

### **BENEFITS/REMITTANCE OF PROFITS**

Legal rules have been issued to expedite and protect foreign investment. There is freedom in currency exchange and convertibility. There are no restrictions regarding income and egress of capital or for the remittance abroad of dividends, interest and royalties. Administration of justice has been subject to great transformation, while legislation has been modernized to provide legal certainty for investments. Foreign investors may freely hire investment insurance in Bolivia or abroad. They can also submit their controversies to national or foreign courts of arbitration.

## BUSINESS ENTITIES

In general, foreign investment in Bolivia occurs either by establishing corporations (stock companies) or by establishing foreign branch companies.

### REQUIREMENTS FOR CORPORATIONS

Corporations must have at least three stockholders. The ratio of authorized capital to paid-up capital may be established at 1:8. Shares must be freely transferable. General stockholders meetings must take place at least once per year, at its legal address. A corporation must have an administrative board with a minimum of three and a maximum of 12 directors. Meetings may be held anywhere in the world.

### PUBLIC RECORDS

A corporation's constitution must be registered with the Registry of Commerce and Stock Associations and at the Registry of the corresponding activity. Registration procedures take approximately 30 days.

### FOREIGN CORPORATION BRANCHES

To establish a branch of a foreign company, the Bolivian consul in the corporation's country of origin must duly authorize these documents

- The constitution and bylaws of the corporation
- Certification by the corresponding administrative authority of the legal existence of the corporation
- A resolution by the appropriate agency of the corporation authorizing establishment of a branch in Bolivia, choosing the address for its performance, and designating who will represent it and the capital with which the branch will operate
- A grant of power-of-attorney to those who will be its representatives, with wide power to accomplish the corporation's objective in Bolivia and for representing it judicially and extra judicially

The process for all of these documents takes approximately 45 days.

## TAXATION

Bolivia has simplified its Tributary System. Taxes paid by companies are considered to be among the lowest in Latin America.

The nation's Tributary Reform created these taxes related to companies

- Value added tax (IVA)
- Excise tax (IT)
- Income tax (IUE)
- A tax regarding remittance abroad of income from Bolivian sources

### VALUE ADDED TAX (IVA)

This 13% tax applies to the value of works or services rendered, rental income from real estate and personal property, and sale of personal property, definite imports and financial rent. It is assessed monthly. However, all taxes are discounted in purchases of goods connected to the corporation's activities. This tax does not apply to the sale of credit instruments.

### EXCISE TAX (IT)

This 3% tax applies to any invoice issued by practice of commerce, industry, profession, rent of goods, works and services and transferences of real estate and vehicles. It is assessed monthly. This tax does not apply to the sale of credit instruments.

### COMPANY INCOME TAX (IUE)

A company's net income is subject to an annual 25% tax. Tax regulations outline deductible expenses for calculating the income. Branches of foreign corporations must keep their accounts separate from those of their head offices, in order to determine the taxable income from Bolivian sources. This tax is considered as payment on account for the next excise tax (IT).

### TAXES ON REMITTANCE OF PROFITS ABROAD

Companies that pay profits from Bolivian sources to beneficiaries outside the country must withhold, as a unique and definitive payment, 12.5% of the profit paid or sent abroad.

## INTELLECTUAL (INDUSTRIAL) PROPERTY

Special Bolivian laws regulate industrial property, in accordance with these Bolivian and international agreements

- “*Ley de Privilegios Industriales*” of 12 December 1916
- “*Ley Reglamentaria de Marcas*” of 15 January 1918
- Paris Convention for the protection of Industrial Property of 20 March 1883, with its corresponding amendments
- Montevideo Convention of 25 February 1904; Caracas of 18 July 1911
- Decision 486 of the “*Régimen Común Andino de Propiedad Industrial*” of 15 September 2000
- WIPO Convention – Law 1438 of 12 February 1993
- “*Acuerdo sobre los Aspectos de Propiedad Intelectual relacionados con el Comercio ADPIC*”- Law 1637 of 5 July 1995

These laws and agreements apply to

- Any new invention, if it is applicable for industrial use
- Patterns and industrial designs, novelty patterns and those of usefulness
- Brands or distinctive factory signs in general, including those of commerce, agriculture and services
- Names, signs, ensigns, notices, labels and commercial styles, as well as denominations of origin

### REQUIREMENTS

To register a patent of invention or a mark in Bolivia, owners must indicate classes in which they claim to have legal protection according to international classification. They must also supply a power-of-attorney sufficient enough to enable the corresponding procedures, appeals, answers to opposition (if any), and set up opposition in its case.

### TERMS OF PROTECTION

Patents of invention grant rights to holders for a term of 15 years that cannot be postponed. Trademarks and service marks are acknowledged for a term of 10 renewable years.

## LABOR LAW

Bolivia currently has numerous labor laws. The law provides workers these rights and benefits

- A monthly salary, for eight working hours from Monday to Friday and five working hours on Saturdays
- A Christmas bonus equivalent to one monthly salary, payable each December
- Annual vacation of 15 days after the first year of work, 20 days after five years and 30 days after 10 years
- Severance pay equivalent to one monthly salary for each year of work for workers who voluntarily retire after five years of work or whom a company retires after their first three months of work—which are considered a trial period. This benefit does not apply to workers dismissed for just cause as defined by the law.
- Severance pay equivalent to three monthly salaries for workers dismissed without due process after the initial three-month trial period. The company is not required to pay the worker this benefit if it gives the worker 90 days advance notice of dismissal.
- Social Security: a company must contribute 10% of its workers’ salaries to an insurance program for illness and maternity and 3.71% to a pension funds program

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